

Pfandbrief and Lending business in 2020: An overview



Pfandbrief market

Issue volume

	New issues		Volume outstanding	
	2019	2020	end-2019	end-2020
Pfandbriefe total	€55.0 bn	€59.8 bn	€364.1 bn	€371.9 bn
Mortgage Pfandbriefe*	€43.8 bn	€40.7 bn	€242.3 bn	€248.5 bn
Public Pfandbriefe	€11.2 bn	€19.1 bn	€121.8 bn	€123.4 bn

*incl. Ship Pfandbriefe

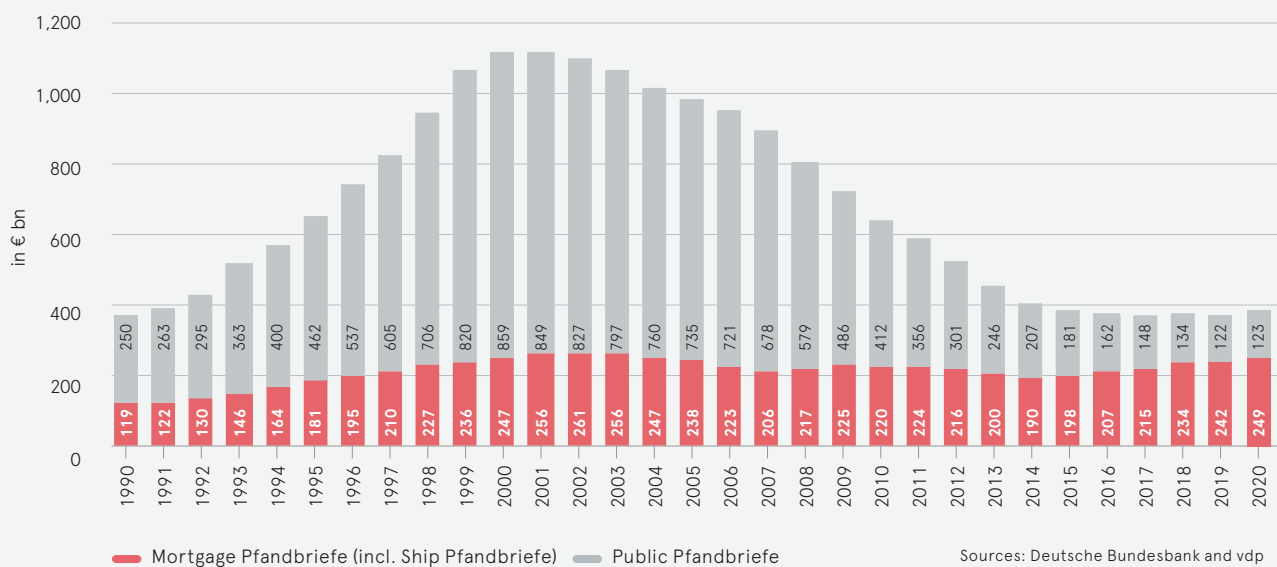
- Growth in Pfandbrief sales by 9% overall
- Volume of Pfandbriefe outstanding up by 2%
- Positive net sales of Mortgage Pfandbriefe and Public Pfandbriefe

Jumbo and benchmark-Pfandbriefe

	2019	2020
Total (€ bn)	26.275	18.750
of which: Mortgage Pfandbriefe	19.875	17.000
of which: Public Pfandbriefe	6.400	1.750
of which: Jumbos	5.500	8.750
of which: benchmark issues	20.775	10.000

