Stable operating half-year results support higher risk provisioning – despite uncertainty from COVID-19, pbb confident to achieve solid full-year result

Results Q2/H1 2020
Analyst Call
12 August 2020

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Agenda

Highlights

Stable operating half-year results support higher risk provisioning – despite uncertainty from COVID-19, pbb confident to achieve solid full-year result

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Financials	■ **PBT** at € 29 mn in Q2/20 (H1/20: € 31 mn) – resilient operating earnings and cost base supports higher risk provisioning – **NII** increased to € 117 mn (+5% q-o-q; +4% y-o-y) driven by lower refinancing costs and floor income – stable development in H1/20 (H1/20: € 228 mn; H1/19: € 229 mn) – **GAE** largely at prior-year level (Q2/20: € 49 mn; H1/20: € 97 mn), including slightly higher costs for regulatory projects – **Risk provisioning** of € -36 mn (Q1/20: € -34 mn; H1/20: € -70 mn) predominantly accounts for downwardly revised economic forecasts in Q2/20 – € -28 mn (H1/20: € -59 mn) model based additions in stages 1&2; € -8 mn (H1/20: € -12 mn) in stage 3 for one UK shopping centre
New business[1]	■ New business **volume** at € 2.8 bn in H1/20 (Q2/20: € 1.1 bn; H1/19: € 4.6) despite peak of COVID-19 lockdowns in April/May (REF: € 2.7 bn, PIF: € 0.1 bn) ■ Avg. REF **gross interest margin** up to >175 bp (Q2/20: >185 bp; Q1/20: >170 bp; 2019: ~155 bp)
Portfolio (financing volume)	■ Strategic **REF** financing volume largely stable (06/20: € 26.7 bn; 03/20: € 26.8 bn; 12/19: € 27.1 bn) – lower new business volume, but also lower prepayments ■ **PIF** and **VP** slightly down (PIF: € 6.0 bn; VP € 11.8 bn)
Funding	■ Total **new funding volume** of € 2.4 bn[2] in H1/20 (H1/19: € 4.2 bn) – majority funded prior to COVID-19 crisis (Q2/20: € 0.5 bn; Q1/20: € 1.9 bn) ■ Funding further optimised by participation in **TLTRO III** – sufficient liquidity position into 2021
Capital	■ **CET 1 ratio** remains solid at 15.8%[3] (03/20: 16.3%; 12/19: 15.9%[4])
Dividend	■ pbb follows **ECB recommendation** to adjourn dividend decision ■ In general, pbb maintains its communicated **dividend policy** with 50% regular plus 25% supplementary payout-ratio[5] for 2020-2022 – subject to ongoing review, in particular given the extraordinary situation of the world economy
Guidance	■ pbb is confident to achieve a solid positive full-year result 2020 – due to COVID-19 impact, previous year's level unlikely to be achievable with ultimate outcome depending on risk provisioning requirements and valuation effects ■ Assuming no further substantial economic and sector-specific deterioration, no material effects on risk provisioning in stages 1 and 2 expected – however, uncertainties on stage 3 risk provisioning persist

1 Commitments, incl. extensions >1 year 2 Excl. "own use" Pfandbriefe issued as collateral for TLTRO III 3 Excl. interim result, incl. full-year result 2019 4 Retrospectively adjusted, incl. full-year result 2019, based on resolution of AGM to allocate the distributable profit 2019 to other revenue reserves on 28 May 2020 5 Based on PAT after AT1 coupon

Operating and financial overview

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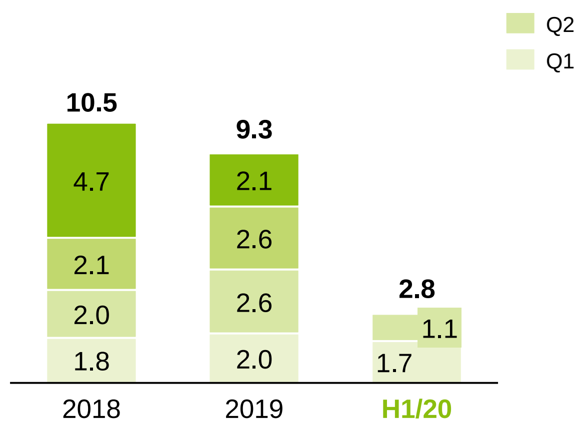
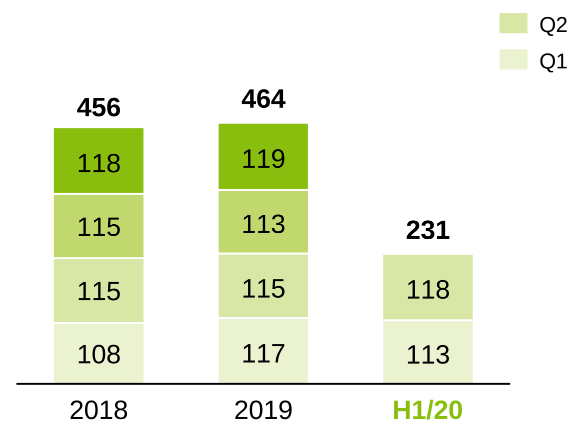
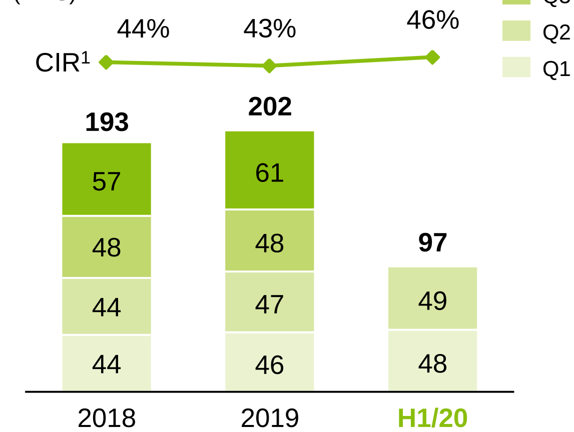
New business
€ bn (commitments, incl. extensions >1 yr)



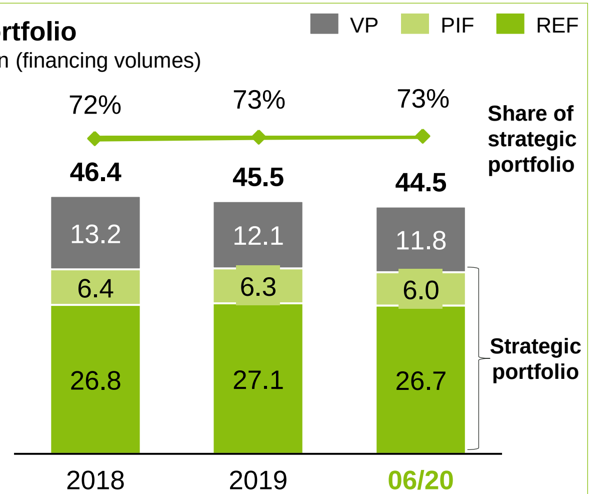
Net interest and commission income
€ mn (IFRS)



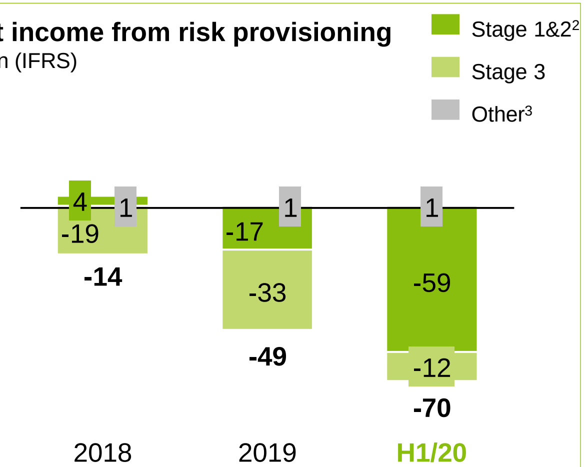
General and admin. expenses
€ mn (IFRS)



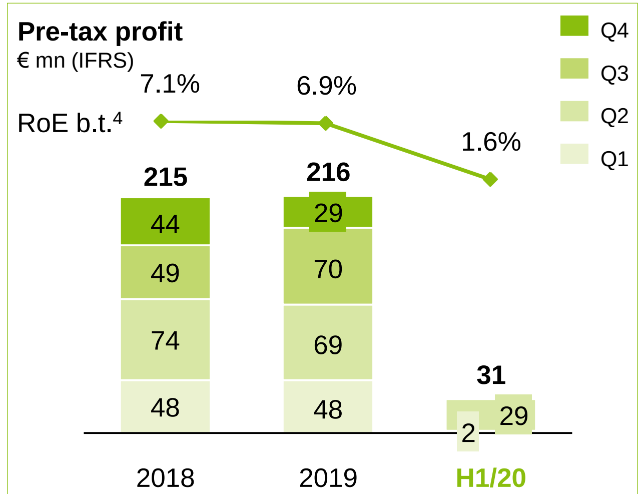
Portfolio
€ bn (financing volumes)



Net income from risk provisioning
€ mn (IFRS)



Pre-tax profit
€ mn (IFRS)



Note: Figures may not add up due to rounding 1 New definition: CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Incl. provisions in off balance sheet lending business 3 Recoveries from written-off financial assets 4 After AT1 coupon (2018: pro-rata € 12 mn; 2019: € 17 mn; H1/20: pro-rata € 9 mn) assuming full payment of the discretionary coupon

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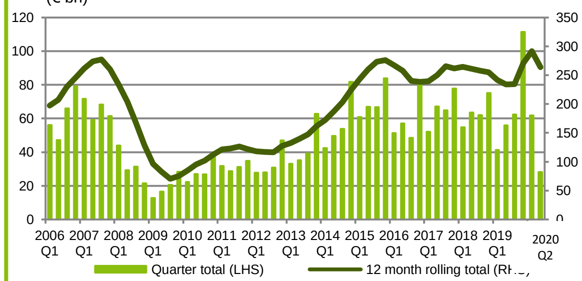
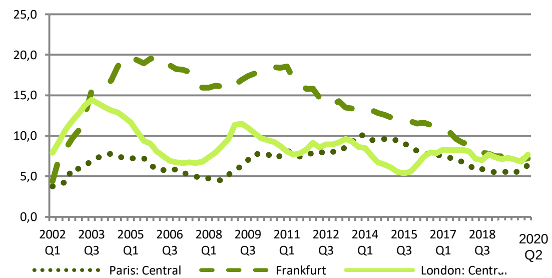
Markets

COVID-19 impact becomes visible in Q2 market data

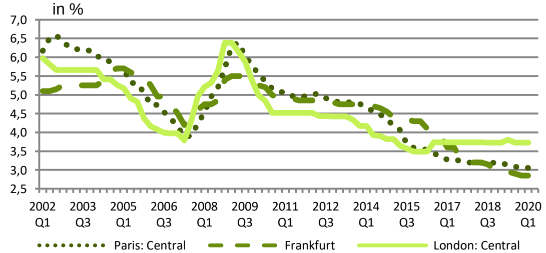
European CRE Investment volume
(€ bn)



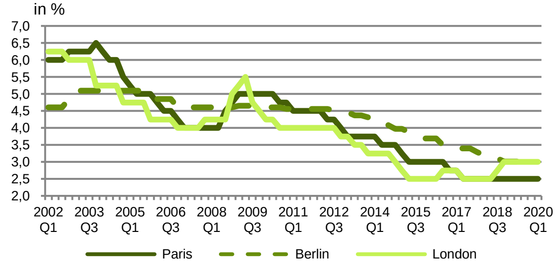
Office vacancy
in %



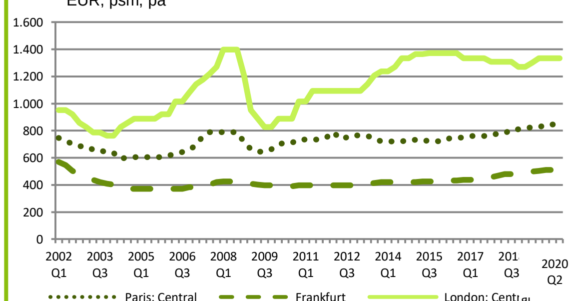
Office prime yields
in %



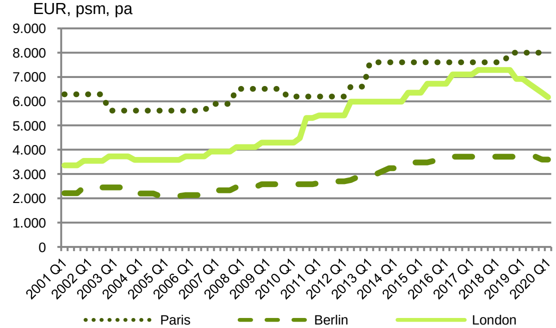
Retail prime yields
in %



Development office rents
EUR, psm, pa



Development retail rents
EUR, psm, pa



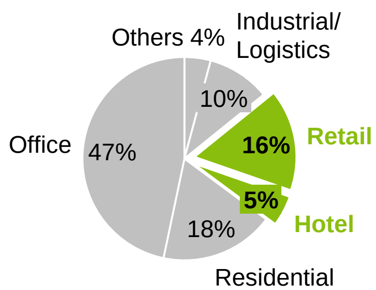
- European and US CRE **investment volumes** decreased in Q2/20 due to COVID-19
- However, it is expected that these markets will recover but with different speed depending on the stringency of lockdown measures, market liquidity and dependence on retail and tourism
- COVID-19 impact can meanwhile be observed in Q2/20 **market data**
  - Demand decreased – e.g. office letting figures decreased by around 1/3
  - Office vacancy starts to increase slightly in all markets
  - Declining rents (renegotiation of rent levels can be observed)
- COVID-19 likely to be a **catalyst** for trends affecting real estate like
  - Digitalization & e-commerce
  - ESG factors (Environmental, Social and Governance)
  - Home office / remote work
- pbb remains **highly selective** on new business and runs intensified **risk monitoring** – **special focus** on
  - Retail
  - Hotel
  - Developments

