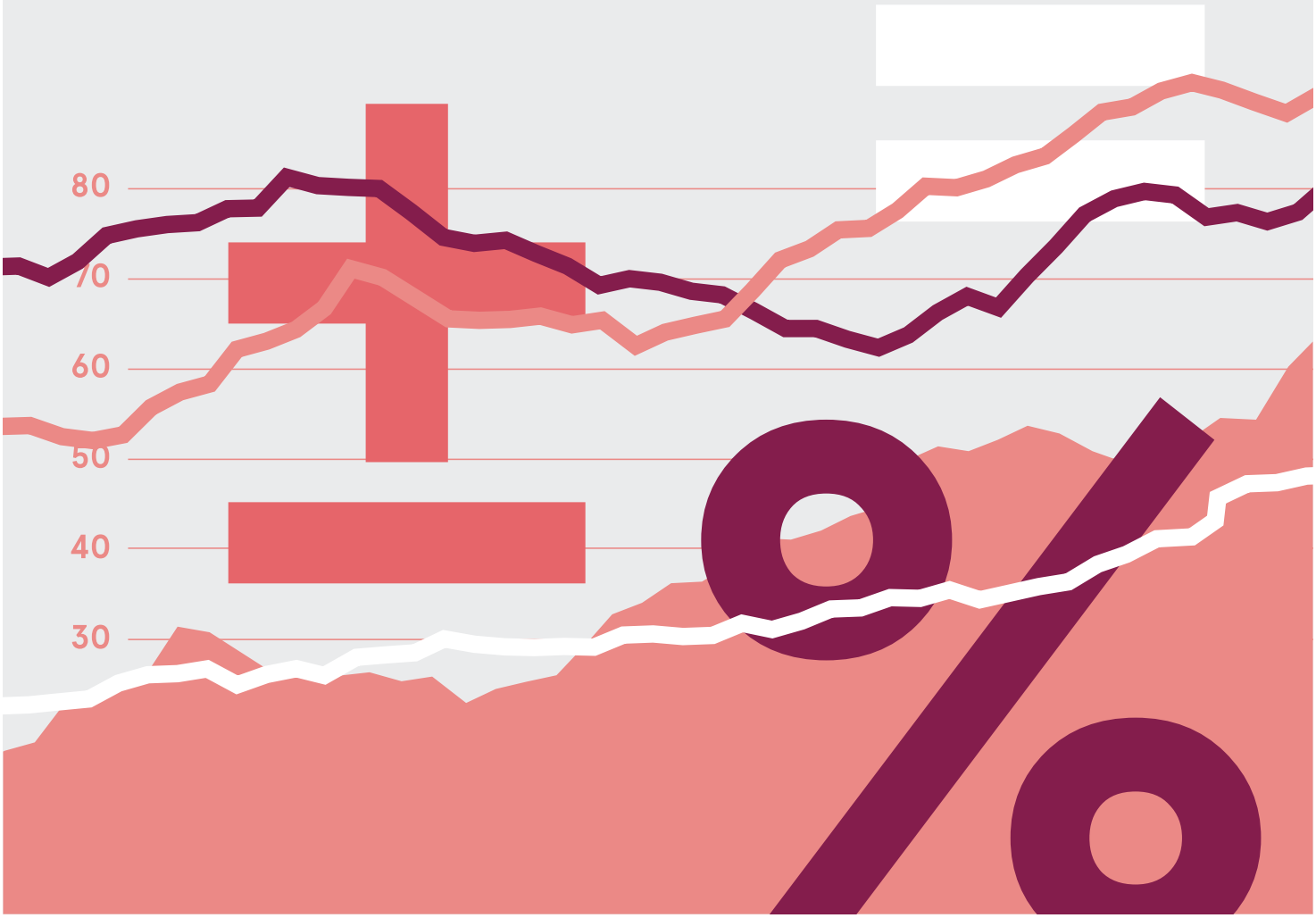
FACTS

The Pfandbrief banks' business figures

2017

Lending and Pfandbrief business in 2017: An overview



vdp The German Pfandbrief Banks

Lending Business of the vdp Member Banks

Loan commitments in 2017

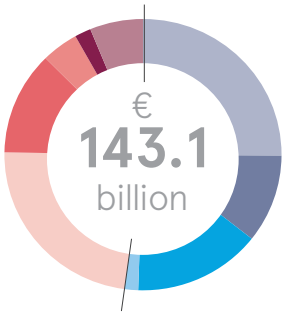
- Real estate financing 86.6 %
- Public sector lending 8.8 %
- Ship financing 2.5%
- Aircraft financing 2,1 %