Development volume of Pfandbriefe outstanding

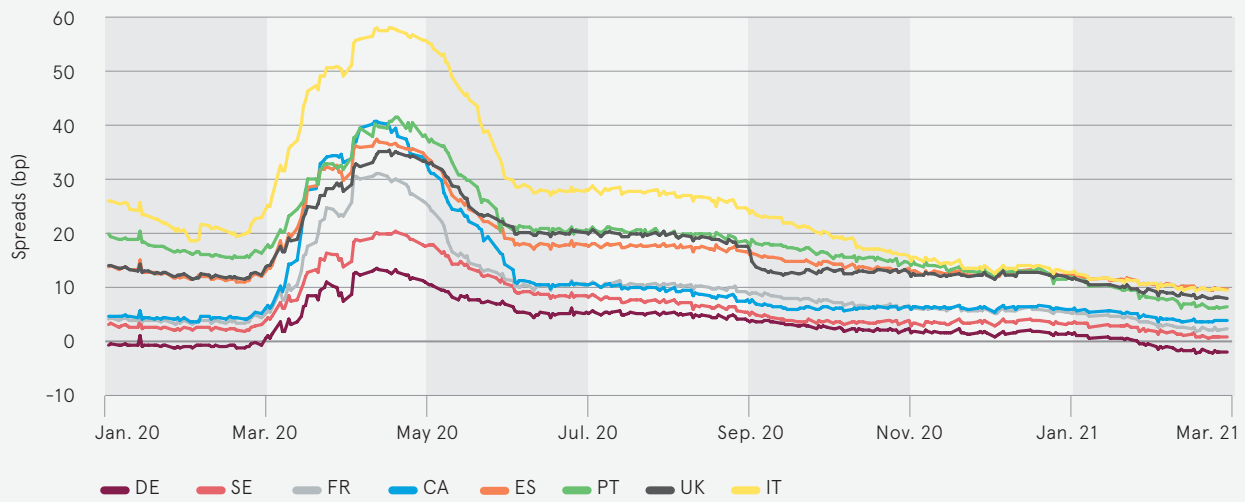
Increase in volume outstanding of both Mortgage and Public Pfandbriefe



Sources: Deutsche Bundesbank and vdp

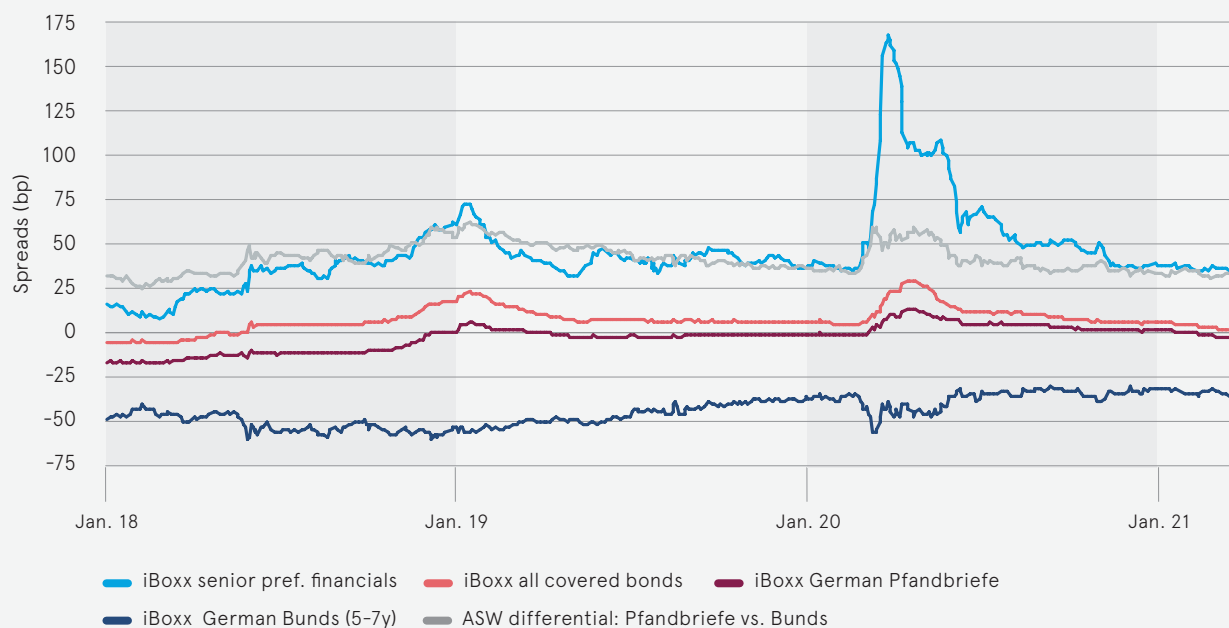
Comparison of covered bond swap spreads Jan. 2020 – Mar. 2021 (bp)

Uncertainty about the severity and effects of the Covid-19 pandemic led to a widening of risk premia on the secondary market from March 2020. Beginning in May risk premia quickly narrowed to pre-crisis levels following, amongst other things, targeted central bank interventions. That said, the risk premia of Pfandbriefe remained well below those that other covered bond jurisdictions had to put up with.



