Volksbanken Raiffeisenbanken
cooperative financial network

ANNUAL REPORT 2022

dzhyp.de

DZ HYP

OVERVIEW

€ mn	2022	2021
DEVELOPMENT OF NEW BUSINESS		
Corporate Clients	8,064	8,736
Retail Customers	1,624	2,730
Public-Sector Clients	751	582
PORTFOLIO DEVELOPMENT	**31 Dec 2022**	**31 Dec 2021**
Total assets	77,224	81,631
Mortgage loans	56,686	55,494
Originated loans to local authorities	9,283	9,571
Local authority lending*)	7,859	10,101
Bank bonds	298	225
Mortgage-backed securities (MBS)	254	309
Pfandbriefe and other debt securities	48,672	51,681
Own funds	1,895	2,387
Total capital ratio (in %)	12.6	15.3
Tier 1 ratio (in%)	12.1	11.1
Common equity tier 1 ratio (in %)	12.1	10.7
PROFIT AND LOSS ACCOUNT	**1 Jan to 31 Dec 2022**	**1 Jan to 31 Dec 2021**
Net interest income	671.8	668.7
Net commission result	-20.1	-38.3
Administrative expenses	275.8	251.3
Net other operating income/expenses	16.9	0.3
Risk provisioning	-85.6	-35.0
Net financial result	-134.0	-5.0
Operating profit	173.2	339.4
Allocation to the fund for general banking risks	31.0	147.0
Partial profit transfer	19.6	14.7
Taxes	92.6	125.5
Profits transferred under a profit and loss transfer agreement	30.0	52.2
Distributable earnings	61.4	199.3
Cost/income ratio (in %)	42.4	41.9
Return on equity (in %)	7.3	16.1
NUMBER OF EMPLOYEES	**31 Dec 2022**	**31 Dec 2021**
Annual average	855	831

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

Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

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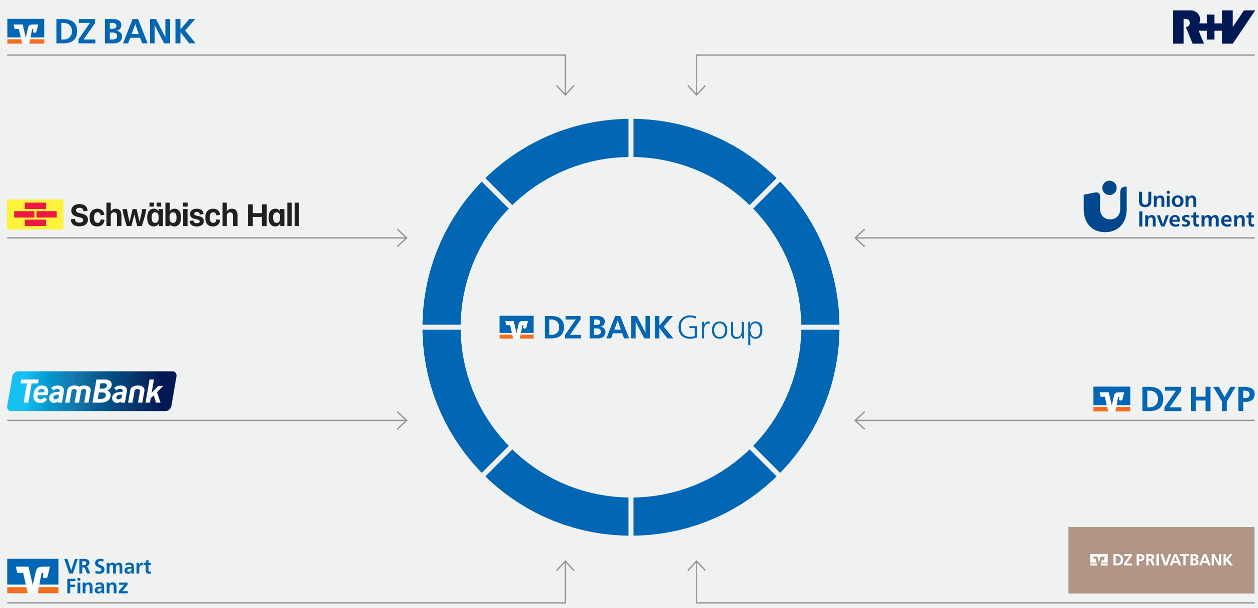
DZ HYP

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



DZ HYP is itself a part of the DZ BANK Group and therefore of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which comprises 737 individual cooperative banks. In terms of total assets, the network ranks among the largest financial services organisations in Germany. Within the Cooperative Financial Network, DZ BANK AG acts as the central institution, tasked with supporting the local cooperative banks' transactions as well as strengthening their competitive position. It operates as a commercial bank, and exercises the holding entity function for the DZ BANK Group.

DZ BANK Group comprises Bausparkasse Schwäbisch Hall building society, DZ HYP, DZ PRIVATBANK, R+V Versicherung insurance, TeamBank, Union Investment Group, VR Smart Finanz as well as various other specialist financial services providers. The various DZ BANK Group entities and its strong brands are the cornerstones of a comprehensive range of financial services offered through the Cooperative Financial Network. DZ BANK Group has organised its strategy and range of services for the cooperative banks and their clients along the lines of four business segments: Retail Banking, Corporate Banking, Capital Markets and Transaction Banking.

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

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LETTER FROM THE MANAGEMENT BOARD

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

Dear Business Associates,

The geopolitical situation changed significantly last year. Russia's war of aggression against Ukraine is responsible above all for untold human suffering. In addition, we too are now feeling its effects. The prices of energy and food have gone up considerably. And as the global economic environment has darkened, supply chain bottlenecks, and ongoing shortages of materials and staff are putting pressure on businesses and consumers alike. The inflation rate rose to an annual average of 7.9 per cent in 2022, which is its highest level since the Federal Statistical Office of Germany started keeping records in 1950. The ECB raised its base rate four times during the year under review and announced further interest rate hikes. Yields on 10-year German Bunds rose to two per cent, putting additional strain on real estate markets. The good news is that the pressures on the German economy are more moderate than researchers initially feared. A loss of purchasing power and lower consumer confidence will nevertheless make themselves felt.

These developments also had a tangible influence on real estate markets. The year 2022 got off to a spectacular start, but the interest rate turnaround in the spring soon changed the situation. The second half-year was increasingly defined by caution on the part of market participants, and there was no sign of the usual year-end rally. On the contrary, the final quarter was the weakest in the past ten years. Transaction volumes were significantly down on the record year 2021 during the year under review.

DZ HYP performed soundly against this backdrop. We closed the year 2022 with a lower volume of new business than expected. But in view of the current situation, the figure of € 10.4 billion is nevertheless a result we can be proud of because it shows that we can still do good business, even in challenging years. We reported sales of € 8.1 billion in corporate business, which is around 8 per cent less than the volume generated in 2021. The decline was larger in the retail business, however. Higher interest rates for construction finance meant that retail customers were more reluctant to borrow. Our commitment volume of € 1.6 billion was significantly lower than in the previous year. With our public-sector clients we were able to increase business volume by around one third, to € 751 million.

A non-recurring factor resulting from opportunistic securities disposals caused DZ HYP's earnings to fall in the reporting year. Despite this, the Bank's business model proved that it is robust and sustainably viable, even when faced with multiple crises, as long as the business and risk strategy is pursued consistently.

Digitalisation is a topic that is commanding considerable resources in the real estate industry. DZ HYP is also fully committed to its strategy in this area. In private home loan finance we are not only focusing on a balanced product range, but on opening up new distribution channels in a joint effort with the Cooperative Financial Network, in order to respond adequately to changes in the market. The Bank is currently extending its platform footprint in order to grow the number of available sales channels in a construction finance market that is currently contracting. We are also working to connect Atruvia's omnichannel advisory front-end platform. The focus here is on high process efficiency and reliability to ensure great customer service in loan processing and competitive terms.

The Corporate Clients segment is working on "FK Digital", a project to develop a new system environment that enables modern working conditions, allows for a high degree of integration with existing systems and meets the needs of clients and third parties for state-of-the-art digital communications.

Sustainability is another topic that continues to occupy us. We set up and successfully completed the "ESG Risks" project in 2022. This involved developing a methodology for quantifying emissions in the real estate business, and a valuation model for the relevant drivers of physical and transitory risks in the real estate portfolio. We incorporated ESG topics into the Bank's risk strategies and defined indicators for determining and managing the corresponding risk potential. The issue of our first green Pfandbrief in February 2022 was a key milestone. We successfully repeated the exercise at the start of this year with the issue of a green dual tranche.

During the year under review, we also completed the renovation of our office building in Münster. "Cube 1" is an attractive, modern workplace where our colleagues feel comfortable. The partial renovation of our Hamburg offices was completed a year earlier in 2021. Both sets of building work are now in the process of being certified by the German Sustainable Building Council (DGNB). We are expecting a certificate in the Silver category for Hamburg and in the Gold category for Münster in the current year.

There will be changes on the Management Board in the course of this year. Following a 15-year tenure on DZ HYP's Management Board, including 14 years as its Spokesman and Chief Executive Officer, Dr Georg Reutter will leave the Bank for personal reasons with effect from 31 July 2023. The Supervisory Board has appointed Sabine Barthauer, who has been a member of the DZ HYP Management Board since 1 January 2021, to succeed him as CEO as of 1 August 2023. A decision on Ms Barthauer's successor in the functions of Management Board member responsible for the back office and Chief Risk Officer will be taken in due course.

We anticipate that the challenging conditions will stay with us again this year. At the same time we are looking forward to driving the digital and sustainable development of our Bank, to ensure that we remain a capable and reliable source of real estate finance and a partner to the cooperative banks in Germany.

Yours sincerely,
The Management Board

Dr Georg Reutter Chief Executive Officer	Sabine Barthauer	Jörg Hermes

Hamburg and Münster, 29 March 2023

ABOUT DZ HYP

PARTNER FOR REAL ESTATE FINANCING AND PUBLIC-SECTOR LENDING IN THE GERMAN COOPERATIVE FINANCIAL NETWORK

As a member of the German Cooperative Financial Network, DZ HYP is committed to the success of its partners and clients. We are strengthening the market position of the cooperative banks in the segments of Corporate Clients, Retail Customers and Public Sector. In DZ HYP, local cooperative banks have a partner supporting them, with a strong funding base, a decentralised approach and proximity to clients. The Bank's central business policy role is to anchor real estate financing and public-sector lending in the Cooperative Financial Network, and to realise financing solutions together. To this end, DZ HYP offers a solution-oriented range of products and services to the German cooperative banks, working hand in hand with them to cover the regional markets. In this context, both sides benefit from the partnership – DZ HYP from the direct contact with regional clients, and the cooperative banks from the business relationships arising from developing the market throughout Germany.

Collaboration with the German Cooperative Financial Network for corporate clients

In the business with corporate clients, cooperation with DZ HYP using the IMMO META product family puts the cooperative banks in a position to realise larger financing solutions for their medium-sized real estate customers and companies in the housing industry, as well as to diversify their own risk exposure. Cooperative banks can tap into the specific financing expertise of their network partner, while at the same time contributing their regional market knowledge.

Via IMMO META, DZ HYP participates on a *pari-passu* basis in real estate finance exposures originated by cooperative banks in their region. The respective cooperative banks retain their lead manager role with such financings. Using IMMO META REVERSE, the cooperative banks can get involved in selected large-volume DZ HYP financing projects from as early as the origination phase. The financing partners themselves decide on the level of their involvement, also participating on a *pari-passu* basis. IMMO META REVERSE^{+} allows a large number of cooperative banks to acquire individual tranches of a real estate financing arrangement originated by DZ HYP, as partners in the syndicate, of equal rank and in a standardised manner. German cooperative banks can access an online platform to simplify the process and ensure efficient distribution. A framework agreement must be concluded prior to utilisation.

Retail customers business

In the Retail Customers segment, DZ HYP offers initial and roll-over financings for new construction, purchase and modernisation/refurbishment. The entire life cycle from receipt of request through to final repayment is pooled in one front-office unit. DZ HYP has dedicated regional directors to support the banks responsible for intermediating the loans in their sales and market activities. Queries regarding specific cases are also answered and resolved quickly by the Bank's customer dialogue centre. The VR-Baufi product family covers the entire range of private home loan financing. Annuity loans can be agreed with different fixed interest rate periods and product features to suit individual customer requirements, including a variety of options for unscheduled repayments and changes in repayment rates. Across all distribution channels, DZ HYP provides its intermediary banks with the latest terms and conditions updated on a daily basis and a digital lending decision system. The Bank guarantees fast, dependable decisions with binding service levels and streamlined processes.

The upwards trend in platform-based business is still ongoing. In addition to its established market places GENOPACE and BAUFINEX, DZ HYP now offers all interested cooperative banks a joint market presence on EUROPACE on EUROPACE in the form of a product combination of a senior loan from DZ HYP and a subordinated loan from the sales bank. Joint product placement on EUROPACE opens up an attractive market place, with high transaction volumes, for DZ HYP and its distribution partners in home loan financing. In response to the increase in platform business, DZ HYP has developed VR-BaufiSelect. This product makes optimal use of the platforms' technical structuring options in order to offer distribution partners the best terms and conditions. VR-BaufiSelect is optimised by means of risk-adjusted pricing, which also automatically factors in information on the financing structure, the loan-to-value ratio, and the borrower.

Business with public-sector clients

As a centre of competence for public-sector clients within the Cooperative Financial Network, DZ HYP supports cooperative banks across Germany in developing their business with administrative districts, towns/cities and local authorities, their legally dependent operations, municipal special public-law administrative unions and public-sector institutions. The core of both the business conducted jointly with the German cooperative banks and the direct business is the granting of portfolio of loans to local authorities and short-term public-sector loans. In addition, DZ HYP offers banks a municipal ranking that uses the latest data to provide information on the economic, budgetary and debt situation of the municipalities in the individual business regions. The public-sector client target group includes smaller and medium-sized municipalities in particular.

Managing real estate risks

To complement its product range, DZ HYP provides a web-based rating application that is uniform across the cooperative network to the German cooperative banks in the form of "agree21VR-Rating-IMMO". This application allows the cooperative banks to determine the client-specific probabilities of default for their commercial real estate clients. DZ HYP offers this application in collaboration with Atruvia and parcIT GmbH. The banks can use the process to implement a modern risk management process that takes account of all the relevant factors. It is aimed at cooperative banks with commercial real estate financing activities, and at those for which commercial real estate accounts for a significant proportion of their credit portfolio. It provides an important foundation for joint business within the Cooperative Financial Network.

Real estate valuation by the subsidiary VR WERT

VR WERT Gesellschaft für Immobilienbewertungen mbH, a wholly-owned subsidiary of DZ HYP, appraises real estate for banks, the corporate sector, investors and housing cooperatives. The range of services offered includes market and mortgage lending value appraisals, advice/consultancy on real estate matters and product audits of appraisals performed by German cooperative banks. Depending on individual requirements, mortgage lending values are calculated in accordance with the Regulation on the Determination of the Mortgage Lending Value or the uniform Valuation Directive 3.0 (Wertermittlungsrichtlinie 3.0) of the Cooperative Financial Network. The company values properties financed by DZ HYP with a focus on the business with corporate clients, who require a particularly sophisticated and individual case analysis, as well as on privately owned properties.

Ratings

Standard & Poor's (S&P) reviewed the DZ HYP rating in May and December 2022 and confirmed both the issuer rating A+/A-1 and the stable outlook. S&P considers that risks have increased on German and international real estate markets, with rapid and steep interest rate increases in the course of 2022 after years of pricing increases at ultra-low interest rates. Commercial real estate in particular is expected to see falling valuations. The assumption is nevertheless that performance will be stable if rents develop accordingly. S&P sees low loan-to-value ratios and high debt service coverage ratios in DZ HYP's credit portfolio as evidence of prudent lending policies and a high degree of resilience in the face of moderate stress levels. S&P also emphasises the Bank's long-standing client relations, along with its solid, reliable expertise in financing commercial and residential real estate.

DZ HYP's rating is also supported by its membership of the DZ BANK Group, the Cooperative Financial Network and the cooperative deposit insurance scheme. DZ HYP's Mortgage Pfandbriefe and Public Pfandbriefe continue to be rated "AAA/A-1+" by S&P, with a stable outlook.

Moody's reviewed the DZ HYP rating in October 2022 and confirmed both the issuer rating "Aa2/P-1" and the stable outlook. In addition to strong fundamental data, DZ HYP's rating continues to benefit from the assumed support of DZ BANK, and the very high probability of support from the deposit insurance scheme of the Cooperative Financial Network. The expected government support due to the systemic relevance of the Cooperative Financial Network also has a supportive effect. Moody's continues to assign the top "Aaa" rating to DZ HYP's Mortgage and Public Pfandbriefe.

Fitch Ratings evaluates DZ HYP as part of the joint rating assigned to the Cooperative Financial Network Group. The issuer default rating of "AA-/F1+" and the stable rating outlook were both confirmed in July and December 2022. The ratings reflect the Group's highly diversified business profile, its low leverage, excelling refinancing profile, strong capitalisation, solid asset quality and above-average profitability by national standards. The high interest rate risk in the loan and securities portfolios of the local cooperative banks in Fitch's view is sufficiently compensated for by the strong deposit business, liquidity position and earnings situation. Support within the Cooperative Financial Network and the deposit insurance scheme of the National Association of German Cooperative Banks (BVR) are other factors with a positive impact on the rating.

RATING OVERVIEW

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

*) joint rating of the Cooperative Financial Network

DIGITALISATION

Digitalisation in the retail and corporate business

DZ HYP continued to pursue its digitalisation strategy in many areas in the 2022 financial year. The Bank developed new solutions for setting terms and making credit decisions in its retail customer business, which will be in use from 2023. The expansion of the VR-BaufiConnect 2.0 platform represented significant progress for the cooperative banks, with an extensive prospecting solution for home loan financing.

Preparatory work to develop a new systems environment was carried out during the year under review, as part of the "FK Digital" project for the Corporate Clients business. After identifying the technical requirements in the initial phase, the architecture and potential implementation options were drawn up. Key aspects of the implementation, which will start in 2023, are the optimal use of data in processes, interface optimisation, the realisation of efficiency gains and the ability to meet the future demands of market participants and regulatory authorities. Moreover, the Bank plans to introduce a digital signature for corporate clients.

Modification of internal bank processes

DZ HYP also continued to advance the digital transition of its internal processes during the year under review, and has now enabled almost all internal processes to be handled digitally. One milestone was the successful migration of our banking systems to S/4 HANA and we started to modify the remaining SAP bank management components. In addition, the Bank defined a strategy for implementing the DZ HYP cloud infrastructure, establishing its future importance, setting out a roadmap and completing initial organisational preparations. Implementation in the first application areas will start in 2023.

SUSTAINABILITY

Part of day-to-day business

As a member of the DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of responsible business practices. This means that the Bank's entrepreneurial spirit has a long-term horizon; it uses natural resources in a sensitive and efficient manner, and takes risks and opportunities into consideration as part of its decision-making processes. DZ HYP has published an annual Sustainability Report since 2012, in which it discusses all the key aspects of the Company in this area, the main progress made to date and the targets for future endeavours. In the reporting year the main focus for DZ HYP was the sustainability classification of the lending business. On the basis of these efforts DZ HYP was able to place the first green mortgage Pfandbrief on the market in February 2022.

Sustainable corporate governance

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

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

In the context of regulatory efforts to incorporate environmental, social and governance criteria into risk management, DZ HYP set up and brought to conclusion a project entitled "ESG Risks" in the reporting year. This involved developing a methodology for quantifying emissions in the real estate business, and a valuation model for the relevant drivers of physical and transitory risks in the real estate portfolio. In addition, we incorporated ESG topics into the Bank's risk strategies and defined indicators for determining and managing the risk potential.

Responsibility for its employees

Entrepreneurial success depends on the dedication and performance of the Bank's employees. As a result, DZ HYP pursues a human resources policy that strikes a balance between the needs of its employees and economic requirements in an environment characterised by demographic change. Components of this policy include personnel development, talent recruitment and talent training, and moves to promote career advancement amongst women. Measures are also taken to help employees strike a balance between personal and professional commitments. In recognition of our family-friendly human resources policy, the non-profit Hertie Foundation first awarded DZ HYP the "audit berufundfamilie" certificate back in 2013. The Bank has since regularly received the seal of quality, which has to be acquired anew every three years. It applies to the two main sites in Hamburg and Münster. In addition, DZ HYP offers its employees wide-ranging occupational health management activities and benefits.

Social commitment

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

Companies and associations from the cooperative organisations joined forces in March of the reporting year to support people in Ukraine following the Russian invasion. This alliance donated almost € 1.5 million to the German branch of the Red Cross. Thanks to the great response from our employees and the Bank's own donation, DZ HYP contributed more than € 100,000. The donations went to an emergency aid project to reinforce the capabilities of the Ukrainian Red Cross and wide-ranging activities to welcome and care for people who had fled their country.

As in previous years, the Bank also doubled the staff Christmas collection initiated by the Works Council. The total of € 18,700 was divided equally between two different charitable organisations. One donation went to the Soup Kitchen for homeless people organised by the parish of St. Georg-Borgfelde in Hamburg. Some 200 homeless and destitute people receive a warm soup there once a week. The other donation was to Hände für Kinder e.V., a charity based in Hamburg-Duvenstedt. It helps physically and mentally disabled children and young people, together with their families, by enabling them to take a break and recharge their batteries for day-to-day life.

As in previous years, DZ HYP once again largely refrained from sending out Christmas cards in 2022, using the amount saved to provide support to four social projects proposed by its workforce. These projects included the charity NIMA's e.V. from Münster, which helps children and teenagers from poor families and makes it easier for them to attend school and vocational training courses. Another donation went to a non-profit called DREH DEINEN FILM! e.V. from Hamburg. This organisation enables children and young people to make their own films. The Fördergemeinschaft Kinderkrebs-Zentrum Hamburg e.V. received funding for various projects to improve the lives of children with cancer. The last donation was made to the Elternverein krebskranker Kinder e.V. in Chemnitz. This association also helps children and young people with cancer, supporting them and their families from the time their illness is identified until they are able to resume their normal lives.

Ecological responsibility

As part of a programme to modernise the buildings at DZ HYP, the head offices in Hamburg and Münster have been undergoing renovation work since 2018 and 2019, respectively. Construction work in Hamburg was completed mid-2021. In Münster the building work was completed in the summer of the reporting year. Both sets of building work are now in the process of being certified by the German Sustainable Building Council (DGNB). DZ HYP expects a certificate in the Silver category for Hamburg and in the Gold category for Münster in 2023.

The power supplied to both of the main locations comes from certified green electricity from hydropower. The fact that the Münster site has received an award under the ÖKOPROFIT programme (an ecological project for integrated environmental technology involving the City of Münster, industry, chambers of commerce and national partners) since 2012 bears testimony to the quality of its environmental management system. In response to the gas shortages caused by the war in Ukraine, the Bank set up a working group to examine ways to conserve energy. Various options were implemented in close cooperation with the corresponding working group at DZ BANK Group level. They included reducing the office temperature and cutting outside lighting to a minimum.

Sustainability in the DZ BANK Group

With a view to integrating sustainability to an even greater extent in business processes, DZ HYP has been playing a role in the DZ BANK Group's sustainability market initiative since 2012. For this purpose, a permanent Corporate Responsibility Committee (CRC) was formed in 2014, of which DZ HYP is a member. The results of this collaboration include, for example, common supplier standards and the development of a policy on sustainability in lending.

In addition, the Bank is involved in various specialised working groups within the DZ BANK Group. In the course of this work the existing code of conduct was revised and exclusion criteria were defined for specific business practices and areas in the reporting year. Both documents were published at the beginning of 2023.

