

Landesbank Berlin

Issuer View • 11 July 2023

Author: Melanie Kiene, CIAA

Landesbank Berlin AG (LBB) is a non-listed joint stock company which is the governmentally appointed sponsor of Berliner Sparkasse (BSK). In accordance with the Berlin Sparkassen Act, LBB is classified as a savings bank association in its own right and is therefore a member of the DSGV (German savings bank and giro association). The institution benefits from membership of the Sparkassen financial group and the associated protection system. LBB and BSK (branch of LBB in line with German commercial law) is a wholly owned subsidiary of Landesbank Berlin Holding AG (LBBH), which indirectly places it into the ownership of the Erwerbgesellschaft der S-Finanzgruppe mbH & Co. KG. This company holds a direct stake of 89.37% (FY/2022) in LBBH and also functions as a general partner in Beteiligungsgesellschaft der S-Finanzgruppe mbH & Co. KG (10.63% stake in LBBH). LBB/BSK divides its business into the segments "Private Customers", "Direct Banking Service", "Corporate Customers", "Real Estate Financing", "Private Banking", "Treasury" and "Corporate Customers". With the exception of Treasury and the supraregional credit card business, all business segments are advertised under the "Berliner Sparkasse" brand. In Berlin, LBB/BSK serves its approximately 1.7m customers at 102 locations and has high regional market shares with private and corporate customers (FY/2022). In July 2022, Landesbank Baden-Württemberg took over Berlin Hyp, a subsidiary of LBBH. The "Z25!" programme for the future is intended to strengthen the core business, reduce costs and achieve an increase in earnings in the customer business. The aim of the restructuring is to transform LBB into a classic savings bank. LBB's refinancing consisted mainly of private customer deposits (FY/2022: 77%), followed by Pfandbriefe (9%).

Rating		Outlook
Fitch	-	-
Moody's	A3	Stable
S&P	-	-

Homepage

www.lbb.de

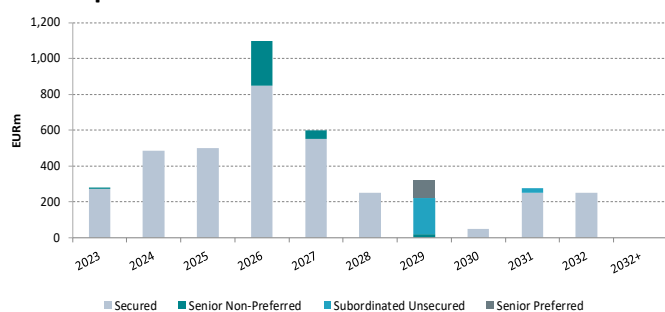
Balance Sheet

(EURm)	2020Y	2021Y	2022Y
Net Loans to Customers	25,787	27,381	29,223
Total Securities	9,546	8,264	8,059
Total Deposits	30,964	34,395	35,144
Tier 1 Common Capital	2,385	2,570	2,623
Total Assets	49,145	52,484	48,777
Total Risk-weighted Assets	14,350	13,840	13,829

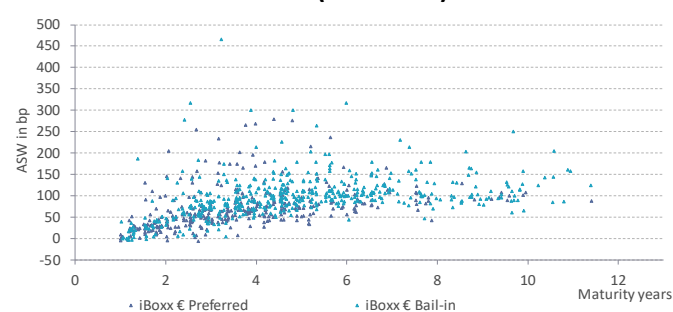
Income Statement

(EURm)	2020Y	2021Y	2022Y
Net Interest Income	766	771	816
Net Fee & Commission Inc.	233	248	274
Net Trading Income	-	-	-
Operating Expense	925	958	841
Credit Commit. Impairment	124	-104	112
Pre-tax Profit	40	41	131

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022Y	2020Y	2021Y	2022Y	
Net Interest Margin	1.78	1.57	1.66	Liquidity Coverage Ratio	175.78	210.03	183.58
ROAE	-	-	-	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	87.10	86.67	72.18	NPL/ Loans at Amortised Cost	0.36	-	-
Core Tier 1 Ratio	16.62	18.57	18.97	Reserves/Loans at Amort. Cost	1.94	1.28	1.41

