vdp FACTS

2019
THE PFANDBRIEF BANKS'
BUSINESS FIGURES

# Pfandbrief and Lending business in 2019: An overview

# Pfandbrief Market

## Issue volume

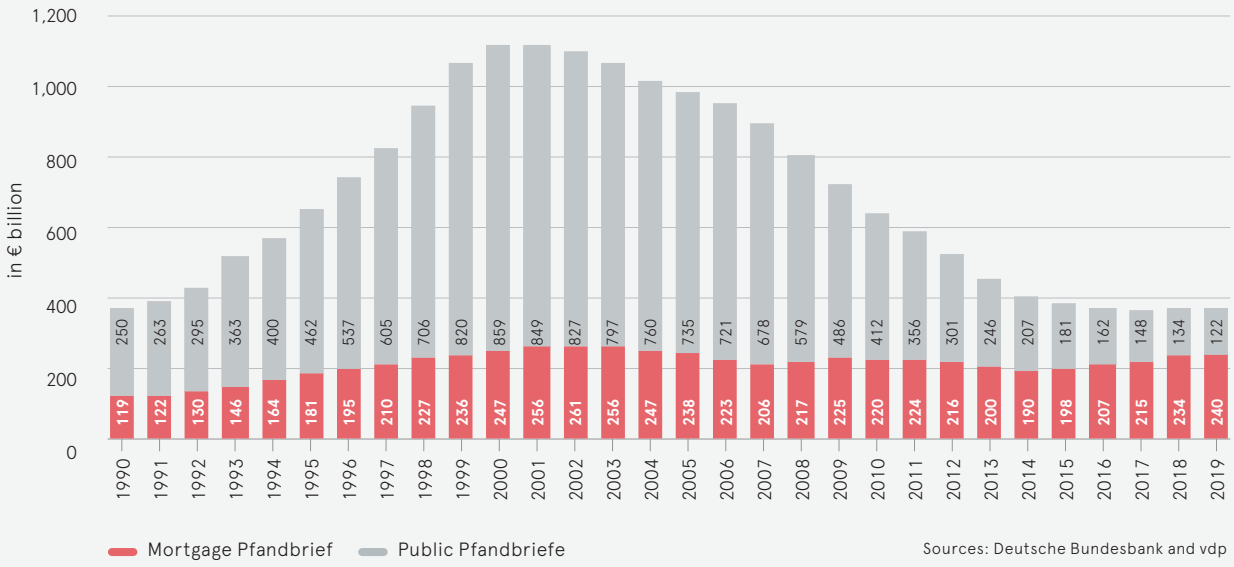
| | New issues | | Volume outstanding | |
|---|---|---|---|---|
| | 2018 | 2019 | Ultimo 2018 | Ultimo 2019 |
| **Pfandbriefe total** | **€ 50.4 billion** | **€ 55.0 billion** | **€ 369.1 billion** | **€ 364.1 billion** |
| Mortgage Pfandbriefe | € 43.2 billion | € 42.0 billion | € 233.7 billion | € 239.6 billion |
| Public Pfandbriefe | € 7.2 billion | € 11.2 billion | € 133.7 billion | € 121.8 billion |
| Ship Pfandbriefe | € 0 billion | € 1.8 billion | € 1.2 billion | € 2.7 billion |
| Aircraft Pfandbriefe | € 0 billion | € 0 billion | € 0.5 billion | € 0 billion |

## Jumbo- und Benchmark-Pfandbriefe

| | | 2018 | 2019 |
|---|---|---|---|
| **Number of issues** | | **46** | **46** |
| | of which: Jumbos | 7 | 9 |
| | of which: benchmark issues | 39 | 37 |
| **Total** (€ billion) | | **29.7** | **30.4** |
| | of which: Mortgage Pfandbriefe | 27.0 | 24.0 |
| | of which: Ship Pfandbriefe | - | - |
| | of which: Aircraft Pfandbrief | - | - |
| | of which: Public Pfandbriefe | 2.7 | 6.4 |