MANAGEMENT REPORT

BUSINESS MODEL

The commercial real estate bank for the Cooperative Financial Network

DZ HYP is a leading provider of real estate finance and a major Pfandbrief issuer in Germany, as well as a centre of competence for public-sector clients within the Volksbanken Raiffeisenbanken Cooperative Financial Network. The Bank is active in three business segments: Corporate Clients, Retail Customers and the Public Sector. In its business activities, DZ HYP targets clients directly and acts as a partner to Germany's cooperative banks. The Bank is represented nationwide, with two head offices in Hamburg and Münster, six real estate centres in the business hubs of Hamburg, Berlin, Dusseldorf, Frankfurt, Stuttgart and Munich, and regional offices in Hanover, Kassel, Leipzig and Nuremberg. This decentralised structure gives DZ HYP regional proximity to the cooperative banks and their customers.

Customised financing solutions for corporate clients

Within the Corporate Clients segment, DZ HYP is active both as part of its direct business and as a partner to Germany's cooperative banks, working with commercial real estate investors and the housing sector. DZ HYP focuses on financing properties in the German market, as well as providing support for German clients' investment projects in selected international markets. Its commercial real estate finance activities are focused on the core segments of office, residential and retail properties. DZ HYP is also involved in the specialist segments of hotels, logistics 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. When selecting exposures, priorities lie in the quality of the client relationship, the third-party usability of the financed property, and collateralisation through first-ranking liens.

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

Active in the retail business

Retail business is largely originated through intermediation by cooperative banks. DZ HYP's offering includes initial as well as follow-up financings for new construction, purchase and modernisation/refurbishment. Thanks to DZ HYP's broad product range of home loans – with fixed-interest terms of up to 30 years – cooperative banks can offer their customers solutions which fit their needs exactly. The business is based on standardised credit processes, and is characterised by swift lending decisions. The full distribution potential of the Cooperative Financial Network is made available to reach retail customers through technological integration of the products into the distribution systems of individual cooperative banks, and through the use of largely automated processes.

Centre of competence for public-sector clients

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

ECONOMIC REPORT

ECONOMIC ENVIRONMENT

Key interest rates are hiked after a hiatus of more than ten years

The Russian invasion of Ukraine on 24 February 2022 influenced economic development over the course of the year. The war sparked a disruption of international supply chains and led to a shortage of natural gas and other energy sources. Tensions on the energy markets drove up the prices of energy products. In the year under review, prices for light heating oil in Germany rose by 87 per cent and by 64.8 per cent for natural gas.

General inflation rose as a result of the price volatility on the market for energy products, reaching its monthly high in October, when the Consumer Price Index increased by 10.4 per cent compared to the same month of the previous year. Both the US Federal Reserve (Fed) and the European Central Bank (ECB) responded by raising their key rates. For the ECB, this was the first increase since 2011.

The impact on the economy of the COVID-19 pandemic eased over the course of the year. Although infection rates remained high, infections were generally milder, so that the authorities started to ease the restrictions in public life.

German economy posted growth

Price-adjusted German gross domestic product (GDP) rose in the year under review by 1.9 per cent over 2021. This means the German economy has achieved positive growth for the second year in a row. GDP increased by 2.6 per cent in 2021, having fallen by 3.7 per cent in 2020.

Accelerating inflation and uncertaint about energy supply as a result of the war in Ukraine burdened companies as well as private households. Although the recession that was feared after the outbreak of the war did not materialise in 2022, GDP growth slipped into negative territory in the fourth quarter with minus 0.2 per cent, after adjustment for price, seasonal and calendar effects. As most COVID-related restrictions in public life were lifted, this triggered catch-up effects among consumers. Private consumption was therefore the most important growth driver of the German economy.

Consumer prices in Germany rose by 7.9 per cent on average in 2022 after 3.1 per cent the year before. The increase in inflation was mainly due to price increases for energy and food. In the fourth quarter, inflation eased from 10.4 per cent in October compared to the same month of the previous year to 8.6 per cent in December. It was 4.8 percentage points higher in the year under review compared with 2021. General inflation was alleviated partly through relief measures provided by the government. The German Federal government temporarily reduced the VAT rate on gas and geothermal energy, and paid for gas and heating bills in December, in a one-off gesture. A 9-euro ticket for passengers to travel on buses and trains for € 9 per month on local and regional transport was offered in the summer months.

Gross value added in the construction industry fell by 2.3 per cent. This was due to a shortage of materials and skilled workers, higher building costs and higher interest rates. Hence, construction investments decreased by 1.6 per cent in price-adjusted terms. In October, production in the construction industry grew by a seasonally-adjusted 4.25 per cent. Mortgage interest rates on housing loans also increased on the back of higher interest rate levels. Where the effective interest rate for secured loans averaged 1.3 per cent at the start of the year, it stood at 3.1 per cent in October.

Despite the consequences of the war in Ukraine for the global economy, German exports rose. Adjusted for calendar and seasonal effects, German companies exported 14.3 per cent more goods and services. Imports increased by 24.3 per cent, especially due to higher prices for importing energy products. As a result, German export surpluses fell for the fifth consecutive year in a row.

Higher government consumption expenditure

Government consumption expenditure rose by 1.1 per cent last year. The German Federal government responded to the rise in energy prices by adopting several programmes to ease the burden on consumers with the aim of mitigating the impact of energy price increases on private households. According to preliminary calculations, the state budgets ended the year 2022 with a financing deficit of € 101.6 billion. That was just under € 33 billion less than in 2021 (€ 134.3 billion). The Federal government's budget deficit amounted to 2.6 per cent in terms of nominal GDP.

Unemployment rate has fallen

The number of unemployed fell by 195,000 on an annual average, compared to the year before, to 2.4 million in 2022. The unemployment rate therefore declined by 0.4 percentage points, to 5.3 per cent. As in the previous year, the labour market was supported by short-time work schemes. The number of people in short-time work was reduced from 1.85 million in 2021 to around 430,000 in the year under review. The demand for workers was 139,000 jobs higher on average in 2022 than the year before.

European economy in positive territory

The economy in the European Union increased by 3.6 per cent last year, after seasonal and calendar adjustment. The increase was 3.5 per cent within the euro area. In terms of gross domestic product, the debt ratio in the euro area fell in 2022, to 93.0 per cent in the third quarter compared with 94.2 per cent in the fourth quarter of 2021.

Euro area inflation rose last year. The Harmonised Index of Consumer Prices (HICP) increased by 9.2 per cent during the year, following a rise of 2.9 per cent the year before. This means that inflation last year was above the ECB's medium-term target of 2.0 per cent. The central bank responded in July by lifting the key interest rate for the first time of 0.5 percentage points. In September it raised the main refinancing rate by a further 0.75 percentage points to 1.25 per cent. This step was followed by a third increase of 0.75 percentage points again in November. At its meeting in mid-December, the ECB agreed on a fourth key rate hike of 0.5 percentage points. At the end of the year, the main refinancing rate was 2.5 per cent, the marginal lending facility rate was 2.75 per cent and the deposit facility 2.0 per cent.

The European equity markets registered mainly losses in the course of 2022. The German DAX for German blue-chips eased by 12.7 per cent to reach 13,924 points at the end of the year. Activity on the German bond market was defined by rising interest rates. The average current yield for public sector bonds rose from -0.28 per cent at the end of 2021 to 2.5 per cent at year-end 2022.

REAL ESTATE MARKETS

German real estate investment market turnover falls

The geopolitical and energy policy turmoil in Europe changed the economic environment in Germany and abroad in the year under review. Local real estate markets were not immune to these events either. In addition to a shortage of raw materials and interruptions to supply chains, the rise in inflation and interest rates influenced market developments.

Real estate transactions were hampered in particular by the interest rate moves and – to a certain extent as a consequence of this – by differing price expectations between buyers and sellers. On the one hand, the ECB's interest rate hikes drove up the price of real estate finance. On the other hand, the yield differential between government bonds and real estate fell to its lowest level since 2008 – around 0.5 percentage points – before rising again to around one percentage point at the end of the year under review. Ultimately, the relative attractiveness of real estate deteriorated: less capital was committed to real estate investments.

After 2021's record year for the German real estate investment market, the result for 2022 was significantly lower. Commercial real estate transaction volumes, including residential real estate, amounted to € 66 billion, representing a decline of around 41 per cent from the previous year's € 111.1 billion. Transaction activity eased in the second half of the year in particular, with many market players remaining sidelined as a result of the aforementioned developments. At € 13 billion, and with no year-end rally, the final quarter of 2022 was the weakest in the last ten years. As in previous years, German buyers were the most active. Foreign investors were also involved in the market, however, accounting for six of the seven largest deals in terms of volume.

Reluctance to invest in the metropolitan areas

The seven top locations – Hamburg, Berlin, Dusseldorf, Cologne, Frankfurt, Stuttgart and Munich – accounted for € 32 billion or 48 per cent of nationwide transaction volumes in 2022. This was a decline of 55 per cent compared to the previous year's figure of € 70.7 billion, which represented 64 per cent of transaction volume. Berlin and Cologne accounted for the largest percentage decline in transaction volumes. The capital city recorded just € 11 billion in real estate transactions for 2022, a 71 per cent decline from € 37.5 billion in 2021. However, the one-off effects as a result of Vonovia's takeover of Deutsche Wohnen in 2021, which significantly impacted the Berlin market, must be taken into account. At € 6.3 billion and € 2.8 billion respectively, transaction volumes in Hamburg and Dusseldorf concluded the year with little change from 2021 levels. On the Frankfurt investment market, the year ended with a balance of € 5.1 billion, having declined by almost half compared to 2021. Having enjoyed a strong

TRANSACTION VOLUME BY MAIN TYPE OF USE

Office
Commercially-used residential real estate and residential portfolios
Retail
Logistics/industry
Mixed use
Other

Source: Jones Lang LaSalle

first quarter, the Munich investment market cooled down to end the year with € 4.4 billion, which equates to a decline of 44 per cent. In Stuttgart, € 1.1 billion worth of real estate changed hands in 2022 – half as much as in 2021, with around half of the volume (€ 562 million) attributable to the first quarter alone.

Office investments dominate transaction activity

2022 saw office property take over the top spot from residential property as the asset class with the highest turnover, attracting almost € 22 billion or 33 per cent of the total transaction volume. The commercial residential segment ("Living") accounted for € 14.4 billion or 22 per cent. Both asset classes lagged the previous year's results, in some areas, notably so. Logistics properties took third place with € 9.6 billion or just short of 15 per cent of the transaction volume. This compares to € 10.2 billion or 9.3 per cent in 2021. Retail properties ranked a close fourth with € 9.4 billion or a 14 per cent share of the total volume – performance picked up markedly from the end of the third quarter, in sharp contrast to the trends for office and living property. The market for mixed-used properties also picked up towards the end of the year and, with € 6.3 billion or 10 per cent, achieved a better result than in 2021 (€ 6.1 billion or 6 per cent).

Property yields have risen

Following a long period of mainly falling yields, property yields rose again in the year under review due to the rise in financing rates, among other things. Five-year swap rates rose by 319 basis points between 3 January and 30 December 2022 to reach their highest level since 2008. Whilst these developments were not replicated for prime yields, there were moderate increases overall, which differed depending on the type of property. It must be taken into account that the year under review was defined by comparatively low transaction volumes, so that the most recent developments are only going to be reflected successively in real estate markets. As expected, initial yields for average-quality properties in prime locations remained lower than for older buildings in secondary locations with short remaining terms.

Below-average transaction volume on the residential investment market

The year-end rally failed to materialise on the residential investment market. The transaction volume of just under € 2 billion in the fourth quarter was 80 per cent less than the five-year average. This is the lowest volume in any quarter over the last ten years. Investors were already showing restraint in the months before. Residential properties and portfolios to the value of € 12.2 billion changed hands during 2022 as a whole – the lowest level in ten years. Turnover was down 76 per cent year-on-year, although the one-off effect of the Vonovia takeover of Deutsche Wohnen has to be taken into account in the above-average 2021 result of € 52.2 billion. Large, national portfolio deals remained the exception in 2022, but the five largest transactions accounted for only 12 per cent of turnover in the year under review, compared with two-thirds in 2021. National portfolio deals made up a quarter of the total transaction volume, which equates to half the five-year average. The 372 transactions in 2022 (2021: 420), of which around 80 per cent was attributable to the core-plus segment, show that the residential investment market is intact.

Market activity was dominated by asset and fund managers, as well as real estate companies; at 78 per cent, their share exceeded the average of the last five years (30 per cent). In contrast, the buyer groups of the real estate public limited companies shut down their activities completely. Their share averaged 29 per cent in the last five years. Given that the supply of rental apartments could not meet demand, due among other things to considerable net immigration levels and the deferral of private acquisition projects on the back of higher mortgage rates, residential real estate remained attractive to investors.

Differentiated demand for office properties

The office rental market in Germany's top locations performed well in the year under review, with the take-up of space increasing by 6.5 per cent over 2021. The robust labour market is one reason for the persistent demand. Rental agreements for a total of 3.5 million square metres were concluded across the top seven locations. However, there was notable regional variation: take-up of space in Berlin fell by 12 per cent

(765,000 square metres), while more than double the space was rented in Stuttgart (305,000 square metres) than in 2021. Hamburg and Munich both reported a higher take-up of space. Rental activities in Dusseldorf, Frankfurt and Cologne declined slightly. Premium office space accounted for roughly 70 per cent of the rentals. In addition to infrastructure connections and equipment quality, users placed greater emphasis on sustainability. 1.76 million square metres in new rental space came onto the market – around 10 per cent more than in the previous year – of which 70 per cent was pre-let.

Prime rents for office space rose – significantly in some cases – during the year under review. Munich stands at one end of the scale, where they rose by just under 5 per cent to € 44 per square metre. Dusseldorf was at the other end, with an increase of 33 per cent to € 38 per square metre, followed closely by Stuttgart with an increase of 29 per cent to € 33 per square metre. Vacancy rates rose across all seven office property strongholds observed, from 4.5 per cent in 2021 to 4.9 per cent or 4.7 million square metres at year-end 2022.

Retail properties bucked the trend

Investors invested a total of € 9.4 billion in retail properties during 2022, with the majority (€ 6 billion) of transactions taking place in the second half of the year. Turnover was weaker in almost all other asset classes during this period. The previous year's result (€ 8.7 billion) was exceeded by 9 per cent, although the number of transactions concluded fell slightly from 280 to 264. However, this was offset by 15 deals in the triple-digit million range accounted for € 4.8 billion. Specialist retail parks accounted for 28 per cent of the investments (2021: 30 per cent), specialist retail stores for 15 per cent (2021: 23.9 per cent) and supermarkets for 7 per cent (2021: 18 per cent). 29 per cent of the funds were invested in shopping centres (2021: 6 per cent), 13 per cent in commercial buildings (2021: 3 per cent) and 8 per cent in department stores. Investors' aversion to risk was very evident, with 72 per cent of the investment volume in core-plus and a further 21 per cent in core real estate. Value-add properties accounted for 7 per cent. The investors who are active in this market segment are mainly from Germany (buyers: 77 per cent, sellers: 78 per cent). Prime yields rose in the year under review, with shopping centres and individual specialist retail stores offering the highest yields overall. In contrast, prime yields for specialist retail parks were lower.

Logistics properties remain attractive

In contrast to the muted sentiment overall on the real estate investment market, the segment for logistics and industrial properties was not far off reporting a new transaction record. At € 9.6 billion, it was down 6 per cent on the previous year's result (€ 10.2 billion). Most of the volume was transacted in the first quarter (€ 3.9 billion), tailing off in the final quarter to € 1.9 billion – especially compared to the same quarter of the previous year where traded volumes were 46 per cent higher. A changed environment, especially with regard to financing and therefore purchase price expectations, led to delays, interruptions and terminations of some large-volume individual and portfolio deals. The nonetheless high overall result underlines the major interest shown by investors in this asset class. This is due on the one hand to the continued strength of e-commerce and stable over-the-counter trade, and to the short-term increase in warehouse capacity as a measure against interrupted supply chains on the other. At the same time, the uncertainty that currently prevails drove up prime yields for logistics and industrial properties within a period of one year.

Hotel investment market recovers at year-end

The German hotel investment market reported transaction volume of almost € 1.9 billion in 2022. It last fell below this amount in 2013. As in the previous year, the fourth quarter was the strongest in terms of turnover, with around € 657 million; however, the year as a whole was down 25 per cent on the previous year. 65 transactions were executed, of which five portfolio transactions accounted for € 369 million. Project sales declined in the period under review (minus 58 per cent compared with 2021) and made up € 300 million or 16 per cent of the total volume (2021: € 716 million or 29 per cent). Hotels which were sold as part of mixed-use property accounted for just short of € 246 million or a little over 13 per cent. As in the previous year, institutional investors were the most active group proportionally with 35 per cent or € 652 million. They were followed by developers with 19 per cent or € 349 million. German investors in particular were active on the local hotel investment market (72 per cent or € 1.3 billion), increasing their share relative to the total transaction volume (63 per cent in the previous year).

Private housing market in light of the new environment

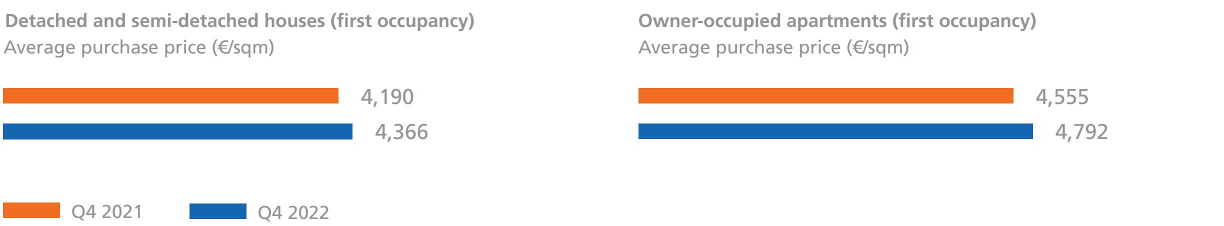
Similar to the commercial real estate investment market, the changed economic environment has also impacted the private housing market. Above all, higher interest rates are leading to rising financing costs. In conjunction with higher construction costs, home ownership is affordable for fewer and fewer people on the one hand, while residential rents, which are also fuelled by growing demand that met with insufficient supply, especially due to immigration and internal migration in the sought after urban centres, are becoming more expensive on the other. In the period under review, supply bottlenecks and a shortage of skilled workers alongside higher interest rates halted new construction activity, which remained well short of the declared targets. The increase in per capita living space – which has already been evident for several years – also had a negative impact on the availability of housing. Besides the rise in the number of single households, a growing number of older people in particular are staying in their own apartments, even though they would like to downsize. However, the tight housing market and a lack of alternatives preventing this.

Dynamic price increases for private residential real estate come to an end

The momentum of purchase price increases in previous years did not continue in the period under review. However, this was no collapse: the purchase price indices for newly built apartments and single and double family homes actually increased by 0.6 per cent and 1.7 per cent respectively between the fourth quarter of 2021 and the fourth quarter of 2022, despite recording falls of 2.1 per cent and 2.5 per cent respectively between the third and the fourth quarter of 2022. To put this into perspective, the increases over the last ten years were 123 and 106 per cent, respectively. The indices for newly built condominiums and newly built single and double family homes fell for the first time in 14 years. In the fourth quarter of 2022, the index for newly built owner-occupied apartments was down 0.4 per cent on the same quarter of the previous year. The index for newly built single and double family homes declined by 1.3 per cent in the last three months of the year under review. Over a ten-year period, the advertised purchase prices for new owner-occupied apartments rose by 107 per cent and by 111 per cent for single and double family homes.

In absolute terms, purchase prices for new-builds continued to rise on average in Germany for the year as a whole. Owner-occupied apartments increased by 5.2 per cent from an average of € 4,555 per square metre in the last quarter of 2021 to € 4,792 at year-end 2022. Newly built condominiums were most expensive on average in Munich (€ 11,234 per square metre), Frankfurt (€ 7,983 per square metre) and Stuttgart (€ 7,916 per square metre). The average price achieved in Dusseldorf was € 7,521 per square metre, followed by Berlin with € 7,424 and Hamburg with € 7,271. The purchase price for newly built single and double family homes increased across the country by 4.2 per cent, from an average square metre price of € 4,190 at the end of 2021 to € 4,366 in the fourth quarter of 2022. Munich topped the ranking in this segment too with € 10,710 per square metre. In contrast to the slight decline in prices for condominiums

PURCHASE PRICE DEVELOPMENT IN GERMANY



Source: empirica

and single and double family homes at the end of the year under review, the price indices for rental apartments continued to rise, albeit at a more moderate rate than in previous years. The index rose by 6.6 per cent for 2022 across all building age classes, and has now increased by 47 per cent over the last ten years.

Slowdown in residential rents increase

Rents for newly built residential apartments in Germany rose by 45 per cent in the last decade. The increase in this segment was 6.3 per cent in the year under review. Munich once again topped the list of the most expensive cities, with an average square metre rent of € 20.12, followed by Berlin (€ 17.61), Frankfurt (€ 16.86), Stuttgart (€ 15.56), Hamburg (€ 14.47), and Dusseldorf (€ 14.89). Across all building age classes, € 18.49 per square metre was being asked in the Bavarian capital city, with € 14.25 in Frankfurt, € 13.87 in Stuttgart and € 13.79 in Berlin.

Construction financing and home loan savings contracts with opposing developments

Fewer people bought residential real estate in the year under review. That is due on the one hand to the prices of owner-occupied real estate, which continued to rise – by 8.3 per cent year-on-year. However, this trend is slowing, with an increase of only 0.5 per cent between the second and third quarter. In addition to the general uncertainty, higher interest rates, which have made mortgages more expensive, are a key reason for the restraint of buyers. Interest rates doubled over the course of the year: fixed ten-year loans carried an interest rate of around 1 per cent at the start of 2022. This climbed to over 4 per cent in October before falling below the 4 per cent mark again at the end of the year. New construction financing business collapsed as a result by almost 40 per cent at the end of the year compared to the previous year. At € 13.6 billion in November 2022, construction volumes in absolute terms reached the lowest level since 2011. This was 60 per cent lower than in March 2022, when a historic high of € 32.3 billion was reached. Developments in the year under review were also reflected in a rise in the number of home loan savings contracts, which made a comeback due to rising mortgage rates and registered their highest growth rates in over 30 years.

Decline in building permits

The number of housing building permits granted declined in 2022. 321,757 apartments were approved between January and November. This represents a decline of 5.7 per cent or 19,280 apartments compared to the same period of the previous year (341,037 apartments). The number of approved single-family homes fell by 15.9 per cent or 13,710 to 72,495, while apartments in double-family homes were down 10.1 per cent or 2,930 to 26,174. Apartments approved in multi-family homes increased by 1.2 per cent or 2,094 to 171,911.

BUSINESS DEVELOPMENT

Credit Business

New business down year-on-year

In the 2022 financial year, DZ HYP originated new real estate finance business – with both corporate clients and retail customers – totalling € 9,688 million (2021: € 11,466 million). Including financing for public-sector clients, the Bank originated new business of € 10,439 million (2021: € 12,048 million).

Corporate Clients segment

In its business with corporate clients, DZ HYP generated new business of € 8,064 million (2021: € 8,736 million) in 2022. The German core market accounted for € 7,794 million (2021: € 8,241 million), in line with the Bank's strategic focus. Within the Cooperative Financial Network, joint lending business with the cooperative banks came to € 2,978 million (2021: € 3,859 million). To avoid cyclical peaks in the portfolio, DZ HYP continued to apply its conservative risk strategy with strict quantitative targets for its financing decisions in the year under review. Besides carrying out a comprehensive qualitative analysis of properties and location, including stress testing, the quality of the client relationship is essential.

Retail Customers segment

Within the Cooperative Financial Network, lending to retail customers is dominated by real estate financing. Thanks to the refinancing options available to it, DZ HYP is in a position to provide real estate financing to the cooperative banks that suits their needs. The volume of new commitments in the retail business, which is, for the most part, intermediated via the core banking procedures of the Cooperative Financial Network and the GENOPACE and BAUFINEX network portals, decreased to € 1,624 million in the reporting year (2021: € 2,730 million).