Source: pbb property market analysis

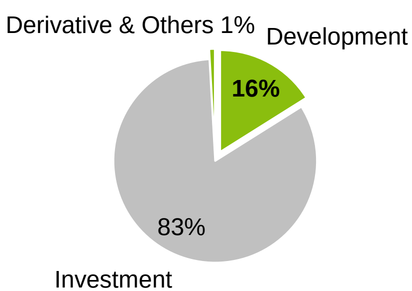
Markets

Sub-segments in special focus – unchanged conservative positioning, but recovery phase will persist beyond 2021

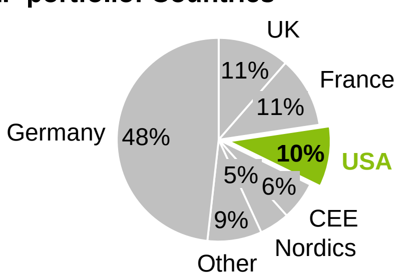
REF portfolio: Property types
30/06/2020: € 29.2 bn (EaD, Basel III)



REF portfolio: Loan types



REF portfolio: Countries



pbb	Expectation of market development[1]
Hotel ■ Selective approach – focus on business hotels ■ Portfolio volume of € 1.4 bn ■ Avg. LTV of 53%[2] / avg. ISC >300%[2] ■ Key regions Germany (46%) and UK (42%)	■ Despite Hotels being allowed to reopen, the recovery of occupancy rates and RevPar[3] will take time due to high hygiene standards, the continued implementation of travel restrictions and fear of regional outbreaks with regional lockdowns ■ A recovery to previous year's level is not expected prior to 2022 ■ Market values and lease/rentals expected to decrease
Retail ■ Selective approach – long identified structural weakness of Shopping Centres and Retail Parks led to foresighted reduction of sub-segment by >30% since 12/16 ■ Portfolio volume of € 4.7 bn ■ Avg. LTV of 51%[2] / avg. ISC >300%[2] ■ Diversified portfolio with focus on Germany (29%), UK (24%) and CEE (18%)	■ Declining consumer purchasing power leads to temporary reduction or partial loss of rents and allocable costs ■ Mega trends (i.e. e-commerce) accelerating – Increased pressure on shopping centers (decline in rents, shorter terms, etc.) – Largely stable development expected for discounters and retail parks with strong local demand – High street properties (prime locations in A-cities) expected to see moderate declines in rents and slight rise in yields – Downward trend in secondary locations and smaller cities expected to intensify
Development ■ Very selective approach, e.g. pre-letting/pre-sales with long stop dates in lease and sales contracts which provide for comfortable buffers in terms of delays in construction ■ Portfolio volume € 4.7 bn ■ Focus on Office (53%) and Residential (24%) mainly in Germany (78%) and France (13%)	■ In a few cases some delays observed, but no general standstill due to COVID-19
USA ■ Specific COVID-19 situation observed ■ Focus on Office (70%) and Residential (22%) properties in NY, Boston, Washington, Chicago, Seattle, San Francisco and Los Angeles ■ Only investment loans, no developments ■ Portfolio volume of € 2.8 bn ■ Avg. LTV of 56%[2] / avg. ISC >200%	■ Sharp rise in unemployment expected to lead to increasing loss of rental income and decline in prices for residential properties ■ Current job figures give hope that the impact of unemployment rates is only a short term effect and residential market is not that strongly affected ■ In general, US market expected to remain attractive for domestic and foreign investors due to size and high liquidity ■ Market value adjustments in the light of COVID-19

1 Source: pbb property market analysis 2 Based on performing investment loans only, COVID-19 effects not yet fully reflected 3 revenue per available room

Markets

pbb's macro-economic and sector-specific assumptions adjusted to downwardly revised economic forecasts in Q2/20

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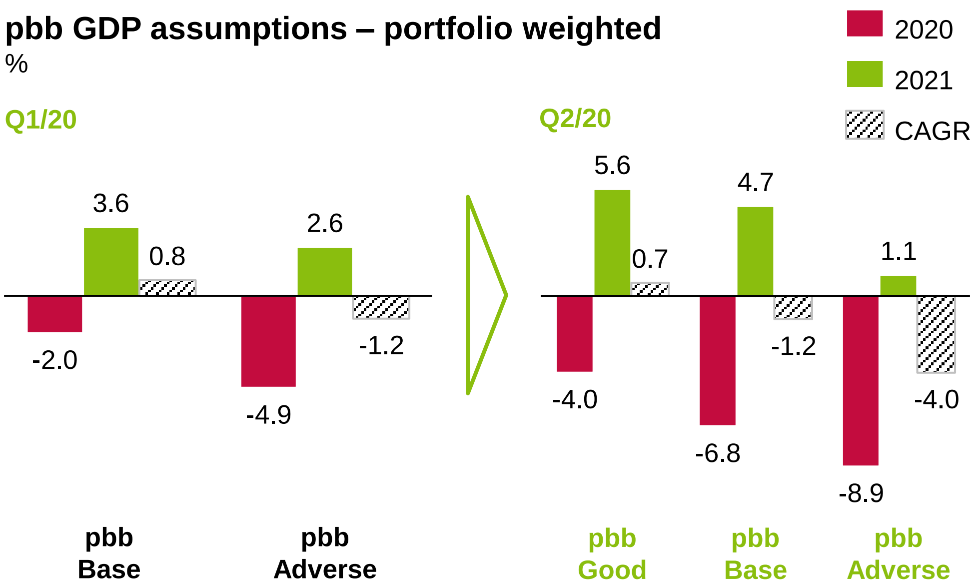
pbb GDP assumptions – portfolio weighted

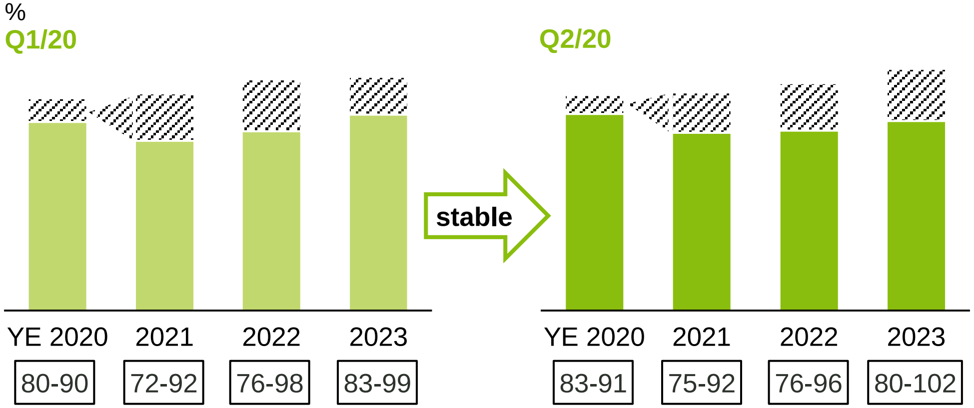
%



- pbb's scenario assumptions aligned with revised GDP forecasts of economic institutes in Q2/20
  - base case assumption of -6.8% for 2020 within forecast range of -6.2% (ifo) and -8.4% (IMF)
  - Adverse case (-8.9%) even exceeds range
- Good, base and adverse scenarios are now significantly below the assumptions made at the end of Q1/20
- No second wave of infection assumed that requires further measures

pbb market value assumptions – portfolio weighted

%



- Only small changes to market value assumptions vs. Q1/20
- Stronger recovery tendencies expected only by 2022 and 2023 – only partial recovery back to 2020-levels, depending on country and property type

Source: pbb / Broker Research – pbb portfolio weighted, Bloomberg

Agenda

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Financials

Solid operating performance apart from COVID-19 pandemic related impacts

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Income statement

€ mn

	Q2/19	Q2/20	H1/19	H1/20
Operating Income	**119**	**123**	**238**	**233**
Net interest income	113	117	229	228
Net fee and commission income	2	1	3	3
Net income from fair value measurement	-5	1	-7	-16
Net income from realisations	10	2	16	16
Net income from hedge accounting	-	-1	-1	-2
Net other operating income	-1	3	-2	4
Net income from risk provisioning	1	-36	-	-70
General and administrative expenses	-47	-49	-93	-97
Expenses from bank levies and similar dues	-1	-4	-22	-25
Net income from write-downs and write-ups on non-financial assets	-4	-5	-8	-10
Net income from restructuring	1	2	2	-
Pre-tax profit	**69**	**29**	**117**	**31**
Income taxes	-10	-8	-18	-8
Net income	**59**	**21**	**99**	**23**
RoE before tax[1] (%)	9.0	3.4	7.6	1.6
RoE after tax[1] (%)	7.6	2.3	6.3	1.0
CIR[2] (%)	42.9	43.9	42.4	45.9
EpS[1] (€)	0.41	0.12	0.67	0.10

Key drivers Q2/H1 2020:

- **NII** up in Q2/20, driven by lower refinancing costs and floor income; thus, H1/20 stable despite slightly lower average interest bearing financing volume y-o-y
- **Fair value measurement** slightly positive in Q2/20 after significant COVID-19 pandemic related credit spread widening in Q1/20
- **Net income from realisations** stable y-o-y; while Q1/20 benefitted from higher gains from disposal of financial assets, prepayment fees are low
- **Other operating income** includes legal and tax provisions, whereby releases exceeded additions
- **Risk provisioning** mainly related to additions in stages 1&2, driven by economic impacts from COVID-19 pandemic; only small addition in stage 3 for one UK shopping centre
- **GAE** only slightly up, including slightly higher costs for regulatory projects
- Increased requirements on EU level result in slightly higher **bank levy**
- **RoE** and **EpS** taking into account pro-rata AT1 coupon (H1/20: € -9 mn; H1/19: € -9 mn)

1 After AT1 coupon (Q2/H1 2019: € 4 mn / € 9 mn; Q2/H1 2020: pro-rata € 4 mn / € 9 mn) assuming full payment of the discretionary couon

2 CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income

Financials

NII remains robust – Q2/20 up +5% q-o-q and +4% y-o-y

Income from lending business

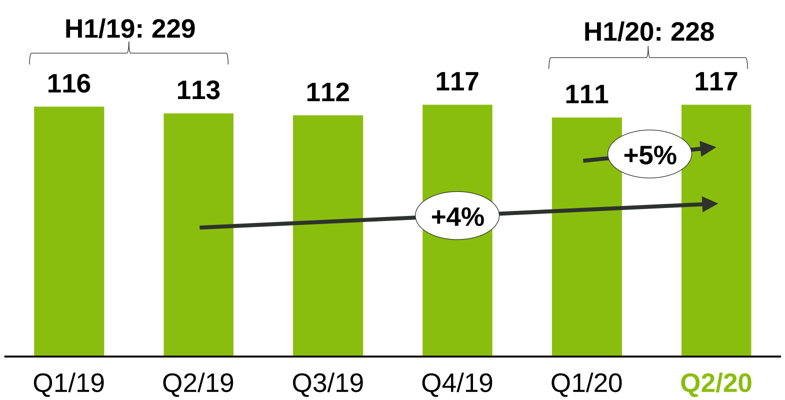
€ mn

	Q2/19	Q2/20	H1/19	H1/20
Net interest income	113	117	229	228
Net fee and commission income	2	1	3	3

	Q2/19	Q2/20	H1/19	H1/20
Net income from realisations	10	2	16	16

Net interest income

€ mn



Key drivers Q2/H1 2020:

- **NII** up in Q2/20 (+5% q-o-q; +4% y-o-y), supported by
  - lower refinancing costs (e.g. lower cash position at Bundesbank, USD tender of Bundesbank, maturities)
  - floor income from continued low interest environment

