

Deutsche Pfandbriefbank

Issuer View • 9. Januar 2024

Authors: Dr Frederik Kunze // Lukas Kühne

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	-	-
S&P	BBB	Negative

Homepage

www.pfandbriefbank.com

Deutsche Pfandbriefbank AG (pbb) is a leading European specialist bank for commercial real estate finance and public investment projects with a focus on Pfandbrief-eligible transactions. The bank has around 800 employees (Q3/2023; fulltime equivalent). pbb's core business is the granting of property loans, whereby it offers derivative instruments to hedge lending transactions, in addition to traditional financing solutions. As part of its digitalization strategy, the subsidiary CAPVERIANT GmbH operates a platform that brings together public-sector borrowers and institutional investors. In addition, it was decided at the end of 2022 to expand the business model to include Real Estate Investment Management, and to further diversify the sources of income. Most of pbb's clients are professional property investors. In Germany, the product range is also aimed at SMEs and regional customers. In addition, public infrastructure projects eligible for Pfandbrief cover pools are selectively financed. Funding is largely provided by Pfandbriefe, followed by unsecured funding. In addition, pbb is increasingly generating customer deposits via its online offering "pbb direkt", both in euros and in US dollars. As part of the Green Bond Framework, Pfandbriefe and senior unsecured bonds are issued in green format. The share of "green" financing in the Real Estate Finance portfolio is expected to increase to over 30% by 2026 (FY/2022: 11%). Against the background of the current developments in the CRE segment, pbb remains committed to its earnings targets. A pre-tax profit of more than EUR 300m is to be achieved by 2026.

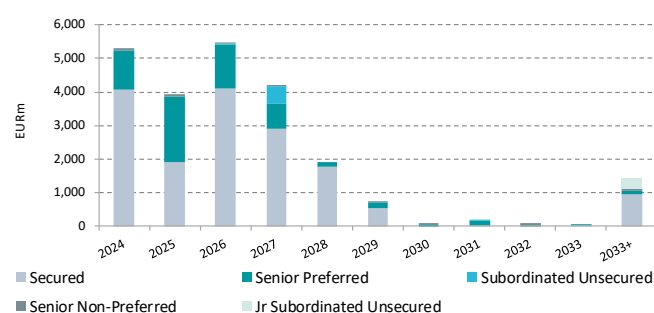
Balance Sheet

(EURm)	2021Y	2022Y	2023Q3
Net Loans to Customers	39,371	38,272	38,563
Total Securities	9,522	7,644	6,291
Total Deposits	20,100	17,889	18,473
Tier 1 Common Capital	2,875	2,843	2,695
Total Assets	58,402	53,007	48,162
Total Risk-weighted Assets	16,792	17,017	17,766

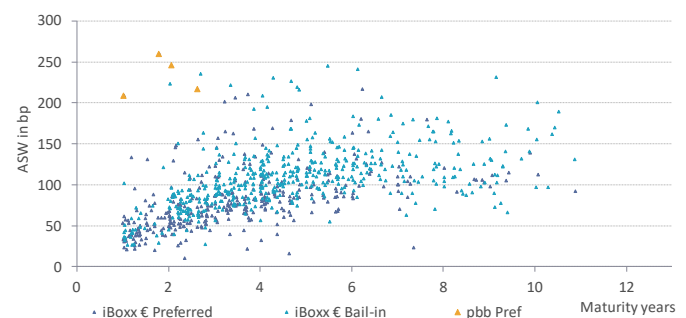
Income Statement

(EURm)	2021Y	2022Y	2023Q3
Net Interest Income	494	489	132
Net Fee & Commission Inc.	8	8	1
Net Trading Income	87	31	8
Operating Expense	268	274	63
Credit Commit. Impairment	81	44	83
Pre-tax Profit	242	213	10

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2021Y	2022Y	2023Q3		2021Y	2022Y	2023Q3
Net Interest Margin	0.85	0.88	1.08	Liquidity Coverage Ratio	227.00	171.00	218.00
ROAE	6.79	5.49	0.96	IFRS Tier 1 Leverage Ratio	5.10	5.55	5.80
Cost-to-Income	45.35	51.60	40.38	NPL/ Loans at Amortised Cost	1.50	2.22	3.50
Core Tier 1 Ratio	17.12	16.71	15.17	Reserves/Loans at Amort. Cost	0.87	1.02	1.26

As of 09.01.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Geographical diversification
- Capitalisation

Risks / Weaknesses

- Credit risk concentration in commercial real estate
- Still highly dependent on wholesale funding

Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

Outstanding Pfandbrief volume of around EUR 24.5bn

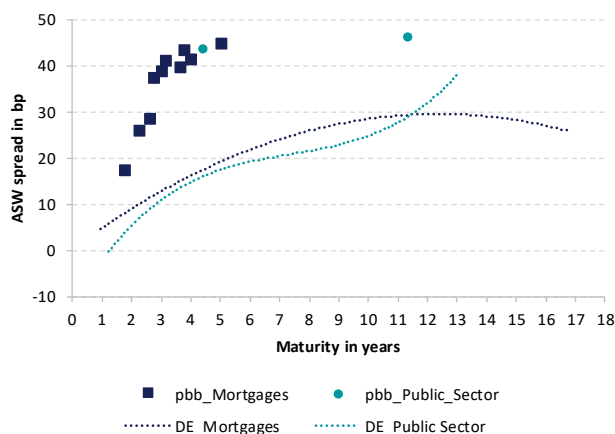
Deutsche Pfandbriefbank (pbb) has a programme for issuing both Mortgage Pfandbriefe and Public Sector Pfandbriefe. With an outstanding volume of mortgage-backed Pfandbriefe of around EUR 15.9bn and Public Pfandbriefe totalling EUR 8.6bn, pbb is one of the largest German Pfandbrief issuers both in the two sub-segments and in aggregate. In the current composition of the iBoxx EUR Covered, the bank is represented with twelve EUR benchmarks. Of the outstanding volume totalling EUR 6.8bn, EUR 5.8bn is attributable to Mortgage Pfandbriefe, spread across ten bonds.

Programme data

30 September 2023	Mortgage	Public Sector
Covered bonds outstanding	EUR 15,889m	EUR 8,639m
Cover pool volume	EUR 19,629m	EUR 9,704m
Current OC (nominal / regulatory)	23.5% / 2.0%	12.3% / 2.0%
Type	83.1% Commercial	43.7% Sovereigns
Country	41.5% Germany	37.6% Austria
Number of borrowers	730	189
Number of loans/exposures	1,497	437
Average loan/exposure size	EUR 22,651,632	EUR 22,206,124
10 largest exposures	8.2%	60.6%
Fixed interest (Cover Pool / CBs)	54.1% / 92.3%	74.6% / 72.2%
WAL (Cover Pool / CBs)	3.3y / 5.4y	8.2y / 6.6y
CB Rating (Fitch / Moody's / S&P)	- / Aa1 / -	- / Aa1 / -

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

Spread overview (BMK) – Germany



Mortgage cover pool with high proportion of commercial assets

The mortgage cover pool (EUR 19.6bn; OC ratio: 23.5%) consists of 97% primary cover. With a share of 83.1% of primary cover, the cover pool is predominantly commercial in nature. A further 16.9% is accounted for by residential assets. The "Housing cooperatives/multi-family assets" category accounts for 15.1% of primary cover. Geographically, the cover pool is broadly diversified, with the majority (41.5%) attributable to Germany. The second largest share is attributable to the USA with 16.2%, followed by France with 11.5%. Multi-family houses dominate the residential cover assets with 89.6%. Office buildings make up the bulk of commercial assets at 57.4%, followed by the retail category (27.1%). The average weighted loan-to-value ratio (LTV) is stated by pbb at 56.1%. If a market value basis is used for the calculation, the average weighted LTV falls to 33.3% (Residential: 31.5%; Commercial: 33.7%). The public cover pool (EUR 8.6bn; OC ratio: 12.3%) consists of 100% primary cover. Austria dominates geographically (37.8%). Overdue receivables with a payment delay of >90 days are not included in the cover pool for Mortgage Pfandbriefe or Public Sector Pfandbriefe.

Rating and regulation

Moody's rates both of pbb's Pfandbrief programmes with a rating of Aa1. In our view, pbb's existing benchmark issues fulfil the necessary requirements to be used as Level 1 assets in the context of LCR management, which we also assume for the new issues under application of the PfandBG. In addition, the issuer's Pfandbriefe benefit from a risk weighting of 10% in accordance with the CRR due to their rating and are suitable as collateral within the ECB Collateral Framework. Pfandbriefe of the Issuer placed as of 08 July 2022 onwards may bear the label "European Covered Bond (Premium)".

Appendix

Contacts at NORD/LB

Floor Research



Dr. Frederik Kunze

Covered Bonds/Banks

+49 172 354 8977

frederik.kunze@nordlb.de



Dr. Norman Rudschuck, CIIA

SSA/Public Issuers

+49 152 090 24094

norman.rudschuck@nordlb.de



Lukas Kühne

Covered Bonds/Banks

+49 176 152 90932

lukas.kuehne@nordlb.de



Christian Ilchmann

SSA/Public Issuers

+49 157 851 64976

christian.ilchmann@nordlb.de



Lukas-Finn Frese

SSA/Public Issuers

+49 176 152 89759

lukas-finn.frese@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

Relationship Management

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Öffentliche Kunden	rm-oek@nordlb.de

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