Public Sector segment

DZ HYP is a centre of competence for business with public-sector clients in the Cooperative Financial Network. In this function, it supports cooperative banks in developing business with domestic local authorities as well as their legally dependent operations, which are serviced across Germany. DZ HYP originated new business of € 751 million in loans to local authorities during the period under review (2021: € 582 million), of which € 384 million (2021: € 497 million) was intermediated by cooperative banks and € 367 million (2021: € 85 million) was originated directly.

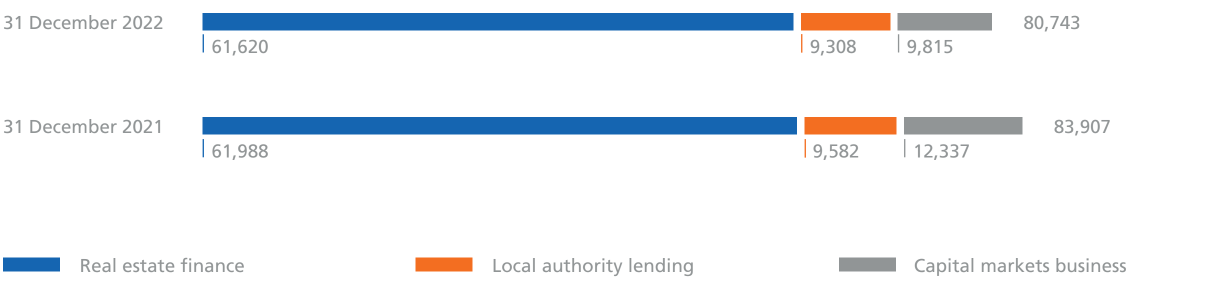
Portfolio at a glance*)

The share of domestic loans in DZ HYP's total real estate financing portfolio currently stands at 96.8 per cent (2021: 96.8 per cent). The volume of international financings rose by 1.4 per cent in 2022, whereby the target markets of Austria, France, the United Kingdom and the Netherlands accounted for 93.4 per cent of international lending volume.

DZ HYP's lending volume decreased by 3.8 per cent in the 2022 financial year to € 80.7 billion. The following chart breaks down lending volume by DZ HYP's three types of business: real estate lending, local authority lending and capital markets activities.

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

LENDING VOLUME BY BUSINESS DIVISION IN € MN



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

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

€ mn	Total 31 Dec 2022	Total 31 Dec 2021	Change %
Residential	**13,576**	13,062	3.9
Multi-storey apartment buildings (multi-family homes)	**18,281**	19,353	-5.5
Office	**14,589**	13,507	8.0
Retail	**8,707**	8,987	-3.1
Hotels	**2,338**	2,786	-16.1
Logistics	**1,413**	1,525	-7.3
Other	**776**	950	-18.3
Land	**908**	669	35.7
Not allocated to any property type	**1,032**	1,149	-10.2
Total	**61,620**	**61,988**	**-0.6**

*) including disbursement commitments

Reduction of non-strategic portfolio

The non-strategic portfolio includes securities and derivatives that are no longer part of DZ HYP's investment focus. In the 2022 financial year, the non-strategic portfolio was further wound down (as a result of disposals, repayments and maturities) from around € 3.5 billion as at 31 December 2021 to around € 1.8 billion as at 31 December 2022. DZ HYP will essentially continue to adhere to these strategies and the resulting portfolio reduction.

Refinancing

DZ HYP refinances its lending business mainly by issuing Pfandbriefe on the capital markets. In 2022, the Bank created the opportunity to refinance energy-efficient real estate by issuing green Mortgage Pfandbriefe. The Green Bond Framework, which was developed for this purpose, is based on the ICMA Green Bond Principles and meets the Minimum Standards for Green Pfandbriefe set by the German Association of German Pfandbrief Banks ("vdp"). ISS-ESG certified the framework in a second party opinion.

DZ HYP issued its first green Mortgage Pfandbrief in February 2022. With a volume of € 1 billion and a maturity of seven years and nine months, the bond generated buoyant interest, especially among ESG-focused investors. This encouraged DZ HYP to firmly embed sustainable financing in its business model.

Growing uncertainty defined the capital markets over the course of the year. In a challenging environment – comprising the war in Ukraine, rising energy costs, the central banks' rate-tightening cycle and fears of a recession – the covered bond market once again proved its ability to withstand crises and saw a record volume of euro-denominated benchmark issues of around € 200 billion.

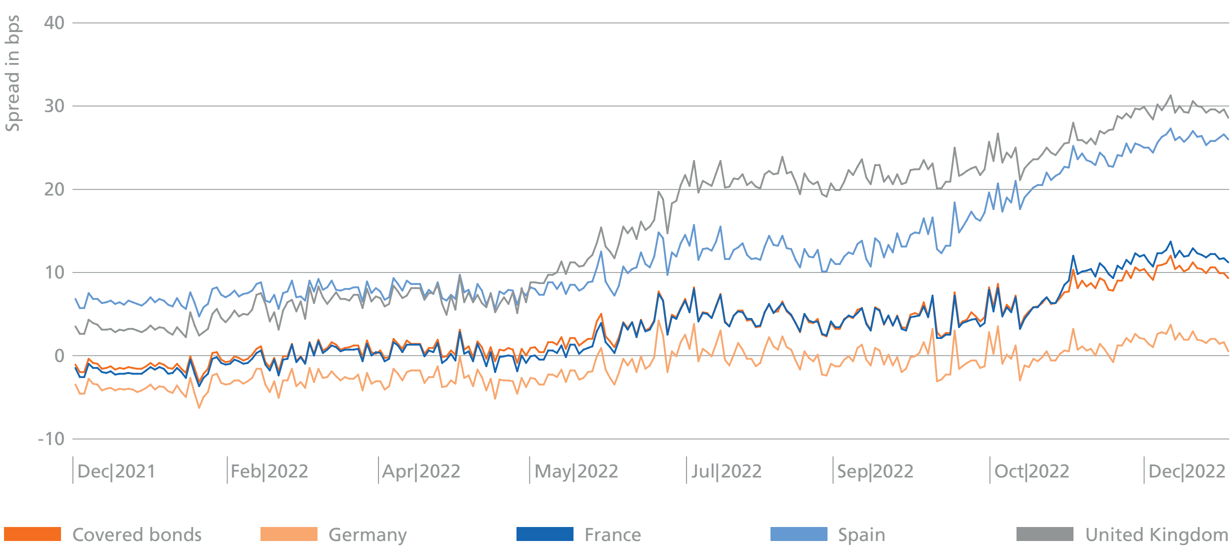
DZ HYP made use of issuance windows in June and September of the year, placing € 750 million in Mortgage Pfandbriefe on each occasion in the longer maturity segment of around nine years. In addition, € 584 million in mortgage Pfandbriefe was issued in the form of private placements during the period under review. Overall, DZ HYP placed Pfandbriefe with a total volume of € 3.1 billion (31 December 2021: € 3.8 billion) with investors in the 2022 financial year.

The Bank issued unsecured liquidity totalling € 3.7 billion (31 December 2021: € 3.7 billion), mostly within the Cooperative Financial Network.

Total Pfandbriefe outstanding as at 31 December 2022 amounted to € 42.7 billion (31 December 2021: € 45.6 billion). This comprised € 33.4 billion in Mortgage Pfandbriefe (31 December 2021: € 33.3 billion), and € 9.3 billion in Public Pfandbriefe (31 December 2021: € 12.4 billion). Total unsecured funding amounted to € 20.7 billion as at 31 December 2022 (31 December 2021: € 22.3 billion).

DZ HYP also fully repaid its exposure of € 3.0 billion in the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III) at the end of November 2022.

REFINANCING PREMIUMS OF COVERED FIVE-YEAR BONDS



Source: DZ BANK Research

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

Net assets

At € 77.2 billion, DZ HYP's total assets in the financial year 2022 were down € 4.4 billion compared to the previous year (€ 81.6 billion). The real estate loan portfolio rose by € 1.2 billion to € 56.7 billion. This was attributable in particular to the € 1.1 billion increase in the private real estate financing portfolio to € 14.0 billion. The portfolio of real estate finance business with corporate clients increased by € 0.1 billion to € 42.7 billion.

New business with public-sector clients originated during 2022 fell short of ongoing repayments, thus reducing the portfolio by € 0.3 billion to € 9.3 billion. DZ HYP's investment strategy in this area remains focused on supporting the cooperative banks, whilst ensuring a balanced risk/return profile.

Overall, DZ HYP's credit portfolio decreased as follows by 1.8 per cent during the 2022 financial year.

DEVELOPMENT OF LENDING VOLUME

€ mn	31 Dec 2022	31 Dec 2021	Change from the previous year € mn	Change from the previous year %
Mortgage loans*)	**56,686**	**55,494**	1,192	2.1
Originated loans to local authorities)**	**9,283**	**9,571**	-288	-3.0
Public-sector lending*)**	**7,859**	**10,101**	-2,242	-22.2
Bank bonds**)**	**298**	**225**	73	32.4
MBS	**254**	**309**	-55	-17.8
Total	**74,380**	**75,700**	**-1,320**	**-1.7**

*) mortgage loans including short-term loans collateralised by real property liens
**) lending business with direct liability of German local authorities or their legally dependent operations
***) securities issued by national governments and sub-sovereign entities as well as state-guaranteed corporate bonds
****) securities issued by banks

The public finance portfolio declined by € 2.2 billion to € 7.9 billion during the reporting year, of which € 1.5 billion were due to opportunistic sales of Italian and Portuguese securities. Due to sales for liquidity management purposes, the portfolio of bank bonds was up € 0.1 billion compared to the previous year's figure of € 0.2 billion. Exposures to countries and banks that are particularly affected by the debt crisis have developed as follows:

Nominal amounts € mn	Total*) 31 Dec 2022	Total*) 31 Dec 2021
Spain	**946**	1,156
Italy	**567**	1,556
Portugal	**78**	554
Total	**1,591**	**3,266**

*) including state-guaranteed corporate bonds, sub-sovereign entities, and MBS

At € 0.3 billion, MBS (which form part of the non-strategic portfolio) were unchanged compared to the previous year-end.

DZ HYP's investment securities comprised undisclosed reserves and hidden burdens as at 31 December 2022. This is offset by opposing effects from primary or derivative interest rate transactions as part of overall bank management. Taking the relevant interest rate hedging into account, hidden burdens totalling € 163.8 million remain (31 December 2021: € 347.2 million). Following a comprehensive assessment of these securities, DZ HYP has concluded that none of the securities are permanently impaired.

DZ HYP's financial position is sound.

CALCULATION OF AVERAGE INVESTED ROE-RELEVANT EQUITY

€ mn	2022	2021
Share capital	150.0	150.0
Capital reserves	884.2	884.2
Retained earnings	93.1	93.1
General risk provisions pursuant to section 340f of the HGB	171.3	170.9
Fund for general banking risks pursuant to section 340g of the HGB	823.0	792.0
Relevant equity	**2,121.6**	**2,090.2**
Average invested relevant equity	**2,105.9**	**2,016.7**

Regulatory capital

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

	31 Dec 2022	31 Dec 2021
Own funds (€ mn)	**1,895**	**2,387**
Total capital ratio (in %)	**12.6**	**15.3**
Tier 1 ratio (in %)	**12.1**	**11.1**
Common equity tier 1 ratio (in %)	**12.1**	**10.7**

To further strengthen common equity tier 1 capital, in coordination with DZ BANK, DZ HYP agreed to allocate half of the profit generated in the 2022 financial year to the fund for general banking risks pursuant to section 340g of the HGB.

Financial position

Within the scope of liquidity management, DZ HYP differentiates between the ongoing liquidity management and structural funding. In DZ HYP's view, appropriate management systems are in place for both types of liquidity. Liquidity management takes into account and complies with the limits of the internal liquidity risk model, DZ BANK's liquidity risk model, and the regulatory risk requirements. The liquidity waiver provided for under article 8 of the CRR with DZ BANK will be taken into account from the date of first application, with effect from 31 December 2021.

» Ongoing liquidity management aims to guarantee a reliable and continuous provision of liquidity at all times. Given DZ HYP's integration in the Cooperative Financial Network and its affiliation with DZ BANK, DZ HYP consciously refrains from maintaining an independent market presence for the purposes of short-term liquidity management, which is carried out in close coordination with DZ BANK. Due to its central bank function within the Cooperative Financial Network, DZ BANK raises cash and cash equivalents of various maturities, and applies the funds raised within its Group. Within this Group liquidity management framework, subsidiaries such as DZ HYP may call upon funding from DZ BANK. This is based on closely coordinated, regular risk reporting about future changes to the liquidity position.

» Structural funding is exposed to the risk that, due to various influencing factors, the Bank might be unable to maintain the required funding levels, and that in certain circumstances, debt may not be sufficiently available in the desired maturities. As a Pfandbrief issuer, DZ HYP is licensed to issue Pfandbriefe. This licence is the foundation for covered funding, and thus provides a safe and cost-efficient way to raise liquidity. DZ HYP maintains its own market presence as a Pfandbrief issuer, placing Pfandbriefe with investors within as well as outside the Volksbanken Raiffeisenbanken cooperative financial network.

DZ HYP's liquidity situation is adequate.

Financial performance

DZ HYP's financial performance in the 2022 financial year was shaped by the successful operating results of the established segments in the real estate finance portfolio. In contrast, net profit under German commercial law (HGB) was impacted by the opportunistic sales of Italian and Portuguese government bonds made in the reporting year for risk mitigation purposes alongside a rise in loss allowance for credit risks for which no specific impairments have been recognised yet. Nevertheless, the Bank managed to transfer a profit to DZ BANK under the control and profit transfer agreement.

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

OVERVIEW OF THE PROFIT AND LOSS ACCOUNT

€ mn	2022	2021	Change from the previous year € mn	in %
Net interest income	671.8	668.7	3.1	0.5
Net fee and commission income	-20.1	-38.3	18.2	47.5
Administrative expenses	275.8	251.3	24.5	9.7
Net other operating income/expenses	16.9	0.3	16.6	>100.0
Risk provisioning*)	-85.6	-35.0	-50.6	>-100.0
Net financial result)**	-134.0	-5.0	-129.0	>-100.0
Operating profit	**173.2**	**339.4**	**-166.2**	**-49.0**
Allocation to the fund for general banking risks	31.0	147.0	-116.0	-78.9
Taxes	92.6	125.5	-32.9	-26.2
Partial profit transfer	19.6	14.7	4.9	33.3
Profits transferred under a profit and loss transfer agreement	30.0	52.2	-22.2	-42.5

*) equates to the income statement line item 'write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions'
**) equates to the income statement line item 'income from write-ups to participating interests, shares in affiliated companies and securities held as fixed assets'

Net interest income

DZ HYP's net interest income of € 671.8 million in the 2022 financial year was € 3.1 million higher than the previous year's figure of € 668.7 million. The increase in the average real estate loan portfolio in particular has a positive effect, accompanied by margins in the lending business almost at the previous year's level.

In addition, negative interest income for an open market transaction with Deutsche Bundesbank (TLTRO III) was € 19.2 million lower than for the same period of the previous year. Net interest income is evidence of the management of the banking book, which is geared towards generating long-term, matched-maturity margins.

Net fee and commission income

Compared to the previous year, net fee and commission income increased by € 18.2 million to € -20.1 million. A total of € 58.3 million (previous year: € 77.8 million) was paid in fee and commission expenses for brokerage services provided to cooperative banks within the Cooperative Financial Network. At the same time, € 30.6 million (previous year: € 27.1 million) in commission income was generated from the lending business, which depend both on the respective product mix and disbursement timing. Furthermore, commission income of € 10.9 million (previous year: € 18.1 million) was generated from open market business (TLRTO III) for the last time.

Administrative expenses

Administrative expenses in the 2022 financial year, as the total of general administrative expenses (€ 269.4 million; previous year: € 244.7 million) and write-downs on intangible assets and tangible fixed assets (€ 6.4 million; previous year: € 6.6 million), amounted to € 275.8 million, up € 24.5 million compared to the previous year (€ 251.3 million). Personnel expenses of € 116.5 million were up € 22.9 million year-on-year, which was mainly due to the increased pension provisions (up € 16.0 million compared to the previous year's figure) to take higher future salary and pension trends into account.

At € 148.9 million, other administrative expenses remained largely unchanged compared to the previous year (€ 148.6 million), with project expenses decreasing from € 33.4 million in the previous year to € 26.1 million. The bank levy increased by € 8.9 million to € 48.1 million (previous year: € 39.2 million), especially due to the significant increase in the fund's target volume. As in the previous years, pledged collateral amounting to 15 per cent was taken into account, so that a further € 8.4 million (previous year: € 6.9 million) of the total contribution of € 56.5 million was deposited with Deutsche Bundesbank as cash collateral in addition to the aforementioned € 48.1 million.

Net other operating income/expenses

At € 29.7 million, other operating income, generated largely from reversals of provisions of € 3.8 million (previous year: € 5.5 million), service income of € 6.9 million (previous year: € 6.4 million) and rental income of € 10.1 million (previous year: € 9.1 million), was down on the prior-year value of € 22.6 million.
Other operating expenses decreased by € 9.5 million to € 12.8 million (previous year: € 22.3 million), with € 10.2 million largely due to the lower interest cost in calculating pension provisions. Net other operating income and expenses, as the balance of the two aforementioned income statement line items, rose by € 16.6 million to € 16.9 million.

Risk provisioning

This resulted in risk provisions totalling € -85.6 million (previous year: € -35.0 million). To reflect the ongoing uncertainty on the market, € -79.4 million (previous year: € -25.2 million) was added to risk provisions, to take credit risks into account for which no specific impairments have been recognised yet in the year under review. In addition, write-downs on securities held as liquidity reserves amounted to € -5.8 million (previous year: € -9.7 million).

Net financial result

The negative net financial result is heavily influenced by expenses related to the opportunistic sale of bonds issued by countries that have been particularly affected by the debt crisis with a negative effect on earnings of € 136.8 million. In addition, it includes one-off income of € 3.2 million from the sale of a debtor warrant in connection with a security that had been written down in the past and was then sold. In total, the net financial result was down € 129.0 million to € -134.0 million (previous year: € -5.0 million).

Operating profit

Operating profit reflects DZ HYP's performance in its core business, and is used for the internal management of the operating business divisions. Driven in particular by the opportunistic sale of securities and higher risk provisioning expenses, operating profit, at € 173.2 million, fell short of the previous year (€ 339.4 million), which had not been impacted by risk costs.

Change in the fund for general banking risks

During the 2022 financial year, € 31.0 million (previous year: € 147.0 million) was allocated to the special item for general banking risks pursuant to section 340g of the German Commercial Code (HGB), to take account of particular risks facing the business area.

Taxes

Taxes amounting to € 92.6 million (previous year: € 125.5 million) were allocated to DZ HYP. This largely includes a € 92.0 million income tax expense from tax allocations determined on a stand-alone basis (previous year: € 124.9 million). Other tax expenses amounted to € 0.3 million (previous year: € 0.3 million) and mainly related to real estate taxes payable for the Bank's properties.

Profit transfer

DZ HYP allocated a partial profit of € 19.6 million (previous year: € 14.7 million) to its silent investors, which was higher than in the previous year, reflecting higher interest rates. After taxes, profits of € 30.0 million (previous year: € 52.2 million) will be transferred to DZ BANK in accordance with the agreed distribution policy.

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

Distributable earnings

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

COMPOSITION OF DISTRIBUTABLE EARNINGS

€ mn	2022	2021
Net income before profit transfer	30.0	52.2
Allocation to general risk provisions pursuant to section 340f of the HGB	0.4	0.1
Allocations to the fund for general banking risks pursuant to section 340g of the HGB	31.0	147.0
Distributable earnings	**61.4**	**199.3**

Distributable earnings decreased by € 137.9 million to € 61.4 million. This is largely influenced by the non-recurring effect of € -136.8 million from the opportunistic sales of securities. This means that the planned value, which was forecast at over € 100 million, was not achieved.

Cost/income ratio

The cost/income ratio (CIR) expresses the ratio of administrative expenses (including other operating expenses) to the aggregate of net interest income, net commission result, and other operating income. The CIR serves as a yardstick for the efficiency of commercial activities; as such, it is a central management parameter. The CIR increased in the 2022 financial year, especially as a result of the 0.5 percentage point rise in administrative expenses to 42.4 per cent (previous year: 41.9 per cent), and is below the 47.7 per cent planned for 2022.

STRUCTURE OF CIR COMPONENTS

€ mn	2022	2021
Administrative expenses	275.8	251.3
Other operating expenses	12.8	22.3
Total relevant expense items	**288.6**	**273.6**
Net interest income	671.8	668.7
Net fee and commission income	-20.1	-38.3
Other operating income	29.7	22.6
Total relevant income items	**681.4**	**653.0**

Return on equity

Another key performance indicator is the return on equity (RoE), which is used to measure a company's profitability. RoE is a measure of net income before taxes and allocation to general risk provisions in relation to the average invested relevant equity (funds from the reporting year and the previous year). The RoE fell to 7.3 per cent in the reporting year (previous year: 16.1 per cent), also emphasising the negative non-recurring effect from the opportunistic sales of securities. RoE is thus below the 9.6 per cent planned for 2022.

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

€ mn	2022	2021
Net income before profit transfer	30.0	52.2
Allocation to general risk provisions pursuant to section 340f of the HGB	0.4	0.1
Allocations to the fund for general banking risks pursuant to section 340g of the HGB	31.0	147.0
Tax expense on income	92.3	125.2
Net income before taxes and allocations to general risk provisions	**153.7**	**324.5**

DZ HYP was able to use its earnings power – achieved by strictly pursuing its business and risk strategy – to significantly reduce material cluster risks in the securities portfolio in the 2022 financial year and to create additional reserves to cover potential risks in the loan portfolio arising from the macroeconomic situation. This underlines the viability of its business model, also in times of crisis.

REPORT ON OPPORTUNITIES, RISKS AND EXPECTED DEVELOPMENTS

REPORT ON OPPORTUNITIES

DZ HYP defines opportunities as being positive unexpected deviations from the financial performance expected for the next financial year. The key factors determining value for the financial performance in this context (value drivers) were included in the forecast, as planning assumptions. Opportunities exist especially in the form of sources of income identified therein exceeding projections, or expenses remaining below projections. Despite the COVID-19 pandemic and implications from the war in Ukraine, these opportunities were exploited through the opportunistic sale of securities to reduce significant risks.

As a subsidiary of DZ BANK, DZ HYP is a member of the Cooperative Financial Network – a network characterised by a high degree of solidity, strong credit quality, and liquidity through customer deposits. The broadly diversified market position of the Cooperative Financial Network forms the basis for DZ HYP to finance business, with a view to risks and returns. DZ HYP will continue to use this ability to act in the future, jointly with the German cooperative banks, as a reliable financing partner to its clients.

As a member of DZ BANK Group, DZ HYP is committed to the fundamental cooperative concept of responsible business practices. This means that the Bank's entrepreneurial spirit has a long-term horizon; it uses natural resources in a sensitive and efficient manner, and takes risks and opportunities into consideration as part of its decision-making processes.

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

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

Managing opportunities

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

DZ HYP's opportunities management is integrated into the DZ BANK Group's annual strategic planning process. Strategic planning allows the identification and analysis of trends and changes, pertaining both to the market and to the competitive environment; it forms the basis for assessing potential opportunities. Reports submitted to the Management Board on opportunities arising from future business development, as derived from the business strategy, are based on the results of the strategic planning process. Staff are informed about potential opportunities identified in the course of communicating the business strategy.