Loan commitments	2016 in € million	2017 in € million	Chance in %
Real estate financing	144,373	143,115	-0,9
Residential property financing	74,220	74,565	0.5
Commercial property financing	70,153	68,550	-2.3
Public sector lending	15,960	14,478	-9.3
Ship financing	5,557	4,223	-24.0
Aircraft financing	7,317	3,462	-52.7
Loan commitments total	173,207	165,278	-4.6

- → Real estate financing benefits from a stable macro-economic setting and persistently low interest rates
- → Public sector lending reflects budget consolidation at federal and federal state level
- → Competition drives aircraft financing markedly lower
- → Decline in ship financing continues due to difficult market conditions

New business real estate financing 2017

by type of property



Residential properties 52.1%

- Single-family and two-family houses 25.1%
- Owner-occupied housing 10.5%
- Multi-family houses 14.9%
- Other residential properties 1.6%

Commercial properties 47.9%

- Office buildings 23.1%
- Retail buildings 12.3%
- Hotel building 4.3%
- Industrial buildings 1.9%
- Other commercial properties 6.3%

New business commercial properties in 2017

by country

- Germany 61.3%
- France 6.4%
- Great Britain 9.4%
- USA 8.8%
- Netherlands 2.6%
- Poland 3.0%
- Italy 1.2%
- Sweden 1.7%
- Czech Republic 1.5%
- Other countries 4.1%

- → More than half of new business is accounted for by residential property finance
- → Single-family and semi-detached houses most important residential property type
- → Offices and retail buildings dominate commercial property finance
- → 61% of commercial property finance in Germany
- → Most important foreign markets in commercial property finance are Great Britain, the USA and France

Pfandbrief Market

Issue volume

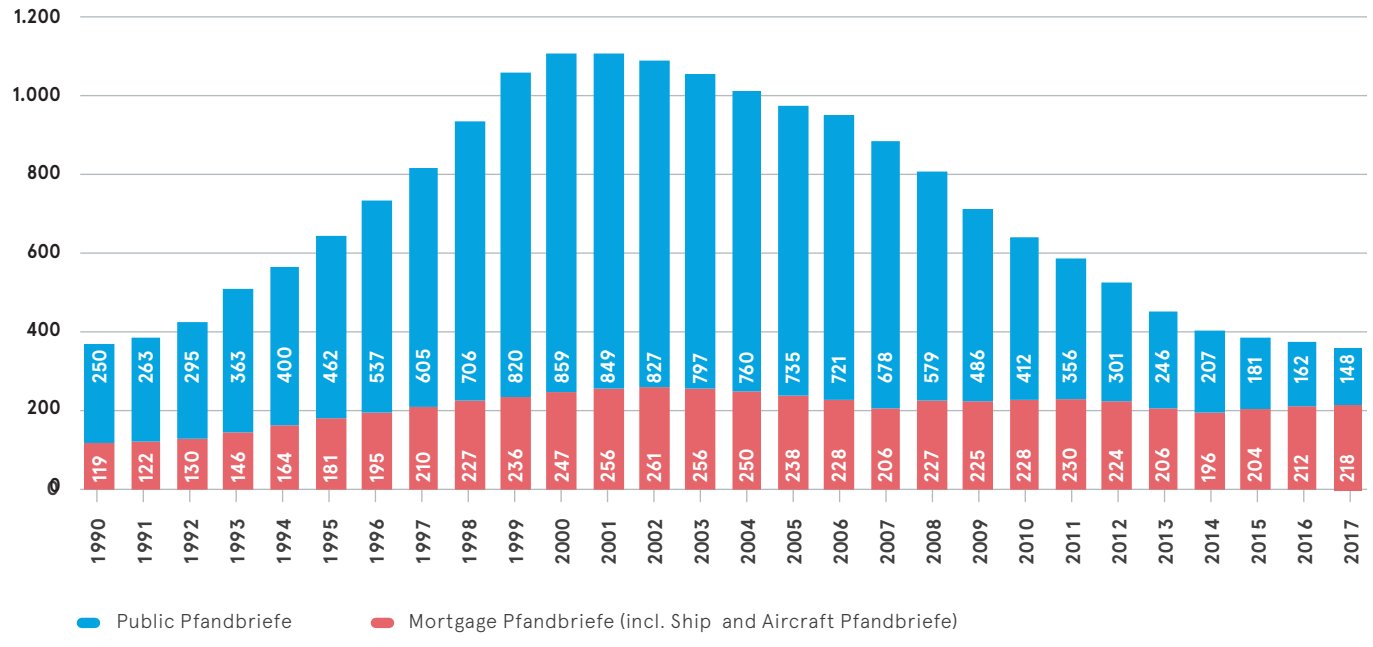
	New issues		Volume outstanding	
	2016	2017	Ultimo 2016	Ultimo 2017
Pfandbriefe total	€ 45.4 billion	€ 48.8 billion	€ 373.8 billion	€ 366.2 billion
Public Pfandbriefe	€ 10.3 billion	€ 11.9 billion	€ 161.9 billion	€ 148.1 billion
Mortgage Pfandbriefe	€ 35.1 billion	€ 36.9 billion	€ 207.3 billion	€ 215.2 billion
Ship Pfandbriefe	€ 0.0 billion	€ 0.0 billion	€ 3.6 billion	€ 2.4 billion
Aircraft Pfandbriefe	€ 0.0 billion	€ 0.0 billion	€ 1.0 billion	€ 0.5 billion