Spreads senior vs. covered vs. Pfandbrief and Bund*

Development of spreads shows Pfandbriefe to be robust and consistently attractive; Pfandbrief spreads back to pre-crisis level



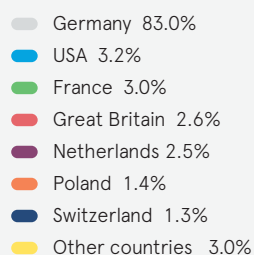
*The comparison is distorted slightly due to differences in durations.

Structure of the cover pools

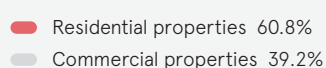
vdp member banks

Cover assets in 2020

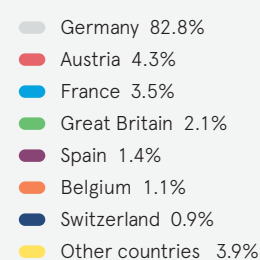
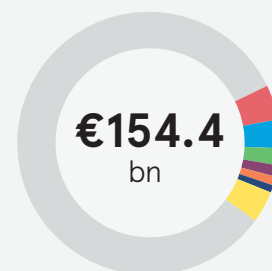
Mortgage Pfandbriefe
by country



Mortgage Pfandbriefe
by property type



Public Pfandbriefe
by country



Cover assets and loan portfolios in 2020

Real estate financing

	Mortgage loans in € bn	Cover assets in € bn	Included in cover in %
Total	904.0	302.2	33.4
Germany	784.3	250.9	32.0
Foreign business	119.7	51.3	42.9
(Share foreign business in %)	(13.2)	(17.0)	-

60.8% of the cover assets are accounted for by residential properties (single and two-family houses, condominiums and multi-family houses) and 39.2% by commercial properties. Office and retail premises are the predominant property type in the latter category.

Public sector lending

	Public sector loans in € bn	Cover assets in € bn	Included in cover in %
Total	275.3	154.4	56.1
Germany	225.4	127.8	56.7
Foreign business	49.9	26.6	53.3
(Share foreign business in %)	(18.1)	(17.2)	-

As with the structure of the cover assets for Mortgage Pfandbriefe, foreign cover assets for Public Pfandbriefe are also widely spread. By far the largest share (4.3%) was accounted for by Austria. France, Great Britain, Spain, Belgium and Switzerland also represented notable shares.

Lending business

vdp member banks

New loan commitments in 2020



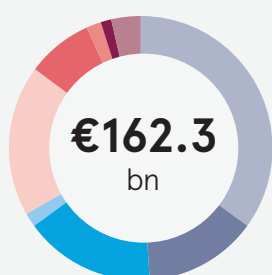
- Real estate financing 89.5%
- Public sector lending 8.9%
- Ship financing 1.6%

	2019	2020	Change
	in € million	in € million	in %
Real estate financing	168,393	162,331	-3.6
of which: residential property financing	100,190	108,296	8.1
of which: commercial property financing	68,203	54,035	-20.8
Public sector lending	13,833	16,257	17.5
Ship financing	5,052	2,833	-43.9
Total loan commitments	187,278	181,421	-3.1

- Loan commitments remain at high level
- Demand for residential property loans persistently high; commercial property financing more strongly affected by pandemic
- Notwithstanding recent increases, the market setting remains difficult for ship financing

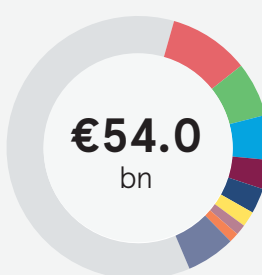
New business in real estate financing in 2020