Non-financial reporting

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

RISK REPORT

Under its former trading name "DG HYP", DZ HYP has made use of the waiver (own funds waiver) pursuant to section 2a (1) sentence 1 of the KWG (as amended at the time), with respect to sections 10, 13 and 25a (1) sentence 3 no. 1 KWG (as amended at that time) since 31 December 2012. DZ HYP continues to apply the waiver. As a result, according to Art. 7 (1) in conjunction with Art. 6 (1) and (5) of the CRR, DZ HYP is not required to comply on a single-entity level with the requirements set out in parts 2 to 4, 7, 7A and 8 of the CRR, section 2 of Regulation (EU) 2017/2402 as well as with certain requirements as defined in section 2a (2) of the KWG pursuant to section 25a (1) of the KWG. In the context of the own funds waiver, economic and regulatory equity adequacy is being monitored, ascertained and disclosed at DZ BANK Group level.

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

I) Fundamental principles of risk management

Risk management at DZ HYP takes into account the requirements under the German Banking Act (KWG), the Minimum Requirements for Risk Management in Banks (MaRisk) and other relevant statements of the Supervisory Authorities, and is an integral part of the entire Bank's strategic and operative management. Assuming risks in a targeted and controlled manner, observing target returns, is an element of enterprise management within the DZ BANK Group, and hence, also within DZ HYP. The activities driven by DZ HYP's business model require the ability to identify, measure, assess, manage, monitor and communicate risks. In addition, maintaining an adequate level of equity backing for risk exposure and a solid level of liquidity are fundamentally important as a prerequisite for the Bank's continued operation. As a guiding principle for all business activities carried out by the DZ BANK Group – and hence, also by DZ HYP – risk is assumed only to the extent required to achieve business policy objectives and provided that the Bank has an adequate understanding and expertise for identifying, measuring, assessing, managing, monitoring and communicating the risks assumed.

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

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

Credit risk, market price risk, liquidity risk, operational risk, equity investment risk, reputational risk, business risk, and longevity risk as a sub-type of actuarial risk, have all been identified as material risk types for DZ HYP. These types of risk are explained in sections II to IX. With the exception of liquidity risk, economic capital – referred to as the risk capital requirement – is determined for these types of risk; for risk types measured by DZ BANK, the so-called risk contribution is used accordingly.

Risk is generally determined using a value-at-risk (VaR) figure based on a one-year holding period and a confidence interval of 99.9 per cent. To account for types of risk for which capital requirements cannot yet be (sufficiently) determined, a capital buffer is set aside. As soon as adequate measures to quantify such risks become available (if the exposure can be included in the risk capital requirement or risk contribution, respectively), this buffer will be released again. In substantiated exceptional cases, the capital buffer may be permanent (e.g. to account for longevity risk). The ratio of economic capital relative to reputational risk is taken into consideration or determined using the business risk model. The methods and procedures for managing liquidity risk are explained in section IV.

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

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

a) Responsibilities

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

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

b) Functions

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

The first line of defence is the operative management in the front-office units (Markt). The units involved are responsible for recognising risks at an early stage, assessing them, consciously assuming or avoiding them, and implementing suitable risk management measures, taking the existing framework conditions into account.

The second line of defence is responsible for establishing and developing risk management standards. It also monitors compliance with these standards by the first line of defence, and submits corresponding reports to the Management Board and the Supervisory Board. The second line of defence largely assumes the function of monitoring the first line of defence, as required by MaRisk, through the second vote of the back office *(Marktfolge)*.

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

The Compliance Office assumes additional functions of the second line of defence. It also serves as the Compliance Officer pursuant to MaRisk and WpHG, Anti-Money Laundering Officer/Central Unit, Data Protection Officer, Information Security Officer, Business Continuity Manager, as well as the Central Outsourcing Officer.

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

c) Requirements pursuant to section 27 of the German Pfandbrief Act (PfandBG)

DZ HYP's risk management framework fulfils the requirements under section 27 of the PfandBG. The TXS-Pfandbrief application is used to determine the market risk exposure of cover assets pools, based on a coverage concept using present values, as set out in the Present Value Cover Regulation for Pfandbriefe (PfandBarwertV) promulgated by BaFin. Stress scenarios simulating the impact of standardised interest rate shocks on the present value of cover assets pools are used to quantify the market risk exposure.

BaFin has prescribed some structural parameters for these interest rate shock scenarios, as well as for the maximum impact these scenarios may have on the present value of the cover assets pools. A report on the present values and DZ HYP's liquidity status is prepared on a daily basis and submitted to Treasury.

In addition, a quarterly report, which covers the more extensive PfandBG requirements regarding historical and future performance and credit risk exposure of the cover assets pools, is submitted to the Management Board.

Internal rules regarding the commencement of business in new products or markets comply with the requirements of MaRisk as well as with those under section 27 of the PfandBG.

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

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

The internal control and risk management system implemented for the accounting process consists of accounting-related and other control objectives. Accounting-related control objectives are designed to ensure the proper functioning and reliability of internal and external accounting and financial reporting systems. Key objectives in this context are the completeness and accuracy of documentation, timely recording, the reconciliation of balances across the IT systems used, and compliance with applicable accounting rules. Other control objectives relate to compliance with applicable laws and regulatory requirements.

Integrated business process control mechanisms have been installed, such as checks in the principle of dual control, in order to fulfil the strategy outlined above. The separation of functions, access restrictions, work instructions, and plausibility checks serve to mitigate errors. The Bank regularly draws upon support from external experts for the implementation of new legal regulations. New product processes always require evidence, prior to the launch of a new product, that business involving new products or new markets can be implemented in the accounting and financial reporting system, in an orderly manner that is in line with applicable rules. Internal Audit regularly carries out process-independent checks concerning accounting and financial reporting.

Overall, the Bank has implemented a control and risk management system with regard to the financial reporting process. This system comprises measures to identify and assess material risks (and related measures aimed at mitigating risk) to ensure proper preparation of the financial statements.

e) Risk monitoring and reporting

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

II) Credit risk

Credit risk is defined as being the risk of losses incurred as a result of the default or migration of creditworthiness of counterparties (borrowers, issuers, other counterparties) or guarantors as well as from losses with a view to the recoverability of receivables and the realisation of collateral. Both traditional lending business (real estate finance or local authority lending, including financial guarantees and loan commitments) as well as capital markets activities may be exposed to credit risk. In the context of credit risk, capital markets activities relate to products such as securities, promissory note loans (Schuldscheindarlehen), derivatives and money-market transactions.

Credit risk in real estate and local authority lending is defined the risk that a client is unable to settle claims arising from loans taken out by him or the risk of losses from contingent liabilities or comitted credit lines.

Credit risk from capital markets activities is further distinguished, into replacement risk and issuer risk. Replacement risk from derivatives is defined as the risk of a counterparty defaulting during the term of a transaction (with a positive market value), in which case DZ HYP would have to incur only additional expenditure (equivalent to this market value, at the time of default) in order to enter into an equivalent transaction with another counterparty. Issuer risk denotes the threat of losses from the default of issuers of bonds.

a) Credit risk quantification

Credit Risk Controlling is responsible for quantifying the risk capital requirement, using a credit portfolio model to determine Expected Loss (EL) and Credit Value-at-Risk (CVaR) on a monthly basis. For this purpose, default probabilities required are mapped using CRR-compliant ratings to the extent possible. In principle, Expected Loss is determined by linking probability of default and expected loss severity, following the realisation of collateral, with the expected exposure at default. Expected losses on the level of individual transactions are incorporated into the calculation parameters for new business, in order to prevent a creeping erosion of equity. Key factors used to determine credit risk, employing the credit portfolio model, are lending volume, concentration effects (relative to sectors, countries, or counterparties), eligible collateral, intra- and inter-sector correlations, and the credit quality structure of the portfolio. Measurement captures default risk from the lending business as well as from trading activities.

b) Credit rating

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

Given its extensive real estate expertise, DZ HYP has assumed the lead – within the Cooperative Financial Network – for the conception, regular maintenance and development of rating procedures for commercial real estate finance in Germany. These are also employed by numerous cooperative banks. Based on the Bank's function as a centre of competence for public-sector clients, the public-sector entity rating within the DZ BANK Group is bundled in DZ HYP.
DZ BANK is responsible for methodological development regarding other client segments, such as banks and sovereigns, also involving the National Association of German Cooperative Banks (BVR). DZ HYP regularly validates the adequacy of these procedures for its own portfolios, by way of internal validation processes.

Due to cost/benefit considerations, for a small number of special cases DZ HYP applies simplified rating procedures where no IRBA approval has been applied for.

A breakdown of DZ HYP's total lending volume by type of business and by rating class is provided below:

LENDING VOLUME*) BY RATING CLASS

€ mn	Total 31 Dec 2022	Total 31 Dec 2021	Real estate lending 31 Dec 2022	Local authority lending 31 Dec 2022	Capital markets business 31 Dec 2022
Investment grade (rating class 2A or better)	**77,851**	80,810	59,054	9,308	9,489
Non-investment grade (rating classes 2B–3E)	**2,776**	2,948	2,482	–	294
Defaulted rating classes (4A or worse)	**113**	144	81	–	32
Unrated	**3**	5	3	–	-

*) including disbursement commitments

A new rating is prepared for each client at least once a year, or on an event-driven basis.

c) Intensified handling and management of problem loans

DZ HYP uses an individual risk management system (ERM) for the purposes of early warning, which is also used in a similar way by the parent company DZ BANK. Cases with early warning indicators are assigned to a so-called "yellow list". Loans where a subsequent loss cannot be excluded are kept on a "watch list". Where there is a clear negative trend, coupled with an existing requirement for recognising specific impairments, the cases are included on the "default list", which also includes all exposures subject to recovery that do not require specific impairments. The processing rules and requirements on the transfer from one ERM list to another are subject to defined criteria. A detailed report on ERM exposures is submitted to the Management Board on a monthly basis.

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

- the NPL ratio (defined as the share of non-performing loans in total lending volume);
- Risk Provisioning Ratio: Risk provisioning in relation to total lending volume
- Risk Coverage Ratio: Risk provisioning in relation to non-performing loans

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

CREDIT RISK INDICATORS

€ mn	Total 31 Dec 2022	Total 31 Dec 2021	Change in %
Lending volume*) (LV)	**80,743**	83,907	-3.8
NPL volume	**114**	144	-20.8
NPL ratio (%)	**0.14%**	0.17%	-17.6
Risk provisioning)**	**368**	299	23.1
Provisioning ratio (%)	**0.46%**	0.36%	27.8

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

d) Provisions for loan losses / loss allowance

The Bank has accounted for all identifiable credit risks, in accordance with prudent commercial judgement, by recognising provisions in the amount of expected losses. Provisions for loan losses comprise write-downs and provisions for evident and inherent default risks, for all receivables carried on the balance sheet as well as for off-balance sheet transactions. The inventory of specific loss allowance is regularly monitored and reported to the Management Board as part of the monthly loss allowance projection and the Overall Risk Report.

While the coronavirus pandemic had given rise to heightened uncertainty in the previous years, it was the macroeconomic environment and several international crises that added uncertainty in 2022. That is why exposures relating to the asset classes hotel, office property, department stores and shopping centres, the sub-portfolio of project development and developer financings, and financings of commercial buildings that are located in city centres and predominantly used for commercial purposes outside of daily needs, are assigned to stage 2 of the stage concept implemented in line with IFRS 9.

e) Concentration risks

Key factors used to determine credit risk are concentration effects (relative to counterparties, sectors, countries, or maturities), as well as the credit quality structure of the portfolio. Elevated concentrations of lending volume regarding counterparties, sectors or countries increase the risk of credit risks materialising cumulatively – for example, in the event of a default of counterparties subject to higher concentrations, or in case of economic crises affecting sectors or countries with higher concentrations.

Real Estate Finance

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

In 2022, the consequences of manifold international crises posed challenges to the German economy – for example, due to high inflation and scarce raw materials and energy availability, as well as a continued shortage of skilled labour. So far, no systematic credit risks have materialised in DZ HYP's portfolio, and significant increases in risk are currently occurring only on a case-by-case basis. The Bank monitors the portfolio closely.

Cost increases and capacity bottlenecks regarding staff and materials particularly affect clients in the groups of project development financing and developer financing. Budget reserves and complementing equity investments as well as time buffers, new or changed planning, and postponements to the start of construction are compensating for this in a large number of projects. In addition, first positive tendencies started to show at the end of 2022 (e.g. decreased producer prices, the weakening of inflationary trends, markedly improved economic outlooks). However, uncertainties regarding future cost developments and the availability of capacity and construction materials remain.

As the statutory coronavirus measures were largely lifted, hotel businesses were able to improve their performance over the course of 2022, mostly to levels approaching the pre-coronavirus era. At the same time, hotels are associated with higher operating costs and the risk that high inflation and fears of recession will have a negative impact on the recent increase in the willingness to travel.

Tenants of department stores, shopping centres and city-centre commercial buildings predominantly used for commercial purposes outside of daily needs are likely to be affected by higher operating costs as well. In light of the muted economy/looming recession and the generally higher pricing levels, it is also expected that purchases of discretionary goods in particular will be postponed. However, portfolio quality remains stable overall for these asset classes as well.

Tenant and investor interest in office properties remains high. The trend towards working from home and hybrid working models is being countered by investments in well-located, modern and digital office space that serves as a place for teamwork and communication. But the generally dampened economic development and the forecasts in this regard also give rise to potentially increasing risks for office properties for the foreseeable future, since the majority of players in an economic system generate or manage their value creation within an office property environment. In the long term, reduced income could lead to a respective decline in demand for office space.

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

Originated loans to local authorities

Risk monitoring in the area of public-sector clients focuses on regional concentration risks in particular. The broad portfolio diversification was maintained in the 2022 financial year.

Capital markets business

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

CAPITAL MARKETS BUSINESS: REGIONAL DISTRIBUTION OF SECURITIES HOLDINGS

€ mn	Total 31 Dec 2022	Total 31 Dec 2021	Change in %
Germany	6,315	7,052	-10.5
EU peripheral countries*)	1,591	3,266	-51.3
Other EU member states	799	845	-5.4
Other third countries	746	794	-6.0
Supranationals	364	380	-4.2
Total	**9,815**	**12,337**	**-20.4**

*) Italy, Portugal and Spain

In its capital markets business, DZ HYP has no direct exposure to Russia, Belarus or Ukraine. At the same time, the persistent economic uncertainty, the phasing out of bond-buying programmes as well as the ECB's key interest rate hikes in 2022 led to further increasing yield levels – and therefore to financing risks rising further, especially for highly indebted sovereigns. In 2022, DZ HYP was able to markedly reduce its public finance portfolio through active management. Despite the high level of uncertainty due to the overall economic development, the Bank still does not expect default events in its capital markets portfolio – not least due to the supportive measures of the ECB and the EU.

f) Limit monitoring

Treasury has access to the country and counterparty credit risk limits and their utilisation at any time, for the purposes of intraday monitoring. Back office units monitor the utilisation of individual business partner and country limits on a daily basis, as part of their monitoring processes.

The risk capital requirement for credit risk plus any capital buffer required is compared to the limit for credit risk, and is monitored. The reduction of the public finance portfolio was a key factor influencing limit utilisation during 2022.

III) Market price risk

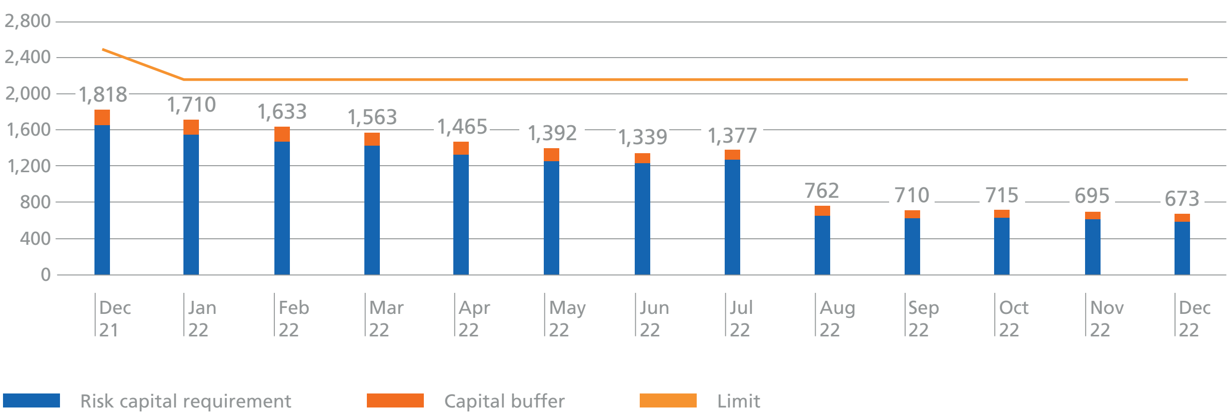
Market price risk is defined by the impact of interest rate fluctuations on the money and capital markets, and by changes in exchange rates. DZ HYP's primary market price risks are interest rate risks in the banking book, currency risk, as well as spread and migration risk. These risks are measured, and limits applied, at Group level, using data provided by DZ HYP on a daily basis. Market price risk is quantified via the risk contributions for interest rate risk and currency risk as well as for spread and migration risk.

DZ HYP uses various hedging tools in its dynamic management of interest rate risk and currency risk for the Bank as a whole. This consists mainly of interest-rate swaps, cross-currency swaps and caps. Each derivative hedge forms part of the overall management of the entire banking book.

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

To manage market risk in operational terms, the Bank calculates interest rate sensitivity parameters (i.e. theoretical present value changes given simulated changes in interest rates) on a daily basis. Interest rate sensitivity

RISK CAPITAL REQUIREMENT FOR CREDIT RISK



during the 2022 year under review was characterised by low fluctuations at a low level. Aggregate interest rate sensitivity limits were always complied with. In line with the procedures applied to other types of risk, the risk classification procedure applied in assessing the market price risk is examined for appropriateness on an annual basis, and adjusted if necessary. The Bank regularly calculates scenarios using DZ BANK's Group model. These also include scenarios defined by BaFin (in Circular 06/2019 – Interest rate risk in the banking book) for the purposes of monitoring interest rate risk exposures of investments.

In 2022, the risk contribution to Group risk exposure increased. While the increased interest rates and volatility led to a higher risk contribution for interest rate and FX risks, the disposals of Italian and Portuguese securities in July and August led to lower spread and migration risks.

DZ HYP has implemented the Group-wide standard for measuring and limiting present value and periodic interest rate risks in the banking book (IRRBB) in accordance with Group requirements.

DZ HYP's Treasury management is in line with the Bank's business model. In particular, the primary focus of Treasury management is on managing profit and loss for the period, in order to protect margins from client business. Treasury's business activities are not regarded as a profit centre.

Real estate loans with terms exceeding ten years are subject to statutory termination rights pursuant to section 489 of the German Civil Code (BGB). The effect of these optional risks is reflected in the risk model.

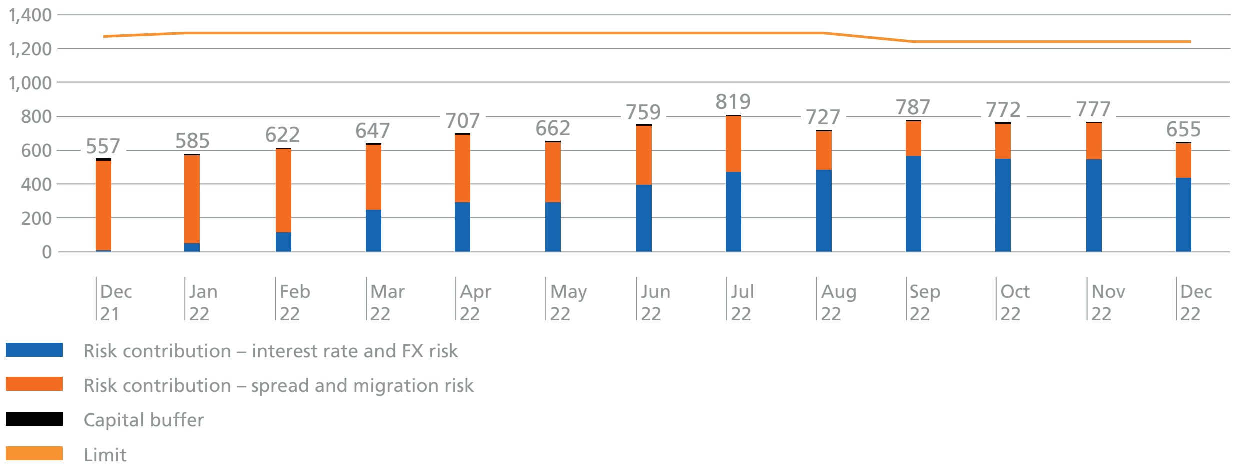
Contractual early redemption rights are taken into account via notional lifetimes, which are validated statistically.

IV) Liquidity risk

Liquidity risk comprises the threat of insufficient liquidity being available to meet payment obligations. Liquidity risk can thus be interpreted as the risk of being unable to pay. In this regard, liquidity risk is incurred due to mismatches in the amount and/or timing of cash flows; it is materially dependent upon other types of risk. The Bank's liquidity risks are determined daily, in line with the regulatory and business requirements and in coordination with DZ BANK.

Based on the management of economic liquidity, Market Price Risk and Liquidity Risk Controlling provides Treasury with a differentiated overview on each business day, indicating future liquidity flows (comprising cash flows as well as a gap analysis of principal repayments and fixed interest mismatches) resulting from individual positions in the portfolio. Where a comparison of liquidity data against defined limits gives rise to escalation, this follows a pre-defined process flow which may in-

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



voke the emergency procedure for liquidity bottlenecks pursuant to MaRisk. No escalation was required in 2022.

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

The DZ HYP Management Board is also provided with an overview of excess liquidity post-stress scenarios in the Overall Risk Report. A limit system is implemented on a daily basis and integrated into the risk monitoring process. The results from the scenario analyses – which comply with the requirements set out in the relevant sections of MaRisk – are fed into the risk analysis process.

The first step in determining risk indicators is to calculate a liquidity run-off profile, based on the contractually agreed terms of all financial instruments with an impact on liquidity. The base case scenario maps the development of current and future liquidity reserves, in connection with expected business activities. Potential changes to the liquidity run-off profile, and to liquidity reserves in the event of a crisis affecting markets or the Bank are simulated for four stress scenarios in addition to the expected development reflected in the base case scenario:

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

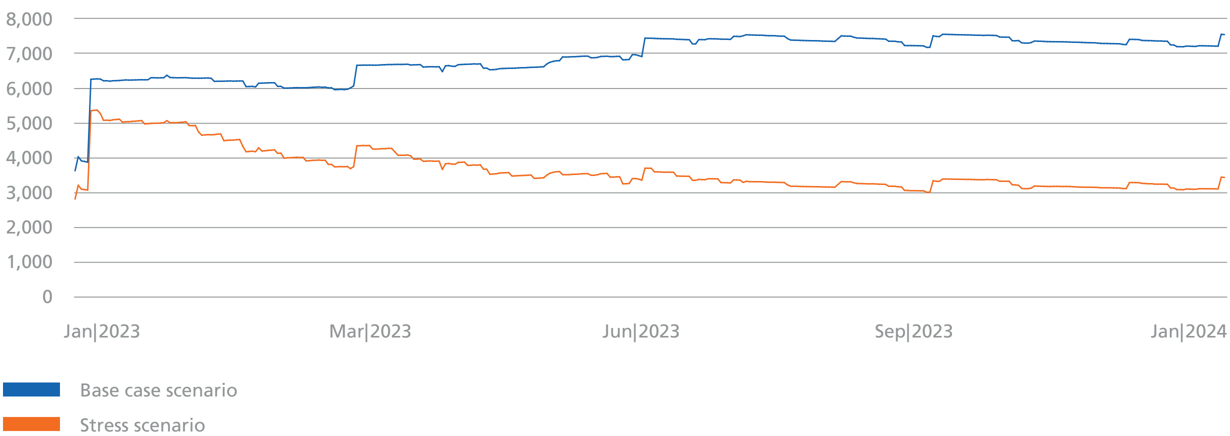
Expected liquidity is indicated by the liquidity run-off profile in the base case scenario. In the stress scenario, liquidity is defined by the worst daily value among the four scenarios. Using expected liquidity for each record date, the minimum excess liquidity indicator is determined, which expresses the adequacy of economic liquidity. Throughout 2022, this indicator remained above the limit of zero. The set of scenarios is complemented by an inverse stress test carried out on a quarterly basis.

