

Deutsche Kreditbank

Issuer View • 20 January 2023

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Deutsche Kreditbank AG (DKB), headquartered in Berlin, is one of the largest digital banks in Germany and is fully owned by Bayerische Landesbank (BayernLB). The control and profit transfer agreement between the two banks was terminated by BayernLB with effect from 30 September 2021 (on account of a change to the deposit protection scheme). In addition, BayernLB revoked the Letter of Comfort to DKB at the end of November 2021. DKB's business model is based on two pillars. First is the direct banking business for retail clients, in which over 5.1 million customers are served on a digital basis across Germany, with the second is corporate customers business, in which business customers are advised across 26 different locations. The DKB Group comprises DKB AG and various subsidiaries such as DKB Service GmbH, DKB Grund GmbH and DKB Finance GmbH. DKB reports across three market segments of Retail Customers, Corporate Clients and Infrastructure, in addition to the business units Financial Markets and Other. DKB's distinctive focus on sustainable business activities is also expressed on the funding side. Since 2016, the bank has been active as an issuer of green bonds. The first own social bond expanded DKB's range of refinancing products in 2018. This placement was followed by thematic enhancements on the social bond side with the Blue Social Bond in 2019 and most recently the Berlin Social Housing Bond in 2022. The social impact, to which DKB has dedicated the Berlin Social Housing Bond, explicitly refers to the refinancing of social and municipal housing construction in Berlin's tight housing market.

Ratings

	Rating	Outlook
Fitch	-	-
Moody's	A1	Stable
S&P	-	-

Homepage

www.dkb.de

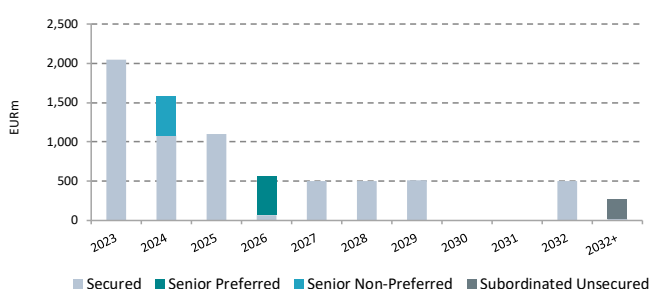
Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	76,140	83,776	86,667
Total Securities	6,705	9,600	7,179
Total Deposits	72,409	83,481	84,284
Tier 1 Common Capital	3,291	4,439	4,637
Total Assets	109,840	134,946	132,943
Total Risk-weighted Assets	35,282	39,093	41,205

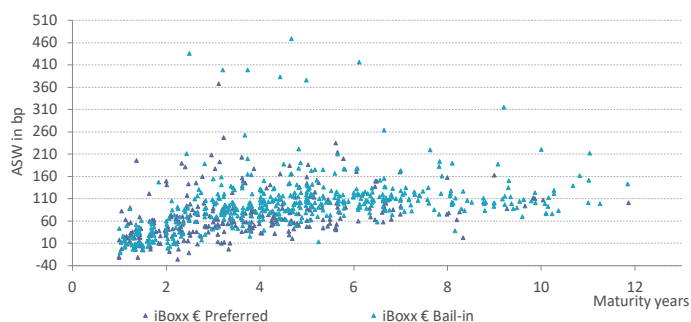
Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	954	1,019	525
Net Fee & Commission Inc.	-22	22	51
Net Trading Income	61	52	-70
Operating Expense	719	746	437
Credit Commit. Impairment	44	-3	-42
Pre-tax Profit	250	363	123

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022H1	2020Y	2021Y	2022H1	
Net Interest Margin	0.99	0.84	0.79	Liquidity Coverage Ratio	258.77	462.63	445.87
ROAE	6.95	7.01	3.03	IFRS Tier 1 Leverage Ratio	3.00	3.29	3.49
Cost-to-Income	71.34	67.71	84.51	NPL/ Loans at Amortised Cost	-	-	-
Core Tier 1 Ratio	9.33	11.35	11.25	Reserves/Loans at Amort. Cost	0.55	0.47	0.39

