vdp FACTS

The Pfandbrief Banks' Business Figures

Pfandbrief and Lending business – an overview

2023

Foreword

Jens Tolckmitt
Chief Executive vdp

The Pfandbrief banks coped well with the challenging environment that the year 2023 presented. It was a year marked by falling property prices and a considerable decline in demand for real estate loans.

The subdued demand for property finance was reflected, moreover, in a lower volume of new Pfandbrief sales. Total Pfandbrief issuance amounted to € 65.7 billion in 2023, compared with € 82.3 billion in the exceptional year of 2022. Nevertheless, our sales were on a par with the level of 2021, which was another very strong year.

For the first time since 2014, the volume of Pfandbriefe outstanding again grew to just over € 400 billion. This was despite the fact that the Pfandbrief market, like the other covered bond markets, had to cope with the ECB's withdrawal from its purchase programmes. The Pfandbrief banks were successful in this. Rising yields led to lively buying interest among private and institutional investors alike.

Their adequate capitalisation, robust loan portfolios and risk-conscious business policy put the Pfandbrief banks in a position to cushion the stress factors such as inflation and rising interest rates which, since mid-2022, had a strong impact on the property market in particular.

Jens Tolckmitt
Chief Executive vdp

Issuance volume 2023

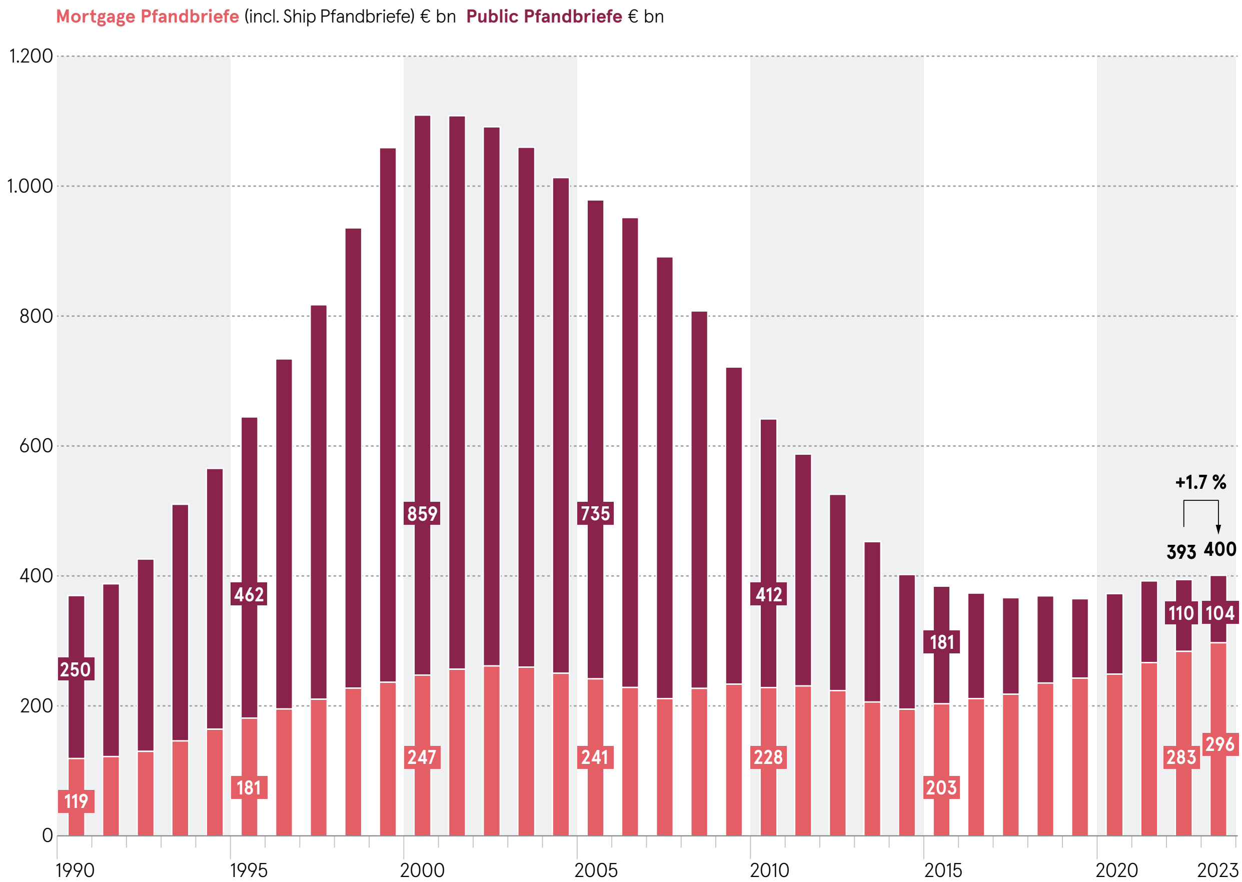
+1,7 % **Pfandbriefe outstanding**

€ bn	New issues 2022	New issues 2023	Volume outstanding (year end) 2022	Volume outstanding (year end) 2023
Pfandbriefe total	**82.3**	**65.7**	**393.5**	**400.3**
Mortgage Pfandbriefe (incl. Ship Pfandbriefe)	68.1	**51.9**	283.4	**296.3**
Public Pfandbriefe	14.2	**13.8**	110.1	**104.0**

Pfandbrief market

Development Pfandbriefe outstanding 2023

→ Volume outstanding **exceeds € 400 billion** for the first time since 2014.
→ Volume of **Mortgage Pfandbriefe** outstanding **increases continuously** since 2014.



Sources: Deutsche Bundesbank and vdp

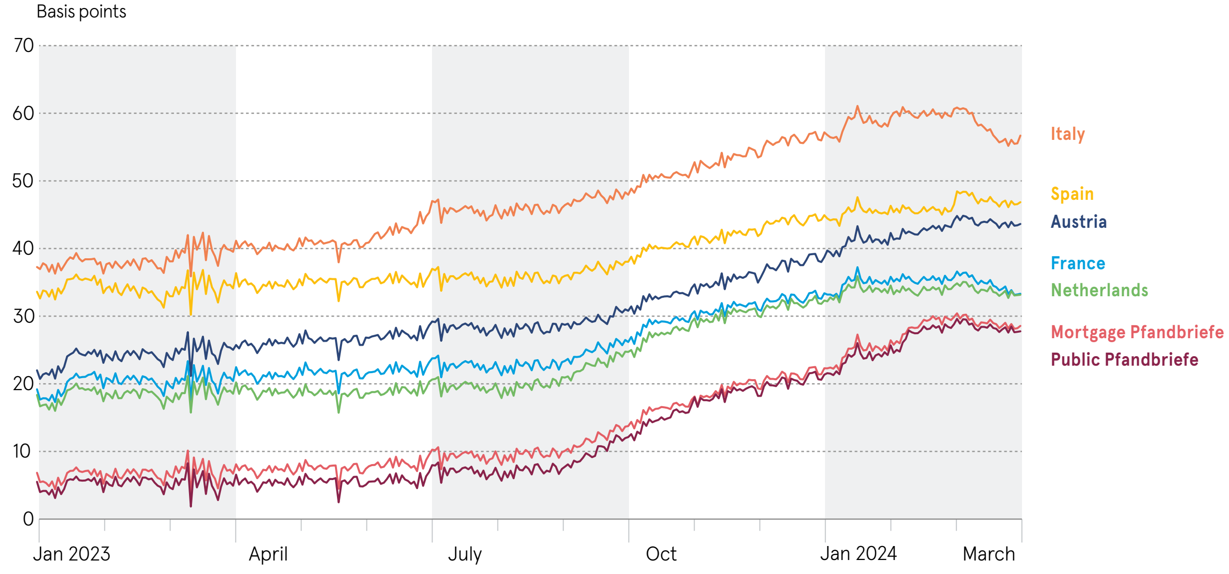
New issues by Pfandbrief segment 2023

€ bn	2022	2023
Total	**82.3**	**65.7**
Jumbos (≥ € 1 bn]	21.9	**10.2**
Benchmark (€ 500 – 999 million)	23.0	**29.5**
Traditional Pfandbriefe (less than € 500 million)	8.2	**7.0**
Private Placements	29.3	**19.1**