DZ HYP's liquidity risk models and implementation of the emergency plan for liquidity bottlenecks are reviewed annually, and adjusted if necessary.

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

During 2022, DZ HYP's funding activities comprised the issuance of Mortgage Pfandbriefe and Public Pfandbriefe, which were predominantly purchased by counterparties outside the Volksbanken Raiffeisenbanken

EXPECTED LIQUIDITY DEVELOPMENTS AS AT DECEMBER 2022



Cooperative Financial Network. Further funding activity consisted of unsecured liquidity facilities provided predominantly by DZ BANK.

DZ HYP defines market liquidity risk as the threat of losses which may be incurred due to unfavourable changes in market liquidity – for example, due to a deterioration in market depth, or in the event of market disruptions, in which case the Bank may only be able to sell assets held at a discount, and active risk management may be restricted. Since the impact of market liquidity risk is evident in changed spreads and volatility levels, this is reflected in risk calculations.

V) Operational risk

The DZ BANK Group defines operational risk as the risk of losses resulting from human behaviour, technical faults, weaknesses in processes or project management procedures, or from external events. This definition includes legal risks; it does not, however, cover strategic and reputational risks.

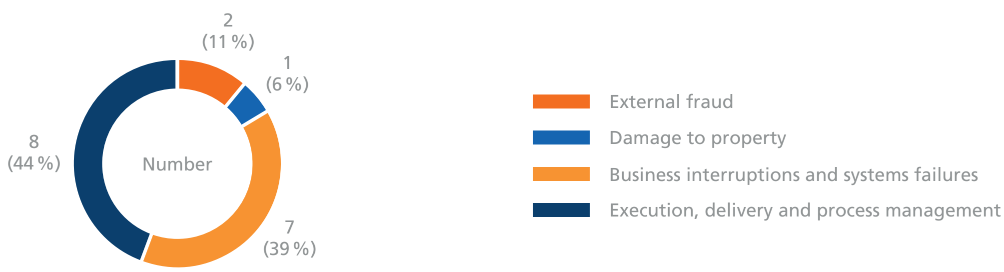
Capital requirements for operational risks are derived at Group level, as part of the process to determine regulatory capital requirements, applying the standardised approach as set out in the CRR. Moreover, economic capital for operational risk is determined at Group level, using a portfolio model,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

Compiling loss data in a central database permits the identification, analysis and assessment of loss events, giving the Bank the ability to recognise patterns, trends and concentrations of operational risk. Losses incurred by DZ HYP include losses burdening income (direct losses, provisions) and losses recognised directly in equity (indirect losses, profits forgone/opportunity costs). Losses burdening income are included in the model used for quantifying the risk capital requirement from DZ BANK's economic perspective. 18 losses were recognised during the year under review.

To identify operational risks in good time, an early warning system – used by DZ HYP regularly – records a total of 163 indicators (aligned with the CRR event categories, including system failures, fraud, damage to property) and analyses results by way of a traffic light system. Monitoring the risk indicators did not result in significantly higher operational risks during 2022. In fact, the vast majority of risk indicators did not show any risks during the course of 2022.

Scenario-based risk self-assessments were conducted in 2022. Using risk scenarios, material potential risks were determined, in accordance with the CRR, for all first-level risk categories and mapped in the form of scenarios. The results of DZ HYP's assessments are incorporated into the economic risk model for the DZ BANK Group. The selected scenarios are also reviewed on a quarterly basis with regard to their relevance; there were no indications of material changes in the risk assessments. The scenarios deemed to be most

OPRISK LOSSES 2022



likely were potential threats from hacker attacks, and outsourcing risks.

IT risk

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

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

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

Outsourcing

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

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

VI) Equity investment risk

Equity investment risk is defined as the risk of losses due to negative changes in value affecting the part of the investment portfolio that is not taken into account for other types of risk. Investments are held for strategic considerations; they are of minor importance to DZ HYP.

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

The risk contribution for DZ HYP's equity investment risk is calculated by DZ BANK alongside its measurement of equity investment risk for the DZ BANK Group. For this purpose, risk capital requirements are measured using a value-at-risk concept based on a variance/covariance approach, with a one-year holding period. Risk drivers are the market values of investments, volatility of such market values and correlation among them. Market value fluctuations are predominantly derived from exchange-listed reference assets.

VII) Reputational risk

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

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

VIII) Business risk

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

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

IX) Longevity risk

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

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

X) ESG risk

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

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

Any physical climate and environmental risks could impair the collateral value of credit exposures. Furthermore, transitory effects such as the transition towards a climate-neutral economy, can reduce the profitability of borrowers in real estate financing. The Bank developed a scorecard to measure physical and transitory risks in the year under review.

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

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

DZ HYP successfully issued internal MREL-eligible liabilities in 2022; these were bought exclusively by DZ BANK in order to ensure that the minimum requirements for the internal MREL are met at all times.

XII) Summary

Assessing risks and opportunities is an integral part of DZ HYP's risk management. The Management Board considers the management and controlling instruments implemented to be appropriate; they are continuously fine-tuned and improved. The challenges arising during the reporting year as a result of the many international crises were adequately addressed by an effective and sustainable risk management approach. The Bank deems DZ HYP's expected performance to be appropriate in terms of the risks assumed. There are no indications for any threats to DZ HYP's continued existence at the time of this Annual Report's preparation.

REPORT ON EXPECTED DEVELOPMENTS

Cautionary forward-looking statement

The report on expected developments, along with certain other parts of the Annual Report, includes expectations and forecasts that relate to the future. These forward-looking statements, in particular those regarding DZ HYP's business and earnings growth, are based on forecasts and assumptions and are subject to risks and uncertainties. As a result, actual results may differ from those currently forecast. There are many factors that impact DZ HYP's business, and that are beyond the Bank's control. Current examples are the specific impact of the war in the Ukraine, and geopolitical risks. These factors primarily include shifts in the general economic situation and the competitive arena, plus developments on the national and international real estate and capital markets. In addition, results can be impacted by borrowers defaulting or by other risks, some of which are discussed in detail in the risk report. In this context, DZ HYP would like to point out that current high levels of inflation and the accompanying rise in interest rates, together with supply chain issues and shortage of skilled workers, could pose additional burdens.

Forecast period

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

Business environment and assumptions underlying the forecast

In a challenging international environment with global risks and high inflation, Germany's economic power recovered somewhat in 2022 after two years defined by the COVID-19 pandemic. Looking ahead to the next year, it is fair to assume that a recession is on the cards. However, barring a shortage of gas, it should turn out to be mild. Sentiment on the real estate markets is likely to remain muted for now, with transaction volumes expected to recover during the second half of the year. With the sharp rise in interest rates, buyers and sellers have not yet agreed on a new pricing level. Other dominant topics will be inflation, energy prices and higher interest rates. It remains uncertain as to how macroeconomic effects and implications will affect the real estate market. DZ HYP currently believes that real estate prices will decline to a moderate extent only. There is as yet no evidence of significant discounting. All in all, it is fair to state that the German residential and commercial real estate markets have been largely robust to date.

The sharp rise in interest rates, coupled with higher and volatile construction costs, has led to plummeting demand for owner-occupied residential real estate recently. The desire for home ownership should however remain intact in the medium term, and demand is expected to recover. Prices are anticipated to remain stable overall, with moderate declines in only a few sub-markets. Demand for tenanted residential real estate is also muted as a result of the sharp rise in interest rates, affecting sellers who are not yet prepared to reduce prices. Purchase prices for multi-family homes were largely unchanged in 2022 compared to the previous year. This development is likely to persist, based on current assessments and subject to further macroeconomic developments. Especially the high levels of fundamental surplus demand in many places, combined with significantly lower new construction volumes for multi-family homes and the current drop in demand for owner-occupied residential property, are having a stabilising effect.

Demand for space in the retail sector is expected to continue to decline overall, given the growing importance of online commerce and adjustments of excess capacity in non-food branch networks, leading to falling rents but also increased competition for prime locations. Associated price corrections have already taken place and are expected to continue. In addition to quality and location, a material factor influencing the extent of potential value adjustments is a property's adaptability, for example to new neighbourhood concepts with an attractive mix of space and high recreational value in city centres.

In the hotel sector, capacity utilisation in 2022 was largely at the levels seen before the outbreak of the coronavirus pandemic. Looking ahead, the recovery in demand for overnight accommodation is anticipated to stabilise, thanks to the revival in tourism and a higher number of business travellers.

Even in the event of a prolonged recession, office markets are unlikely to come under pressure in the short term and are expected to remain stable. DZ HYP assumes that, in the medium to long term, working from home trends or hybrid working models will persist as employees ask for more flexibility. Many employers are responding to this trend by investing in well-located, modern and digital office properties, reducing workstations (desk sharing) and replacing them with space focused on communication, amenity quality and other benefits and extras (such as bistros, kindergartens and gyms) to encourage vital personal interaction. In this context, demand for space will only diminish to a manageable extent, with a moderate impact expected on the future market development for attractive office space in prime locations.

The growth in online trading continues to produce strong demand for the logistics real estate asset class, and this demand is expected to remain intact.

Looking at the value of collateral held in the form of real property liens, no systematic material deterioration in collateral values resulting from the pandemic and the challenging macroeconomic development in 2022 has been observed to date. Any haircuts on properties held as collateral are monitored on an ongoing basis, and any decline in property collateral values can be mitigated – in particular, with conservative financing structures.

Despite the coronavirus pandemic, German cities and local authorities achieved financing surpluses of € 2.7 billion and € 3.0 billion respectively in their core budgets in 2020 and 2021. Significant growth in tax revenues was recently forecast for 2022. On the other hand, the war in Ukraine is burdening the municipalities' financial situation, reflected in higher energy costs and increased social expenditure, among other things. The government is sharing financial responsibility and supporting the municipalities with various measures and relief packages. The federal government and the states are expected to be very willing to continue providing support, also due to the high level of systemic support demonstrated yet again in Germany. As things stand at the moment, the energy crisis will have no significant effect on the portfolio of loans to local authorities. Competition for local-authority loans remains strong.

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

Expected development of DZ HYP

Based on these framework conditions, and adhering to its unchanged conservative risk strategy, DZ HYP plans to avoid cyclical peaks in the long-term business it pursues, to the extent possible. Moreover, the Bank does not calculate any performance contributions from unhedged interest rate or foreign exchange exposures in its projections. Therefore, any changes to the relevant market parameters do not materially influence the Bank's results planning. Key value drivers for DZ HYP's future financial performance are thus the Bank's planned business volume, net credit margins, commissions earned and risk costs incurred in new business, as well as any write-downs which may be necessary in the non-strategic portfolios. Given DZ HYP's strengthened market position, the Bank has conservatively accounted for these value drivers in its planning calculations.

The Basel Committee on Banking Supervision (BCBS) finalised its revised "Basel III: Finalising post-crisis reforms" framework for the calculation of risk-weighted assets and capital floors on 7 December 2017. On 27 October 2021, the European Commission presented the proposals for implementing this framework in the European Union; these proposals are currently undergoing consultation. Simulations show that the amended regulations will directly impact DZ HYP's calculation of risk-weighted assets under the IRB approach. The increased capital requirements for commercial real estate finance under the revised Credit Risk Standard Approach are expected to lead to higher capital requirements related to the capital floor applicable to DZ HYP. Under the current draft legislation, these capital floor regulations will take effect starting in 2025, with a phase-in period running until 2030. In the European Commission's current draft, compliance with the output floor is required at the highest consolidated level. The Bank will continually analyse the new regulatory requirements together with the Group's parent entity, taking the existing own funds waiver into account.

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

Assuming there is no severe recession, the Bank is expecting to be able to originate new real estate finance business of € 10 billion in 2023, generating adequate margins. The aim is to strike a good balance between profitability targets and equity requirements, whilst closely adhering to relevant regulatory requirements.

Net interest income is expected to be slightly lower than the figure of around € 670 million reported for the year under review.

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

Administrative expenses will be driven not least by increasing regulatory requirements, whose implementation will continue to add to staff and IT costs. DZ HYP is expecting a sharp increase in administrative expenses overall, especially against the background of another increase in the bank levy for 2023.

Provisions for loan losses are calculated using individual standard risk costs commensurate with the Bank's business model. Such provisions are forecast to amount to a low triple-digit million euro amount in 2023.

The net financial result will improve strongly over the figure reported for the year under review.

Based on the expected development of individual performance indicators – and particularly due to the expectation of a significantly improved net financial result – DZ HYP is anticipating key performance indicators to exceed the levels achieved in the year under review. With distributable earnings of over € 100 million forecast for 2023, DZ HYP is expecting a strong RoE recovery. The CIR will likely deteriorate – mainly as a result of the continuous increase expected in administrative expenses.

In the Management Board's view, DZ HYP is on a successful path in terms of profitability and new business origination. New business is aligned toward our clients' requirements. The Bank is consistently reducing capital markets transactions which are not related to client business.

EMPLOYEES

Employer branding

The world of work is changing – leading to increased pressure on recruitment. Key influencing factors are demographic developments and advancing digitalisation, which requires increasingly specialised experts. To address this situation, employers need to be maintaining a strong employer brand with an attractive value proposition.

In 2022, DZ HYP further expanded its presence as an attractive employer across different formats. For example, a large number of employees contributed to the making of the Bank's first recruiting film, which can now be used to attract various target groups (such as IT). Whilst the *DZ HYP HÖRBAR* podcast was extended to include additional episodes covering working life at DZ HYP, the Bank introduced the new internal company podcast *DZ HYP HÖRBAR intern* in 2022, informing employees of current projects in the individual departments.

During the year under review, the Bank stepped up social media activities on its most important employer branding communication platform, LinkedIn, and gained greater attention thanks to an increased number of followers. In order to reach Generation Z and secure a supply of young talent for DZ HYP, the Bank launched its first advertising campaign on the TikTok social media platform together with DZ BANK Group entities. Since the campaign produced considerable interest from the young target group, the Group companies are planning to continue using this channel for recruitment purposes.

DZ HYP received the "Best Place To Learn" award, Germany's seal of approval for vocational training, at the end of 2022. Similarly, the Bank was also rated "Top Company 2023" by kununu. DZ HYP also successfully completed the audit for recertification in the area of work and family commitments in the year under review, and continues to carry the "berufundfamilie" seal from the non-profit Hertie Foundation.

Vocational training and empowering the next generation

In order to have a good number of qualified young professionals on board, thereby allowing the Bank to rise to current challenges and respond to changes in the skills required going forward, DZ HYP has been offering targeted vocational training to talented employees for several years now. Since adopting its demographic concept, the Bank has strengthened its vocational training activities from year to year and has increased the quality and quantity of its trainee programmes on offer. A total of four trainees and two "dual" students were recruited for the Münster office, which is primarily responsible for the retail business, in the 2022 financial year. The "dual" study programme, which includes a programme leading to a Bachelor of Arts degree in Banking & Finance, has been offered there since 2012 in addition to the vocational training programme for bank officers. DZ HYP awarded permanent contracts to four trainees and two dual students in the year under review.

Vocational training for qualified university graduates was also extended in 2022 within the scope of training programmes. In spring 2022, five individuals successfully concluded the trainee programme for commercial real estate finance, which was established several years ago, and were awarded permanent contracts. In the autumn, a total of ten new young talents embarked upon their trainee programmes in different areas and at various Bank locations. Adding to the established Real Estate Finance (commercial real estate finance) and IT programmes, DZ HYP also launched traineeships in Finance and Human Resources in the year under review. This training programme aims to qualify up-and-coming generations for permanent positions in different specialist departments as a way of forging talent for DZ HYP. The IT traineeship programme that started in autumn 2021 continued successfully during the year under review, with trainees being deployed in various specialist departments to observe and learn from Bank employees ("work shadowing"), whilst participating in courses, workshops and networking events. "Trendence", an independent consultancy and market research company, once again awarded DZ HYP its seal of quality in 2022 for its "fair trainee programme".

Occupational health management

The Bank's occupational health management offering focused on employees' mental health in the reporting year. A series of open seminars were developed to this end, aiming to provide employees with methods to maintain or improve their mental health. External trainers conducted various live and online seminars, which were well received by the workforce. The seminar offering was extended by subsidising selected meditation and mindfulness apps which have proven to be suitable for quickly assuming a relaxed state and reducing overall stress levels. Health insurance funds recognise their effectiveness. DZ HYP supplemented new annual subscriptions in the first quarter of 2022 by way of an employer subsidy, unless they were reimbursed by the health insurance fund.

In the meantime, employees continued to be able to consult with company physicians at fixed hours. The annual flu vaccination was once again offered and administered at the Bank's Hamburg and Münster offices. Employees in the Bank's real estate centres had the opportunity to be vaccinated at the local B.A.D. GmbH health centres. Demand was comparable to the previous year. DZ HYP also continued its occupational re-integration management programme in the year under review.

Hybrid working at DZ HYP

The works council agreement on hybrid working that was introduced in 2021 proved to be a successful framework for organising working time at DZ HYP. The Bank firmly believes that the achievement of a good work-life balance is an important contributory factor to its attractiveness as an employer. The "predominant presence" concept, whereby employees are asked to work from their office premises on a flexible basis more than half the time, is seen as a key strength for DZ HYP in that it fosters efficiency and preserves team spirit, whilst conforming to the new norms surrounding hybrid working.

Promoting women: statutory quotas and corporate initiative

The Management Board redefined target levels for the proportion of women on the first two management levels below the Management Board in November 2020; the target of 25 per cent for both levels remains in force and must be reached by October 2025. Conceptual planning for personnel development and awareness initiatives to be launched in 2023 was therefore intensified in the year under review. As at 31 December 2022, the share of women on the first management level below the Management Board was 6.7 per cent and the share on the second level was 20.3 per cent. The Supervisory Board set targets for the share of women on the Management Board (33 per cent) and the Supervisory Board (22 per cent) in June 2021; these targets remain valid until July 2023 and both were met during the reporting year.

Cooperation with the Works Council

DZ HYP and the Works Council members continued their constructive cooperation during the year under review. Further harmonisation of working conditions valid across locations, along with the conclusion of central works council agreements on e-learning and an inflation compensation bonus are particularly worthy of mention. DZ HYP would like to thank Works Council members for the good and constructive cooperation.

STAFFING INDICATORS

	2022	2021
Total*)	**855**	831
Fluctuation rate (in %)	**6.3**	6.0
Share of voluntary resignations (in %)	**3.1**	5.2
Years of service	**13.2**	13.2
Number of training days per employee	**1.8**	3.1
Employment basis (in %))**		
Full time	**76.4**	77.0
Part time	**23.6**	23.0
Share of women (in %)	**43.7**	46.3
Average age	**46.0**	46.0

*) annual average
**) average values

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BALANCE SHEET AS AT 31 DECEMBER 2022
ASSETS

	€ 000's	Note	€ 000's	31 Dec 2022 € 000's	31 Dec 2021 € 000's
CASH FUNDS				44	24
a) Cash on hand			2		1
b) Balances with central banks			42		23
of which: with Deutsche Bundesbank	(42)				(23)
LOANS AND ADVANCES TO BANKS		(4)		1,996,924	3,931,146
a) Mortgage loans			14,958		15,771
b) Loans to local authorities			76,704		103,886
c) Other loans and advances			1,905,262		3,811,489
of which: payable on demand	548,879				(1,035,456)
LOANS AND ADVANCES TO CUSTOMERS		(4)		68,103,592	67,352,437
a) Mortgage loans			53,869,901		52,824,684
b) Loans to local authorities			11,369,317		11,803,601
c) Other loans and advances			2,864,374		2,724,152
BONDS AND OTHER FIXED-INCOME SECURITIES		(6)		6,292,301	9,834,203
a) Bonds and debt securities			(6,265,216)		(8,301,440)
aa) Public-sector issuers			4,279,389		5,981,490
of which: securities eligible as collateral with Deutsche Bundesbank	3,528,134				(5,213,598)
ab) Other issuers			1,985,827		2,319,950
of which: securities eligible as collateral with Deutsche Bundesbank	1,519,903				(1,882,810)
b) Own bonds issued			27,085		1,532,763
Nominal amount	27,598				(1,527,445)
PARTICIPATIONS		(6)		912	911
INVESTMENTS IN AFFILIATED COMPANIES		(6)		1,566	1,566
TRUST ASSETS		(7)		7,014	26,333
of which: trustee loans	7,014				(8,233)
INTANGIBLE FIXED ASSETS		(6)		1,001	2,556
a) Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets			921		2,556
b) Advance payments made			80		–
TANGIBLE FIXED ASSETS		(6)		221,146	209,275
OTHER ASSETS		(8)		53,310	63,373
PREPAID EXPENSES		(10)		545,980	208,915
a) From new issues and lending			544,506		207,410
b) Other			1,474		1,505
TOTAL ASSETS				77,223,790	81,630,739

BALANCE SHEET AS AT 31 DECEMBER 2022
LIABILITIES AND EQUITY

	€ 000's	Note	€ 000's	31 Dec 2022 € 000's	31 Dec 2021 € 000's
LIABILITIES TO BANKS		(13)		29,924,572	31,834,208
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			1,189,894		1,591,199
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			1,100,733		1,056,017
c) Other liabilities			27,633,945		29,186,992
of which: payable on demand	26,175				(122,273)
LIABILITIES TO CUSTOMERS		(13)		12,424,594	13,813,942
a) Outstanding Registered Mortgage Pfandbriefe (Hypotheken-Namenspfandbriefe)			4,737,100		5,009,005
b) Outstanding Registered Public Pfandbriefe (öffentliche Namenspfandbriefe)			6,483,240		7,217,711
c) Other liabilities			1,204,254		1,587,226
of which: payable on demand	395,914				(450,463)
SECURITISED LIABILITIES		(13)		31,252,593	32,510,068
a) Bonds issued					
aa) Mortgage Pfandbriefe (Hypothekenpfandbriefe)			27,641,118		26,803,519
ab) Public Pfandbriefe			2,211,371		4,146,547
ac) Other debt securities			1,400,104		1,560,002
TRUST LIABILITIES		(7)		7,014	26,333
of which: trustee loans	7,014				(8,233)
OTHER LIABILITIES		(14)		155,437	315,772
DEFERRED INCOME		(10)		573,681	272,762
a) From new issues and lending			573,681		272,762
PROVISIONS				290,568	268,323
a) Provisions for pensions and similar obligations			237,136		215,056
b) Provisions for taxes			4,198		4,776
c) Other provisions			49,234		48,491
SUBORDINATED LIABILITIES		(15)		10,000	35,000
FUND FOR GENERAL BANKING RISKS				823,000	792,000
EQUITY				1,762,331	1,762,331
a) Subscribed capital		(16)	(784,990)		(784,990)
aa) Share capital			149,990		149,990
ab) Silent partnership contributions			635,000		635,000
b) Capital reserves			884,196		884,196
c) Retained earnings			(93,145)		(93,145)
ca) Legal reserves			945		945
cb) Other retained earnings			92,200		92,200
TOTAL EQUITY AND LIABILITIES				77,223,790	81,630,739
CONTINGENT LIABILITIES		(17)			
a) Liabilities from guarantees and indemnity agreements				260,406	402,250
OTHER COMMITMENTS		(18)			
a) Irrevocable loan commitments				6,624,884	7,330,748