## Development of the volume of Pfandbriefe outstanding

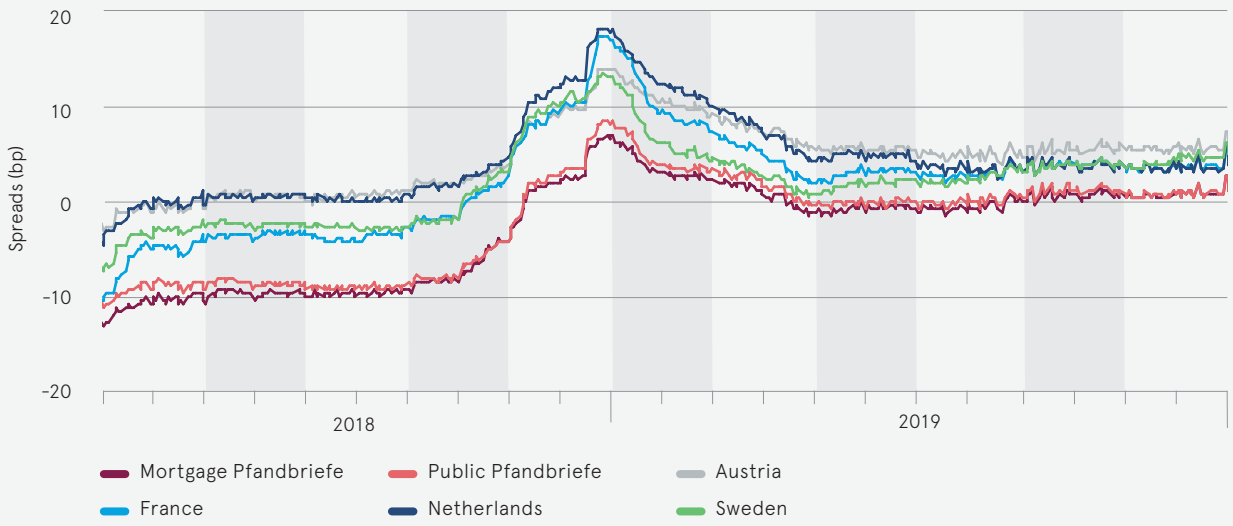
Mortgage Pfandbriefe back on growth path.
Consolidation of Public Pfandbriefe continues.




Sources: Deutsche Bundesbank and vdp

## Development of Pfandbrief vs. Covered Bond swap spreads

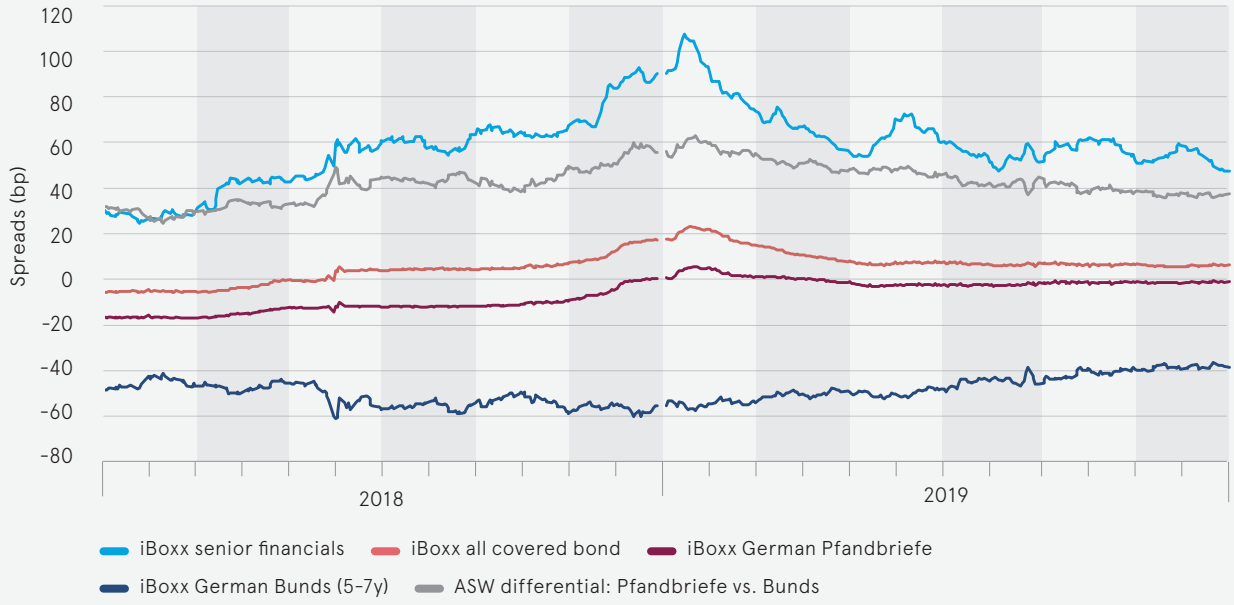
Disappointed expectations of interest rate increases induced narrowing of risk premia for covered bonds in H1 2019. The ECB's announcement to resume CBPP3 perpetuates low spread levels in H2 2019.