As of: 11.07.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Capitalisation
- Asset quality
- Deposit base

Risks / Weaknesses

- Geographical concentration in Berlin-Brandenburg
- Exposure in CRE segment
- Cost base

Covered Bonds

Author: Dr Frederik Kunze

Mortgage cover pool comprises EUR 5.9bn

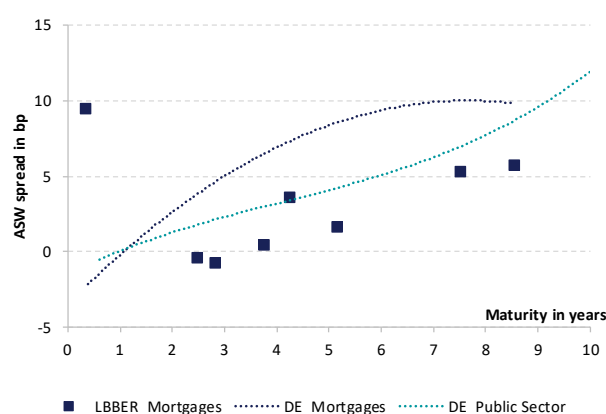
Landesbank Berlin acts as an issuer of mortgage Pfandbriefe and also has a public cover pool. A volume of EUR 5,935m was reported for the mortgage pool as at the reporting date of 30 June 2023. With outstanding mortgage Pfandbriefe with a volume of EUR 3,801m, an overcollateralisation ratio of 56.1% is derived, which is significantly above the legally required minimum coverage (nominal value overcollateralisation: EUR 2,134m; legally: EUR 146m; voluntarily: EUR 1,988m). The smaller cover pool for the public sector Pfandbriefe comprises, also as of 30 June 2023, a volume of EUR 923m with outstanding Pfandbriefe in the amount of EUR 260m. The overcollateralisation ratio was stated at 255.1% with an overcollateralisation of EUR 663m. Landesbank Berlin is currently represented in the EUR sub-benchmark segment with eight issues, whose outstanding volume totals EUR 2.1bn. One sub-benchmark (EUR 250m) will mature within the next twelve months.

Programme data

30 June 2023	Mortgage	Public
Covered bonds outstanding	EUR 3,801.0m	EUR 260.0m
Cover pool volume	EUR 5,934.7m	EUR 923.2m
Current OC (nominal / regulatory)	56.1% / 2.0%	255.1% / 2.0%
Type	69.8% Residential	81.2% Other
Country	100% Germany	100% Germany
Number of borrowers ¹	7,791	18
Number of loans/exposures ¹	8,644	36
Average loan/exposure size ¹	EUR 731,279	EUR 52,090,944
WA unindexed LTV	55.3%	N/A
Fixed interest (Cover Pool / CBs)	90.2% / 96.7%	100% / 100%
WAL (Cover Pool / CBs) ¹	11.0y / 4.5y	6.2y / 2.2y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Source: issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research; ¹ as of 31 March 2023

Spread overview (SBMK) – Germany



Mortgage cover pool: 71.3% primary residential cover

The mortgage cover pool contains 94.9% (EUR 5,630.7m) primary cover. The remaining 5.1% is substitute cover. Residential assets account for 69.8% (volume: EUR 3,931.2m). Looking at the further subdivision of the residential assets, the bulk is accounted for by multi-family assets (EUR 3,121.5m; share of primary cover: 55.4%). Commercial cover assets totalled EUR 1,699.3m as at the reporting date of 30 June 2023, with the office buildings subcategory accounting for the largest share at EUR 1,095.6m (19.5% primary cover). With regard to the geographical distribution of the cover assets, Berlin dominates; both for residential cover assets (EUR 3,385.6m) and commercial cover assets (EUR 1,340.0m). Receivables in arrears (at least 90 days) are reported at EUR 5.3 thousand as at 30 June 2023 (NPL ratio: 0.0001%).

Regulatory and rating

The rating agency Moody's gives the Mortgage Pfandbriefe and the public sector Pfandbriefe the best rating of Aaa. The Pfandbriefe benefit from a preferred risk weight according to CRR of 10%. EUR sub-benchmarks are also suitable as Level 2A assets in the context of LCR management, according to our assessment. The covered bonds are also eligible for repo transactions with the ECB. Pfandbriefe of the issuer placed from 08 July 2022 onwards may bear the label "European Covered Bond (Premium)". The Pfandbrief Act (PfandBG) further regulates the possibility of a maturity extension.

Appendix

Contacts at NORD/LB

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Relationship Management

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