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

	€ 000's	Note	€ 000's	2022 € 000's	2021 € 000's
INTEREST INCOME FROM					
a) Lending and money market transactions			1,447,899		1,500,282
b) Fixed-income securities and debt register claims			206,927		248,024
				1,654,826	1,748,306
INTEREST EXPENSES				985,549	1,083,397
				669,277	664,909
CURRENT INCOME FROM PARTICIPATIONS				107	9
INCOME FROM PROFIT-POOLING, PROFIT TRANSFER OR PARTIAL PROFIT TRANSFER AGREEMENTS				2,368	3,732
COMMISSION INCOME			48,658		55,508
COMMISSION EXPENSES			68,792		93,841
NET COMMISSION RESULT				-20,134	-38,333
OTHER OPERATING INCOME		(27)		29,661	22,554
GENERAL ADMINISTRATIVE EXPENSES					
a) Staff expenses					
aa) Wages and salaries			80,229		74,957
ab) Compulsory social security contributions and expenses for pensions and other employee benefits			36,236		18,635
			116,465		93,592
of which: pension expenses	24,620				(7,510)
b) Other administrative expenses			152,933		151,164
				269,398	244,756
AMORTISATION/DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE AND TANGIBLE FIXED ASSETS				6,396	6,550
OTHER OPERATING EXPENSES		(28)		12,792	22,297
WRITE-DOWNS AND VALUATION ALLOWANCES OF LOANS AND ADVANCES AND SPECIFIC SECURITIES, AS WELL AS ADDITIONS TO LOAN LOSS PROVISIONS				85,533	34,973
AMORTISATION AND WRITE-DOWNS ON PARTICIPATIONS INTERESTS, SHARES IN AFFILIATED COMPANIES, AND INVESTMENT SECURITIES				133,951	4,937
ADDITIONS TO THE FUND FOR GENERAL BANKING RISKS				31,000	147,000
RESULT FROM ORDINARY ACTIVITIES				**142,209**	**192,358**
INCOME TAXES		(29)	92,279		125,195
OTHER TAXES NOT REPORTED UNDER ITEM 12			281		261
				92,560	125,456
PROFITS TRANSFERRED ON THE BASIS OF PROFIT POOLS, PROFIT TRANSFER AGREEMENTS OR PARTIAL PROFIT TRANSFER AGREEMENTS				49,649	66,902
NET INCOME/LOSS				–	–

STATEMENT OF CHANGES IN EQUITY

	31 Dec 2021	Issue of shares	Dividends paid	Net income/ loss	Transfers to/ from retained earnings	Other changes	31 Dec 2022
	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
SUBSCRIBED CAPITAL	(784,990)	–	–	–	–	–	(784,990)
- Share capital	149,990	–	–	–	–	–	149,990
- Silent partnership contributions	635,000	–	–	–	–	–	635,000
CAPITAL RESERVES	(884,196)	–	–	–	–	–	(884,196)
- Premium at issuance	408,590	–	–	–	–	–	408,590
- Other payments	475,606	–	–	–	–	–	475,606
RETAINED EARNINGS	(93,145)	–	–	–	–	–	(93,145)
- Legal reserves	945	–	–	–	–	–	945
- Other retained earnings	92,200	–	–	–	–	–	92,200
- Net retained profit	–	–	–	–	–	–	–
EQUITY	1,762,331	–	–	–	–	–	1,762,331

CASH FLOW STATEMENT

	€ mn	2022	2021
-	RESULT FROM ORDINARY ACTIVITIES	142	192
	OTHER TAXES NOT DISCLOSED UNDER "OTHER OPERATING EXPENSES"	0*)	0*
	PROFIT OR LOSS FOR THE PERIOD (NET INCOME/LOSS BEFORE TAXES AND PROFIT TRANSFER)	142	192
+/-	Amortisation/depreciation, write-downs and write-ups on loans and advances, and non-current assets	76	33
+/-	Increase/decrease in provisions	24	12
+/-	Other non-cash expenses/income	37	237
-/+	Profit/loss from the disposal of non-current assets	137	-4
-/+	Other adjustments (net balance)	-2	-3
-/+	Increase/decrease in loans and advances to banks	1,934	852
-/+	Increase/decrease in loans and advances to customers	-828	-1,261
-/+	Increase/decrease in securities (excluding financial assets)	1,500	12
-/+	Increase/decrease in other assets from operating activities	-308	-10
+/-	Increase/decrease in liabilities to banks	-1,983	699
+/-	Increase/decrease in liabilities to customers	-1,365	-1,924
+/-	Increase/decrease in securitised liabilities	-1,254	868
+/-	Increase/decrease in other liabilities from operating activities	284	-103
+/-	Interest expenses/income	-672	-669
+	Interest and dividend payments received	1,690	1,773
-	Interest paid	-942	-1,167
-	Extraordinary cash payments	-1	-4
+/-	Net cash inflow/outflow from income taxes (including Group tax overheads)	-236	-81
=	CASH FLOW FROM OPERATING ACTIVITIES	-1,767	-548
+	Receipts from the disposal of financial assets	1,979	655
-	Payments for investments in financial assets	-103	0
+	Cash proceeds from the disposal of property and equipment	-6	0*)
-	Payments for investments in tangible fixed assets	-11	-14
+	Receipts from the disposal of intangible fixed assets	0*)	0
-	Payments for investments in intangible fixed assets	0*)	-1
=	CASH FLOW FROM INVESTING ACTIVITIES	1,859	640
-	Cash outflow from profit transfer to DZ BANK (as holder of the share capital)	-52	-57
-	Cash outflow from partial profit transfer to DZ BANK (as holder of the silent partnership contributions)	-15	-16
+/-	(Net) cash inflow/outflow from issuance/repayment of subordinated liabilities	-25	-19
=	CASH FLOW FROM FINANCING ACTIVITIES	-92	-92
	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	0*)	0*)
+/-	Cash flow from operating activities	-1,767	-548
+/-	Cash flow from investing activities	1,859	640
+/-	Cash flow from financing activities	-92	-92
=	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	0*)	0*)

*) values less than € 0.5 million

Cash and cash equivalents corresponds to the balance sheet item "Cash funds" and includes cash on hand and balances with central banks.

NOTES TO THE FINANCIAL STATEMENTS

GENERAL NOTES

DZ HYP AG ("DZ HYP") has dual registered offices in Hamburg and Münster, Westphalia. DZ HYP is registered with the Commercial Register of the Hamburg Local Court (Amtsgericht Hamburg) under HRB 5604, and with the Commercial Register of the Münster Local Court (Amtsgericht Münster) under HRB 17424.

(1) General information on the preparation of financial statements

The financial statements of DZ HYP for the financial year 2022 have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – "HGB"). Furthermore, the financial statements are prepared in accordance with the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* – "RechKredV") and the German Banking Act (*Kreditwesengesetz* – "KWG"); they fulfil the requirements of the German Stock Corporation Act (*Aktiengesetz* – "AktG") and the German Pfandbrief Act (*Pfandbriefgesetz* – "PfandBG").

Given the non-materiality of all subsidiaries, even if considered in aggregate, in accordance with section 290 (5) in conjunction with section 296 (2) of the HGB, the company has not prepared consolidated financial statements.

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

(2) Accounting policies

These annual financial statements of DZ HYP as at 31 December 2022 are generally based on the same accounting policies as were applied in the annual financial statements as at 31 December 2021; accordingly, there were no material changes to accounting methods since then.

Loans and advances to banks/to customers

Loans and advances to banks and customers are recognised at nominal value, in accordance with section 340e (2) of the HGB. Where their stated value differs from the amount disbursed, or cost, the amount of the difference is reported under prepaid expenses or deferred income, and amortised in interest income over the term of the transaction.

Loans and advances which are fully classified as current assets are valued strictly at the lower of cost or market. All existing individual lending risks are covered by specific loss allowance and provisions.

Specific allowance is recognised when the Bank has reason to doubt the performance of a receivable, due to the difficult financial circumstances of a borrower, or in the event of insufficient collateralisation; or if there are indications that the borrower will be unable to pay interest on a sustainable basis. The same applies to contingent receivables.

When determining specific loss allowance, existing receivables as at the valuation date (including any pro-rata interest and pending items) are compared to discounted and scenario-weighted cash flows from collateral – including realisation of collateral. The uncovered portion determined in this way is written down in full.

Inherent default risks and country risks are covered by portfolio-based loss allowances, which are derived using a model similar to the IFRS 9 impairment loss model. As a result of the overall economic development with multiple ongoing international crises, these risks have been analysed extensively. To reflect the ongoing uncertainty on the market, risk provisioning in the year under review was increased, by assigning the most affected product and asset classes to stage 2 of the stage concept pursuant to IFRS 9, to take credit risks into account for which no specific impairments have been recognised yet. The macroeconomic scenarios – which are also taken into account in the calculation of loss allowance – have been adjusted as well. Additional loss allowances were set aside in accordance with section 340f of the HGB.

When recognising loss allowances, DZ HYP applies the option to cross-compensate all income and expense items in line with section 340f (3) as well as section 340c (2) of the HGB.

Bonds and other fixed-income securities

Bonds and debt securities held as fixed assets are measured at amortised cost; if impairments are expected to be permanent, DZ HYP recognises a write-down to the lower observable closing rate ("gemildertes Niederstwertprinzip"). Other bonds and debt securities are allocated to the liquidity reserve. These items are measured at the lower of cost and fair value ("strenges Niederstwertprinzip").

The vast majority of bonds and debt securities held as fixed assets are used in coverage calculations as ordinary or extended cover. The difference between cost and redemption amount is disclosed in net interest income during the remaining term.

The fair value of liquid debt securities and other fixed-income securities is generally determined on the basis of external market prices. If a valid market price for securities already held cannot be determined as at the reporting date, due to a lack of transaction volume, spread curves are used to determine the relevant price on the basis of the discounted cash flow method. Future cash flows from interest and principal were discounted to their present value as at the reporting date, using market interest rates in line with the risks and maturities concerned. If specific parameters needed for valuation purposes cannot be observed on the market, and cannot be derived from market data, DZ HYP applies parameters estimated within the DZ BANK Group.

The valuation of securities held as fixed assets, or included in the liquidity reserve, is generally based on an individual approach.

Participations and interests in affiliated companies

Investments and shares in affiliated companies are measured at amortised cost, or at the lower fair values in case of permanent impairments.

Intangible and tangible fixed assets

According to section 253 (1) and (3) of the HGB, intangible and tangible fixed assets are measured at cost less depreciation, amortisation and impairment losses. Depreciation and amortisation are recognised monthly on a straight-line basis, taking the expected useful life into account. Low-value assets disclosed under intangible and tangible fixed assets with cost of between € 250 and € 800 (after deducting any pre-tax amounts) are recognised in the balance sheet in the year of acquisition, and amortised/depreciated immediately. Assets with cost of less than € 250 are recognised through profit or loss in the year of acquisition.

Liabilities

Liabilities are recognised at their settlement amount in accordance with section 253 (1) sentence 2 of the HGB. The difference between the nominal value and the initial carrying amount of liabilities is recognised under prepaid expenses or deferred income, and amortised over the term of the transaction.

Zero bonds are shown at their issue value, plus pro-rata interest in line with the yield at the time of issue.

Liabilities classified as structured products (as defined in Statement IDW RS HFA 22 issued by the Institute of Public Auditors in Germany – "IDW") are accounted for as uniform liabilities, since such products at DZ HYP exclusively contain interest rate derivative components, which do not have to be accounted for separately.

DZ HYP took part in the Deutsche Bundesbank's targeted longer-term refinancing operations (TLTRO III).

Provisions

Provisions for pensions are recognised in accordance with actuarial principles and determined on the basis of the projected unit credit method, using Dr Klaus Heubeck's 2018 G actuarial tables (revised version from 2 October 2018). The calculation of the provisions takes into account annual future salary increases of 3 per cent as well as annual pension increases of 2 per cent. DZ HYP uses the average market interest rate for the last 10 years and a notional remaining term of 15 years as established by Deutsche Bundesbank in accordance with section 253 (2) of the HGB (1.78 per cent).

Due to amended legal requirements, the calculation of pension provisions was adapted in 2016. The assessment period of the applied average interest rate was extended from 7 to 10 years. The positive difference according to section 253 (6) sentence 1 of the HGB (i.e. the shortfall in pension provisions due to the change in the period used to determine average values to the last 10 years) stood at € 12.4 million as at year-end 2022 (31 December 2021: € 17.2 million).

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

Since the fair value of the reinsurance claim (capitalised value) exceeds the present value of the settlement amount of the guaranteed minimum benefits, the pension obligation has to be recognised at capitalised value of the reinsurance cover in analogous application of section 253 (1) sentence 3 HGB and amounted to € 4.5 million as at 31 December 2022 (31 December 2021: € 4.2 million).

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

The projected unit credit method was used as the valuation method. The valuation is based on the accrual-based allocation of pension benefits during the employment relationship and the actuarial assumptions used to calculate the present value of these benefits. The addition to provisions for pensions due to interest rate effects is recognised in other operating expenses.

DZ HYP recognises tax provisions for current taxes in accordance with tax regulations.

Other provisions are recognised for contingent liabilities or for impending losses from executory contracts in the amount of the expected settlement amounts, exercising prudent commercial judgement.

In accordance with section 253 (2) of the HGB, provisions with a remaining term of more than one year are discounted using the average market interest rate of the last seven years, in line with maturities. Income or expenses from discounting or accumulating provision items are recognised in other operating income/expenses.

Derivative financial instruments and fair value measurement of banking book

Financial derivatives are accounted for separately in auxiliary ledgers. These instruments are used to hedge against the interest rate and currency risk exposure of on-balance sheet transactions. All derivative transactions thus form part of the overall management of the banking book. Segregated sub-portfolios (valuation units) are not managed on an individual basis. Accordingly, section 254 of the HGB is not applicable.

Current interest payments are amortised and recorded in net interest income.

In connection with the early redemption of hedged items recognised on the balance sheet, the bank also generally terminate derivative financial instruments early. Any resulting gains are usually recognised in net interest income. Only where interest rate swaps can be allocated to individual securities, income realised upon closing out swaps is recognised in line with the recognition of income of the underlying transaction, in the net financial result, or in the net risk provisioning balance, respectively.

In accordance with Statement IDW RS BFA 3, the fair value measurement (verlustfreie Bewertung) of the interest-related banking book (the “interest rate book”) is based on the present value. The interest rate book comprises both the interest-related underlying transaction as well as the interest-related derivative.

As at 31 December 2022, the provision test resolved that no provisions pursuant to section 249 (1) sentence 1 alternative 2 of the HGB have to be recognised for the interest rate book, since the present value of the interest rate book was higher than the carrying amount of the interest rate book, less general administrative and risk costs.

Profit and loss account

Interest rate option premiums paid and received are disclosed under other liabilities, or other assets, and recognised through profit or loss in net interest income at maturity.

Damages penalties charged for loan repayments or extensions during the fixed-interest term of a loan are fully recognised in interest income.

Income and expenses from the valuation of the lending business and securities held in the liquidity reserve are recognised on an offset basis in accordance with section 32 of the RechKredV in conjunction with section 340f (3) of the HGB. Expenses from financial investments are offset against the corresponding income items in accordance with section 33 of the RechKredV in conjunction with section 340c (2) of the HGB.

(3) Currency translation

Assets and liabilities from foreign exchange transactions are translated in line with section 340h in conjunction with section 256a of the HGB and the Statement IDW RS BFA 4 issued by the Banking Committee of the Institute of Public Auditors in Germany (IDW). Book receivables, securities, liabilities and unsettled spot transactions as well as foreign exchange forwards and cross-currency swaps denominated in foreign currencies entered into for FX hedging purposes are translated into euro, using the ECB reference rate on the reporting date. Regarding foreign exchange forwards entered into in order to hedge interest-bearing balance sheet items, currency translations are made by splitting the forward rate into the spot rate and the swap rate in line with IDW RS BFA 4. Due to the specific coverage of all existing foreign currency items, all currency translation effects have been recognised in income. Currency translation effects (as well as any realised FX effects) are recognised in other operating income.

NOTES TO THE BALANCE SHEET

(4) Lending business

MORTGAGE LOANS	Principal € mn	Carrying amount € mn
to banks	15	15
to customers	54,049	53,870
Total	**54,064**	**53,885**

PORTFOLIO DEVELOPMENT (PRINCIPAL)	€ mn	€ mn
Balance at 31 Dec 2021		52,980
ADDITIONS DURING THE FINANCIAL YEAR 2022		8,497
through Disbursements	8,497	
Transfers	–	
Other additions	–	
DISPOSALS DURING THE FINANCIAL YEAR 2022		6,144
through Scheduled and unscheduled redemptions / repayments	6,669	
Transfers	717	
Other disposals	27	
BALANCE AT 31 DEC 2022		**54,064**

LOANS TO LOCAL AUTHORITIES	Principal € mn	Carrying amount € mn
to banks	59	77
to customers	11,308	11,369
Total	**11,367**	**11,446**

PORTFOLIO DEVELOPMENT (PRINCIPAL)	€ mn	€ mn
Balance at 31 Dec 2021		11,838
ADDITIONS DURING THE FINANCIAL YEAR 2022		711
through Disbursements	697	
Transfers	5	
Other additions	9	
DISPOSALS DURING THE FINANCIAL YEAR 2022		1,182
through Scheduled and unscheduled redemptions / repayments	1,182	
Transfers	–	
Other disposals	–	
BALANCE AT 31 DEC 2022		**11,367**

In the financial year under review, securities with a volume of € 125 million were acquired for the management of the cover assets pools.

(5) Negotiable securities

Balance sheet item	Listed		Unlisted		Carrying amount of negotiable securities not valued at the lower of cost or market	
	31 Dec 2022 € 000's	31 Dec 2021 € 000's	31 Dec 2022 € 000's	31 Dec 2021 € 000's	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Bonds and other fixed-income securities	5,851,002	9,395,295	441,300	438,908	4,423,959	407,545

As at 31 December 2022, the Bank did not recognise an extraordinary write-down in the aggregate amount of € 4,424.0 million (31 December 2021: € 407.5 million) for negotiable securities held as fixed assets with a carrying amount of € 4,076.7 million (31 December 2021: € 379.7 million) and a fair value of € 347.3 million (31 December 2021: € 27.9 million) not measured at the lower of cost or market, due to the expected temporary nature of the impairment. This assessment is based on the observation that the euro area has become more stress-resistant due to the crisis mechanisms established in the recent past, and that the effects of individual stabilisation measures are becoming (or have become) increasingly evident (such as bond acquisition programmes or low-interest rate policies).

As at 31 December 2022, the hidden burdens and reserves in the Bank's portfolio of negotiable securities amounted to a total of € 246.5 million (31 December 2021: € -1,449.5 million). The aggregate hidden reserves were affected by changes in the swap curve (decline in overall market interest rate levels over recent years) in the amount of € 82.7 million (31 December 2021: € -1,796.7 million) and by the poorer credit rating for some securities compared to the date of acquisition, affecting hidden reserves with € -163.8 million (31 December 2021: € 347.2 million). While DZ HYP enters into opposing primary and derivative interest rate transactions to neutralise swap curve developments and the resulting positive valuation effects for securities as part of the interest rate risk management (overall bank management) (i.e. DZ HYP does not profit from such valuation changes), the Bank fully carries the negative credit risk-related valuation changes for securities. According to its current assumptions, DZ HYP does not expect any disruptions of interest or principal payments; after an isolated consideration, the Bank did not recognise any impairments in connection with credit risk-related valuation losses. Please refer to the Bank's management report (chapter "net assets") for further information on the securities portfolio.

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

PURCHASE COST	1 Jan 2022 € 000's	Additions € 000's	Transfers € 000's	Disposals € 000's	31 Dec 2022 € 000's
I. INTANGIBLE ASSETS					
1. Software	28,429	38	–	317	28,150
2. Advance payments made on intangible assets	0	79	–	–	79
	28,429	**117**	**–**	**317**	**28,229**
II. TANGIBLE FIXED ASSETS					
1. Land and buildings	242,219	8,954	–	–	251,173
2. Office furniture and equipment)**	11,352	1,895	–	2,619	10,628
	253,571	**10,849**	**–**	**2,619**	**261,801**
III. FINANCIAL ASSETS*)**	–				–

DEVELOPMENT OF CARRYING AMOUNTS	Depreciation and amortisation in the financial year € 000's	Transfers € 000's	Disposals and write-ups € 000's	Total € 000's	31 Dec 2022 € 000's	1 Jan 2022 € 000's
I. INTANGIBLE ASSETS						
1. Software	1,661	–	306	27,228	922	2,556
2. Advance payments made on intangible assets	–	–	–	–	79	0
	1,661	**–**	**306**	**27,228**	**1,001**	**2,556**
II. TANGIBLE FIXED ASSETS						
1. Land and buildings*)	3,491	–	5,820	33,030	218,143	206,860
2. Office furniture and equipment)**	1,244	–	2,556	7,625	3,003	2,415
	4,735	**–**	**8,376**	**40,655**	**221,146**	**209,275**
		Changes				
III. FINANCIAL ASSETS						
1. Participations		1			912	911
2. Investments in affiliated companies		–			1,566	1,566
3. Investment securities		-2,006,725			6,199,283	8,206,008
		-2,006,724			**6,201,761**	**8,208,485**

*) of which: owner-occupied properties: € 117.1 million; used by third parties: € 101.0 million
**) fully used for the Bank's own operations
***) Waiver to disclose according to § 34 RechKredV

(7) Trust business

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Assets held in trust comprise:		
- Loans and advances to customers	7,014	8,233
- Participations	–	18,100
	7,014	**26,333**
Trust liabilities are carried vis-à-vis:		
- Banks	7,014	8,233
- Customers	–	18,100
	7,014	**26,333**

(8) Other assets

Other assets of € 53.3 million (31 December 2021: € 63.4 million) mainly include the cash collateral for the restructuring fund of € 44.6 million (31 December 2021: € 36.1 million), commission claims against DZ BANK no longer exist (31 December 2021: € 18.1 million), reinsurance coverage claims of € 4.5 million (31 December 2021: € 4.3 million), as well as claims against VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg, (profit transfer 2022) of € 2.4 million (31 December 2021: € 3.7 million).

(9) List of investments pursuant to sections 285 no. 11 and 340a of the HGB

Minimum stake of 20 % Name/registered office	Equity interest %	Equity € 000's	Result 2022 € 000's
VR WERT Gesellschaft für Immobilienbewertungen mbH, Hamburg	100.0	50	2,368*)
VR HYP GmbH, Hamburg	100.0	25	–**)
VR REAL ESTATE GmbH, Hamburg	100.0	25	–**)
TXS GmbH, Hamburg	24.5	200	402**)

*) control and profit and loss transfer agreement with DZ HYP.
**) result for the financial year 2021.

(10) Prepaid expenses and deferred income

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
ASSETS		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the higher disbursement amount of receivables	28,057	41,906
Difference between the nominal amount and the lower issuing amount of liabilities	62,175	57,572
LIABILITIES AND EQUITY		
Sub-item a) From new issues and lending comprises:		
Difference between the nominal amount and the lower disbursement amount of receivables	10,122	10,567

(11) Open-market transactions

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Open-market transactions with Deutsche Bundesbank	–	2,953,750

(12) Securities repurchase agreements

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Carrying amount of securities pledged under repo agreements		
Securities	1,663,221	1,907,395
Repurchase amount	1,672,476	1,904,266

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

	Principal € mn	Carrying amount € mn
REGISTERED MORTGAGE PFANDBRIEFE		
to banks	1,176	1,190
to customers	4,686	4,737
MORTGAGE PFANDBRIEFE	27,573	27,641
	33,435	**33,568**
REGISTERED PUBLIC PFANDBRIEFE		
to banks	1,076	1,101
to customers	6,334	6,483
PUBLIC-SECTOR PFANDBRIEFE	2,202	2,211
	9,612	**9,795**
OTHER DEBT SECURITIES	**1,393**	**1,400**
BORROWED FUNDS		
from banks	21,996	22,089
from customers	789	800
	22,785	**22,889**
TOTAL	67,225	67,652

DEVELOPMENT (PRINCIPAL)

	Balance on 31 Dec 2021	Additions	Derecognitions	Reclassifications and other adjustments	Balance on 31 Dec 2022
	€ mn	€ mn	€ mn	€ mn	€ mn
Mortgage Pfandbriefe and Registered Mortgage Pfandbriefe	33,255	3,084	2,905	1	33,435
Public Pfandbriefe and Registered Public Pfandbriefe	12,223	–	2,619	8	9,612
Other debt securities	1,554	5	166	–	1,393
Borrowed funds	22,220	4,132	3,603	36	22,785
Total	**69,252**	**7,221**	**9,293**	**45**	**67,225**

(14) Other liabilities

This item amounts to € 155.4 million (31 December 2021: € 315.8 million) and mainly comprises liabilities from tax allocations of € 91.9 million (31 December 2021: € 235.4 million), liabilities from profit transfers of € 30.0 million (31 December 2021: € 52.2 million), as well as € 19.5 million (31 December 2021: € 14.8 million) in profits to be transferred under partial profit transfer agreements in connection with silent capital contributions.

