

Landesbank Berlin

Issuer View • 12 October 2022

Authors: Melanie Kiene // Dr Frederik Kunze

Landesbank Berlin AG (LBB) is a non-listed joint stock company which sponsors the Berliner Sparkasse (BSK). In accordance with the Berlin Sparkassen Act, LBB is classified as a savings bank association in its own right and is therefore a member of the DSGV (German savings bank and giro association). The institution benefits from membership of the Sparkassen financial group and the associated protection system. LBB and BSK (branch of LBB) is a wholly owned subsidiary of Landesbank Berlin Holding AG (LBBH), which indirectly places it into the ownership of the acquisition company affiliated with S-Finanzgruppe mbH & Co. KG. This company holds a direct stake of 89.37% in LBBH and also functions as a general partner in the investment company of S-Finanzgruppe mbH & Co. KG (10.63% stake in LBBH). In 2021, LBB/BSK reorganised its business units so that it now reports across the following segments: Private Customers, Direct Bank Service (credit card business), Business Customers, Real Estate Financing, Private Banking, Treasury and Corporate Customers. In Berlin, LBB/BSK operates its whole retail and corporate client business in a single business unit with 78 branches. In the Real Estate Financing segment, the target clients ranges from investors to real estate companies, although it also focuses on private individuals. Since 01 July 2022, the real estate subsidiary Berlin Hyp has no longer been part of the Group after it was sold to LBBW. As part of the future programme “Z25!” the core business is set to be strengthened, while at the same time costs are to be scaled back and earnings in the customer business increased. By 2025, savings in the amount of EUR 250 million are set to be.

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	Aa3	Stable
S&P	-	-

Homepage

www.lbb.de

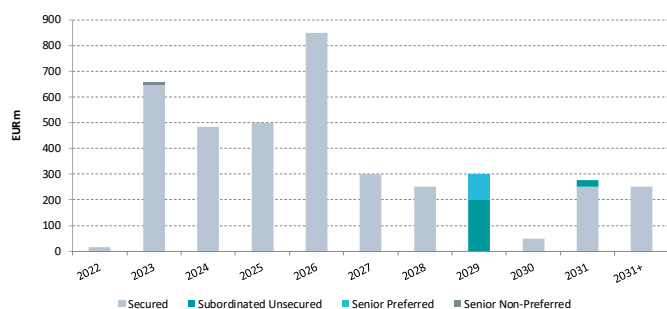
Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	25,787	27,381	28,206
Total Securities	9,546	8,264	8,374
Total Deposits	30,964	34,395	36,174
Tier 1 Common Capital	2,385	2,570	2,582
Total Assets	49,145	52,484	56,485
Total Risk-weighted Assets	14,350	13,840	14,092

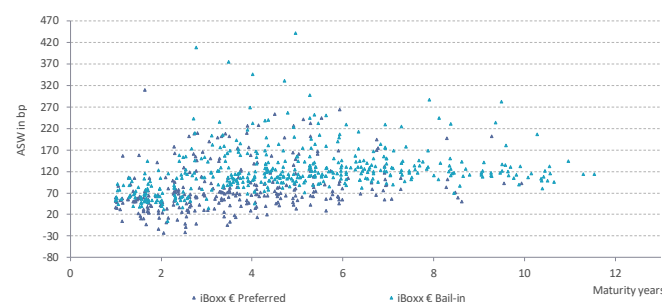
Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	766	771	411
Net Fee & Commission Inc.	233	248	137
Net Trading Income	-	-	-
Operating Expense	925	958	441
Credit Commit. Impairment	124	-104	45
Pre-tax Profit	40	41	43

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022H1	2020Y	2021Y	2022H1	
Net Interest Margin	1.78	1.57	1.55	Liquidity Coverage Ratio	175.78	210.03	192.13
ROAE	-	-	-	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	87.10	86.67	75.84	NPL/ Loans at Amortised Cost	0.36	-	-
Core Tier 1 Ratio	16.62	18.57	18.32	Reserves/Loans at Amort. Cost	1.94	1.28	-

As of: 12.10.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalisation
- Liquidity profile
- Deposit basis