Pfandbrief market

Covered bond swap spreads in comparison

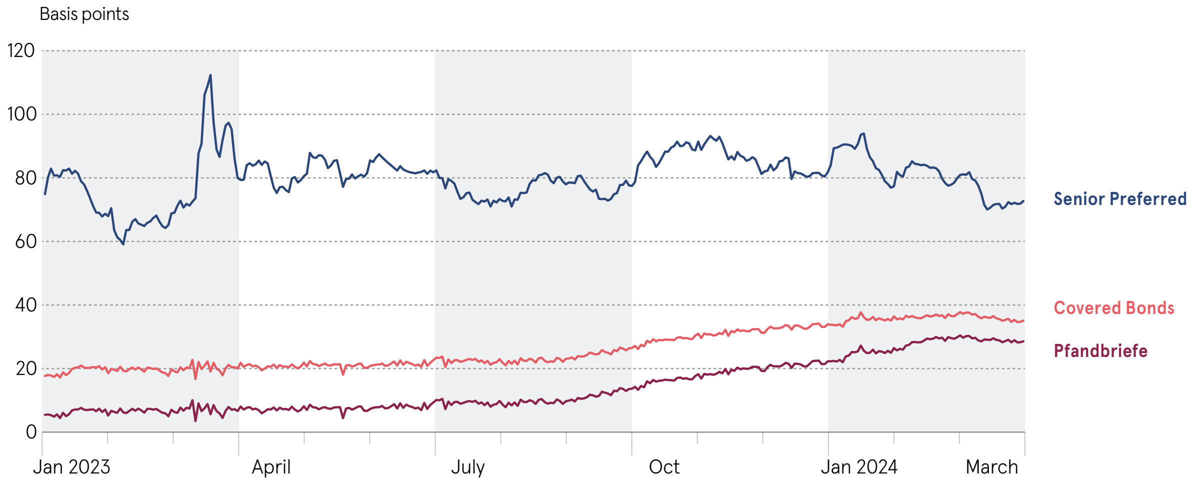
→ Covered bond swap spreads widened from mid-2023 onwards. In addition to interest rate turbulences, this was due to the ECB's gradual withdrawal from its purchase programmes and the growing differentiation of risks by investors. A certain convergence of German Pfandbrief spreads towards covered bond spreads of other core European countries took place. The benchmark status of the Pfandbrief is undisputed.



Sources: Refinitiv, LBBW Research

Spreads: Senior vs. Covered vs. Pfandbrief

→ Whereas swap spreads on covered bonds and Pfandbriefe gradually widened in 2023, spreads on unsecured bank bonds were highly volatile. As at year-end, spreads ultimately returned to the level of 12 months before and narrowed again at the beginning of 2024.



Sources: Refinitiv, LBBW Research

Sustainable Pfandbriefe vdp member banks

Issues of Sustainable Pfandbriefe 2023

+36 % **Volume** of Sustainable Pfandbriefe

€ bn	New issues 2022	New issues 2023	Volume outstanding (year end) 2022	Volume outstanding (year end) 2023	Number of issuers[1] (year end) 2022	Number of issuers[1] (year end) 2023
Total Sustainable Pfandbriefe	**9.5**	**8.5**	**17.7[2]**	**24.1**	**12**	**13**
Green Pfandbriefe	8.0	**6.7**	14.7	**19.9**	10	**11**
Social Pfandbriefe	1.5	**1.8**	2.5	**4.2**	3	**3**

