

# Deutsche Pfandbriefbank

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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 business. The institution employs around 800 staff (Q1/2023; full-time equivalent). pbb's core business is real estate lending, whereby it offers derivative financial instruments to hedge the risk of lending transactions, in addition to traditional customised financing solutions. As part of the digitalisation strategy, the subsidiary CAPVERIANT GmbH operates a platform that brings together public sector borrowers and institutional investors. Furthermore, it was decided at the end of 2022 to expand the business model to include real estate investment management (with the first launch of an open-ended special real estate fund in H1/2023) and to diversify the sources of income more strongly. Clients are predominantly professional real estate investors. In Germany, the offering is also aimed at medium-sized companies and regional clients. In addition, public infrastructure projects eligible for Pfandbriefe are financed on a selective basis. In addition to Germany and Europe, the core markets are primarily the metropolitan areas of the USA. Funding is largely provided by Pfandbriefe, followed by unsecured funding. pbb is one of the Pfandbrief issuers in Germany with regular benchmark issues. Under the Green Bond Framework, the Bank can issue Green Bonds in both Pfandbrief and senior unsecured format. Since 2021, pbb has placed EUR 3.3bn in Green Bonds. The share of "green" financing in the REF portfolio is expected to increase to over 30% by 2026 (FY/2022: 11%).

## Ratings

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

## Homepage

[www.pfandbriefbank.com](http://www.pfandbriefbank.com)

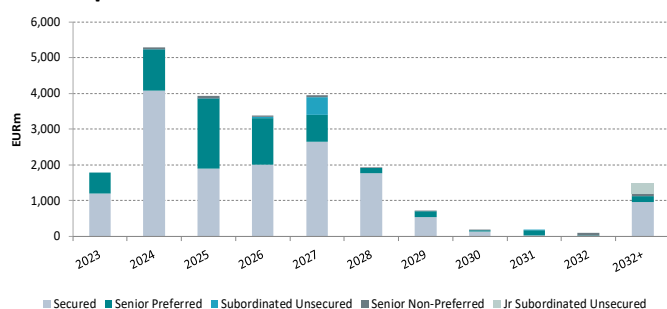
## Balance Sheet

(EURm)	2021Y	2022Y	2023Q1
Net Loans to Customers	39,371	38,272	38,170
Total Securities	9,522	7,644	7,526
Total Deposits	20,100	17,889	18,840
Tier 1 Common Capital	2,875	2,843	2,831
Total Assets	58,402	53,007	53,661
Total Risk-weighted Assets	16,792	17,017	17,089

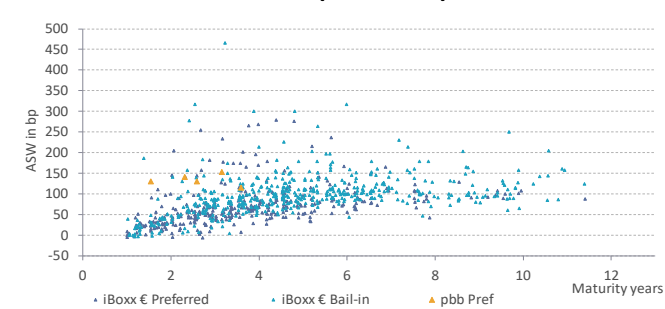
## Income Statement

(EURm)	2021Y	2022Y	2023Q1
Net Interest Income	494	489	106
Net Fee & Commission Inc.	8	8	1
Net Trading Income	87	31	13
Operating Expense	268	274	85
Credit Commit. Impairment	81	44	2
Pre-tax Profit	242	213	32

## Redemption Profile



## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2021Y	2022Y	2023Q1		2021Y	2022Y	2023Q1
Net Interest Margin	0.85	0.88	0.80	Liquidity Coverage Ratio	293.63	239.73	266.62
ROAE	6.79	5.49	3.14	IFRS Tier 1 Leverage Ratio	5.10	5.55	5.44
Cost-to-Income	45.35	51.60	71.43	NPL/ Loans at Amortised Cost	1.50	2.22	2.22
Core Tier 1 Ratio	17.12	16.71	16.57	Reserves/Loans at Amort. Cost	0.87	1.02	1.02

