

pbb Deutsche Pfandbriefbank

Issuer View • 19 July 2022

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Deutsche Pfandbriefbank AG (pbb) is a leading European specialist bank for commercial real estate finance and public investment finance with a focus on Covered Bond-eligible business. The institution, which was formed from a merger in 2009, employs 828 people (Q1/2022). In 2015, the institute, based in Garching near Munich, was successfully reprivatized through an IPO on the Frankfurt Stock Exchange. The German state still holds a 3% stake in pbb (July 19, 2022). Pbb's core business is real estate finance, offering traditional customized financing solutions as well as derivative financial instruments to hedge the risk of lending transactions. Its customers are primarily professional national and international real estate investors and, particularly in Germany, also medium-sized companies and regional players. Furthermore, Covered Bond-eligible public infrastructure projects are financed. In addition to Germany and Europe, the core markets are primarily the east and west coasts of the USA. Refinancing is largely provided by Covered Bonds (Pfandbriefe), followed by uncovered refinancing. pbb is one of the largest Pfandbrief issuers in Germany with regular benchmark issues in EUR, USD, GBP as well as SEK and CHF. Since 2013, unsecured funding has been complemented by private deposit business (Q1/2022: EUR 3.2bn). In February 2021, the first pbb Green Bond (senior preferred) was issued. In total, EUR 1.95bn of Green Bonds were placed by April 2022. In real estate financing, the bank plans to increase the portfolio share of "green" financing to around 30% by 2024/25.

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	-	-
S&P	BBB+	Stable

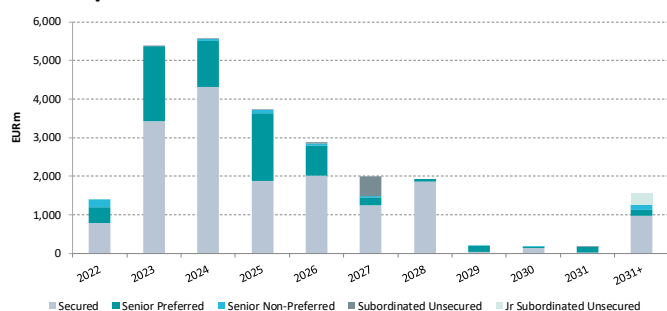
Homepage

www.pfandbriefbank.com

Balance Sheet

(EURm)	2020Y	2021Y	2022Q1
Net Loans to Customers	39,955	39,371	38,780
Total Securities	11,415	9,522	8,782
Total Deposits	22,583	20,100	18,884
Tier 1 Common Capital	2,854	2,875	2,824
Total Assets	58,859	58,402	56,345
Total Risk-weighted Assets	17,744	16,792	16,726

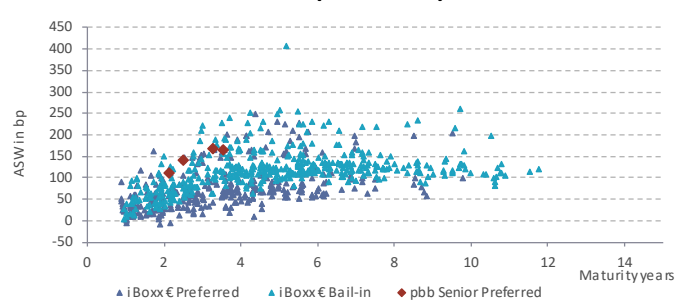
Redemption Profile



Income Statement

(EURm)	2020Y	2021Y	2022Q1
Net Interest Income	476	494	122
Net Fee & Commission Inc,	6	8	2
Net Trading Income	23	87	15
Operating Expense	249	268	89
Credit Commit, Impairment	126	81	18
Pre-tax Profit	151	242	42

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022Q1		2020Y	2021Y	2022Q1
Net Interest Margin	0.81	0.85	0.85	Liquidity Coverage Ratio	318.80	293.63	251.73
ROAE	3.72	6.79	4.19	IFRS Tier 1 Leverage Ratio	5.08	5.10	5.18
Cost-to-Income	47.34	45.35	59.73	NPL/ Loans at Amortised Cost	1.20	1.50	1.52
Core Tier 1 Ratio	16.08	17.12	16.88	Reserves/Loans at Amort. Cost	0.61	0.87	0.92