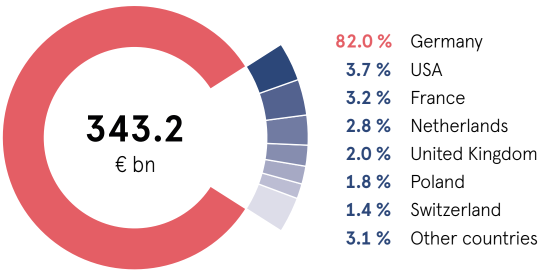
1 _ One issuer has issued Green and Social Pfandbriefe.
2 _ incl. ESG Pfandbriefe of over 500 € million

Structure of cover pools vdp member banks

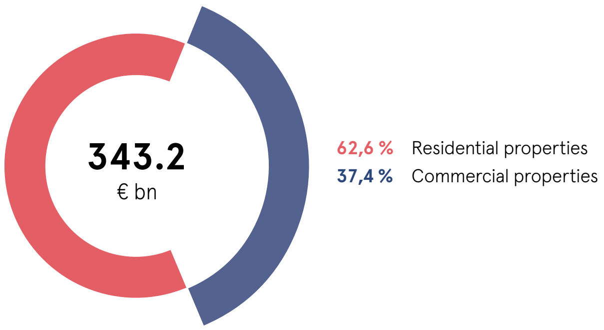
Cover assets 2023 (only ordinary cover)

→ Mortgage Pfandbriefe

by country

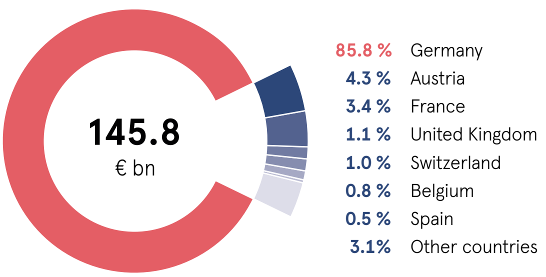


by property type



→ Public Pfandbriefe

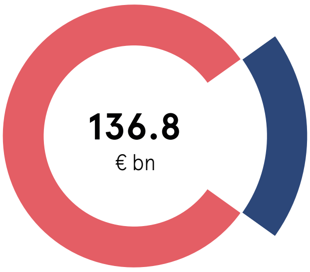
by country



Lending business vdp member banks

New loan commitments 2023

- Demand for **residential property loans down considerably**.
- **Commercial property financing** also markedly **below previous year's result**.



80.4 % Property financing

19.6 % Public sector lending

€ bn	2022	2023	Change
Total loan commitments	175.5	**136.8**	-22.1 %
Property financing	160.0	**110.0**	-31.3 %
of which: residential property financing	99.8	**64.1**	-35.8 %
of which: commercial property financing	60.2	**45.9**	-23.8 %
Public sector lending	15.5	**26.8**	72.9 %

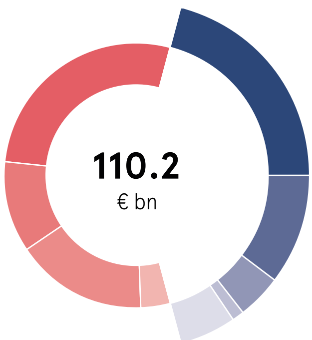
New property financing business 2023

- **One- and two-family houses the most important** residential property type.

58.3 % **Residential property loans** account for almost 60 % of new lending activity.

- **Office buildings dominate** in commercial property financing.

Total residential properties 58.3 %
One- and two-family houses 27.5 %
Condominiums 11.0 %
Multi-family houses 16.2 %
Other residential properties 3.6 %



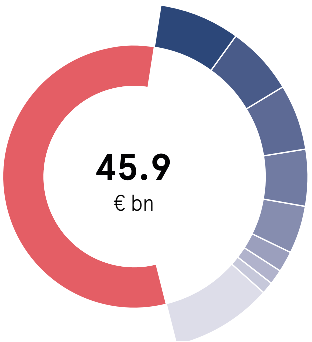
41.7 % Total commercial properties
21.0 % Office buildings
10.2 % Retail buildings
4.2 % Hotels
1.0 % Industrial buildings
5.3 % Other commercial buildings

Lending business vdp member banks

New commercial property financing business 2023

→ **Commercial property financing by country**

Most important foreign markets in commercial property financing are the **USA,** the **United Kingdom** and **France**.