Benchmark Pfandbriefe

	2016	2017
Number of issues	35	25
of which **Jumbos**	3	4
benchmark issues	32	21
Total (€ billion))	22.275	17.050
of which **Mortgage Pfandbriefe**	18.525	14.250
Ship Pfandbriefe	–	–
Aircraft Pfandbriefe	-	-
Public Pfandbriefe	3.750	2.800

Development of the volume of Pfandbriefe outstanding

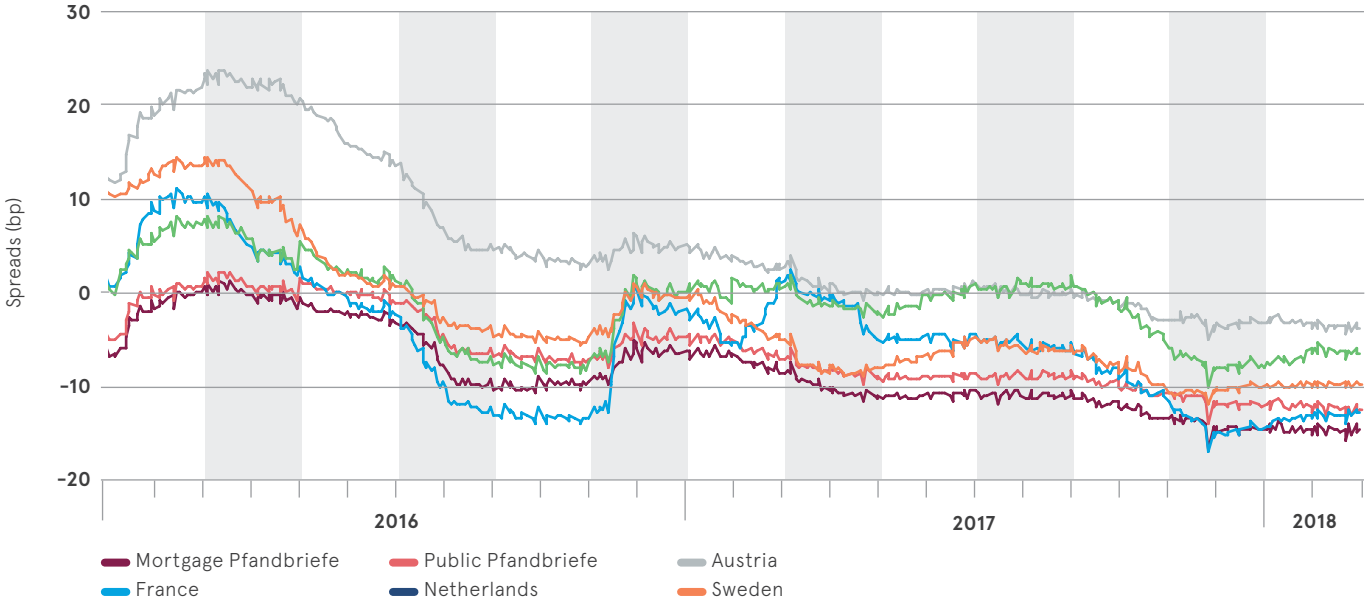
Consolidation of Public Pfandbriefe continues. Mortgage Pfandbriefe back on growth path.