  Thus, H1/20 stable despite
  - slightly lower avg. strategic REF financing volume y-o-y (H1/20: € 26.9 bn; H1/19: € 27.4 bn)
  - further run-down of the non-strategic Value Portfolio
  - lower income from equity book
- **Net income from realisations** stable y-o-y, benefitting from settlement gain from pre-mature closing of derivative transaction in Q1/20; prepayment fees on very low level (Q2/20: € 2 mn; H1/20: € 9 mn; H1/19: € 14 mn)

Financials

Risk provisioning mainly driven by downwardly revised economic assumptions (stages 1&2)

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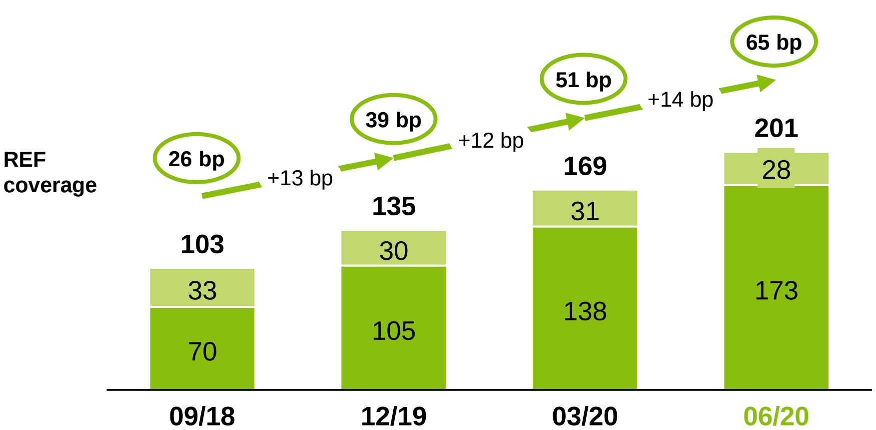
Net income from risk provisioning

€ mn

	Q2/19	Q2/20	H1/19	H1/20
Net income from risk provisioning	1	-36	-	-70
thereof				
stage 1	*1*	*-10*	*-*	*-27*
stage 2	*3*	*-14*	*3*	*-27*
stage 3	*-4*	*-8*	*-4*	*-12*
Off balance sheet lending business	*1*	*-4*	*1*	*-5*
Recoveries	*-*	*-*	*-*	*1*

Balance sheet – loss allowances

€ mn



Key drivers Q2/H1 2020:

- **Stages 1&2:** € -24 mn net additions in Q2/20 (H1/20: € -54 mn) account for downwardly revised economic assumptions in the light of COVID-19 pandemic

  Migration from stage 1 to 2 in Q2/20 (resulting from multi-year PD increases based on pbb definition) affects loans with a gross book value of € 4.1 bn (Q1/20: € 2.9 bn)

- **Stage 3:** Net additions of € -8 mn in Q2/20 (H1/20: € -12 mn) for one UK shopping centre; transfer of one loan from stage 2 to 3 due to a covenant breach, but no provisioning required

- **Provisions in off balance sheet lending business** (H1/20: € -5 mn) also driven by revised economic forecasts (attributable to stages 1&2)

- **Coverage ratio:** Stage 3 coverage ratio[1] at 13% (03/20: 13%, 12/19: 11%)

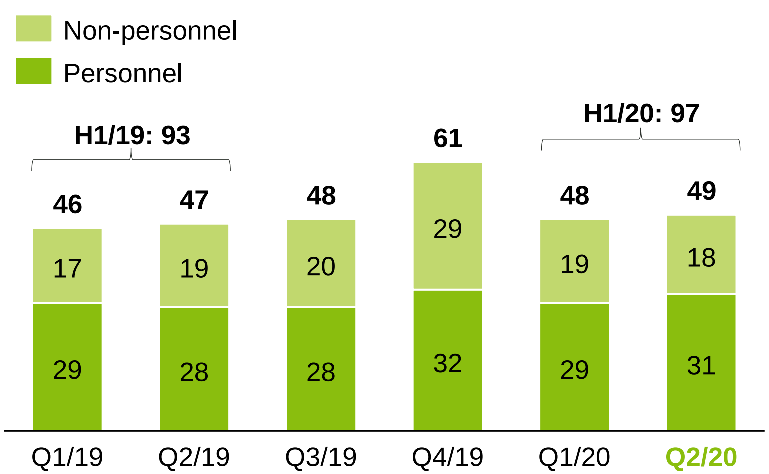
  Additional collateral not taken into account – incl. these factors, REF coverage ratio at approx. 100%

1 Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities) 2 Incl. recoveries from written-off financial assets and provision in off balance sheet lending business 3 pbb research on selected sector peers

Financials
Operating costs under control

General & administrative expenses and depreciations
€ mn

	Q2/19	Q2/20	H1/19	H1/20
General admin. expenses	-47	-49	-93	-97
Personnel	*-28*	*-31*	*-57*	*-60*
Non-personnel	*-19*	*-18*	*-36*	*-37*
Net income from write-downs and write-ups on non-financial assets	-4	-5	-8	-10
CIR (%)[1]	*42.9*	*43.9*	*42.4*	*45.9*



Key drivers Q2/H1 2020:

- **GAE** only slightly up y-o-y
  - **Personnel expenses:** Increase due to slightly higher FTE number (06/20: 763; 03/20: 749; 12/19: 752; 06/19: 746)
  - **Non-personnel expenses:** Slightly higher costs for regulatory projects
- **Net income from write-downs and write-ups on non-financial assets** driven by scheduled depreciations – increase y-o-y reflects recognition of lease contracts as right-of-use-assets (IFRS 16) since mid of 2019 (related to head office in Garching)

1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income

Agenda

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New business

Lower REF new business volume in the light of COVID-19 pandemic, but significantly higher gross interest margins

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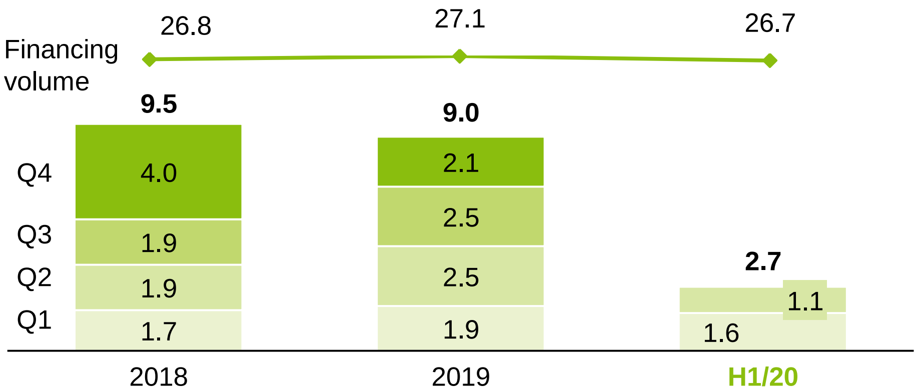
REF New business

€ bn (commitments, incl. extensions >1 yr)



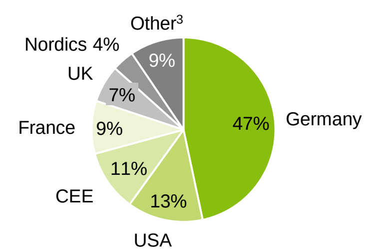
REF new business

	H1/19	FY19	H1/20
Total volume (€ bn)	4.4	9.0	2.7
thereof: Extensions >1 year	0.9	*1.9*	*1.0*
No. of deals	76	155	59
Avg. maturity (years)[1]	~4.9	~4.6	~3.7
Avg. LTV (%)[2]	57	58	54
Avg. gross interest margin (bp)	>140	~155	>175

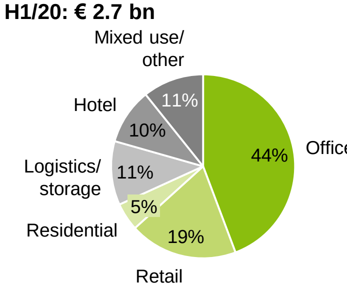
Regions | **Property types**

New business (Commitments, incl. extensions > 1year)

H1/20: € 2.7 bn

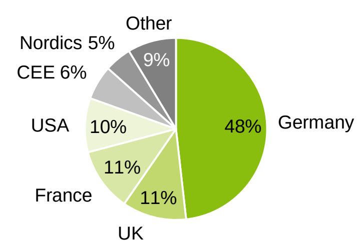


H1/20: € 2.7 bn

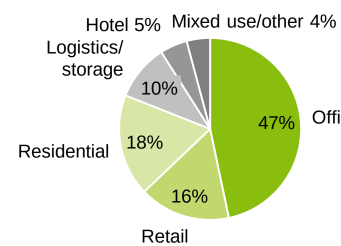


Portfolio (EaD, Basel III)

30/06/20: € 29.2 bn



30/06/20: € 29.2 bn



Key drivers Q2/H1 2020:

- Lower **REF** new business volume (Q2/20: € 1.1 bn; H1/20: € 2.7 bn) in the light of COVID-19 pandemic, but at significantly higher gross interest margins
  - Overall lower investment activity in Q2/20 – continued selective approach with focus on conservative risk positioning (avg. LTV 54%[2])
  - Only small prepayments in Q2/20, but higher share of extensions (H1/20: 36%; 2019: 21%)
    - No forced extensions
    - No new loan commitments in property types Hotel and Retail in Q2/20 – only extensions at conservative conditions
  - Avg. REF gross interest margin up to >175 bp (Q2/20 >185 bp; Q1/20: >170 bp; 2019: ~155 bp), reflects positive margin development since mid 2019 and pbb's better negotiation position as a result of COVID-19
  - Good deal pipeline – higher new business volume expected for H2/20 vs. H1/20 at elevated margin level
- **PIF** new business remains low (H1/20: € 0.1 bn) in line with strategy

Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): H1/20: 52%; H1/19: 48%, 2019: 55% 3 Netherlands

Segment reporting

Segment performance reflects impact from COVID-19 pandemic

	REF				PIF				Value Portfolio			
Income statement (IFRS, € mn)	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**
Operating income	106	105	209	208	7	11	16	20	5	6	11	3
thereof: Net interest income	*96*	*96*	*194*	*189*	9	10	18	19	7	10	15	18
Net income from realisations	*11*	*2*	*17*	*13*	-	-	-	1	-1	-	-1	2
Net income from risk provisioning	-	-39	-2	-72	-	-	-	-	1	3	2	2
General administrative expenses	-39	-42	-76	-83	-5	-5	-11	-9	-3	-2	-6	-5
Net other revenues	-4	-7	-18	-23	-	-	-4	-4	-	-2	-6	-8
Pre-tax profit	**63**	**17**	**113**	**30**	**2**	**6**	**1**	**7**	**3**	**5**	**1**	**-8**
Key indicators	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**	**Q2/19**	**Q2/20**	**H1/19**	**H1/20**
CIR (%)[1]	40.6	43.8	39.7	43.8	71.4	45.5	75.0	50.0	60.0	50.0	54.5	>100.0
RoE before tax (%)	15.1	3.4	14.1	2.9	3.3	11.4	0.5	6.6	1.1	2.8	-0.3	-3.3
Financing volume (€ bn)	27.7	26.7	27.7	26.7	6.4	6.0	6.4	6.0	12.3	11.8	12.3	11.8

Key drivers Q2/H1 2020:

REF

- Financial **segment performance** reflects impact from COVID-19 pandemic – **risk provisioning** mainly driven by model based stage 1&2 provisions
- **NII** remains robust – supported by lower refinancing costs and floor income compensate for lower interest bearing financing volume y-o-y
- **GAE** slightly up y-o-y, including higher costs for regulatory projects
- **Financing volume** down due to maturities

PIF

- Financial **segment performance** supported by allocation effects
- **GAE** down y-o-y in line with expectation
- **Financing volume** down due to maturities

Value Portfolio

- Financial **segment performance** mainly affected by credit spread driven **valuation** effects related to COVID-19 pandemic in Q1/20
- **Financing volume** further down in line with strategy due to maturities

Note: Figures may not add up due to rounding 1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income

Agenda

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Portfolio

pbb's business approach reflected in stable risk parameters – average LTV of 52% provides solid risk buffer