As of: 05.07.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Geographical diversification
- Capitalisation

## Risks / Weaknesses

- Credit risk concentration in commercial real estate
- Dependence on wholesale funding

# Covered Bonds

Author: Melanie Kiene, CIIA

## Outstanding Pfandbrief volume of around EUR 25.7bn

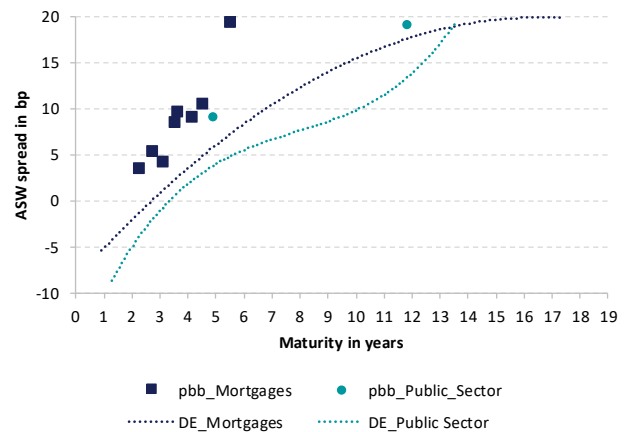
Deutsche Pfandbriefbank (pbb) has a programme for issuing both Mortgage and Public Pfandbriefe. With an outstanding volume of mortgage-backed Pfandbriefe of around EUR 15.2bn and public sector Pfandbriefe of EUR 8.6bn, pbb is one of the largest German Pfandbrief issuers, both in the two sub-segments and in aggregate terms.

### Programme data

31 March 2023	Mortgage	Public Sector
Covered bonds outstanding	EUR 15,206m	EUR 8,617m
Cover pool volume	EUR 19,274m	EUR 10,787m
Current OC (nominal / regulatory)	26.8% / 2.0%	25.2% / 2.0%
Type	83.2% Commercial	46.1% Sovereigns
Country	40.8% Germany	35.6% Austria
Number of borrowers	759	197
Number of loans/exposures	1,526	460
Average loan/exposure size	EUR 22,623k (CRE)	EUR 23,451k
10 largest exposures	8.2%	60.1%
Fixed interest (Cover Pool / CBs)	53.8% / 89.6%	76.9% / 77.5%
WAL (Cover Pool / CBs)	3.4y / 5.8y	8.3y / 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 19.3bn; overcollateralisation 26.8%) is divided into primary cover assets (97%) and substitute cover assets (3%). With a share of 83.2% of primary cover, the cover pool has a predominantly commercial character. Residential assets account for a further 16.8%. Geographically, the cover pool is broadly diversified, with the majority (40.8%) being attributable to the German federal territory. The second largest share is accounted for by the USA with 17.7%, followed by France with 12.2%. Multi-family houses dominate the residential cover assets with 85.3%. Of the commercial assets, office buildings make up the bulk with 58.4%, followed by retail with 26.6%. The weighted average loan-to-value (LTV) is 55.7%, and 32.4% in relation to the market value. The replacement cover assets with a volume of EUR 547.9m mainly consist of bonds (EUR 363m). The public cover pool (EUR 8.6bn; overcollateralisation 25.2%) consists of 100% primary cover. Geographically, Austria dominates (35.6%). Receivables in arrears of >90 days are neither included in the cover pool of mortgage bonds nor in the public Pfandbriefe.

### Rating and regulation

Moody's rates both of pbb's Pfandbrief programmes at Aa1. The collateral score of the mortgage cover pool is 19.8%, whereas that of the public sector programme is rated at 16.1%. In our assessment, 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. In addition, the issuer's Pfandbriefe benefit from a risk weighting of 10% pursuant to CRR due to the rating, and are suitable as collateral under the ECB Collateral Framework. Furthermore, they can be purchased in the context of the PEPP.

# Annex

## Contacts at NORD/LB

### Markets Strategy & Floor Research



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