Risks / Weaknesses

- Geographical concentration in Berlin-Brandenburg
- Commercial Real Estate exposure
- Cost basis

Covered Bonds

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Mortgage cover pool comprises EUR 5.8bn

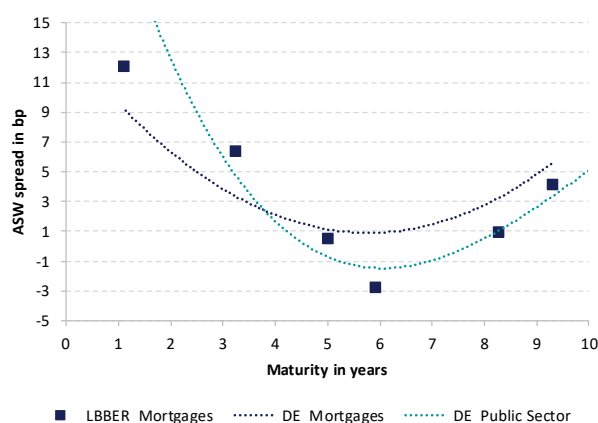
Landesbank Berlin acts as an issuer of mortgage Pfandbriefe and also has a public cover pool. A volume of EUR 5,801m was reported for the mortgage pool as at the reporting date of 30 June 2022. With outstanding mortgage Pfandbriefe with a volume of EUR 3,513m, an overcollateralisation ratio of 65.1% is derived, which is significantly above the legally required minimum coverage (overcollateralisation: EUR 2,287.9m). The significantly smaller cover pool for public Pfandbriefe also comprises a volume of EUR 830m with outstanding Pfandbriefe of EUR 260m as of 30 June 2022. The overcollateralisation ratio was stated at 219.2% with overcollateralisation of EUR 597m. Landesbank Berlin is currently represented in the EUR subbenchmark segment with seven issues, whose outstanding volume totals EUR 1.85bn.

Programme data

30 Juni 2022	Mortgage	Public
Covered bonds outstanding	EUR 3,513.0m	EUR 829.8m
Cover pool volume	EUR 5,800.9m	EUR 260.0m
Current OC (nominal / regulatory)	65,1% / 2.0%	219.2% / 2.0%
Type	71,3% Residential	93.4% Other
Country	100% Germany	100% Germany
Number of borrowers	6,993	18
Number of loans/exposures	7,780	34
Average loan/exposure size	EUR 797,725	EUR 46,102,389
WA unindexed LTV	54.9%	N/A
Fixed interest (Cover Pool / CBs)	90.3% / 95.9%	100.0% / 100.0%
WAL (Cover Pool / CBs)	10.8y / 5.1y	6.1y / 3.0y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (SBMK) – Germany



Mortgage cover pool: 71.3% primary cover for residential properties

The mortgage cover pool contains 96.2% primary cover assets (EUR 5,578.5m). The remaining 3.8% are substitute cover assets. The share of residential assets in the primary cover assets is 71.3% (volume: EUR 3,977.9m). Looking at the further subdivision of residential assets, the bulk is accounted for by multi-family houses (EUR 3,279.7m; share in primary cover: 58.8%). Commercial cover assets totalled EUR 1,600.6m as of the reporting date of 30 June 2022, with the office buildings subcategory accounting for the largest share at EUR 933.8m. The share of the ten largest borrowers is 26.2%. The cover pool does not contain any overdue receivables with at least 90 days' payment arrears. Geographically, all cover assets are located in Germany.

Regulatory and rating

The rating agency Moody's gives both the Mortgage Pfandbriefe and the Public Pfandbriefe the best rating of Aaa. The Pfandbriefe benefit from a preferred risk weight according to CRR of 10%. EUR sub-benchmarks are also suitable as Level 2A assets in the context of LCR management, according to our assessment. The covered bonds can also be purchased under the CBBP3 and are eligible for repo transactions with the ECB. The German Pfandbrief Act (PfandBG) also provides for the possibility of a maturity deferral (soft bullet). Pfandbriefe of the Issuer placed as of 08 July 2022 may bear the label "European Covered Bond (Premium)".

Appendix

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