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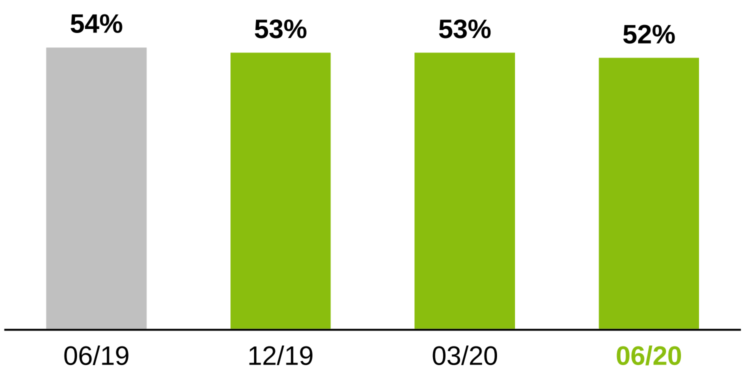
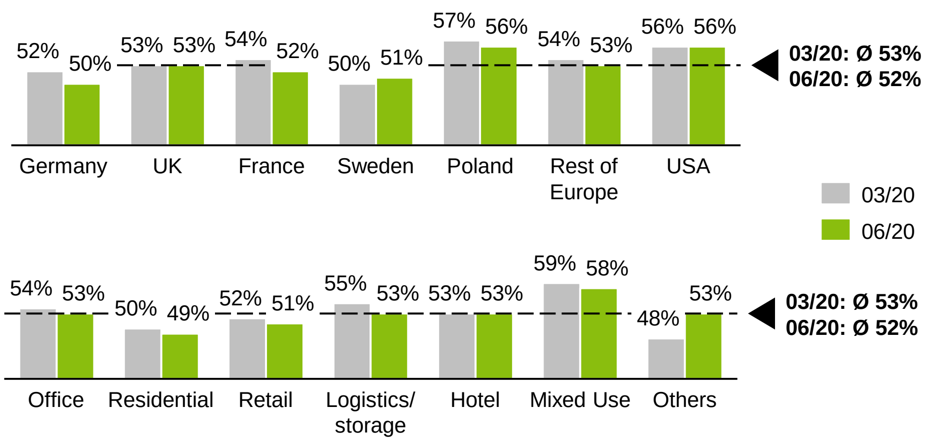
REF Portfolio: Avg. weighted LTVs

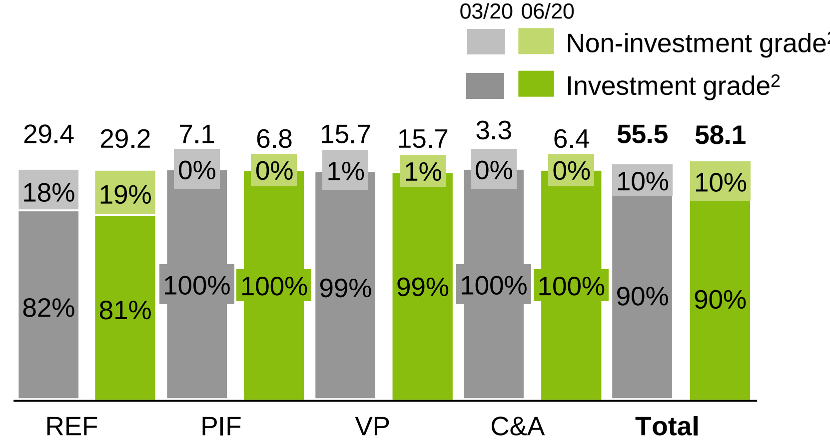
% (commitments)[1]





Total portfolio: Internal ratings (EL classes)

€ bn (EaD, Basel III)



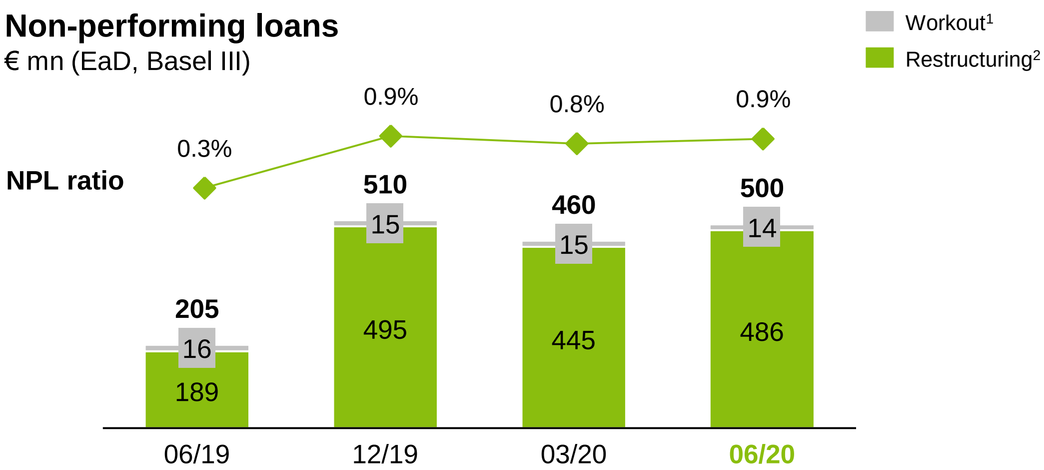
Key messages

- Average **LTV** of 52% further improved y-o-y and q-o-q, reflecting pbb's business approach
  - Maturities with higher LTVs replaced by new business with lower LTVs
  - In some cases declines in market values – LTV impacts largely compensated by regular/special amortisations on portfolio level
  - Providing solid risk buffer
  - Only relatively small deviations between regions and property types
- **EL classification** stable, following a more conservative calibration of risk parameters in Q4/19
- **COVID-19 effects** not yet fully reflected – delayed effects expected

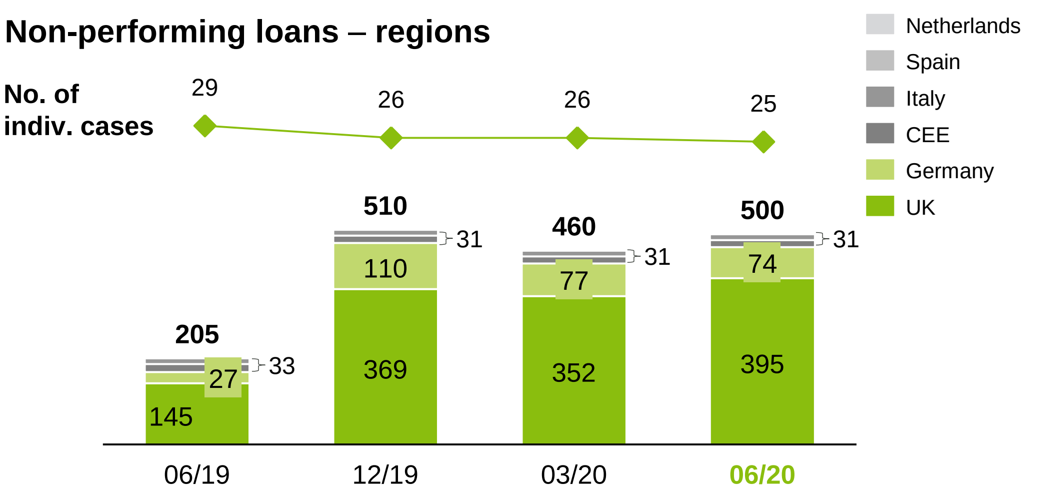
Note: Figures may not add up due to rounding 1 Based on performing investment loans only, values not reflecting COVID-19 effects 2 EL classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade,

Portfolio
NPLs remain on low level

Non-performing loans
€ mn (EaD, Basel III)



Non-performing loans – regions



Key drivers Q2/H1 2020

- **Non-performing loans** (NPLs) up by € 40 mn in Q2/20 (06/20: € 500 mn)
  - **Restructuring loans** up to € 486 mn (03/20: € 445 mn)
    - € 53 mn newly added UK loan (Hotel) triggered by performance covenant breach, but no provisioning required due to sufficient collateral (cash trapped, loan amount well covered by current property value even considering sale under pressure)
    - € 13 mn reduction from FX effects (GBP) and repayments
    - € 67 mn ECA covered loan already successfully restructured, but still in probationary period (“Wohlverhaltensphase”)
  - **Workout loans** stable at only € 14 mn (03/20: € 15 mn)
  - **NPL ratio**[3] of 0.9% remains on low level (03/20: 0.8%)
- In some cases **forbearance** measures agreed (= extensions of amortisations) upon request of customers
  - Waivers from COVID-19 mostly related to changes in covenant structures and delay ("Stundung") of amortisation
  - Focus on individual solutions helping clients over present COVID-19 situation – agreements often include support elements from sponsor side
  - Strict adherence to pbb’s overall risk standards

Note: Figures may not add up due to rounding 1 Internal PD class 30: No signs that the deal will recover soon, compulsory measures necessary 2 Internal PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply
3 NPL ratio = NPL volume / total assets

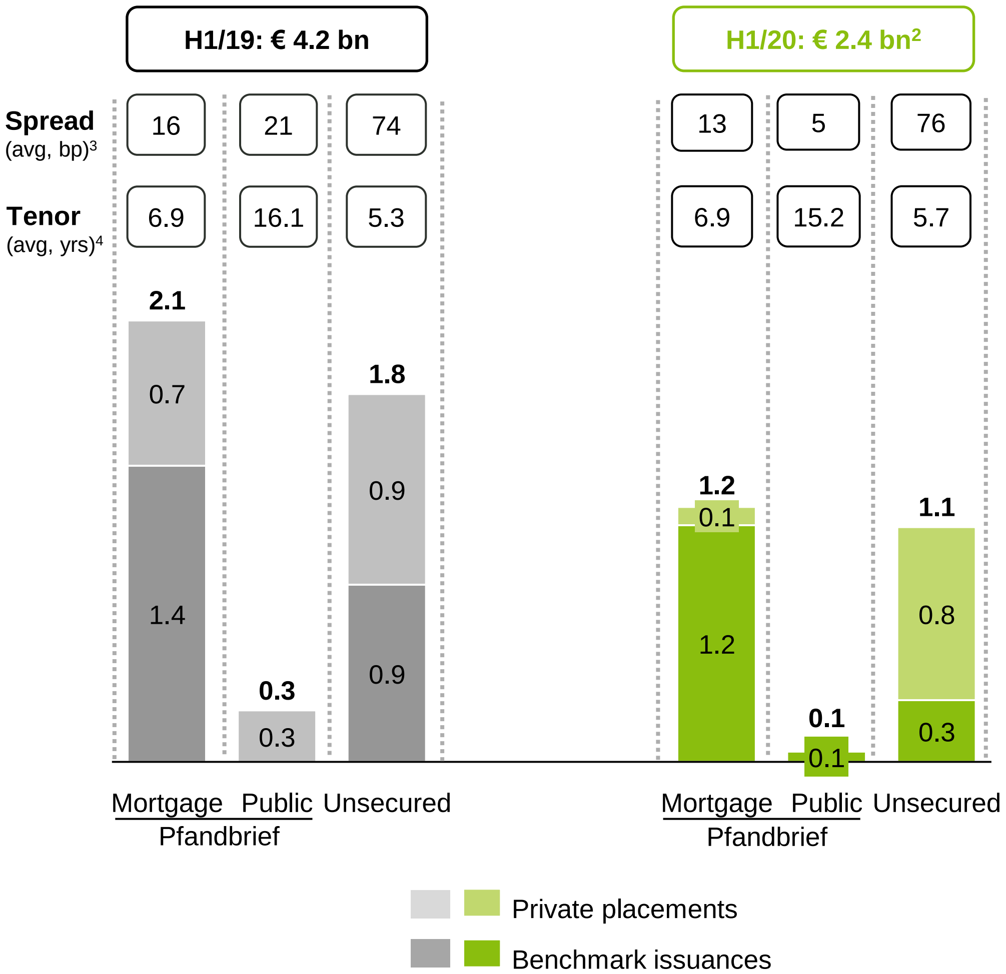
Agenda

Funding

Strong funding activities pre COVID-19 pandemic at attractive levels – further optimised by participation in TLTRO III

New long-term funding[1]

€ bn



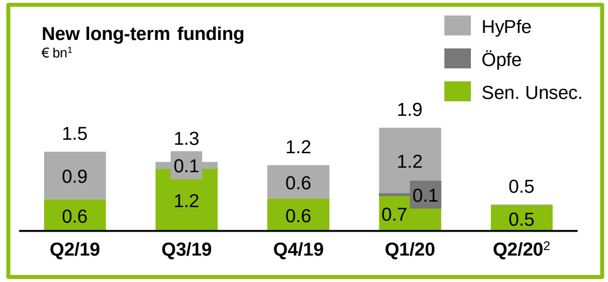
Funding H1/2020

- Strong **funding activities** at relatively stable avg. **funding spreads** y-o-y – H1/20 **funding targets** fully met
  - **Pfandbrief** volume optimised with respect to TLTRO III funding
    - € 1.2 bn (one € 750 mn benchmark plus taps)
    - SEK 400 mn Mortgage Pfandbrief issued in January
    - € 1.4 bn "own use" issued as collateral for TLTRO III
  - **Senior Unsecured** issuance with strong focus on senior preferred bonds in both EUR and SEK
    - € 0.3 bn floater benchmark issued in January
    - Strong private placement activities with € 0.7 bn
    - SEK 1.3 bn issued in three bonds
- € 7.5 bn participation in **TLTRO III** to optimise funding costs
- **pbb direkt** – total volume stable at € 2.8 bn (12/19: € 2.8 bn); average maturity[5] decreased slightly to 3.9 years (12/19: 4.2 yrs)
- **ALM profile** and **liquidity position** remain comfortable (NSFR >100%; LCR >150%)

