

Deutsche Kreditbank

Issuer View • 23 September 2024

Authors: Alexander Grenner // Lukas Kühne // Dr Frederik Kunze

Ratings

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

Homepage

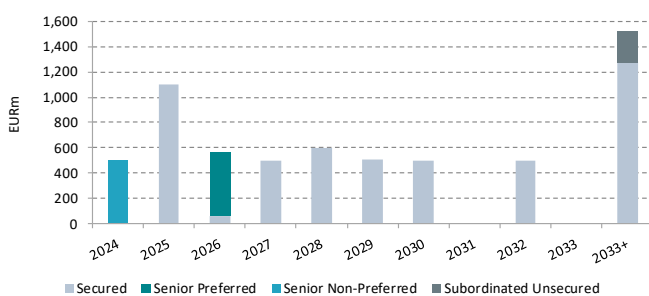
www.dkb.de

Deutsche Kreditbank AG (DKB), headquartered in Berlin, is a leading direct bank and is wholly owned by Bayerische Landesbank (BayernLB). The DKB business model is based on the direct banking business with more than 5.7 million retail customers (H1 2024), who are served on a digital basis across Germany, and the corporate customer business, which offers consulting services to these customers at 26 different locations in Germany. DKB employs around 5,000 staff overall, who offer customers products including current accounts and business accounts, deposits, home loans in addition to financing products for municipalities and energy projects. The DKB Group comprises DKB AG and its subsidiaries such as DKB Finance GmbH and DKB Service GmbH, for example. DKB reports across three operating segments: Retail Customers (H1 2024: 22.6% of pre-tax profit), Commercial Customers (84.8%) and Financial Markets (2.6%). Moreover, reporting is also carried out in the Other (-6.3%) and Transition/Consolidation (-3.8%) business units. Geographically speaking, the loan portfolio is almost exclusively based in Germany. DKB's refinancing activities are primarily focused on customer deposits (FY 2023: 76.1% of total assets) and pass-through loans (11.6%). The funding mix is supplemented by securitised liabilities in addition to mortgage and public Pfandbriefe (3.6%). According to information from DKB itself, it was the first German bank to issue both a green and social bond, in addition to being the largest financier of renewable energies in Germany at a total value of EUR 12bn.

Balance Sheet

(EURm)	2022Y	2023Y	2024H1
Net Loans to Customers	88,887	94,376	96,915
Total Securities	4,738	3,116	2,667
Total Deposits	85,232	102,313	92,044
Tier 1 Common Capital	4,912	5,096	5,005
Total Assets	121,035	134,517	124,005
Total Risk-weighted Assets	42,341	32,155	33,588

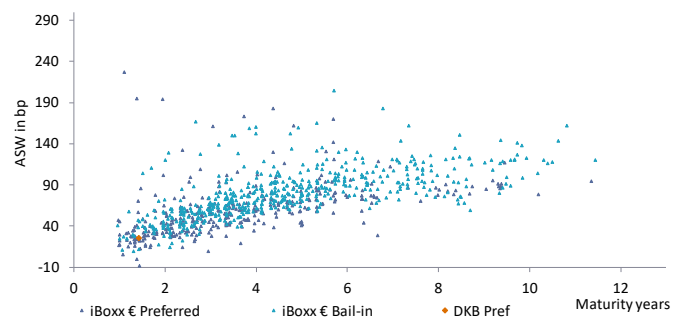
Redemption Profile



Income Statement

(EURm)	2022Y	2023Y	2024H1
Net Interest Income	1,313	1,937	950
Net Fee & Commission Inc.	88	130	121
Net Trading Income	-217	-41	29
Operating Expense	819	962	441
Credit Commit. Impairment	13	59	91
Pre-tax Profit	356	1,002	561

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2022Y	2023Y	2024H1	2022Y	2023Y	2024H1	
Net Interest Margin	1.03	1.52	1.48	Liquidity Coverage Ratio	207.00	262.00	212.00
ROAE	4.29	12.32	12.55	IFRS Tier 1 Leverage Ratio	4.07	3.79	4.04
Cost-to-Income	68.82	47.45	40.26	NPL/ Loans at Amortised Cost	-	-	-
Core Tier 1 Ratio	11.60	15.85	14.90	Reserves/Loans at Amort. Cost	0.42	0.42	0.47