Real estate financing by property type



- Residential properties 66.7%**
 - Single and two-family houses 35.0%
 - Condominiums 13.9%
 - Multi-family houses 16.3%
 - Other residential properties 1.7%
- Commercial properties 33.3%**
 - Office buildings 18.5%
 - Retail buildings 8.1%
 - Hotel buildings 1.8%
 - Industrial buildings 1.3%
 - Other commercial buildings 3.6%

Commercial properties by country

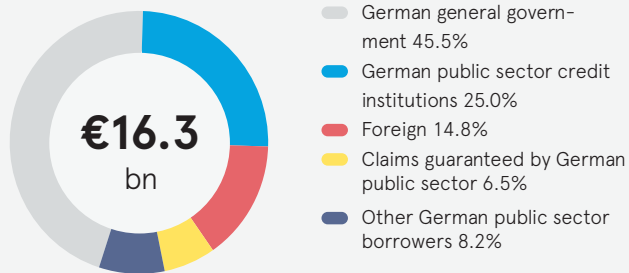


- Germany 60.8%
- USA 9.9%
- Great Britain 6.7%
- France 5.5%
- Netherlands 3.6%
- Poland 3.1%
- Sweden 1.9%
- Czech Republic 1.3%
- Canada 1.2%
- Other countries 6.0%

- Residential property finance accounts for around two-thirds of new lending business
- Single and two-family houses most important residential property type
- Offices and retail properties dominate commercial property finance
- 60% of commercial property finance provided to borrowers in Germany
- The USA, Great Britain and France most important foreign markets in commercial property finance

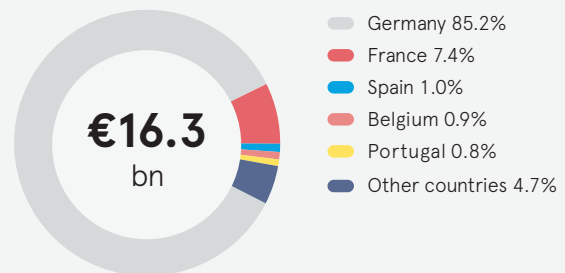
New business in public sector lending in 2020

Public sector lending by borrower



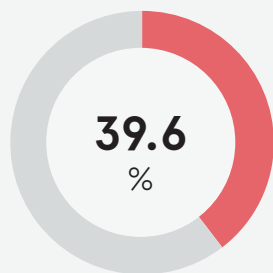
→ Public sector lending clearly dominated by German borrowers

Public sector lending by country



→ Pfandbrief banks remain reliable partners for federal government, federal states and local authorities in Germany

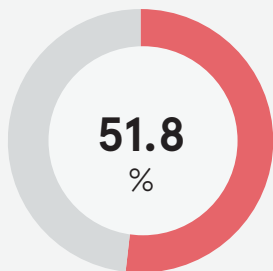
Pfandbrief banks' market shares in Germany in 2020



Residential property financing

Pfandbrief banks maintain large market share in residential property financing

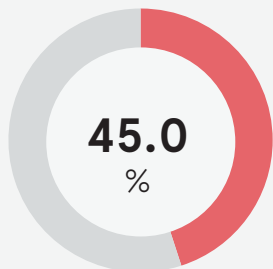
According to Deutsche Bundesbank figures, the total volume of residential property loans to borrowers in Germany was €1,565.6 billion as at end-2020. This represented an increase of 6.3% compared with one year before. Of this total, the Pfandbrief banks belonging to the vdp accounted for €620.4 billion or 39.6% of the market.



Commercial property financing

Pfandbrief banks confirm top position in commercial property financing

The vdp member banks continue to make up by far the most important group of commercial property finance providers in Germany. As at end-2020 their combined loan portfolio (in Germany) came to €163.9 billion. According to Deutsche Bundesbank figures, the total volume of commercial property loans to borrowers in Germany was €316.7 billion as at year-end. Of this total, the Pfandbrief banks of the vdp took 51.8% of the market.



Public sector lending

Pfandbrief banks' public sector lending in Germany

As at December 31, 2020, the vdp member banks posted total loans to German general government (excluding securities) of €113.6 billion. According to Deutsche Bundesbank figures, total lending to general government in Germany came to €252.3 billion as at end-2020. This gave the Pfandbrief banks belonging to the vdp a market share of 45.0%.