As of: 19.07.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Credit quality
- Capitalization

Risks / Weaknesses

- Credit risk concentration
- Commercial real estate → cyclical market

Covered Bonds

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Outstanding Pfandbrief volume of around EUR 25.7bn

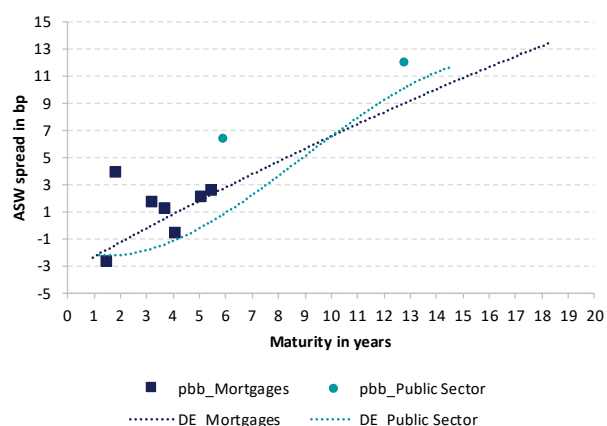
Deutsche Pfandbriefbank (pbb) has a program for issuing both mortgage-backed and public-sector Pfandbriefe. With an outstanding volume of mortgage-backed Pfandbriefe of around EUR 15.6bn and public-sector Pfandbriefe of EUR 10.1bn, pbb is one of the largest German Pfandbrief issuers both in the two sub-segments and in aggregate terms.

Programme data

31 March 2022	Mortgage	Public Sector
Covered bonds outstanding	EUR 15,602m	EUR 10,095m
Cover pool volume	EUR 18,474m	EUR 11,165m
Current OC (nominal / regulatory)	18.4% / 2.0%	10.6% / 2.0%
Type	82.8% Commercial	42% Sovereigns
Country	43.1% Germany	34.9% Austria
Number of borrowers	789	215
Number of loans/exposures	1,620	507
Average loan/exposure size	EUR 10.953m	EUR 22.022m
10 largest exposures	8.4%	56.6%
Fixed interest (Cover Pool / CBs)	54.9% / 85.8%	72.8% / 70.9%
WAL (Cover Pool / CBs)	3.7y / 5.4y	8.8y / 7.0y
CB Rating (Fitch / Moody's / S&P)	- / Aa1 / -	- / Aa1 / -

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

Spread overview (BMK) – Germany



Mortgage cover pool with high proportion of commercial assets

The mortgage cover pool (EUR 18.5bn; overcollateralization 18.4%) is divided into 96% primary cover assets and 4% substitute cover assets. With 82.8% of the primary cover assets, the cover pool has a predominantly commercial character. Residential assets account for a further 17.2%. Geographically, the cover pool is broadly diversified, with the majority (43.1%) attributable to Germany. The second largest share, 16%, is attributable to the USA. Overall, 75.4% of the primary cover assets are located within the EU. The commercial character of the cover assets is less evident in the number of loans (673 commercial versus 947 residential) than in the average loan volume. The commercial portion of the pool has a volume of EUR 21.8m, compared with EUR 3.2m for the residential portion. In line with the regional distribution, 73.0% of the cover assets are denominated in euros, while the share of USD assets is 15.4% and 7.9% for GBP assets. The cover pool does not contain any non-performing loans. The substitute cover assets with a volume of EUR 731.3m mainly consist of exposures to central banks (EUR 600m). The public cover pool (EUR 10.1bn; overcollateralization 10.6%) consists of 100% primary cover, 88% of which is made up of loans and 12% of bonds. Geographically, Austria (34.9%) dominates with the Vienna region (98.5%)

Regulatorik und Rating

Moody's assigns a rating of Aa1 to both of pbb's covered bond programs. The collateral score of the mortgage cover pool is 17.8%, whereas that of the public program is rated at 15.7%. In an international comparison, both cover pools are thus of above-average quality. In our view, already issued benchmark issues of pbb meet 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. BaFin allows pbb to use the designation "European covered bond (premium)" for issues after 07 July 2022. In addition, all Pfandbriefe of the issuer benefit from a risk weighting of 10% according to CRR due to the rating and are also ECB-repo-eligible.

Appendix

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