As of: 23.09.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Funding profile
- Asset quality
- Capitalisation

Risks / Weaknesses

- Regional and sectoral loan concentration
- Profitability
- Liquidity

Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne // Alexander Grenner

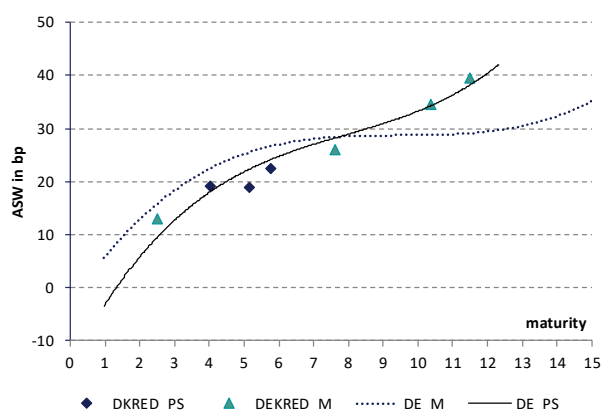
Two programmes for issuing Pfandbriefe

Deutsche Kreditbank (DKB) issues both mortgage-backed and publicly collateralised Pfandbriefe. As at the reporting date of 30 June 2024, the mortgage-backed cover pool comprises cover assets with a total volume of EUR 9.6bn. The outstanding volume of mortgage Pfandbriefe amounts to EUR 3.9bn, resulting in an arithmetical overcollateralisation ratio of 145.2%, which is well above the statutory requirement. The Public Pfandbriefe with a volume of EUR 2.2bn are matched by cover assets totalling EUR 6.4bn, resulting in an over-collateralisation ratio of 182.5%. The issuer is represented with seven EUR benchmarks in the current composition of the iBoxx EUR Covered (outstanding volume: EUR 3.9bn).

Programme data

30 June 2024	Public	Mortgage
Covered Bonds outstanding	EUR 2.248bn	EUR 3.921bn
Cover pool volume	EUR 6.350bn	EUR 9.615bn
Current OC (nominal / legal)	182.5% / 2.0%	145.2% / 2.0%
Type	65.7% Local/municipal authorities	97.6% Residential
Main country	100.0% Germany	100.0% Germany
Number of loans / Borrowers ¹	4,018 / 1,986	29,102 / 24,928
WAL (Cover Pool / CBs) ¹	7.7y / 5.9y	7.4y / 7.2y
Avg. LTV (mortgage lending value)	-	53.0%
NPL	0.00%	0.00%
Fixed interest (Cover Pool / CBs)	98.1% / 100%	96.7% / 100%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Spread overview (BMK) – Germany



¹ Angaben aus dem Moody's Performance Overview zum Stichtag 02.04.2024

Quelle: Emittent, Ratingagenturen, Bloomberg, NORD/LB Floor Research

Mortgage cover pool predominantly with residential property cover

As at the reporting date of 30 June 2024, 91.1% of DKB's mortgage cover pool consisted of primary cover. Of the primary cover assets, 97.6% are residential and 2.4% are commercial assets. With a share of 71.5%, apartment blocks make up the largest proportion of residential cover assets, followed by detached and semi-detached houses (21.5%) and owner-occupied flats (6.9%). The primary cover assets are exclusively of German origin. The LTV calculated on the basis of the mortgage lending value was 53.0% as at 30 June 2024. The cover pool for public sector Pfandbriefe consists of around 2,000 loans, 100% of which are geographically located in Germany. Borrowers are dominated by local authorities (65.7%), followed by the category "Other" (24.7%) and "Regional authorities" (9.5%). Neither the public sector nor the mortgage cover pool includes non-performing loans (NPLs).

Rating and regulation

Both the programme for issuing public sector Pfandbriefe and the mortgage Pfandbriefe have the highest rating from Moody's (Aaa). Accordingly, they benefit from a preferred risk weighting of 10% in accordance with the CRR. In our view, bonds in EUR benchmark format are eligible as Level 1 assets in the LCR context. Pfandbriefe placed by the issuer from 8 July 2022 can bear the label "European Covered Bond (Premium)".

Appendix

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Frequent Issuers	+49 511 9818-9640

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