(15) Subordinated liabilities

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
SUBORDINATED		
other debt securities	–	25,000
borrowed funds	10,000	10,000
	10,000	**35,000**
INTEREST EXPENSE	981	2,801

Pursuant to the CRR, subordinated liabilities in the amount of € 1.4 million qualify as tier 2 capital in the determination of own funds for regulatory purposes. Early repayment obligations are not provided for in all cases. There are no provisions or plans for a conversion of such funds into equity, or into another form of debt.

Subordinated liabilities carry an average interest of 6.14 per cent, and have original maturities of 10 years.

Disclosures on subordinated liabilities amounting to 10.0 per cent or more of the aggregate amount of subordinated liabilities:

Amount € mn	Currency	Coupon*) %	Maturity
10.0	**€**	**6.14**	**5 Sep 2023**

*) reporting date: 31 Dec 2022

(16) Equity

DZ HYP reported equity of € 1,762.3 million as at 31 December 2022 (31 December 2021: € 1,762.3 million).

The share capital amounts to € 149,989,937.14 and is divided into 5,832,942 notional no-par value shares ("unit shares"). The notional interest in the share capital therefore amounts to approximately € 25.71 per share.

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

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, has given notice pursuant to section 20 (4) of the German Stock Corporation Act (Aktiengesetz – "AktG") that it holds a majority shareholding.

With effect from 31 December 2012, DZ BANK issued an unrestricted letter of comfort for DG HYP (DZ HYP after change of company name). According to the still-valid unrestricted letter of comfort, except in the event of political risk, DZ BANK has undertaken to ensure (in total for the consolidated entity DZ HYP) that DZ HYP is able to meet its contractual obligations.

Silent partnership contributions in the amount of € 635.0 million were cancelled at the end of 31 December 2022. Therefore, no further additions to tier 2 capital are made.

(17) Contingent liabilities

Contingent liabilities of € 260.4 million (31 December 2021: € 402.3 million) comprise mainly guarantees for commercial real estate loans, € 55.5 million (31 December 2021: € 163.1 million) of which are extended to DZ BANK. DZ HYP's credit risk management is responsible for monitoring contingent liabilities.

(18) Other commitments

Irrevocable loan commitments of € 6,633.0 million (31 December 2021: € 7,337.8 million) are related primarily to mortgage financing, and were decreased by € 8.1 million (31 December 2021: € 7.0 million) in provisions for contingent losses.

Regarding contributions to the restructuring fund (the so-called "bank levy"), DZ HYP has in recent years made use of the option to make a part of the annual contributions in form of irrevocable payment obligations. These obligations amount to € 44.6 million (31 December 2021: € 36.1 million) and correspond to the deposited cash collateral.

(19) Obligations

DZ HYP is a member of the BVR Institutssicherung GmbH (BVR-ISG) and the deposit insurance scheme of the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – "BVR"). According to the articles of association of the deposit insurance scheme of the BVR, DZ HYP has issued a letter of indemnity to BVR. As a result, DZ HYP is liable to contingent liabilities in the amount of € 56.7 million.

According to BVR-ISG's articles of association, DZ HYP has undertaken to make special contributions and payments to BVR-ISG in proportion to the volume of the covered deposits. Pursuant to section 27 (4) of the German Deposit Guarantee Act (Einlagensicherungsgesetz), BVR-ISG may generally raise, as a statutory deposit guarantee scheme, special contributions and payments of a maximum amount of up to 0.5 per cent of the covered deposits of the credit institutions allocated to it within a given settlement year.

(20) Relationships with affiliated enterprises and subsidiaries

AFFILIATED COMPANIES

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Loans and advances to		
- banks	1,312,322	1,911,499
- customers	52,176	34,426
Other assets	7,674	26,978
Liabilities to		
- banks	25,685,320	25,228,471
- customers	230,595	503,819
Other liabilities	141,933	303,180
Other provisions	856	631

Subsidiaries

As at the reporting date, liabilities to subsidiaries amounted to € 4,000 (31 December 2021: € 8,000); besides provisions of € 101,000 (31 December 2021: € 75,000), loans and advances to subsidiaries amounted to € 2,000 (31 December 2021: € 2,000).

(21) Related-party transactions

There were no related-party transactions entered into – at terms not in line with prevailing market terms – which would give rise to a disclosure duty pursuant to section 285 no. 21 of the HGB.

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

		31 Dec 2022 € 000's	31 Dec 2021 € 000's
ASSETS			
Loans and advances to banks			
Remaining term	**- payable on demand**	548,879	1,035,456
	- up to three months	1,066,279	2,483,901
	- between three months and one year	275,046	40,489
	- between one year and five years	87,075	358,866
	- more than five years	19,645	12,434
		1,996,924	**3,931,146**
Loans and advances to customers			
Remaining term	**- payable on demand**	244,047	245,991
	- up to three months	1,518,458	1,394,265
	- between three months and one year	5,662,768	5,322,809
	- between one year and five years	23,820,765	22,901,639
	- more than five years	36,857,554	37,487,733
		68,103,592	**67,352,437**
Bonds and other fixed-income securities maturing in the following year		492,875	2,086,410
LIABILITIES AND EQUITY			
Liabilities to banks			
Remaining term	**- payable on demand**	26,175	122,273
	- up to three months	4,522,184	7,500,637
	- between three months and one year	3,797,339	3,053,358
	- between one year and five years	10,684,525	9,449,269
	- more than five years	10,894,349	11,708,671
		29,924,572	**31,834,208**
Liabilities to customers			
Remaining term	**- payable on demand**	395,914	450,463
	- up to three months	542,739	330,262
	- between three months and one year	505,750	628,888
	- between one year and five years	2,912,651	3,451,065
	- more than five years	8,067,540	8,953,264
		12,424,594	**13,813,942**
Certificated liabilities maturing in the following year		2,284,273	4,333,191

(23) Assets and liabilities in foreign currencies

	31 Dec 2022 € 000's	31 Dec 2021 € 000's
Assets include foreign-currency receivables in the total amount of	2,252,376	2,188,820
Liabilities and equity include foreign-currency liabilities in the total amount of	503,377	479,247

(24) Forward contracts not reflected in the balance sheet

The following types of forward transactions based on foreign currencies, interest rates or other underlying instruments were outstanding as at the reporting date:

	Nominal amounts by residual term			Total		Fair value			
						31 Dec 2022		31 Dec 2021	
€ mn	≤ 1 year	> 1 – 5 yrs	> 5 yrs	31 Dec 2022	31 Dec 2021	positive	negative	positive	negative
Interest rate instruments *)	10,658	50,540	80,564	141,762	133,288	8,702	8,795	4,201	5,999
Currency-related instruments	367	1,057	613	2,037	2,067	99	129	23	176
Credit-related transactions	5	21	7	33	42	–	1	–	
Total	**11,030**	**51,618**	**81,184**	**143,832**	135,397	**8,801**	**8,925**	4,224	6,175

*) including interest rate swaps with identical foreign currency

The breakdown of the carrying amounts of forward contracts not reflected on the balance sheet by balance sheet items pursuant to section 285 no. 19 of the HGB is as follows:

	Carrying amount 31 Dec 2022 € mn	Carrying amount 31 Dec 2021 € mn	Balance sheet item Assets	Carrying amount 31 Dec 2022 € mn	Carrying amount 31 Dec 2021 € mn	Balance sheet item Liabilities
Interest-based instruments	774	448	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	684	367	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Currency-based instruments	6	67	Loans and advances to banks, loans and advances to customers, prepaid expenses, other assets	103	164	Liabilities to banks, liabilities to customers, deferred income, other liabilities
Rating-based instruments	1	2	Loans and advances to banks, prepaid expenses	1	0	Provisions

The forward transactions identified above are used to manage interest rate, currency and counterparty credit risk exposure. As a rule, counterparties are OECD banks, OECD financial services institutions or OECD central governments. In addition, borrowers as well as a public-sector institution formerly licensed as a bank also appear as counterparties (market value of € 8.7 million) in connection with loan agreements.

Interest rate and currency swaps are valued using present values, determined by discounting cash flows to their present value as at the reporting date using interest rates in line with the credit risk and maturities concerned, as indicated by individual yield curves prevailing on the reporting date. Furthermore, credit adjustments are applied in the valuation of such trades, to reflect default risks and closing costs. Structured products are divided into components for valuation purposes.

Options are valued using option pricing models. These are applied on the basis of generally recognised assumptions regarding valuation parameters; in particular, the value and volatility of the underlying instrument, the agreed exercise price (interest rate), the remaining lifetime of the contract, as well as the risk-free interest rate for that lifetime. Regarding the valuation of foreign exchange forwards, the respective cash flows are translated into euro using the corresponding foreign currency rate, and discounted using the market interest rate appropriate to the risk level and maturity.

Credit derivatives are valued on an individual basis, predominantly on the basis of the default probability of the reference obligations concerned. Provisions have been recognised in the amount of € 0.9 million (31 December 2021: € 0.4 million) for three total return swaps held since 2006 and 2007, respectively, in order to hedge immediate counterparty risk exposure.

Market values are determined without consideration of netting agreements. The market values of derivatives are offset by compensating market values of the related hedged balance sheet items at overall bank level.

Cash collateral was provided for derivatives, as part of the Bank's collateral management, in the amount of € 673.4 million (31 December 2021: € 2,063.7 million).

NOTES TO THE PROFIT AND LOSS ACCOUNT

(25) Breakdown of income by geographic markets within the meaning of section 34 (2) no. 1 of the RechKredV

The breakdown of interest income, current income from equities and other non-fixed income securities, commission income and other operating income is as follows:

in %	2022	2021
GERMANY	88.1	86.0
INTERNATIONAL	11.9	14.0

(26) Interest expenses and income

Interest payments made and received in connection with derivative transactions, which are used to manage the overall interest rate risk, are recognised on a net basis in interest income or expenses. In individual exceptional cases, derivative transactions may be terminated early; the resulting compensation payments are recognised in net interest income.

Negative interest rates on financial assets and financial liabilities, due to the low interest rate environment that prevailed until mid-2021, are offset in income against the corresponding interest expenses and interest income. Especially due to the interest rate increases from the middle of the year, interest income as disclosed in the profit and loss account comprised negative interest rates in the amount of € 2.4 million, which was considered insignificant overall (previous year: € 2.1 million). Interest expenses comprised positive interest of € 30.3 million (previous year: € 59.9 million).

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

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

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

In the period under review, the Bank received a compensation payment in the amount of € 0.8 million net (previous year: € 8.0 million), recognised in net interest income.

(27) Other operating income

Other operating income of € 29.7 million (previous year: € 22.6 million) primarily comprises rental income of € 10.1 million (previous year: € 9.1 million), service income of € 6.9 million (previous year: € 6.6 million) as well as € 3.8 million (previous year: € 5.5 million) in income from the reversal of provisions.

(28) Other operating expenses

Other operating expenses totalling € 12.8 million (previous year: € 22.3 million) largely include expenses of € 7.1 million (previous year: € 17.2 million) for the discounting of provisions for pensions and similar obligations, and expenses for buildings not directly used for Bank business of € 3.1 million (previous year: € 2.9 million).

(29) Income taxes

Income taxes predominantly comprise a tax levy in the amount of € 92 million (previous year: € 124.9 million) by the controlling company, DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, in the year under review. As in the previous year, there were no one-off effects.

COVERAGE

(30) Coverage by balance sheet item

	Mortgage Pfandbriefe 31 Dec 2022 € mn	Mortgage Pfandbriefe 31 Dec 2021 € mn	Public Pfandbriefe 31 Dec 2022 € mn	Public Pfandbriefe 31 Dec 2021 € mn
ORDINARY COVER	**38,481**	37,815	**12,523**	14,031
LOANS AND ADVANCES TO CUSTOMERS	**38,355**	37,689	**11,161**	11,485
Loans secured by property mortgages	38,355	37,689	27*)	34*)
Loans to local authorities	–	–	11,134	11,451
LOANS AND ADVANCES TO BANKS	**32**	32	**177**	295
Loans secured by property mortgages	32	32	–	–
Loans to local authorities	–	–	177	295
BONDS	–	–	1,185	2,251
BANK BUILDINGS	94	94	–	–
EXTENDED COVER	**948**	931	–	–
LOANS AND ADVANCES TO BANKS	–	–	–	–
Monetary claims	–	–	–	–
BONDS	**948**	931	–	–
Total	**39,429**	38,746	**12,523**	14,031

*) under a municipal guarantee

(31) Details pursuant to section 28 of the German Pfandbrief Act

Outstanding Pfandbriefe and related cover assets

	Nominal amount		Present value		Risk-adjusted present value*)	
a) Total amount of outstanding	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 € mn	31 Dec 2021 € mn
Mortgage Pfandbriefe	33,425	33,245	30,020	34,504	27,333	32,575
Cover assets pool	39,429	38,746	37,120	42,942	33,852	40,113
of which: derivatives	–	–	–	–	–	–
Excess cover	**6,004**	5,501	**7,100**	8,438	**6,519**	7,538
Excess cover in %	**18.0**	16.5	**23.6**	24.5	**23.8**	23.1
Statutory excess cover **), *)**	1,349	–	1,231	–	1,122	–
Contractual excess cover *)**	–	–	–	–	–	–
Voluntary excess cover *)**	4,655	–	5,869	–	5,397	–
Excess cover with due regard to the vdp credit quality differentiation model (“vdp-Bonitätsdifferenzierungsmodell”)	6,004	5,501	7,100	8,438		
Excess cover in %	18.0	16.5	23.6	24.5		

*) When calculating the risk-adjusted present value, the dynamic method pursuant to section 5 (1) no. 2 of the Present Value Cover Regulation (PfandBarwertV) was used.

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

***) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

ad a) Maturity structure and related cover assets	Mortgage Pfandbriefe 31 Dec 2022 € mn	Mortgage Pfandbriefe 31 Dec 2021 € mn	Cover assets pool 31 Dec 2022 € mn	Cover assets pool 31 Dec 2021 € mn	Extension of maturity *), **) 31 Dec 2022 € mn	Extension of maturity *), **) 31 Dec 2021 € mn
<= 6 months	1,645	1,549	1,736	1,690	–	–
> 6 months and <= 12 months	787	1,459	1,987	2,081	–	–
> 12 months and <= 18 months	1,961	1,739	1,813	1,497	1,645	–
> 18 months and <= 2 years	1,520	1,246	1,712	1,780	787	–
> 2 years and <= 3 years	3,531	3,590	4,052	3,385	3,481	–
> 3 years and <= 4 years	4,044	3,850	3,735	3,871	3,531	–
> 4 years and <= 5 years	3,778	4,330	3,955	3,847	4,044	–
> 5 years and <= 10 years	11,412	12,814	12,693	13,300	15,055	–
> 10 years	4,747	2,668	7,746	7,295	4,882	–
Total	**33,425**	33,245	**39,429**	38,746	**33,425**	–

Information on the extension of the Pfandbriefe's maturity

	Q4/2022	Q4/2021**)
REQUIREMENTS FOR EXTENDING THE MATURITY OF THE PFANDBRIEFE	The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity (avoidance of insolvency), the Pfandbrief bank with limited business activity is not overindebted (no existing overindebtedness) and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension (positive forecast in relation to meeting its liabilities). For further information, also see section 30 (2b) of the PfandBG.	
AUTHORIZATIONS OF THE COVER POOL ADMINISTRATOR AS REGARDS THE EXTENSION OF THE PFANDBRIEFE'S MATURITY	The cover pool administrator may extend the maturity date of principal payments when the relevant prerequisites in accordance with section 30 (2b) of the PfandBG are met. The period of extension, which may not exceed a period of twelve months, is determined by the cover pool administrator as required. The cover pool administrator may extend the maturity dates of interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides to implement such an extension, the existence of the prerequisites set out in section 30 (2b) of the PfandBG shall be irrefutably presumed. Any such extension has to be taken into account in the maximum period of extension of twelve months. The cover pool administrator may only exercise their authority uniformly for all Pfandbriefe of an issuance. In this case, maturity dates may be extended either in full or pro rata. The cover pool administrator has to extend the maturity date of a particular Pfandbrief issue such that the original order of servicing Pfandbriefe which could be bypassed as a result of such extension is not changed (prohibition of bypassing). This may lead to the requirement to extend the maturities of issues with later maturity dates in order to comply with the prohibition of bypassing. For further information, also see section 30 (2a) and (2b) of the PfandBG.	

*) Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.
**) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

Ref. a) Disclosure pursuant to section 6 of the German Pfandbrief Present Value Regulation (Pfandbrief-Barwertverordnung – "PfandBarwertV")	Net present value in €	
Currency	**31 Dec 2022 mn**	31 Dec 2021 mn
GBP	**201.9**	268.6
SEK	**45.8**	47.3

Ref. a) additional indicators on Mortgage Pfandbriefe outstanding		**31 Dec 2022**	31 Dec 2021
Share of fixed-interest assets in total cover assets pool	%	90.1	88.9
Share of fixed-interest Pfandbriefe in liabilities to be covered	%	99.5	99.4
Total amount of assets breaching the limits as set in section 13 (1) of the PfandBG	€ mn	–	–
Average volume-weighted age of assets	in years	5.1	5.0
Average weighted loan-to-value ratio	%	54.1	54.2
Total amount of assets breaching the limits as set in section 19 (1) no. 2 of the PfandBG	€ mn	–	–
Total amount of assets breaching the limits as set in section 19 (1) no. 3 of the PfandBG	€ mn	–	–

ad a) Liquidity indicators pursuant to section 28 (1) sentence 1 no. 6 of the PfandBG*)		**31 Dec 2022**	31 Dec 2021
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG for Mortgage Pfandbriefe (liquidity requirements)	€ mn	553.9	–
Day on which the greatest negative total is calculated	Day (1–180)	86	–
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	779.9	–

*) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

	Nominal amount		**Present value**		**Risk-adjusted present value*)**	
b) Total amount of outstanding	**31 Dec 2022 € mn**	31 Dec 2021 € mn	**31 Dec 2022 € mn**	31 Dec 2021 € mn	**31 Dec 2022 € mn**	31 Dec 2021 € mn
Public Pfandbriefe	9,612	12,223	9,795	14,727	8,760	13,590
Cover assets pool	12,523	14,031	12,539	17,287	11,170	15,699
of which: derivatives	-	-	-	-	-	-
Excess cover	**2,911**	1,808	**2,744**	2,560	**2,410**	2,109
Excess cover in %	**30.3**	14.8	**28.0**	17.4	**27.5**	15.5
Statutory excess cover **)	387	-	389	-	347	-
Contractual excess cover **)	-	-	-	-	-	-
Voluntary excess cover **)	2,524	-	2,355	-	2,063	-
Excess cover with due regard to the vdp credit quality differentiation model ("vdp-Bonitäts-differenzierungsmodell")	2,911	1,808	2,744	2,560		
Excess cover in %	30.3	14.8	28.0	17.4		

*) When calculating the risk-adjusted present value, the dynamic method pursuant to section 5 (1) no. 2 of the Present Value Cover Regulation (PfandBarwertV) was used.
**) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

ad b) Maturity structure	Public Pfandbriefe		Cover assets pool		Extension of maturity *), **)	
	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 € mn	31 Dec 2021 € mn
<= 6 months	478	856	603	563	-	–
> 6 months and <= 12 months	335	1,562	652	665	-	–
> 12 months and <= 18 months	534	477	546	573	478	–
> 18 months and <= 2 years	298	340	674	621	335	–
> 2 years and <= 3 years	1,245	902	1,040	1,176	832	–
> 3 years and <= 4 years	745	1,244	1,026	1,091	1,245	–
> 4 years and <= 5 years	569	795	867	963	745	–
> 5 years and <= 10 years	1,907	2,171	2,982	3,333	2,099	–
> 10 years	3,501	3,876	4,133	5,046	3,878	–
Total	**9,612**	12,223	**12,523**	14,031	**9,612**	–

The same information on the extension of the Pfandbriefe's maturity as stated above applies.

*) Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This represents a very unlikely scenario which could only materialise once a cover pool administrator is appointed.
**) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

Ref. b) Disclosure pursuant to section 6 of the German Pfandbrief Present Value Ordinance ("Pfandbrief-Barwertverordnung")	Net present value in €	
Currency	31 Dec 2022 mn	31 Dec 2021 mn
CAD	25.9	33.5
CHF	51.4	86.9
GBP	20.9	29.1
JPY	29.2	32.2
USD	21.4	87.9

Ref. b) Additional indicators on Public Pfandbriefe outstanding		31 Dec 2022	31 Dec 2021
Share of fixed-interest assets in total cover assets pool	%	97.9	97.9
Share of fixed-interest Pfandbriefe in liabilities to be covered	%	93.5	95.1
Total amount of assets breaching the limits as set out in section 20 (2) no. 2 of the PfandBG	€ mn	–	–

ad b) Liquidity indicators pursuant to section 28 (1) sentence 1 no. 6 of the PfandBG*)		31 Dec 2022	31 Dec 2021
Greatest calculated negative total in the next 180 days within the meaning of section 4 (1a) sentence 3 of the PfandBG for Public Pfandbriefe (liquidity requirements)	€ mn	267.7	–
Day on which the greatest negative total is calculated	Day (1–180)	164	–
Total of cover assets that meet the requirements of section 4 (1a) sentence 3 of the PfandBG (liquidity coverage)	€ mn	1,242.5	–

*) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

Assets included in cover for Mortgage Pfandbriefe

by loan amount	31 Dec 2022 € mn	31 Dec 2021 € mn
<= € 300,000 €	9,692	8,905
> € 300,000 and <= € 1 mn	2,908	2,587
> € 1 mn / <= € 10 mn	10,340	10,749
> € 10 mn	15,541	15,574
Total	**38,481**	**37,815**

by type of property	31 Dec 2022 € mn	31 Dec 2021 € mn
Housing properties	22,090	21,632
Commercial properties	16,391	16,183
Total	**38,481**	**37,815**

Assets included in cover for Mortgage Pfandbriefe, by country where real property collateral is located, and by type of property

€ mn	Fiscal Year	Federal Republic of Germany	Belgium	France	United Kingdom	Netherlands	Austria	Poland	Sweden	Total
RESIDENTIAL PROPERTIES	31 Dec 2022	2,225	–	*) –	–	–	–	–	–	2,225
	31 Dec 2021	1,825	–	*) –	–	–	–	–	–	1,825
SINGLE AND DOUBLE FAMILY HOMES	31 Dec 2022	7,306	–	*) –	–	*) –	–	–	–	7,306
	31 Dec 2021	6,564	*) –	*) –	–	*) –	–	–	–	6,564
MULTI-FAMILY HOMES	31 Dec 2022	12,263	–	8	–	–	–	–	–	12,271
	31 Dec 2021	12,953	–	–	–	–	–	–	–	12,953
OFFICE BUILDINGS	31 Dec 2022	6,565	–	154	224	443	4	–	–	7,390
	31 Dec 2021	6,016	–	107	259	449	4	–	–	6,835
COMMERCIAL BUILDINGS	31 Dec 2022	4,182	–	116	9	99	–	52	50	4,508
	31 Dec 2021	4,427	–	149	10	112	–	49	47	4,794
INDUSTRIAL BUILDINGS	31 Dec 2022	228	–	–	–	–	–	–	–	228
	31 Dec 2021	224	–	–	–	–	–	–	–	224
OTHER COMMERCIAL PROPERTIES	31 Dec 2022	3,911	–	–	–	147	10	–	1	4,069
	31 Dec 2021	3,999	–	–	–	93	–	–	1	4,093
UNFINISHED NEW BUILDINGS NOT YET YIELDING RETURNS	31 Dec 2022	436	–	–	8	–	–	–	–	444
	31 Dec 2021	508	–	–	–	–	–	–	–	508
BUILDING PLOTS	31 Dec 2022	40	–	–	–	–	–	–	–	40
	31 Dec 2021	19	–	–	–	–	–	–	–	19
Total	31 Dec 2022	37,156	–	278	241	689	14	52	51	38,481
	31 Dec 2021	36,535	*) –	256	269	654	4	49	48	37,815

*) Values < € 0.5 million

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

	Claims pursuant to section 19 (1) no. 4 of the PfandBG		Total	
Sovereign borrowers	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 € mn	31 Dec 2021 € mn
Federal Republic of Germany	948	–	948	–
Total	**948**	–	**948**	–

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

*) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG.