Note: Figures may not add up due to rounding   1 Excl. retail deposit business   2 Excl. "own use" Pfandbriefe issued as collateral for TLTRO III   3 vs. 3M Euribor   4 Initial weighted average maturity   5 Initial weighted average maturity of term deposits

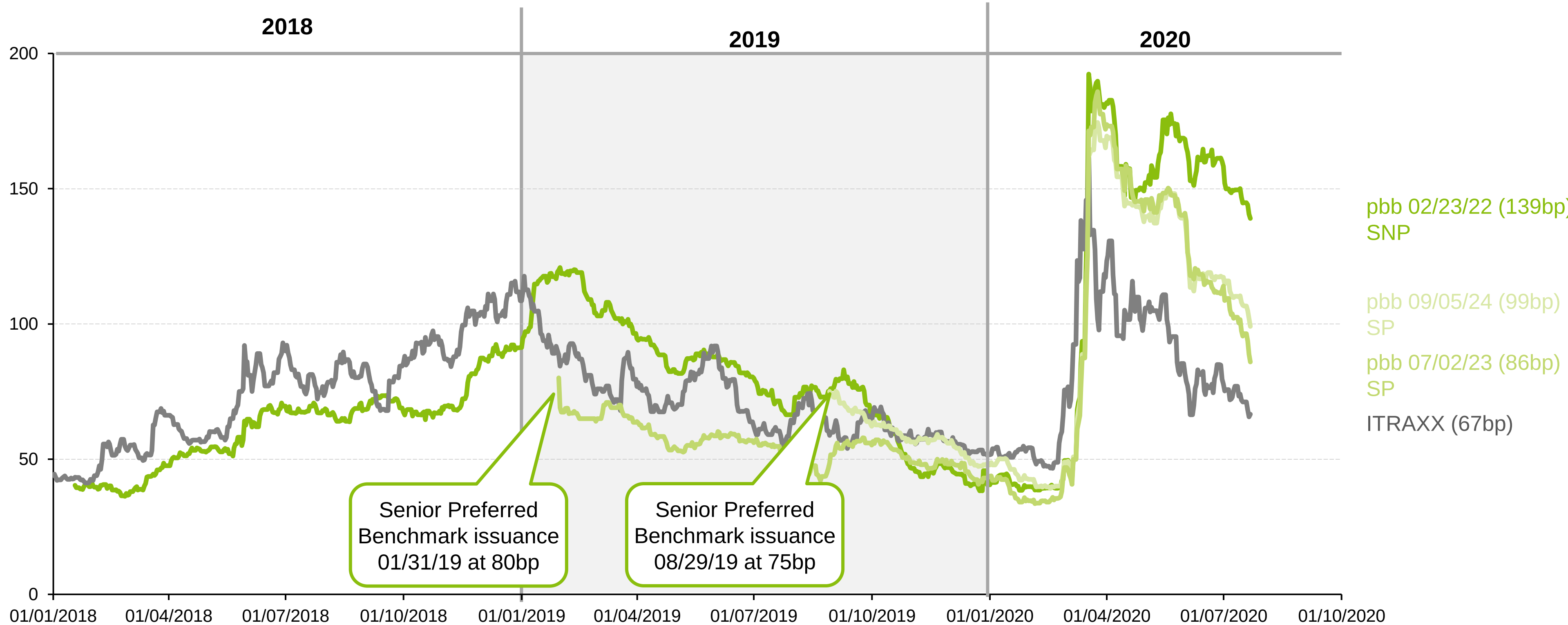
Funding

Secondary market spreads stabilized after COVID-19 widening in March



Spread development of pbb Senior Benchmarks vs iTraxx Bank Senior

(Spread in bp vs. 6m Euribor)



Source: Bloomberg 1 Excl. money market and deposit business 2 Excl. "own use" Pfandbriefe issued as collateral for TLTRO III

Funding

Strong buffers from pre- COVID-19 pandemic funding activities and new funding provide for sufficient liquidity position into 2021 – attractive substitutes to wholesale funding available

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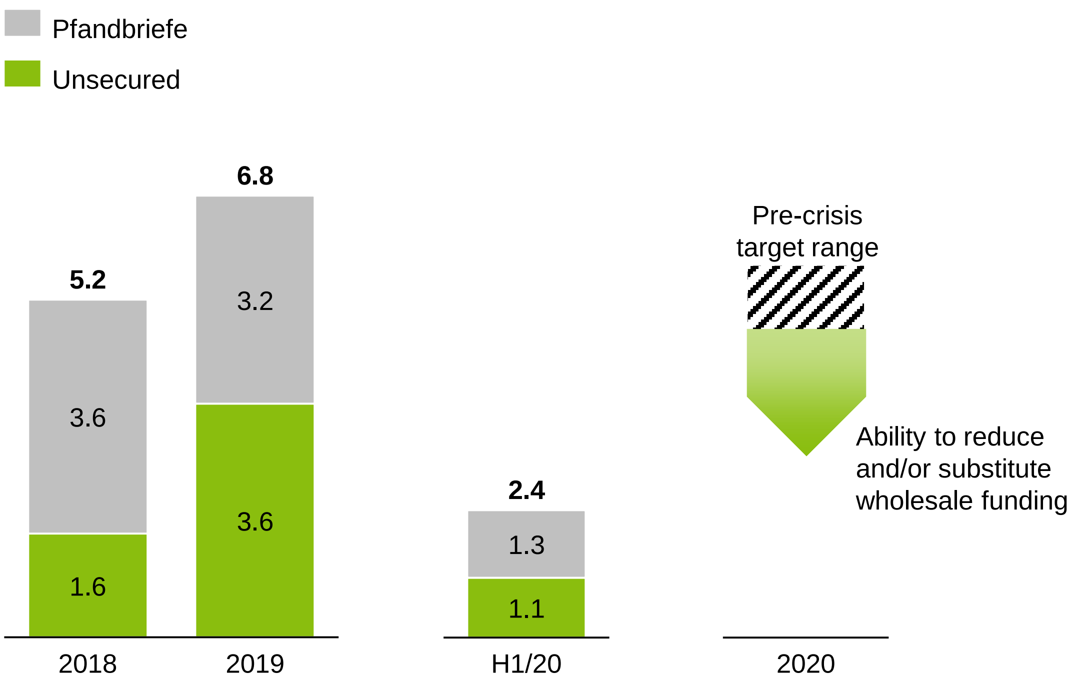
New long-term funding[1]

€ bn

Funding surplus from 2019, esp. unsecured → **Strong funding in H1/20[2]** → **Reduced need for wholesale funding**



Note: Figures may not add up due to rounding 1 Wholesale funding only, excl. retail deposit business
2 Excl. "own used" Pfandbriefe issued as collateral for TLTRO III

Strong liquidity buffers

- No major impact from **credit lines** – pbb's business model not exposed to corporates drawing down liquidity
- **LCR** remains well above 150%
- **Liquidity reserve** sufficient to cover even internal stress test well beyond 6 months

Attractive funding sources available

- **Pfandbriefe** being a resilient funding source – market is open and absorption of covered bonds by ECB (both, through QE and TLTRO) keeps costs down
- Strong demand for **Private Placements** (focus on senior preferred)
- **Retail deposit** funding channels established and scalable
  - In 2019, deposit volume reduced as wholesale senior unsecured funding was cheaper
  - In 2020, wholesale funding need can be reduced by increasing deposit base again
- **TLTRO III** provides an attractive (currently as low as -1.00%) and flexible source of funding (maturities until March 2024, flexible repayment possible after one year)
- **USD** funding via ECB at attractive rates

H2/20 funding plans depending on market conditions

- Limited Senior Preferred demand to be covered by **Private Placements**
- Euro-**Pfandbriefe** used as collateral for TLTRO III (possibly USD/GBP issues to match currencies)
- Framework in place for issuance of **Green Bonds** – inaugural Benchmark issuance depending on market sentiment, in context of limited unsecured funding needs

Agenda

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1. **Highlights**
2. **Markets**
3. **Financials**
4. **New Business & Segment Reporting**
5. **Portfolio Profile**
6. **Funding**
7. **Capital**
8. **Summary & Outlook**

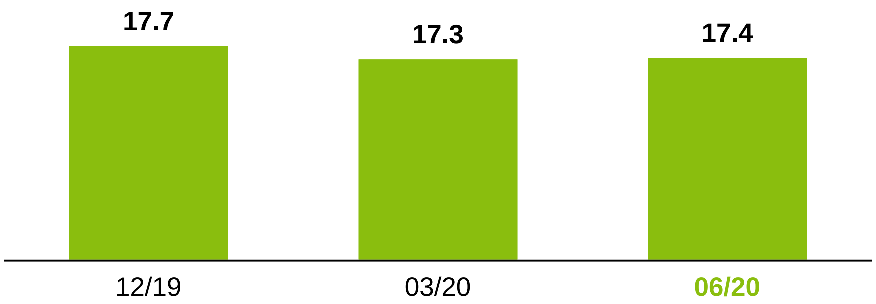
Appendix
Contact details

Capital

Capitalisation remains strong

Basel III: RWA

€ bn (IFRS)



RWA development Q2/H1 2020:

- RWA slightly up by € 0.1 bn q-o-q, mainly due to technical effects (e.g. regular reviews, reclassification effects)
- Further slight increase of RWA expected till year-end due to COVID-19 driven reclassification effects

Basel III: Equity and capital ratios

(IFRS)

Capital in € bn	12/19 reported	12/19 full profit retention[1]	03/20[2]	06/20[2]
CET 1	2.7	2.8	2.8	2.7
AT 1	0.3	0.3	0.3	0.3
Tier 2	0.6	0.6	0.6	0.6
Total Equity	**3.6**	**3.7**	**3.7**	**3.7**

Capital ratios in %	12/19 reported	12/19 full profit retention[1]	03/20[2]	06/20[2]
CET 1	15.2	15.9	16.3	15.8
Tier 1	16.9	17.5	18.0	17.5
Own funds	20.4	21.1	21.6	21.1
Leverage ratio	5.4	5.6	5.6	5.1

Capital ratios:

- CET 1 ratio slightly down to 15.8%[2] (03/20: 16.3%), mainly reflecting decrease in regulatory CET 1 capital resulting from AT1 coupon payment and EL shortfall

SREP requirements 2020:

- SREP requirements:
  - CET 1 ratio: 9.5%
  - Tier 1 ratio: 11.0%
  - Own funds ratio: 13.0%
- ECB's Banking Supervisory Committee lowered requirements due to COVID-19 as of 12.03.2020 with 1.09%-pts CET1-relief for pbb
- Anticipated countercyclical buffer stable at 45bp

Note: Figures may not add up due to rounding
1 Retrospectively adjusted, incl. full-year result 2019, based on resolution of AGM to allocate the distributable profit 2019 to other revenue reserves on 28 May 2020   2 Excl. interim result, incl. full-year result 2019

Agenda

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Summary & Outlook

pbb confident to achieve a solid positive full-year result 2020

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Solid **operating performance supported further risk provisioning in Q2/20**

- **NII** remains robust while **operating costs** are under control
- **Risk provisioning** mainly driven by downwardly revised economic assumptions in the light of COVID-19 pandemic (stages 1&2)

pbb is confident to achieve a solid positive **full-year result 2020**, despite significant uncertainty from COVID-19

Following **developments expected for H2/20:**

- **New business** to increase vs. H1/20 at continued higher margin levels – as prepayments are expected to remain low, the strategic **REF financing volume** should slightly increase
- **NII** to slightly increase – positive effects from slight increase of REF financing volume, lower refinancing costs and income from ECB's targeted longer-term refinancing operations (TLTRO III);
prepayment fees to stay low
- **GAE** lower vs. H1/20, resulting in a slightly lower full-year level compared to prior year
- Assuming no further significant overall economic deterioration, no substantial additions to **risk provisioning** in stage 1&2 expected; currently, no evidence of any strong increase in stage 3, but overall significant uncertainty persists
  - In general, pbb conservatively positioned – good risk profile with low LTVs and high risk buffers as well as solid capitalisation
  - Further anticipated risk provisioning manageable based on current assessment
- pbb continues to work on **cost efficiency** and **digitalisation** – investments in digitalisation to be continued

pbb follows **ECB recommendation** to adjourn dividend decision – general **dividend policy** with 50% regular plus 25% supplementary payout-ratio[1] for 2020-2022 maintained, subject to ongoing review