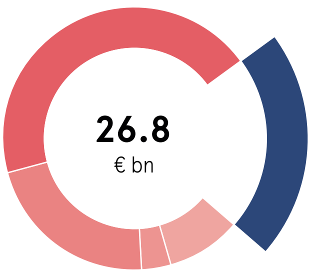


56.6 % **Deutschland**
7.4 % USA
6.4 % United Kingdom
6.1 % France
5.2 % Netherlands
4.6 % Poland
1.9 % Sweden
1.3 % Spain
1.3 % Luxembourg
9.2 % Other countries

New public sector lending business 2023

→ **Public sector financing by debtor**

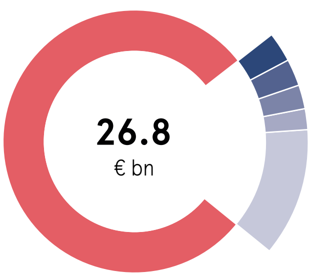
Public sector lending **heavily dominated by domestic borrowers**.



44.3% German general government
21.7 % German public sector credit institutions
3.5 % Claims guaranteed by German public sector
9.2 % Other German public sector borrowers
21.3 % Foreign

→ **Public sector financing by country**

Pfandbrief banks are **reliable partners** for federal government, federal states and local authorities in **Germany**.

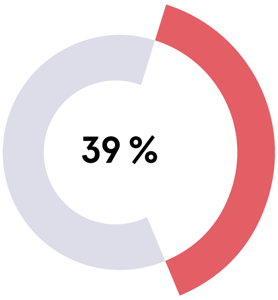


78.7 % **Germany**
2.8 % Austria
2.4 % France
2.3 % Belgium
1.9 % Spain
11.9 % Other countries

Lending business vdp member banks

Pfandbrief banks' market shares in Germany 2023

→ Residential property financing

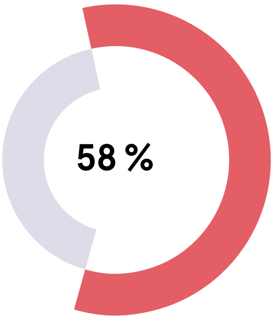


Pfandbrief banks maintain large market share in residential property financing

According to Deutsche Bundesbank figures, the total volume of residential property loans to borrowers in Germany was € 1,801.7 billion as at end-2023. This represented an increase of 0.3 % compared with the previous year.

Of this total, the **Pfandbrief banks** belonging to the vdp accounted for € 694.8 billion or a **share of 39 %**.

→ Commercial property financing

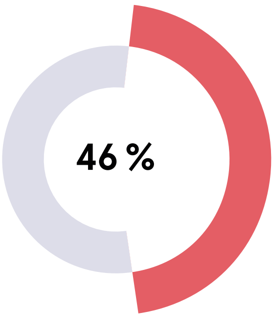


Pfandbrief banks confirm top position in commercial property financing

The vdp member banks remain by far the most important provider group of commercial property finance in Germany. Their combined (domestic) loan portfolio as at end-2023 amounted to € 175.4 billion. The total volume of commercial property loans in Germany was around € 300 billion as at year-end.

Of this total, the **vdp member banks** took a **market share** of around **58 %**.

→ Public sector lending



Pfandbrief banks' public sector lending in Germany

As at December 31, 2023, the vdp member banks reported total loans to general government in Germany (excluding securities) of € 116.7 billion.

According to Deutsche Bundesbank figures, total lending to general government in Germany came to € 254.3 billion as at end-2023, giving **the vdp member banks** a **46 % market share**.

vdp The German Pfandbrief Banks

Association of German Pfandbrief Banks
Georgenstraße 21, D-10117 Berlin, Germany
Telephone: +49 30 20915-100; E-mail: info@pfandbrief.de
www.pfandbrief.de; www.pfandbrief.market

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