Sources: Deutsche Bundesbank and vdp

Development of Pfandbrief swap spreads compared with those of other covered bonds

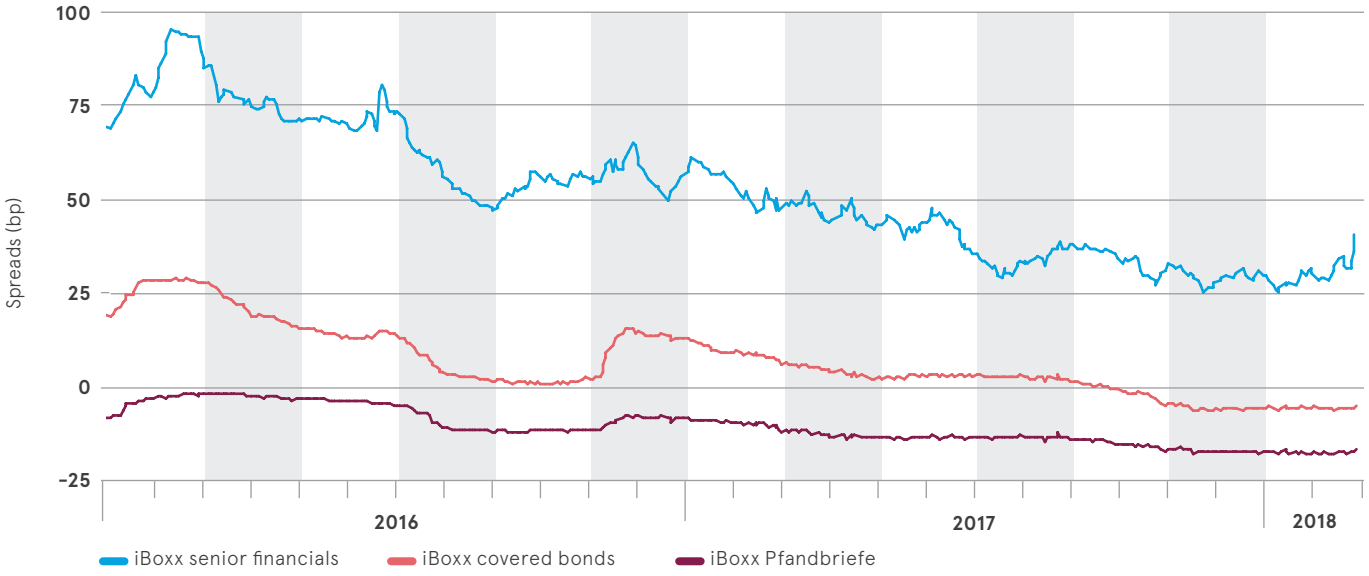
Risk markups narrowing steadily over the course of the year – Pfandbrief with the most stable performance.



Source: LBBW

Uncovered bank bonds compared with covered funding

Spread of uncovered compared with covered bonds and Pfandbriefe reduced further.