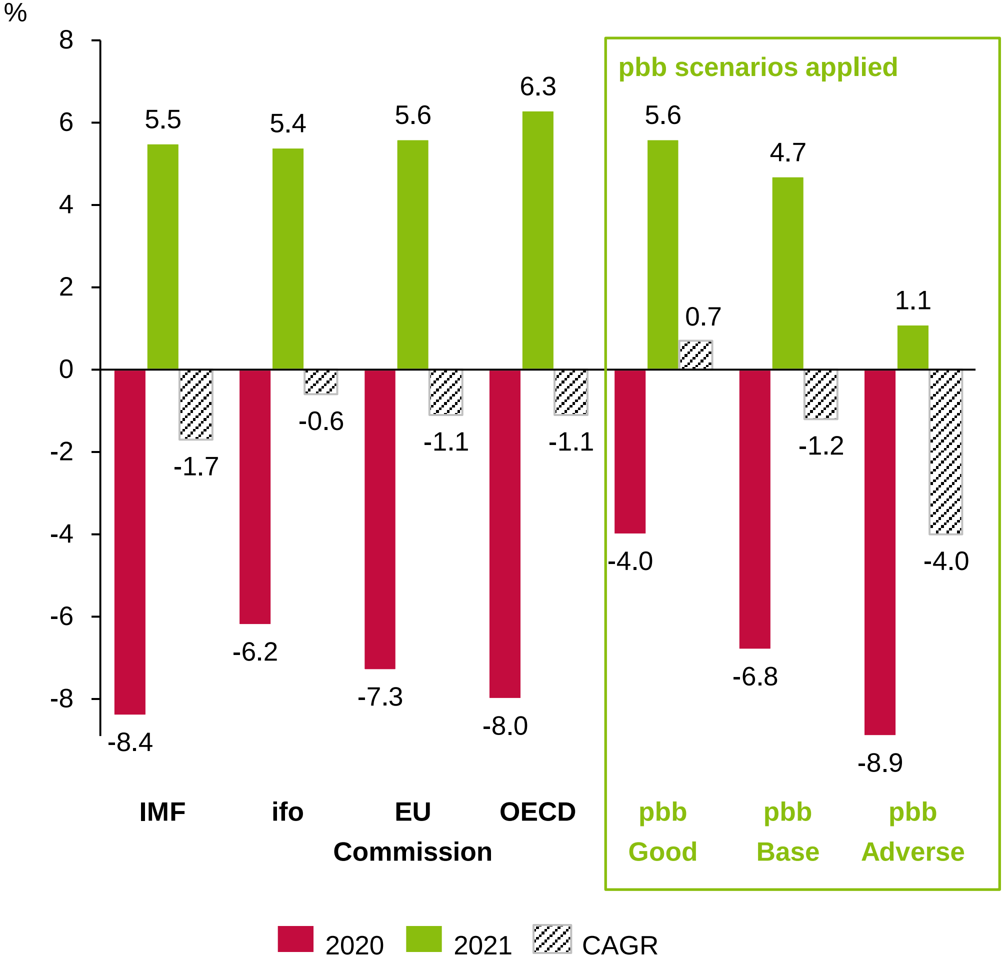
1 Based on PAT after AT1 coupon

Appendix

Markets

Economic researchers suggest V-shape development of GDPs with strong recovery starting already in H2/20 – further adjustment of pbb scenarios compared to Q1/20

GDP forecasts – pbb portfolio weighted



Q2/20:

- Peak of infections in April/May, gradual exit from lockdown has begun. Local outbreaks are brought quickly under control without economic harm
- Following a record GDP decline in the Euro area by 3.6% in Q1 (vs. Q4/19), low point of the cycle with a massive economic contraction expected in Q2
- An estimated one quarter of all private sector employees across the OECD (about 60mn people) benefit from government-supported "short-term" employment, which has softened the rise in unemployment so far

H2/20:

- As lockdown restrictions are gradually lifted across Europe and cross-border travel resumes, GDP growth bounces back strongly, supported by unprecedented fiscal stimulus
- This stimulus has temporarily replaced lost income, prevented a spike in unemployment and default rates thanks to short-term work schemes and state-guaranteed loans. However, it has also led to significantly higher public debt ratios. Yields do not rise much as the ECB's bond buying programmes keeps funding costs low
- The recovery is initially led by private consumption, as industrial production and exports that depend on foreign demand take longer to normalize.

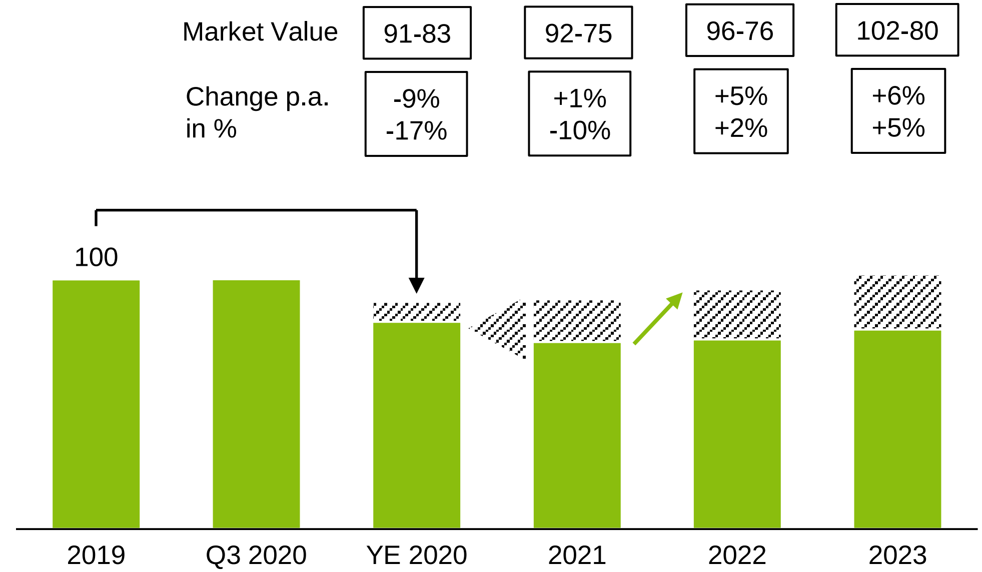
2021

- Economic growth continues to recover strongly in Europe, led by consumption and business investment. Although the labour market improves, the unemployment rate remains above its pre-corona-level
- Budget deficits begin to narrow but public finances remain in worse shape than before the crisis; ECB monetary policy remains easy, but gradual phasing out of the emergency bond buying programme

Source: pbb / Broker Research – pbb portfolio weighted, Bloomberg

Property market values expected to decline significantly in pbb‘s portfolio end of 2020 – similar patterns with different pace of recovery until 2023

Development of market values – pbb estimates



Ranges due to scenarios (good/base/adverse), regions and property types

Q3 2020

- Only small realised changes expected due to low transaction volumes

YE 2020

- More significant changes expected to become visible by end of 2020 inter alia depending on further developments of COVID-19 pandemic and effectiveness of state aid measures

2021

- “Good” scenario generically derived from “Base” (+2%-pts)
- Spread in “Base” scenario is derived from “V-shape” assumption and increase in 2nd year
- “Adverse” scenario reflects more “U-type” shift with spread in value development from -5% to -25%

Source: pbb, Property Market Analysis LLP (PMA)

Key figures
pbb Group

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Income statement (€ mn)	2017	2018	Q1/19	Q2/19	H1/19	2019	Q1/20	Q2/20	H1/20
Net interest income	407	450	116	113	229	458	111	117	228
Net fee and commission income	8	6	1	2	3	6	2	1	3
Net income from fair value measurement	-5	-9	-2	-5	-7	-7	-17	1	-16
Net income from realisations	45	32	6	10	16	48	14	2	16
Net income from hedge accounting	-1	-1	-1	-	-1	-2	-1	-1	-2
Net other operating income	-1	-7	-1	-1	-2	3	1	3	4
Operating Income	**453**	**471**	**119**	**119**	**238**	**506**	**110**	**123**	**233**
Net income from risk provisioning	-10	-14	-1	1	-	-49	-34	-36	-70
General and administrative expenses	-199	-193	-46	-47	-93	-202	-48	-49	-97
Expenses from bank levies and similar dues	-28	-25	-21	-1	-22	-24	-21	-4	-25
Net income from write-downs and write-ups on non-financial assets	-14	-15	-4	-4	-8	-18	-5	-5	-10
Net income from restructuring	2	-9	1	1	2	3	-	-	-
Pre-tax profit	**204**	**215**	**48**	**69**	**117**	**216**	**2**	**29**	**31**
Income taxes	-22	-36	-8	-10	-18	-37	-	-8	-8
Net income	**182**	**179**	**40**	**59**	**99**	**179**	**2**	**21**	**23**

Key ratios (%)	2017	2018	Q1/19	Q2/19	H1/19	2019	Q1/20	Q2/20	H1/20
CIR[1]	47.0	44.2	42.0	42.9	42.4	43.5	48.2	43.9	45.9
RoE before tax	7.3	7.1	6.0	9.0	7.6	6.9	-0.3	3.4	1.6
RoE after tax	6.5	5.9	4.9	7.6	6.3	5.7	-0.3	2.3	1.0

Balance sheet (€ bn)	12/17	12/18	03/19	06/19	06/19	12/19	03/20	06/20	06/20
Total assets	58.0	57.8	60.3	60.1	60.1	56.8	56.6	60.7	60.7
Equity	2.9	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2
Financing volume	45.7	46.4	47.1	46.4	46.4	45.5	45.0	44.5	44.5

Regulatory capital ratios[2]	12/17	12/18	03/19	06/19	06/19	12/19	03/20	06/20	06/20
RWA (€ bn)	14.5	14.6	14.3	13.6	13.6	17.7	17.3	17.4	17.4
CET 1 ratio – phase in (%)	17.6[3]	18.5[3]	18.8[4]	19.4[5]	19.4[7]	15.9[6]	16.3[7]	15.8[7]	15.8[7]

Personnel	12/17	12/18	03/19	06/19	06/19	12/19	03/20	06/20	06/20
Employees (FTE)	744	750	743	746	746	752	749	763	763

Note: annual results 2017, 2018 and 2019 audited, interim results Q1/19 unaudited, interim results Q2/19 & Q2/20 reviewed
1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Basel III transition rules 3 Incl. full-year result, post dividend 4 Excl. interim result, post dividend 2018 5 Excl. interim result
6 Adjusted, incl. full-year result 2019, based on resolution of AGM to allocate the distributable profit 2019 to other revenue reserves on 28 May 2020 7 Excl. interim result, incl. full-year result 2019

Key figures
pbb Group H1/19 vs. H1/20

Income statement (€ mn)	REF		PIF		VP		C&A		pbb Group	
	H1/19	H1/20	H1/19	H1/20	H1/19	H1/20	H1/19	H1/20	H1/19	H1/20
Net interest income	194	189	18	19	15	18	2	2	229	228
Net fee and commission income	3	3	-	-	-	-	-	-	3	3
Net income from fair value measurement	-5	-3	-1	-1	-1	-12	-	-	-7	-16
Net income from realisations	17	13	-	1	-1	2	-	-	16	16
Net income from hedge accounting	-	-1	-	-	-1	-1	-	-	-1	-2
Net other operating income	-	7	-1	1	-1	-4	-	-	-2	4
Operating Income	**209**	**208**	**16**	**20**	**11**	**3**	**2**	**2**	**238**	**233**
Net income from risk provisioning	-2	-72	-	-	2	2	-	-	-	-70
General and administrative expenses	-76	-83	-11	-9	-6	-5	-	-	-93	-97
Expenses from bank levies and similar dues	-13	-15	-3	-3	-6	-7	-	-	-22	-25
Net income from write-downs and write-ups on non-financial assets	-7	-8	-1	-1	-	-1	-	-	-8	-10
Net income from restructuring	2	-	-	-	-	-	-	-	2	-
Pre-tax profit	**113**	**30**	**1**	**7**	**1**	**-8**	**2**	**2**	**117**	**31**

Key figures
Real Estate Finance (REF)

DEUTSCHE PFANDBRIEFBANK

Income statement (€ mn)	**2017[3]**	**2018**	**Q1/19[4,5]**	**Q2/19[5]**	**H1/19[5]**	**2019[5]**	**Q1/20**	**Q2/20**	**H1/20**
Net interest income	334	372	98	96	194	388	93	96	189
Net fee and commission income	9	6	1	2	3	7	2	1	3
Net income from fair value measurement	-	-8	-	-5	-5	-8	-4	1	-3
Net income from realisations	45	27	6	11	17	48	11	2	13
Net income from hedge accounting	-1	-1	-1	1	-	-1	-1	-	-1
Net other operating income	-19	-5	-1	1	-	2	2	5	7
Operating Income	**368**	**391**	**103**	**106**	**209**	**436**	**103**	**105**	**208**
Net income from risk provisioning	-8	-22	-2	-	-2	-57	-33	-39	-72
General and administrative expenses	-158	-154	-37	-39	-76	-164	-41	-42	-83
Expenses from bank levies and similar dues	-15	-14	-12	-1	-13	-14	-12	-3	-15
Net income from write-downs and write-ups on non-financial assets	-12	-12	-3	-4	-7	-15	-4	-4	-8
Net income from restructuring	2	-7	1	1	2	3	-	-	-
Pre-tax profit	**177**	**182**	**50**	**63**	**113**	**189**	**13**	**17**	**30**

