

Deutsche Kreditbank

Issuer View • 17 February 2025

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.

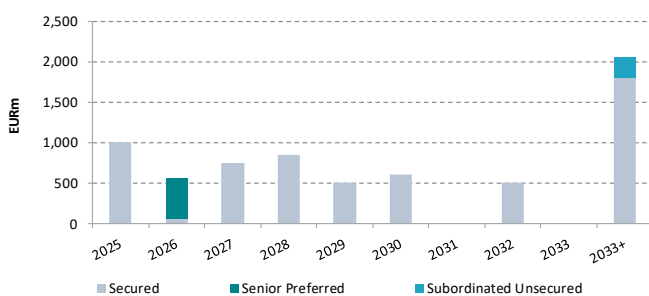
Balance Sheet

(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

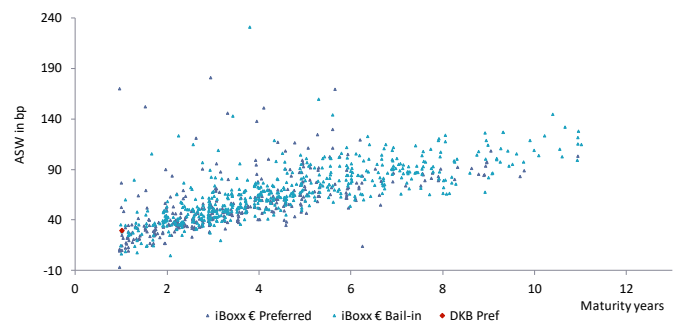
Income Statement

(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

Redemption Profile



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 17.02.2025; 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

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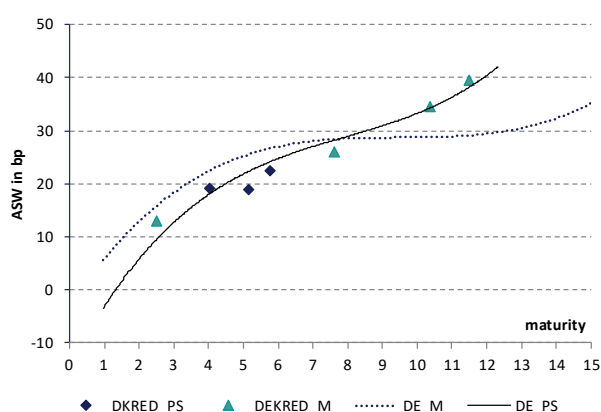
Two programmes for issuing Pfandbriefe

Deutsche Kreditbank (DKB) issues both mortgage-backed and public sector Pfandbriefe. As at 31 December 2024, the mortgage cover pool comprises a total of EUR 9.1bn in cover assets. The outstanding volume of mortgage Pfandbriefe amounts to EUR 4.4bn, resulting in a nominal overcollateralisation ratio of 108.5%, which is well above the statutory requirement of 2% or EUR 176.1m. The voluntary overcollateralisation consequently amounts to EUR 4.6bn. Outstanding Public Sector Pfandbriefe with a volume of EUR 2.8bn are matched by cover assets of EUR 6.1bn, resulting in an overcollateralisation ratio of 117.5%. The issuer is represented with eight EUR benchmarks in the current composition of the iBoxx EUR Covered (outstanding volume: EUR 4.95bn).

Programme data

31 December 2024	Public	Mortgage
Covered Bonds outstanding	EUR 2.788bn	EUR 4.376bn
Cover pool volume	EUR 6.064bn	EUR 9.124bn
Current OC (nominal / legal)	117.5% / 2.0%	108.5% / 2.0%
Type	52.9% Local/municipal authorities	97.8% Residential
Main country	100% Germany	100% Germany
Number of loans / Borrowers ¹	3,981 / 1,984	28,253 / 24,270
WAL (Cover Pool / CBs) ¹	7.2y / 6.3y	7.8y / 7.7y
Avg. LTV (mortgage lending value)	-	53.0%
NPL	0.00%	0.00%
Fixed interest (Cover Pool / CBs)	98.6% / 100%	97.4% / 100%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Spread overview (BMK) – Germany



¹ Moody's Performance Overview as at 30 September 2024

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

Cover assets located exclusively in Germany

The mortgage cover pool has a primary cover share of 96%. The replacement cover thus amounts to EUR 360m. The primary cover assets are located entirely in Germany. The share of residential property cover is reported at 97.8% as at the reporting date of 31 December 2024. The share of commercial property financing is correspondingly 2.2%. Within the category of residential cover assets, EUR 6.005bn (share of primary cover: 68.5%) is attributable to the sub-segment of multi-family houses. The remaining residential primary cover is accounted for by single and two-family houses (EUR 1.971bn) and condominiums (EUR 598m). With regard to the average LTV ratio, a value of 53% is stated. The public cover pool is made up exclusively of primary cover assets, all of which are geographically located in Germany. Neither the public cover pool nor the mortgage cover pool contains any overdue payments (>90 days in arrears).

Rating and regulatory treatment

Moody's rates both of the issuer's Pfandbrief programmes with the top rating of Aaa. In our opinion, the institution's EUR benchmark issues fulfil the necessary requirements to be used as Level 1 assets in the context of LCR management. Pfandbriefe placed by the issuer from 8 July 2022 can bear the "European Covered Bond (Premium)" label. In addition, the issuer's Pfandbriefe benefit from a risk weighting of 10% in accordance with CRR due to the rating and are also eligible for ECB repos.

Appendix

Contacts at NORD/LB

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