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

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

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

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

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

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

	31 Dec 2022 € mn	31 Dec 2021 € mn	31 Dec 2022 %	31 Dec 2021 %
Total cover assets pool	12,523	14,031	130.29	114.79
of which: ordinary cover	12,523	14,031	130.29	114.79
of which: additional cover	–	–	–	–

Assets included in cover for Public Pfandbriefe

by loan amount	31 Dec 2022 € mn	31 Dec 2021 € mn
<= € 10 mn	5,721	5,874
> € 10 mn / <= € 100 mn	4,406	4,653
> € 100 mn	2,396	3,504
Total	**12,523**	**14,031**

Assets included in cover for Public Pfandbriefe, by country of domicile of the borrower and, in the case of full guarantee, of the guarantor

a) of which: due from	Sovereign states		Regional public-sector entities		Local public-sector entities		Other		Total a)	
€ mn	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Belgium	45	30	23	23	–	–	–	–	**68**	53
Federal Republic of Germany	26	26	1,427	1,560	8,567	8,826	527	478	**10,547**	10,890
France	40	40	–	–	–	–	–	–	**40**	40
Italy	10	170	96	104	6	77	–	–	**112**	351
Canada	–	–	262	253	3	4	–	–	**265**	257
Luxembourg	7	7	–	–	–	–	–	–	**7**	7
Austria	418	418	25	25	–	–	–	–	**443**	443
Portugal	–	280	–	–	–	–	–	–	**–**	280
Switzerland	–	–	152	179	–	–	–	–	**152**	179
Spain	50	50	224	699	30	30	–	–	**304**	779
EU institutions	–	–	–	–	–	–	69	85	**69**	85
Total	**596**	1,021	**2,209**	2,843	**8,606**	8,937	**596**	563	**12,007**	13,364

b) of which: guaranteed by	Sovereign states		Regional public-sector entities		Local public-sector entities		Other		Total b)		Total a) and b)	
€ mn	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Belgium	–	–	–	–	–	–	–	–	**–**	–	**68**	53
Federal Republic of Germany	97	177	167	206	94	120	2	4	**360**	507	**10,907**	11,397
France	–	–	–	–	–	–	–	–	**–**	–	**40**	40
Italy	–	–	–	–	–	–	–	–	**–**	–	**112**	351
Canada	–	–	132	136	–	–	–	–	**132**	136	**397**	393
Luxembourg	–	–	–	–	–	–	–	–	**–**	–	**7**	7
Austria	–	–	–	–	–	–	–	–	**–**	–	**443**	443
Portugal	–	–	–	–	–	–	–	–	**–**	–	**–**	280
Switzerland	–	–	–	–	–	–	–	–	**–**	–	**152**	179
Spain	–	–	24	24	–	–	–	–	**24**	24	**328**	803
EU institutions	–	–	–	–	–	–	–	–	**–**	–	**69**	85
Total	**97**	177	**323**	366	**94**	120	**2**	4	**516***	667*	**12,523**	14,031

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

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

Mortgage Pfandbriefe

	Q4/2022	Q4/2021*)
ISIN	DE000A0SMD13, DE000A1REY26, DE000A1REY59, DE000A1REZE1, DE000A1TNEQ7, DE000A1TNEX3, DE000A1X3M51, DE000A12T2F9, DE000A12T6Z8, DE000A12UGG2, DE000A13SR38, DE000A13SWR8, DE000A13SWZ1, DE000A14J5J4, DE000A14KKH9, DE000A14KKK3, DE000A14KKM9, DE000A14KK24, DE000A161ZL4, DE000A161ZQ3, DE000A161ZU5, DE000A2AASB4, DE000A2AAW12, DE000A2AAW53, DE000A2AAX03, DE000A2AAX11, DE000A2AAX45, DE000A2AAX60, DE000A2BPJ45, DE000A2BPJ78, DE000A2BPJ86, DE000A2E4UX0, DE000A2GSMH3, DE000A2GSMJ9, DE000A2GSMK7, DE000A2GSP31, DE000A2GSP49, DE000A2GSP56, DE000A2GSP64, DE000A2GSP80, DE000A2GSP98, DE000A2G9HA2, DE000A2G9HB0, DE000A2G9HC8, DE000A2G9HD6, DE000A2G9HE4, DE000A2G9HF1, DE000A2G9HG9, DE000A2G9HJ3, DE000A2G9HK1, DE000A2G9HL9, DE000A2G9HM7, DE000A2G9HN5, DE000A2G9HQ8, DE000A2NB841, DE000A2TSDV6, DE000A2TSDW4, DE000A2TSDY0, DE000A2TSD06, DE000A2TSD55, DE000A288367, DE000A289PA7, DE000A289PB5, DE000A289PC3, DE000A289PD1, DE000A289PE9, DE000A289PG4, DE000A289PH2, DE000A3E5UT4, DE000A3E5UU2, DE000A3E5UY4, DE000A3E5U22, DE000A3H2TK9, DE000A3H2TQ6, DE000A3H2TR4, DE000A3MP601, DE000A3MP619, DE000A3MP627, DE000A3MP635, DE000A3MP643, DE000A3MP650, DE000A3MP668, DE000A3MP684, DE000A3MP692, DE000A3MQUV7, DE000A3MQUW5, DE000A3MQUX3	

Public Pfandbriefe

	Q4/2022	Q4/2021*)
ISIN	DE000A0DLV76, DE000A0EUMF2, DE000A0EUMR7, DE000A0EUM34, DE000A0EUM42, DE000A0EUPJ7, DE000A0XFAE1, DE000A1TM6A4, DE000A1YC8G2, DE000A1YC8K4, DE000A12TYS2, DE000A14J5C9, DE000A161ZP5, DE000A2BPJ11, DE000A2BPJ29, DE000A2BPJ52, DE000A2BPJ60, DE000A2GSMC4, DE000A2GSP23, DE000A2TSDZ7	

*) The previous year's figures will be first disclosed as from Q3 2023 in accordance with section 55 of the PfandBG..

OTHER INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS

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

Auditors' fees are recognised in the consolidated financial statements of DZ BANK AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main. They mainly relate to fees for auditing and certification services. Moreover, the fees contain other services to a small extent.

(33) Executive bodies of DZ HYP

Supervisory Board

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

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

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

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

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

Karin Fleischer
Member of the
Management Board,
Volksbank Franken eG
since 16 May 2022

Ralph Gruber
Bank employee,
DZ HYP AG

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

Olaf Johnert
Bank employee,
DZ HYP AG

Carsten Jung
Chairman of the
Management Board,
Berliner Volksbank eG

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

Michael Kuehn
Bank employee,
DZ HYP AG

Anja Niehues
Bank employee,
DZ HYP AG

Johannes Röring
Chairman of the
Management Board,
Stiftung Westfälische Landschaft

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

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

Frank Thurau
Bank employee (retd.)
until 31 December 2022

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

Management Board

Dr Georg Reutter
– Chief Executive Officer –

Sabine Barthauer

Jörg Hermes

(34) Remuneration of the executive bodies

	2022 € 000's	2021 € 000's
Supervisory Board	250	245
Management Board	2,128	2,018
Advisory Council	146	134
Former members of the Management Board or their surviving dependants	3,042	3,137
Provisions for current pensions and pension commitments for former members of the Management Board or their surviving dependants	43,494	40,383

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

As at 31 December 2022, neither the members of the Management Board nor members of staff held any offices in supervisory bodies of large limited companies.

(36) Average number of employees

	Male	Female	2022 Total	Male	Female	2021 Total
TOTAL NUMBER OF EMPLOYEES	**475**	**380**	**855**	457	374	831
of which: full-time employees	448	225	673	433	218	651
part-time employees						
number	27	155	182	24	156	180
weighted	(20)	(103)	(123)	(19)	(102)	(121)

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

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, prepares consolidated financial statements which incorporate the financial statements of DZ HYP. The consolidated financial statements of DZ BANK are published in the German Federal Gazette (Bundesanzeiger).

Report on material events after the reporting date

No events of particular importance materialised during the period from 1 January to 23 February 2023 which would have required a materially different presentation of DZ HYP's net assets, financial position and financial performance, had they occurred earlier.

Hamburg and Münster (Westphalia), 23 February 2023

DZ HYP AG

Dr Georg Reutter
– Chief Executive Officer –

Sabine Barthauer

Jörg Hermes

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hamburg, 23 February 2023

DZ HYP AG

Dr Georg Reutter – Chief Executive Officer –	Sabine Barthauer	Jörg Hermes

REPETITION OF INDEPENDENT AUDITOR'S REPORT

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

To DZ HYP AG, Hamburg and Münster

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

Audit Opinions

We have audited the annual financial statements of DZ HYP AG, Hamburg und Münster, which comprise the balance sheet as at 31 December 2022, the statement of profit and loss, cash flow statement and statement of changes in equity for the financial year from 1 January to 31 December 2022 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of DZ HYP AG for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

Allowance for credit losses in lending business

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

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

Hereinafter we present the key audit matter:

Allowance for credit losses in lending business

» *Matter and issue*
In DZ HYP AG's annual financial statements loan receivables amounting to EUR 68.1 billion (88.2 % of total assets) are reported under the "Loans to customers" balance sheet item and amounting to EUR 2.0 billion (2.6 % of total assets) under the "Loans to banks" balance sheet item. In addition, there are contingent liabilities and other commitments in the amount of EUR 6.9 billion. As of December 31, 2022, there is an allowance for credit losses in the statement of financial position consisting specific and general valuation allowances and provisions for the lending business. The measurement of the allowance for credit in lending business is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors and executive director's estimates with regard to future credit defaults, among other things also against the backround of the impact of the deterioration in macroeconomic conditions on the lending business. The amount of the specific valuation allowances on loans to customers reflects the difference between the outstanding amount of the loan and the lower value assigned to it as at the balance sheet date. Existing collaterals are taken into account. General valuation allowances are recognized for foreseeable counterparty risks in the lending business of banks that have not yet been specifically identified for individual borrowers. For this purpose, a general valuation allowance is recognized for loans for which no specific allowance has been recognized in the amount of the expected loss for an observation period of twelve months, unless the credit default risk has increased significantly since the date of addition. In the event of a significant increase in the credit default risk since addition, a general valuation allowance is recognized for the losses expected over the remaining term of the loans concerned for loans for which no specific allowance has been recognized. The amount of the valuation allowances and provisions for credit losses are highly significant for the assets, liability and financial performance of the Company and, on the other hand, they involve considerable judgement on the part of executive director's with regard to the cash flows still expected from a loan and the

macroeconomic forecasts in the model used to calculate the general valuation allowances. Furthermore, the measurement parameters applied, which are subject to material uncertainties, have a significant impact on the recognition and the amount of any valuation allowances required. Against this background, this matter was of particular significance during our audit.

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

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

Other information

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

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

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

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

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

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.
We also:

» Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
» Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
» Conclude on the appropriateness of the executive

directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
» Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
» Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

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

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file DZ HYP_AG_JA+LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

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

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

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

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

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

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

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

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 16 May 2022. We were engaged by the supervisory board on 30 June 2022. We have been the auditor of the DZ HYP AG, Hamburg und Münster, without interruption since the financial year 2021.

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

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

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

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Gero Martens.

Hamburg, 23 February 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gero Martens	ppa. Uwe Gollum
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

REPORT OF THE SUPERVISORY BOARD

Uwe Fröhlich
Chairman of the Supervisory Board

After the real estate finance business developed very strongly from 2009 to 2019, DZ HYP performed well in the 2022 financial year, with a slightly lower volume of new business than in the previous year as the coronavirus pandemic was coming to an end – despite rising interest rates and a gloomy macroeconomic environment. In this context, DZ HYP's portfolio proved to be stable and well-prepared for a correction of real estate prices. DZ HYP was once again able to maintain a strong position in the market and as a leader in commercial real estate finance. The Bank made a positive contribution to the DZ BANK Group's results for the year under review.

New business development of DZ HYP in the 2022 financial year was characterised by a markedly slowing momentum of transaction volumes. It was especially due to the interest rate development that there was a clear restraint in the Retail Customers business despite the persisting investment pressure. In the Corporate Clients segment, we observed an adjustment phase, where reserved demand from investors met a lack of selling pressure on the sell side. Overall, the individual asset classes (residential, office, hotels, shopping centres, etc.) were affected to varying degrees. Average margins showed a sideways trend in the Corporate Clients segment and were slightly down in the Retail Customers segment.

In the 2022 financial year, the Bank once again responded prudently and cautiously to unexpected developments in the market and the resulting uncertainty within the framework of its existing risk strategy.

The business with cooperative banks was down as well in the year under review, with uncertainty among developers weighing on private home loan finance in particular. However, DZ HYP still managed to further establish its position as a strongly performing product supplier for cooperative banks, with the clear commitment to expand growth potential and to continue to support its local partners with needs-based and competitive products.

During the year under review, the Supervisory Board dealt regularly and in detail with business developments in the Corporate Clients, Retail Customers, and Public Sector segments, as well as with the Bank's risk situation, risk management system, and, when required, with the development of the Bank's individual exposures. In this context, the Supervisory Board also addressed the consequences of the abating coronavirus pandemic, the current interest rate development, and the economic distortions for the Bank's business development and risk situation.

Furthermore, the activities of the Supervisory Board focused on assessing the work and qualifications of the Supervisory Board and Management Board at annual intervals. The Supervisory Board also looked at the Bank's remuneration systems and the report of the Remuneration Officer, as well as the target achievement levels of members of the Management Board. The review of the diversity targets and the report on compliance with the Bank's lending standards were further points of discussion.

In addition, the Supervisory Board also dealt with the replacement of vacant Supervisory Board and committee mandates as well as the suitability of new Supervisory Board and committee members and/or employee representatives moving up to the Board or a committee. Another topic discussed was the succession planning for DZ HYP’s Management Board, in light of Dr Reutter’s retirement, which is scheduled for 31 July 2023, and the associated appointment of Sabine Barthauer to the position of CEO with effect from 1 August 2023. The reduction of the PIS portfolio by means of disposing of Italian and Portuguese government bonds, the development of ESG issues within the Bank, and the transfer of registered shares to DZ BANK AG were also addressed by the Supervisory Board.

The Supervisory Board and its Committees

During the year under review, the Supervisory Board of DZ HYP and its committees monitored the Management Board’s management of the Bank in accordance with statutory regulations and those set out in the Bank’s Articles of Incorporation, and also took decisions on those transactions required to be presented to the Supervisory Board for approval. To fulfil its tasks, the Supervisory Board engaged a Nomination Committee, a Remuneration Oversight Committee, an Audit Committee, and a Risk Committee during the 2022 financial year.

The self-evaluation carried out by the Supervisory Board itself in the period from April to May 2022 and the evaluation of the DZ HYP Management Board led to the conclusion that the structure, size, composition and performance of the Supervisory Board and the Management Board as well as the knowledge, skills and expertise of the individual members of the Supervisory Board and of the Management Board as well as of both bodies in their entirety are in line with legal requirements and those set out in the Articles of Incorporation. The Supervisory Board also has adequate human and financial resources at its disposal to assist members in taking up office, and ensure they receive in-house training to help them maintain the required expertise. The next regular evaluation of DZ HYP's Supervisory Board and Management Board is scheduled for the first half of 2023.

Cooperation with the Management Board

The Management Board reported to the Supervisory Board on DZ HYP’s situation and performance, general business developments, profitability and risk exposure, regularly, in good time and comprehensively, both in writing and in verbal reports. It also addressed the current impact of the Ukraine war and the increased inflation as well as the follow-up implications of the coronavirus pandemic. Furthermore, the Supervisory Board was informed by the Management Board concerning the Bank's operative and strategic planning, and about material lending exposures and investments. The Management Board regularly informed the Supervisory Board about DZ HYP’s future organisational and strategic focus.

The Supervisory Board discussed these issues, current developments and matters relating to the Bank’s strategic focus with the Management Board; it advised the Management Board, and supervised the management of the Company. The Supervisory Board was involved in all decisions that were of fundamental importance to the Bank.

Meetings of the Supervisory Board

The Supervisory Board convened three times during the 2022 financial year. In addition, the committees established by the Supervisory Board convened on numerous occasions during 2022. The Chairmen of the various committees regularly gave accounts of their work to the plenary meeting.

Between the Supervisory Board meetings, the Management Board informed it in writing about the Bank's business and risk development. During discussions with the Management Board outside the meetings, the Chairman of the Supervisory Board and the Chairmen of the Committees also discussed key decisions – especially transactions and the development of the Bank's business and risk exposure – on a regular basis as well as when required. Overall, the members of the Supervisory Board and its Committees participated regularly in the written resolutions and meetings of the respective bodies during the 2022 financial year. To avoid any conflicts of interest in the Risk Committee, committee members affected by such conflicts of interest did not participate in the respective resolutions. There were no other potential conflicts of interest during the year under review.

Cooperation with the external auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, which submitted a declaration of independence to the Supervisory Board, audited the annual financial statements of DZ HYP, including the accounting records and management report of DZ HYP for the 2022 financial year presented to it by the Management Board, and found these to be in line with statutory requirements. It issued an unqualified audit opinion. The audit report was submitted to members of the Supervisory Board, and was discussed in detail during Supervisory Board meetings. The Supervisory Board agreed to the results of the audit by the auditors, in line with a recommendation by the Audit Committee.

Approval and confirmation of the financial statements

The Supervisory Board and the Audit Committee reviewed the annual financial statements and the management report of DZ HYP in detail at their meetings. The Chairman of the Audit Committee notified the Supervisory Board about the detailed discussions of the Committee regarding the financial statements and the management report of the Bank. The auditor's representatives participated in the Supervisory Board meeting to adopt the annual financial statements, and in the preparatory meetings of the Audit Committee and the Risk Committee, and reported in detail on the key findings of their audit. They were also available to answer questions put by Supervisory Board members. The Supervisory Board raised no objections with regard to the accounts. In its meeting on 27 March 2023, the Supervisory Board approved the financial statements of DZ HYP as at 31 December 2022, prepared by the Management Board. The annual financial statements have thus been confirmed.

Personnel changes within the Supervisory Board and the Management Board

With effect from 31 March 2022, the Supervisory Board elected Dr Michael Düpmann to the Audit Committee. Ms Karin Fleischer was newly elected to the Supervisory Board, effective at the end of the General Meeting on 7 May 2021. Mr Frank Thurau resigned from his office as an employee representative member of the Bank’s Supervisory Board, effective 31 December 2022. As elected replacement member, Mr Marcus Lühder joined the Supervisory Board with effect from 1 January 2023. Otherwise, there were no changes to the members of the Supervisory Board and the Management Board during the 2022 financial year.

The Supervisory Board would like to thank the Management Board, and all of DZ HYP's staff, for their commitment and successful contribution during the 2022 financial year.

Hamburg and Münster, 27 March 2023

DZ HYP AG
The Supervisory Board

Uwe Fröhlich
Chairman of the Supervisory Board

SERVICE

CORPORATE BODIES AND COMMITTEES, EXECUTIVES

Supervisory Board

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

Dagmar Mines
DZ HYP AG, Hamburg
– Deputy Chairwoman –

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

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

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

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

Ralph Gruber
DZ HYP AG, Hamburg

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

Olaf Johnert
DZ HYP AG, Hamburg

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

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

Michael Kuehn
DZ HYP AG, Münster

Marcus Lühder
DZ HYP AG, Münster

Anja Niehues
DZ HYP AG, Münster

Johannes Röring
Vreden

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

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

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

Updated: 29 March 2023

Advisory Board – Banks

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

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

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

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

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

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

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

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

Michael Hietkamp
Speaker of the Management Board,
Volksbank Vorpommern eG,
Greifswald

Wolfgang Hillemeier
Chairman of the Management Board,
Volksbank Rietberg eG,
Rietberg

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

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

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

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

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

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

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

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

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

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

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

Updated: 29 March 2023

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

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

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

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

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

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

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

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

Advisory Board – Public Sector

Christian Schuchardt
Lord Mayor of the
City of Würzburg,
Würzburg
– Chairman –

Konrad Beugel
Finance and Economics Officer
of the City of Erlangen,
Erlangen

Heinrich Böckelühr
District President
Regional Government
of Arnsberg,
Arnsberg

Dr Birgit Frischmuth
Senior Policy Advisor,
Association of German Cities –
Finance Department,
Berlin

Dr Stefan Funke
Treasurer/Director of the District
of Warendorf,
Warendorf

Claus Hamacher
Councillor for Finance
and Municipal Economy,
Association of Cities and Munici-
palities in North-Rhine Westphalia,
Dusseldorf

Markus Kreuz
Treasurer of the
City of Hamm,
Hamm

Dr Georg Lunemann
Regional Director
Landschaftsverband
Westfalen-Lippe,
Münster

Andreas Merkel
Treasurer of the
City of Gaggenau,
Gaggenau

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

Kay Uffelmann
First District Councillor,
Harburg disctrict,
Winsen/Luhe

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

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Advisory Board – Housing Sector

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

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

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

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

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

Matthias Lüdecke
Chairman of the
Management Board of
Wohnungsverein Hagen eG,
Hagen

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

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

Peter Stammer
Executive Board member of
Baugenossenschaft Familienheim
Heidelberg eG,
Heidelberg

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

Management Board
and distribution of responsibilities

Dr Georg Reutter
– Chief Executive Officer –

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

Sabine Barthauer

- Back Office Corporate Clients
- Back Office Treasury & Public Sector
- Risk Controlling
- Legal, Management Board Office, Restructuring, Recovery

Jörg Hermes

- Compliance
- Finance
- Internal Audit
- IT and Organisation & Operations
- Human Resources

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Department Heads

Patrick Ernst
Treasury

Norbert Grahl
Back Office Corporate Clients

Steffen Günther
Segment Commercial Real Estate Investors Institutional & International Clients

Axel Jordan
Segment Commercial Real Estate Investors Corporates & Cooperative Banks

Markus Krampe
Segment Retail Customers & Relationship Manager Cooperative Banks, Segment Public Sector

Dr Stefan Krohnsnest
Risk Controlling

Maik Michaelis
Finance

Peter Ringbeck
IT, Organisation and Operations

Arne Schneider
Human Resources

Frank Schneider
Compliance

Siegfried Schneider
Back Office Treasury and Public Sector

Jürg Schönherr
Corporate Clients business, Housing Sector

Peter Vögelein
Internal Audit

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

Anke Wolff
Communications, Marketing & Events

Trustees

Dr Michael Labe
Judge (retd.),
Hamburg

Michael Führer
Deputy Trustee,
Public Auditor and
tax advisor (retd.),
Münster

Björn Reher
Deputy Trustee,
Public Auditor and tax advisor
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