Key ratios (%)	**2017**	**2018**	**Q1/19**	**Q2/19**	**H1/19**	**2019**	**Q1/20**	**Q2/20**	**H1/20**
CIR[1]	46.2	42.5	38.8	40.6	39.7	41.1	43.7	43.8	43.8
RoE before tax	15.4	12.9	12.6	15.1	14.1	11.3	2.4	3.4	2.9

Key figures (€ bn)	**12/17**	**12/18**	**03/19**	**06/19**	**06/19**	**12/19**	**03/20**	**06/20**	**06/20**
Equity[2]	1.2	1.4	1.4	1.3	1.3	1.7	1.7	1.7	1.7
RWA	8,3	8.3	8.0	7.7	7.7	15.8	15.4	15.5	15.5
Financing volume	24.9	26.8	27.8	27.7	27.7	27.1	26.8	26.7	26.7

Note: annual results 2017, 2018 and 2019 audited, interim results Q1/19 unaudited, interim results Q2/19 & Q2/20 reviewed
1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Equity now allocated according to going concern view instead of liquidation approach 3 Adjusted acc. to IFRS 8.29
4 Segment allocation of net income from realisations retrospectively adjusted 5 Segment allocation of net interest income and equity, retrospectively adjusted

Key figures
Public Investment Finance (PIF)

Income statement (€ mn)	2017[3]	2018	Q1/19[4,5]	Q2/19[5]	H1/19[5]	2019[5]	Q1/20	Q2/20	H1/20
Net interest income	30	34	9	9	18	37	9	10	19
Net fee and commission income	-	1	-	-	-	-	-	-	-
Net income from fair value measurement	-2	-2	-	-1	-1	-2	-1	-	-1
Net income from realisations	-	5	-	-	-	1	1	-	1
Net income from hedge accounting	-	-	-	-	-	-	-	-	-
Net other operating income	-2	-	-	-1	-1	-	-	1	1
Operating Income	**26**	**38**	**9**	**7**	**16**	**36**	**9**	**11**	**20**
Net income from risk provisioning	-6	4	-	-	-	-	-	-	-
General and administrative expenses	-27	-27	-6	-5	-11	-25	-4	-5	-9
Expenses from bank levies and similar dues	-4	-4	-3	-	-3	-3	-3	-	-3
Net income from write-downs and write-ups on non-financial assets	-1	-2	-1	-	-1	-2	-1	-	-1
Net income from restructuring	-	-1	-	-	-	-	-	-	-
Pre-tax profit	**-12**	**8**	**-1**	**2**	**1**	**6**	**1**	**6**	**7**

Key ratios (%)	2017	2018	Q1/19	Q2/19	H1/19	2019	Q1/20	Q2/20	H1/20
CIR[1]	>100	76.3	77.8	71.4	75.0	75.0	55.6	45.5	50.0
RoE before tax	-8.0	5.4	-3.5	3.3	0.5	2.7	1.6	11.4	6.6

Key figures (€ bn)	12/17	12/18	03/19	06/19	06/19	12/19	03/20	06/20	06/20
Equity[2]	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
RWA	1.6	1.4	1.4	1.5	1.5	0.8	0.8	0.8	0.8
Financing volume	7.0	6.4	6.4	6.4	6.4	6.3	6.3	6.0	6.0

Note: annual results 2017, 2018 and 2019 audited, interim results Q1/19 unaudited, interim results Q2/19 & Q2/20 reviewed
1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Equity now allocated according to going concern view instead of liquidation approach 3 Adjusted acc. to IFRS 8.29
4 Segment allocation of net income from realisations retrospectively adjusted 5 Segment allocation of net interest income and equity, retrospectively adjusted

Key figures
Value Portfolio (VP)

DEUTSCHE PFANDBRIEFBANK

Income statement (€ mn)	2017[3]	2018	Q1/19[4,5]	Q2/19[5]	H1/19	2019[5]	Q1/20	Q2/20	H1/20
Net interest income	37	39	8	7	15	29	8	10	18
Net fee and commission income	-1	-1	-	-	-	-1	-	-	-
Net income from fair value measurement	-3	1	-2	1	-1	3	-12	-	-12
Net income from realisations	-	-	-	-1	-1	-1	2	-	2
Net income from hedge accounting	-	-	-	-1	-1	-1	-	-	-1
Net other operating income	20	-2	-	-1	-1	1	-1	-1	-4
Operating Income	**53**	**37**	**6**	**5**	**11**	**30**	**-3**	**3**	**3**
Net income from risk provisioning	4	4	1	1	2	8	-1	3	2
General and administrative expenses	-14	-12	-3	-3	-6	-13	-3	-2	-5
Expenses from bank levies and similar dues	-9	-7	-6	-	-6	-7	-6	-1	-7
Net income from write-downs and write-ups on non-financial assets	-1	-1	-	-	-	-1	-	-1	-1
Net income from restructuring	-	-1	-	-	-	-	-	-	-
Pre-tax profit	**33**	**20**	**-2**	**3**	**1**	**17**	**-13**	**5**	**-8**

Key ratios (%)	2017	2018	Q1/19	Q2/19	H1/19	2019	Q1/20	Q2/20	H1/20
CIR[1]	28.3	35.1	50.0	60.0	54.5	46.7	n/a	50.0	200.0
RoE before tax	2.8	1.4	-1.3	1.1	-0.3	1.7	-9.1	2.8	-3.3

Key figures (€ bn)	12/17	12/18	03/19	06/19	06/19	12/19	03/20	06/20	06/20
Equity[2]	1.1	1.1	1.1	0.9	0.9	0.6	0.6	0.6	0.6
RWA	3.5	4.0	4.0	3.7	3.7	0.5	0.5	0.5	0.5
Financing volume	13.8	13.2	12.9	12.3	12.3	12.1	11.9	11.8	11.8

Note: annual results 2017, 2018 and 2019 audited, interim results Q1/19 unaudited, interim results Q2/19 & Q2/20 reviewed
1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Equity now allocated according to going concern view instead of liquidation approach 3 Adjusted acc. to IFRS 8.29
4 Segment allocation of net income from realisations retrospectively adjusted 5 Segment allocation of net interest income and equity, retrospectively adjusted

Balance sheet

Specialist lender with attractive German Pfandbrief as major funding instrument

Balance sheet

IFRS, € bn

Assets	30/06/20	31/12/19	Liabilities & equity	30/06/20	31/12/19
Financial assets at fair value through P&L	**1.5**	**1.3**	**Financial liabilities at fair value through P&L**	**0.7**	**0.8**
thereof			thereof		
Positive fair values of stand-alone derivatives	0.8	0.7	Negative fair values of stand-alone derivatives	0.7	0.8
Debt securities	0.1	0.1	**Financial liabilities measured at amortised cost**	**54.2**	**49.7**
Loans and advances to customers	0.5	0.5	thereof		
Financial assets at fair value through OCI	**1.7**	**1.7**	Liabilities to other banks (incl. central banks)	10.2	4.2
thereof			thereof		
Debt securities	1.4	1.3	*Registered Mortgage Pfandbriefe*	*0.3*	*0.3*
Loans and advances to customers	0.3	0.4	*Registered Public Pfandbriefe*	*0.4*	*0.3*
Financial assets at amortised cost (after credit loss allowances)	**50.9**	**50.2**	Liabilities to other customers	23.2	24.0
thereof			thereof		
Debt securities	7.7	7.7	*Registered Mortgage Pfandbriefe*	*4.6*	*4.6*
Loans and advances to other banks	3.5	2.4	*Registered Public Pfandbriefe*	*9.7*	*9.9*
Loans and advances to customers	39.6	40.2	Bearer Bonds	20.0	20.9
Positive fair values of hedge accounting derivatives	**1.9**	**2.2**	thereof		
Other assets	**4.7**	**1.4**	*Mortgage Pfandbriefe*	*11.3*	*12.4*
			Public Pfandbriefe	*2.8*	*3.0*
			Subordinated liabilities	0.7	0.7
			Negative fair values of hedge accounting derivatives	**2.1**	**2.6**
			Other liabilities	**0.5**	**0.5**
			Equity (attributable to shareholders)	**2.9**	**2.9**
			AT1-capital	**0.3**	**0.3**
Total Assets	**60.7**	**56.8**	**Total liabilities & equity**	**60.7**	**56.8**

Share of Pfandbriefe of refinancing liabilities

54% / 61%

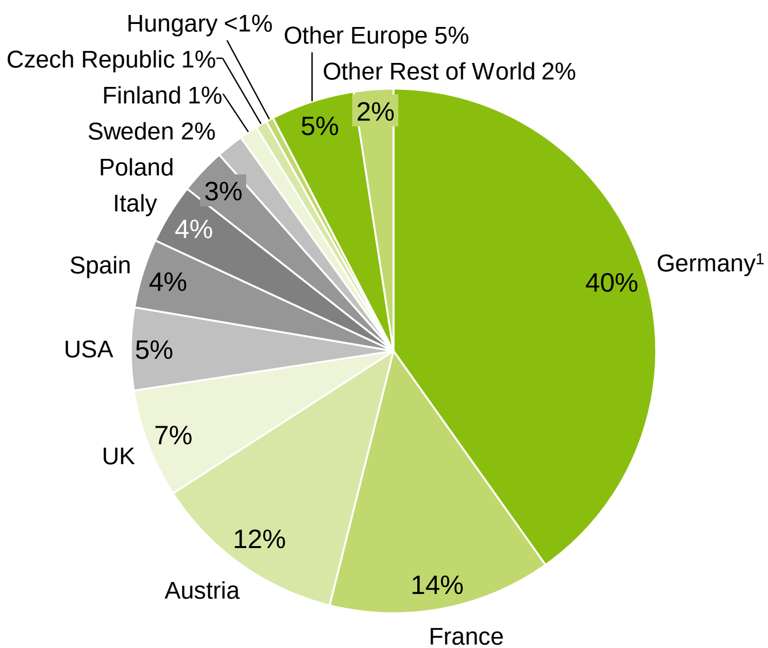
Note: Figures may not add up due to rounding

Portfolio
Total portfolio

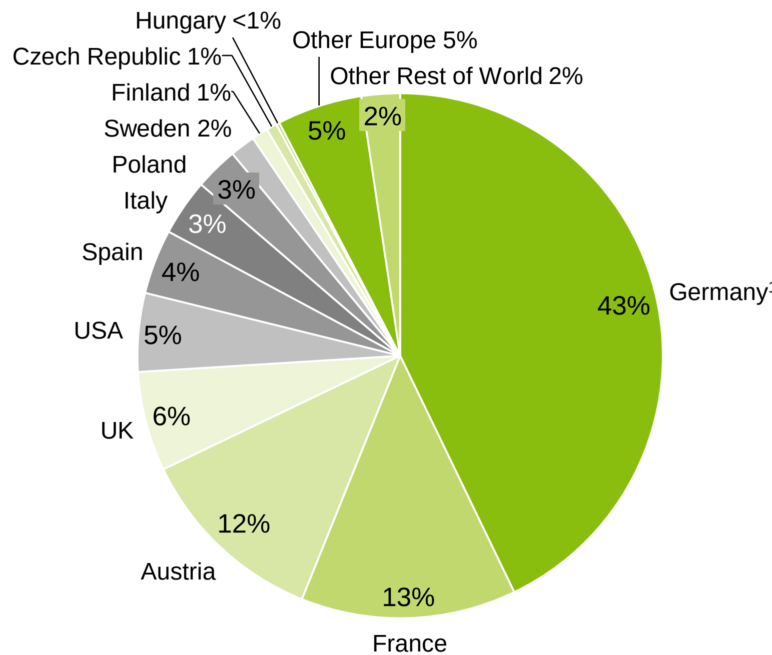
€ bn (EaD, Basel III)

Regions

31/12/2019 / Total: € 55.5 bn



30/06/2020 / Total: € 58.1 bn



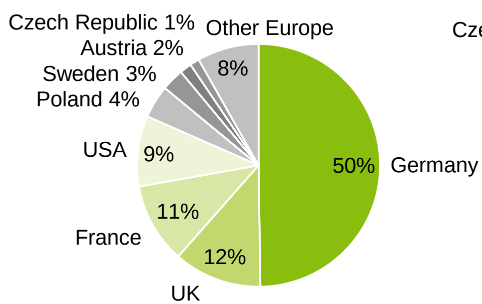
Note: Figures may not add up due to rounding   1 Incl. Bundesbank accounts (12/19: € 1.1 bn; 06/20: € 4.5 bn)

Portfolio
Real Estate Finance (REF)

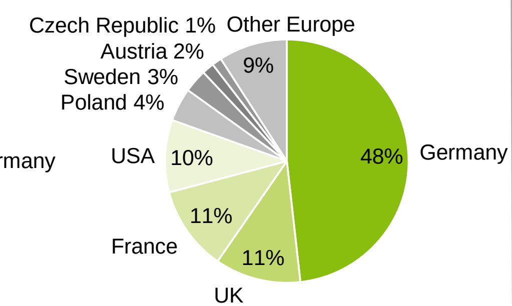
€ bn (EaD, Basel III)

