Extraordinary General Meeting

10 December 2021

# Management Board Speech

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Check against delivery.

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# 1. INTRODUCTION

Good morning, dear shareholders,
Ladies and Gentlemen,

It is my pleasure to welcome you on behalf of the Management Board to our Extraordinary General Meeting. Once again, we decided to hold this second shareholders' meeting in 2021 online. At the time the invitation was sent out, this decision was certainly still based on a cautious approach; in light of the COVID-19 infection levels, a virtual general meeting is now necessary in order to protect all parties involved.

You will have all noted – and our Chairman of the Supervisory Board, Dr Bräunig, has stated – that we have a very manageable agenda to address today. My comments today will therefore focus on **two topics**:

- I will explain the proposal submitted by the Management Board and Supervisory Board for a resolution to distribute **a further dividend** to our shareholders for 2020.

- In addition, I will briefly discuss **pbb's business performance** during the first nine months of the current year.

# 2. DIVIDEND PROPOSAL

At the 2021 Annual General Meeting 2021 held on 12 May, you, dear shareholders, resolved to distribute a dividend of €0.26 per share for the financial year 2020. This corresponded to a distribution ratio of 35%. This ratio, which is low given our dividend history, resulted from a **recommendation of the European Central Bank** valid at that time.

In light of the COVID-19 pandemic, the ECB recommended to the banks it supervises – and hence also pbb – that the dividend distribution should not reduce their respective CET 1 capital by more than 20 basis points. The payment was calculated so that we **distributed the maximum amount within the scope of the ECB recommendation to you**.

At the time, the ECB had however indicated the possibility of repealing this recommendation as of 1 October, if it were to arrive at a more favourable assessment of the market, allowing distributions to be increased again. We had already stated very clearly then that we would review the **possibility of a further distribution** in such a case.

The ECB has in fact repealed the aforementioned 23 July recommendation of a dividend restriction, with effect from 30 September. Taking careful consideration of the Bank's risk situation, the Management Board and the Supervisory Board **analysed the opportunity for increasing the current distribution for 2020.**

- We concluded that we would propose the distribution of **another dividend of €0.32** per dividend-bearing share **for the 2020 financial year**. This would represent a further distribution of around €43 million.

- Together with the dividend distribution of €0.26 per no-par value share entitled to dividends resolved at the ordinary Annual General Meeting held on 12 May 2021, the **total dividend** for the 2020 financial year would then amount to **€0.58**.

  In line with our long-term dividend strategy and despite the unusual COVID-19-related environment, pbb again achieves a **distribution ratio of 75%** for the 2020 financial year, based on consolidated profit in accordance with IFRS after taxes and the AT1 coupon.

  Based on the 2020 year-end closing price of €8.80, this translates into a **dividend yield of 6.6 per cent**.

- pbb therefore remains positioned as a **dividend stock**. We want to maintain this, even though future distributions will of course have to be subject to economic viability, as well as regulatory provisions and requirements, and align with the cautious distribution policy required by the ECB.

That concludes my comments on the Management Board and Supervisory Board's dividend proposal. I will now discuss our business performance in the last nine months of the current year and our outlook for the year ahead.

# 3. BUSINESS PERFORMANCE IN 2021 AND OUTLOOK

pbb remains **successfully on track** after the first three quarters of the 2021 financial year.

- **New business** was solid, recording an increase of more than 30% compared to the previous year and reaching a volume of €5.7 billion. Margins were also stable over the course of the year.

- **Operating profitability** from the lending business remained robust, with operating income rising by 15% to €429 million. The solid result was driven by the aggregate of higher net interest income and net fee and commission income, as well as higher prepayment fees. In contrast, burdens on net income from risk provisioning and net income from fair value measurement were lower, thanks to an improved situation with regard to the pandemic and the economy.

- **Risk provisions** remained moderate, with additions of €50 million; it was down significantly on the value of €84 million for the same period of the previous year, which was defined by the COVID-19 pandemic. At the same time, the current year includes management overlays of €48 million, through which we take account of potential delayed effects of the COVID-19 pandemic.

- Thanks to consistent cost management, we held our **general and administrative expenses** largely stable. The item amounted to €151 million in the first nine months of 2021, compared with €145 million in the same period of the previous year. Higher non-personnel expenses were incurred, especially for various digitalisation initiatives and other strategic projects.

- All in all, a **pre-tax result** of €186 million has been achieved after nine months.

  This means that we have not only exceeded the same period of the previous year by 79 percent but have already reached the lower end of the guidance, which was already increased to a range of between €180 million and €220 million. Against this background, we are confident of concluding the **year 2021 at the upper end of our guidance or slightly above it**.

  We are also looking ahead to the **year 2022** with optimism.

The positive scenario matches the **sentiment on the international property markets**, where the volume of investments has increased again. In the US, volumes already exceed the level seen before the outbreak of the pandemic, and the trend in Europe is also upwards. Our core German market is seeing transactions – in addition to office properties – with a focus on logistics and residential properties as well as (still to a reduced extent) food retail properties and big box retail. Investors and lenders continue to focus on the market's prime segments. Nonetheless, a fair share of uncertainty about the long-term effects of the pandemic continue to prevail, not least against the background of the current rise in infection figures again.

# 4. CONCLUSION

Ladies and Gentlemen,

Let me summarise what I have said:

- Firstly: in addition to a dividend of €0.26 per share resolved and distributed at the Annual General Meeting in May 2021, the Management Board and the Supervisory Board are proposing to pay out a further dividend of €0.32 per share entitled to dividends for the 2020 financial year.

  In line with our long-term dividend strategy, and despite the unusual COVID-19-related environment, this results in a distribution ratio of 75% and a dividend yield of 6.6% based on the 2020 year-end closing price.

- Secondly: pbb's performance in the current financial year exceeds the expectations that we had at the start of the year, and should also surpass the solid levels seen prior to the COVID-19 pandemic. We expect a good result for 2021 overall, at least at the upper end of our guidance of €180 million to €220 million, which was raised in July – or even slightly higher.

  With our strong capital base as well as our clear risk profile and excellent market position, we are looking to 2022 with confidence despite all the uncertainties.

- Thirdly: we continue to make very good progress with our **digitalisation initiatives** and are further expanding the Client Portal that we initiated in March 2021. The much more extensive – and primarily internally focussed – digitalisation of the lending process is on schedule.

  **Sustainable finance** continues to gain momentum. We now offer green loans for purchasing or developing commercial properties that meet strict environmental criteria, or for transforming existing properties into sustainable buildings. Furthermore, we have already issued our second green bond at the end of October this year.

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Thank you very much for your attention.