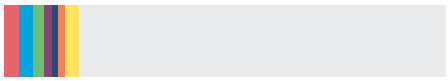


Source: Commerzbank Research

Structure of the Cover Pools – vdp Member Banks

Cover assets 2017

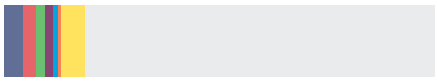
Mortgage Pfandbriefe – by country



€ 242.1 billion

- Germany 83.1%
- France 3.4%
- GB 3.1%
- USA 2.5%
- Netherlands 1.9%
- Poland 1.4%
- Switzerland 1.4%
- Other countries 3.2%

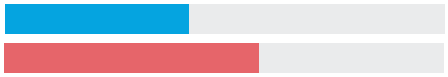
Public Pfandbriefe – by country



€ 164.1 billion

- Germany 81.2%
- Austria 4.1%
- France 3.2%
- Spain 2.1%
- Italy 1.7%
- GB 1.3%
- Switzerland 1.0%
- Other countries 5.4%

Mortgage Pfandbriefe – by type of property



€ 242.1 billion

- Commercial properties 42%
- Residential properties 58%

Real estate financing – Cover assets and loan portfolios in 2017

	Mortgage Loans in € billion	Cover assets in € billion	Included in cover in %
Total	689.7	242.1	35.1
Germany	582.9	201.1	34.5
Foreign business	106.8	41.0	38.4
(Share foreign business in %)	(15.5)	(16.9)	-

Of the cover assets, 57.9% are accounted for by residential properties (single-family houses, condominiums and multi-family houses) and 42.1% by commercial properties. Office and retail premises dominate in the latter category.

Public sector lending – Cover assets and loan portfolios 2017

	Public Sector Loans in € billion	Cover assets in € billion	Included in cover in %
Total	316.4	164.1	51.9
Germany	251.9	133.2	52.9
Foreign business	64.4	30.9	48.0
(Share foreign business in %)	(20.4)	(18.8)	-

Similar to the structure of cover assets for Mortgage Pfandbriefe, foreign cover assets for Public Pfandbriefe are also widely spread: Austria had by far the greatest share, namely 4.1%. Other noteworthy shares were accounted for by France, Spain, Italy, Great Britain, Switzerland and the USA.

Outlook Pfandbrief market 2018

The vdp member banks expect Pfandbrief sales of €50 bn in the current year. Of this amount, new issues of Mortgage Pfandbriefe account for €39 bn, Public Pfandbriefe for €11 bn.

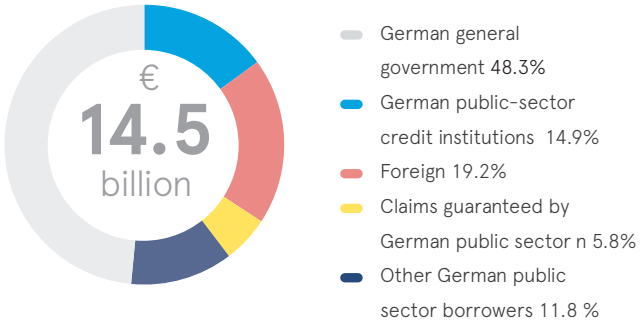
Maturities in 2018 (in € billion)	Mortgage Pfandbriefe	Public Pfandbriefe	Ship Pfandbriefe	Aircraft Pfandbriefe	Total
Pfandbriefe total	25.2	16.3	1.3	0.0	42.8
Jumbo-Pfandbriefe	2.1	2.0	0.0	0.0	4.1
benchmark issues of € 500 million and more	8.3	2.5	0.5	0.0	11.3
trad. bearer Pfandbriefe	7.5	5.5	0.7	0.0	13.7
registered Pfandbriefe	7.3	6.3	0.1	0.0	13.7

Planned new issues in 2018 (in € billion)	Mortgage Pfandbriefe	Public Pfandbriefe	Ship Pfandbriefe	Aircraft Pfandbriefe	Total
Pfandbriefe total	39.0	10.9	0.2	0.0	50.2
Jumbo-Pfandbriefe	2.0	1.0	0.0	0.0	3.0
benchmark issues of € 500 million and more	20.5	3.5	0.0	0.0	24.0
trad. bearer Pfandbriefe	8.4	3.4	0.1	0.0	11.9
registered Pfandbriefe	8.1	3.0	0.1	0.1	11.3