Sources: Thomson Reuters, markit, LBBW Research

## Senior unsecured vs. covered vs. bund

Risk premia of Pfandbrief and covered bonds stable in 2019; Pfandbrief-Bund spreads slightly narrowing.




Source: Commerzbank Research

# Structure of the Cover Pools

vdp member institutions

## Cover assets 2019

**Mortgage Pfandbriefe**
by country


- Germany 82.5 %
- Great Britain 3.3 %
- USA 3.2 %
- France 3.0 %
- Netherlands 2.3 %
- Switzerland 1.5 %
- Poland 1.3 %
- Other countries 2.9%

**Public Pfandbriefe**
by type of property


- Residential properties 59.5 %
- Commercial properties 40.5 %

**Public Pfandbriefe**
by country


- Germany 82.1 %
- Austria 4.2 %
- France 3.6 %
- Great Britain 2.0 %
- Spain 1.5 %
- Italy 1.3 %
- Belgium 1.2 %
- Other countries 4.1 %

## Cover assets and loan portfolios 2019

### Real estate financing

| | Mortgage Loans in € billion | Cover assets in € billion | Included in cover in % |
|---|---|---|---|
| Total | 877.8 | 271.7 | 31.0 |
| Germany | 754.8 | 224.2 | 29.7 |
| Foreign business | 123.0 | 47.5 | 38.6 |
| (Share foreign business in %) | (14.0) | (17.5) | - |

Of the cover assets, 59.5% are accounted for by residential properties (single-family houses, condominiums and multi-family houses) and 40.5% by commercial properties. Office and retail premises dominate in the latter category.

### Public sector lending

| | Public Sector Loans in € billion | Cover assets in € billion | Included in cover in % |
|---|---|---|---|
| Total | 288.6 | 163.0 | 56.5 |
| Germany | 234.0 | 133.8 | 57.2 |
| Foreign business | 54.6 | 29.2 | 53.5 |
| (Share foreign business in %) | (18.9) | (17.9) | - |

Similar to the structure of cover assets for Mortgage Pfandbriefe, foreign cover assets for Public Pfandbriefe are also widely spread: The largest shares were accounted for by Austria (4.2%), followed by France, Great Britain, Spain, Italy and Belgium.

# Lending Business

vdp member institutions

## Loan commitments 2019


| | 2018 | 2019 | Change |
|---|---|---|---|
| | in € million | in € million | in % |
| Real estate financing | 167,376 | 167,145 | -0.1 |
| of which: Residential property financing | 93,827 | 97,835 | 4.3 |
| of which: Commercial property financing | 73,549 | 69,310 | -5.8 |
| Public sector lending | 12,935 | 12,973 | 0.3 |
| Ship financing | 4,784 | 5,052 | 5.6 |
| Aircraft financing | 6,289 | 3,505 | -44.3 |
| **Loan commitments total** | **191,384** | **188,675** | **-1.4** |

- Real estate financing 88.6%
- Public sector lending 6.9%
- Ship financing 2.7%
- Aircraft financing 1.8%