As of: 20.01.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Funding profile
- Asset quality
- Capitalisation

Risks / Weaknesses

- Regional and sectoral credit concentration risks
- Profitability
- Liquidity

Covered Bonds

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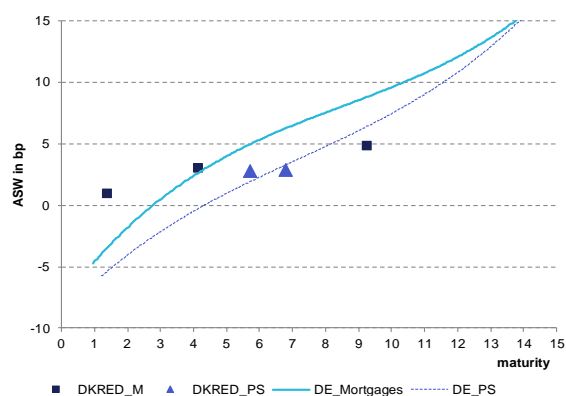
Two programmes for the issuance of Pfandbriefe

Deutsche Kreditbank (DKB) has both mortgage and public sector Pfandbriefe outstanding. As of the reporting date 30 September 2022, the mortgage cover pool comprises cover assets with a total volume of EUR 6.16bn. The outstanding volume of mortgage Pfandbriefe amounts to EUR 3.96bn, resulting in an overcollateralization ratio of 55.5%, which is significantly higher than the requirement by law. The public sector Pfandbriefe with a volume of EUR 4.54bn are matched by cover assets of EUR 7.72bn, resulting in an overcollateralization ratio of 69.9%. The issuer is represented with five EUR benchmarks in the current composition of the iBoxx EUR Covered (total volume: EUR 2.8bn including taps). The last three issues in this segment took the form of Social Mortgage Pfandbriefe, with the most recent primary market appearance being a Berlin Social Housing Bond (EUR 500m).

Programme data

30 September 2022	Mortgage	Public sector
Covered bonds outstanding	EUR 3,959.5m	EUR 4,544.8m
Cover pool volume	EUR 6,156.5m	EUR 7,723.5m
Current OC (nominal / legal)	55.5% / 2.0%	69.9% / 2.0%
Type	97.9% Residential	69.2% Local authorities
Main country	100% Germany	100% Germany
Main region / borrower	19.9% Berlin	66.5% local authorities
Weighted average LTV	50.8%	NA
Fixed interest (Cover Pool / CBs)	94.9% / 100.0%	97.1% / 94.5%
NPL	0.00%	0.00%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Spread overview (BMK) – Germany



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

Mortgage cover pool dominated by residential primary cover

Deutsche Kreditbank's mortgage Pfandbrief cover pool is composed of 94.6% primary mortgage assets and 5.4% substitute cover (reporting date: 30 September 2022). Of the primary cover assets, 97.9% are residential assets and 2.1% are commercial assets. 75.7% of primary cover assets are in the multi-family asset category; followed by single- and two-family homes (16.2%) and condominiums (6.0%). The primary cover assets show a diversified geographical distribution. At 19.9%, the largest share of mortgage financing is located in Berlin. Next in line are North Rhine-Westphalia (13.6%) as well as Saxony (9.3%) and Brandenburg (9.0%). Both cover pools do not contain any NPLs.

Rating and regulation

Both the mortgage and public-sector Pfandbriefe are rated Aaa by Moody's. Accordingly, they benefit from a preferred risk weighting under CRR of 10%. In our view, covered bonds in the EUR benchmark format can be used as Level 1 assets in the LCR context (see also our [LCR study](#)). In addition, DKB Pfandbriefe are eligible for purchase under the two purchase programs CBPP3 and PEPP and can be used as eligible collateral in the collateral management of the Eurosystem. The German Pfandbrief Act also provides for the possibility of a maturity deferral. Pfandbriefe of the Issuer placed as of 08 July 2022 may carry the label "European Covered Bond (Premium)".

Annex

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Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

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