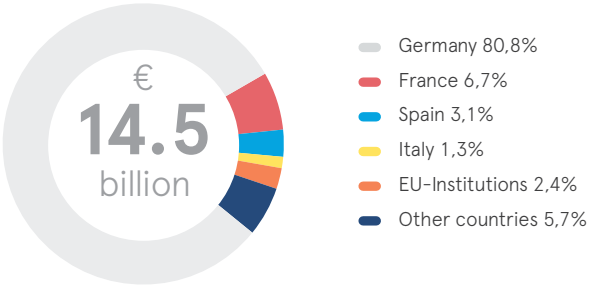
Expected new issues (net) in 2018 (in € billion)	Mortgage Pfandbriefe	Public Pfandbriefe	Ship Pfandbriefe	Aircraft Pfandbriefe	Total
Pfandbriefe total	13.8	-5.4	-1.1	0.1	7.4
Jumbo-Pfandbriefe	-0.1	-1.0	0.0	0.0	-1.1
benchmark issues of € 500 million and more	12.2	1.0	-0.5	0.0	12.7
trad. bearer Pfandbriefe	0.9	-2.1	-0.6	0.0	-1.8
registered Pfandbriefe	0.8	-3.3	0.0	0.1	-2.4

New business public sector lending in 2017

by borrower

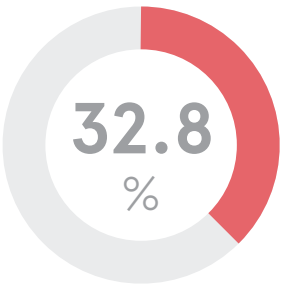


by country

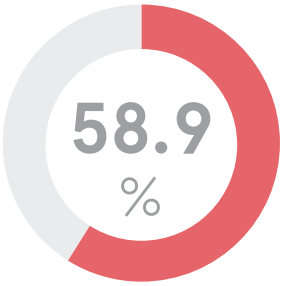


- Public sector lending clearly dominated by German business activities
- Pfandbrief Banks remain reliable partners for federal government, federal states and local authorities in Germany
- Conservative foreign exposures

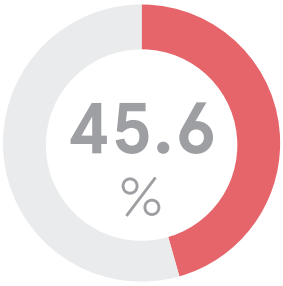
Pfandbrief Banks' market shares in Germany in 2017



Market share in residential property financing



Market share in commercial property financing



Market share in public sector lending

Pfandbrief Banks' market share in residential property financing

The total volume of residential property loans to borrowers in Germany as at the end of 2017 was € 1,327 billion according to Deutsche Bundesbank figures. Of this amount, the Pfandbrief Banks belonging to the vdp accounted for € 435 billion; this is equivalent to a market share of around 32.8 %.

Pfandbrief Banks the leading group in commercial property financing

The vdp member banks together make up by far the most important group of commercial property finance providers in Germany. As at end-2017, their overall loan portfolio totaled € 148 billion. According to the Deutsche Bundesbank, the total volume of commercial property loans granted in Germany came to € 251 billion. Of this, the Pfandbrief Banks belonging to the vdp took a market share of 58.9 %.

Pfandbrief Banks' public sector lending in Germany

As at 31 December 2017, the member banks of the vdp posted total loans to German general government (excluding securities) of € 130 billion. Figures published by the Deutsche Bundesbank show that total lending to German general government as at end-2017 amounted to € 284 billion, thus giving the vdp member banks a 45.6 % share of the market.

Association of German Pfandbrief Banks

The member institutions which together make up the Association of German Pfandbrief Banks (vdp) have for years now led the market in commercial property financing in Germany and also hold considerable market shares in the financing of residential properties. As their representative, the vdp looks after the Pfandbrief banks' interests in dealings with German and European decision-making bodies as well as with a broad professional public.

The vdp's expertise is geared to the specific requirements of Pfandbrief issuers in terms of the Pfandbrief itself and loans which are eligible as cover assets. Moreover, the vdp promotes the concerns of its member institutions in regulatory matters and represents them vis-à-vis German and European supervisory authorities. Member institutions' Pfandbrief-related information and experiences are exchanged within the vdp's respective bodies with a view to developing market standards. Additionally, the vdp provides its members with business solutions to support the Pfandbrief banks in their lending and Pfandbrief-issuing activities.

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