- → 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
- → Ship and aircraft finance moves in difficult market setting

## New business real estate financing 2019

### Real estate financing by type of property


**Residential properties 58.5 %**

- Single-family and two-family house 28.8%
- Owner-occupied housing 12.1%
- Multi-family houses 15.9%
- Other residential properties 1.7 %

**Commercial properties 41.5 %**

- Office buildings 23.2 %
- Retail buildings 9.0 %
- Hotel buildings 3.4 %
- Industriasl buildings 1.3 %
- Other commercial properties 4.6 %

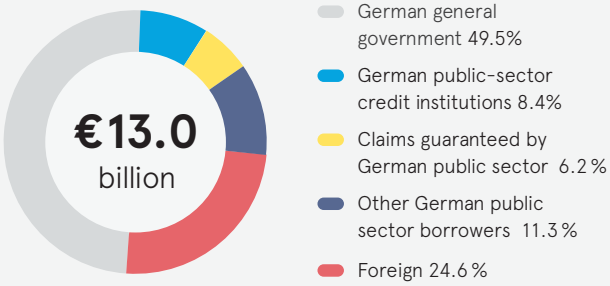
### Commercial properties by country


- Germany 60.0%
- France 9.0%
- USA 8.5%
- Great Britain 5.6%
- Netherlands 4.8%
- Canada 2.2%
- Poland 2.1%
- Italy 1.0%
- Sweden 0.9%
- Other countries 5.9%

- → 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
- → 60% of commercial property finance in Germany
- → Most important foreign markets in commercial property finance are France, the USA and Great Britain

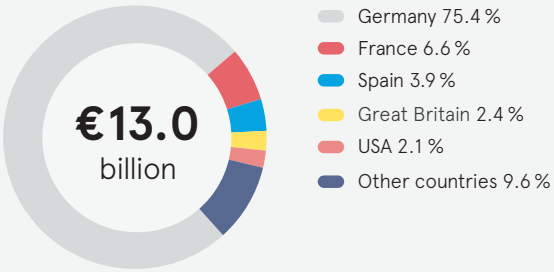
## New business public sector lending 2019

### Public sector lending by borrower



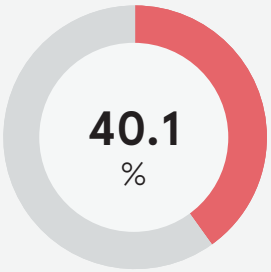

→ Public sector lending clearly dominated by German business activities

### Public sector lending by country




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

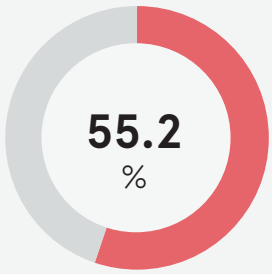
## Pfandbrief Banks' market shares in Germany in 2019




Residential property financing

**Pfandbrief Banks' market share in residential property financing**

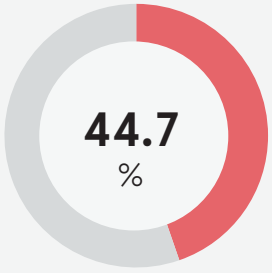
The total volume of residential property loans to borrowers in Germany as at the end of 2019 was € 1,472 billion according to Deutsche Bundesbank figures. Of this amount, the Pfandbrief Banks belonging to the vdp accounted for € 590 billion; this is equivalent to a market share of around 40.1 %.




Commercial property financing

**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-2019, their overall loan portfolio totaled € 165 billion. According to the Deutsche Bundesbank, the total volume of commercial property loans granted in Germany came to € 299 billion. Of this, the Pfandbrief Banks belonging to the vdp took a market share of 55.2 %.




Public sector lending

**Pfandbrief Banks' public sector lending in Germany**

As at 31 December 2019, the member banks of the vdp posted total loans to German general government (excluding securities) of € 114 billion. Figures published by the Deutsche Bundesbank show that total lending to German general government as at end-2019 amounted to € 255 billion, thus giving the vdp member banks a 44,7 % share of the market.

vdp The German Pfandbrief Banks

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