Regions

31/12/2019: € 29.8 bn

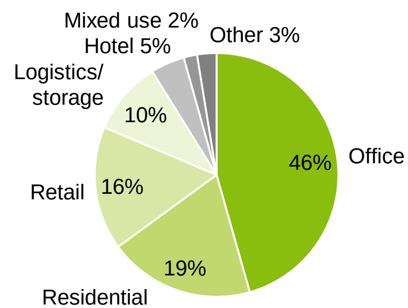


30/06/2020: € 29.2 bn

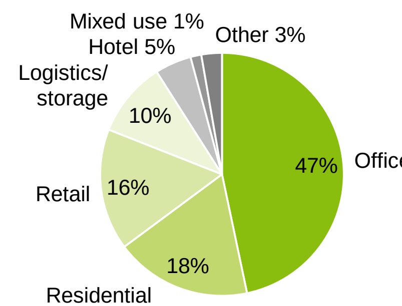


Property types

31/12/2019: € 29.8 bn

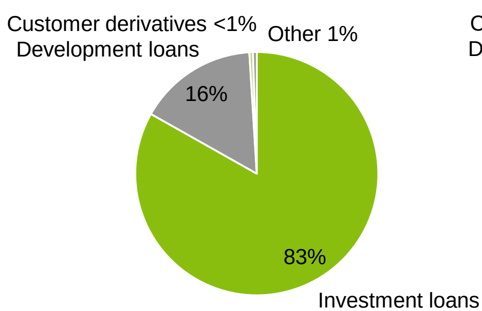


30/06/2020: € 29.2 bn

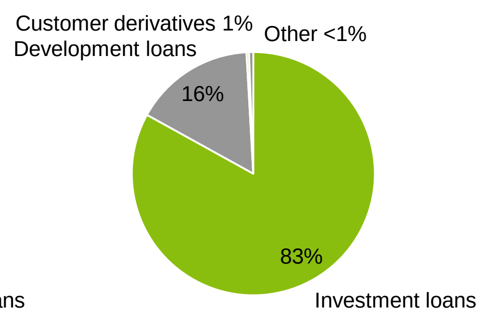


Loan types

31/12/2019: € 29.8 bn

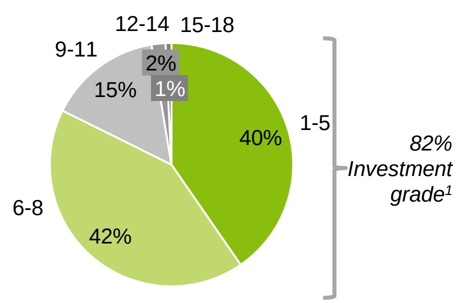


30/06/2020: € 29.2 bn

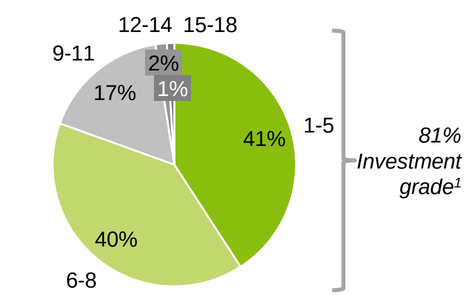


Internal ratings (EL classes)

31/12/2019: € 29.8 bn



30/06/2020: € 29.2 bn

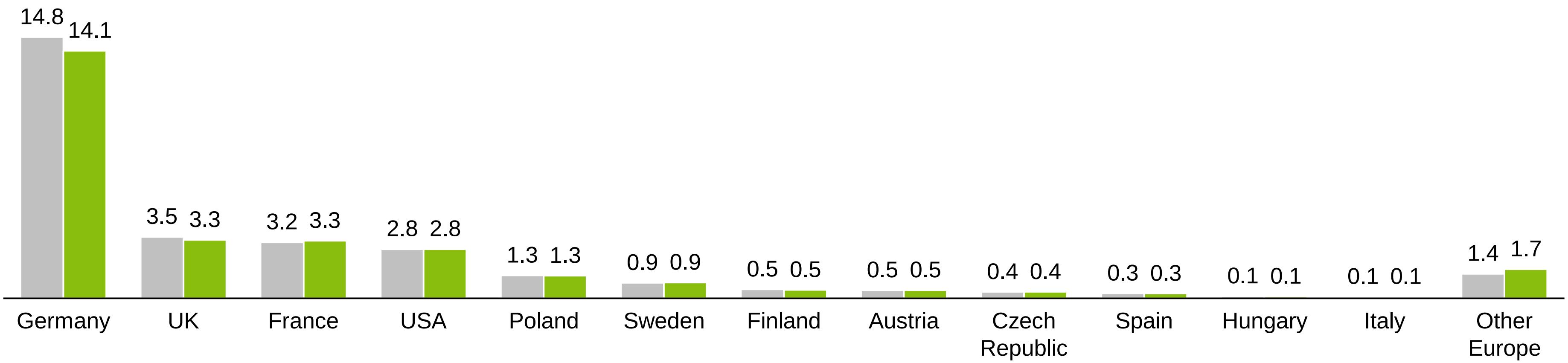


Note: Figures may not add up due to rounding 1 Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade

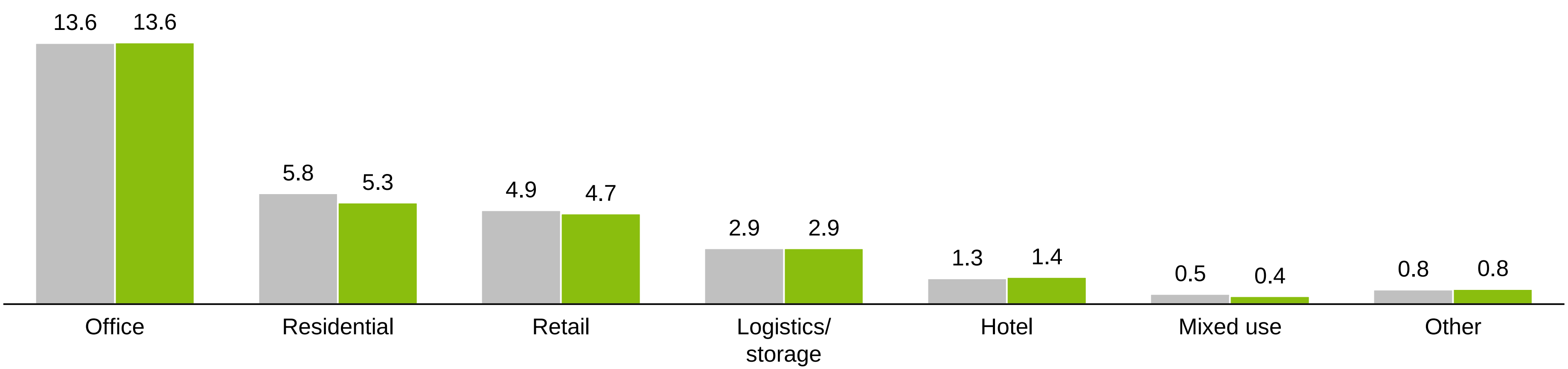
Portfolio
Real Estate Finance (REF)

Regions
€ bn (EaD, Basel III)

31/12/2019 / Total: € 29.8 bn
30/06/2020 / Total: € 29.2 bn



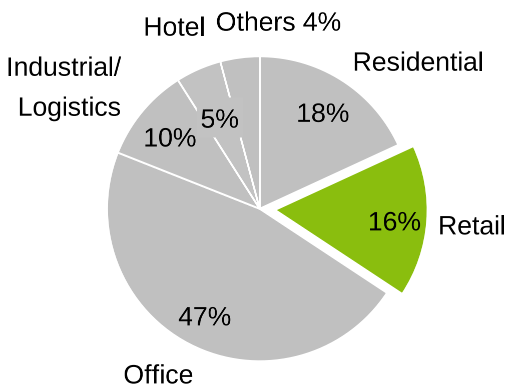
Property types
€ bn (EaD, Basel III)



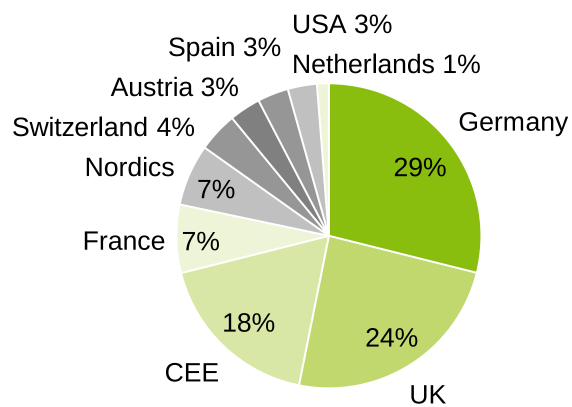
Note: Figures may not add up due to rounding

REF portfolio
Special focus: Retail

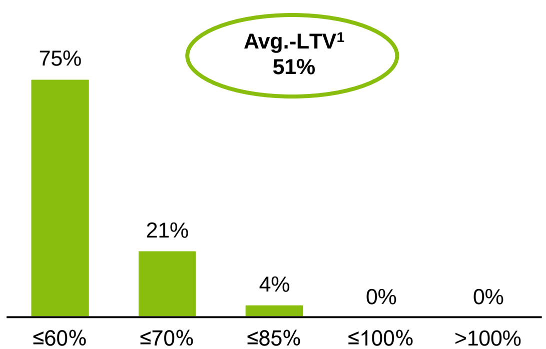
REF portfolio: Property types
30/06/2020: € 29.2 bn (EaD, Basel III)



Retail: Countries
30/06/2020: € 4.7 bn (EaD, Basel III)



Retail portfolio: LTV[1] ratio
30/06/2020: € 4.7 bn (EaD, Basel III)

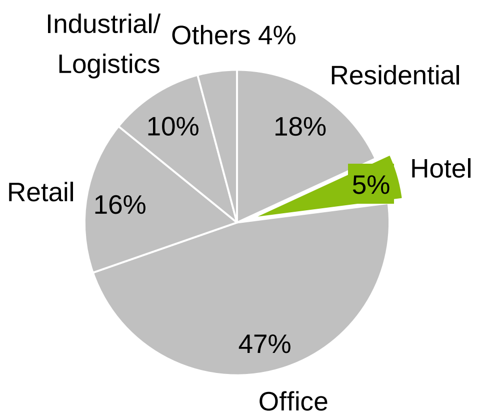


- Structural changes to overall retail segment (e.g. e-Commerce, Brexit) resulted in foresighted reduction of pbb's retail exposure (06/20: 16%; 12/16: 26%); current retail exposure almost completely comprises investments loans
- Main countries Germany, UK and Poland (major part of CEE)
  - UK – Retail Parks, Shopping Centres and Outlet Parks
  - Poland – Local and regional Shopping Malls in larger/mid sized cities
  - Germany – Broad selection of Shopping Malls (mostly owned / operated by market leaders), High Street Shopping, Neighborhood Shopping Centres and Retail Parks
- Average LTV[1] of 51%
- COVID-19 impact varies depending on asset class and country
  - in most countries official lockdown (which mostly have been lifted by now) lead inter alia to hold backs of rent
  - Shopping Centres most impacted as per today
  - recovery differing from country to country/sub-asset class to sub-asset class
  - Food retailing less impacted, Retail Parks mostly with limited impact, Factory Outlet Centres with stronger than expected recovery
- In order to support borrowers in present environment, pbb agreed in some cases to temporary adapt amortisation schedules and covenant structures

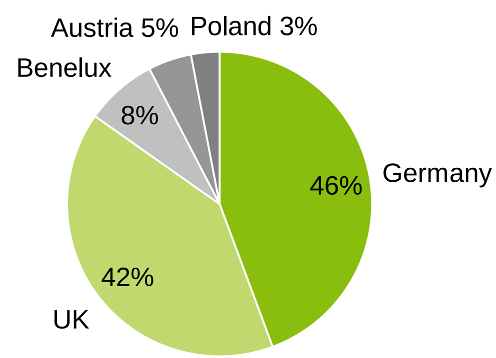
Note: Figures may not add up due to rounding 1 Based on performing investment loans only, values not reflecting corona effects, defaulted transactions excluded from this calculation

REF portfolio
Special focus: Hotel

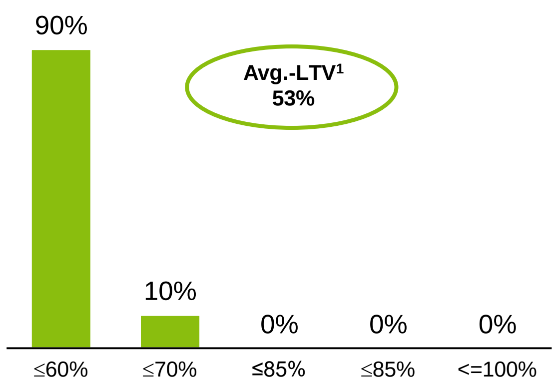
REF portfolio: Property types
30/06/2020: € 29.2 bn (EaD, Basel III)



Hotel: Countries
30/06/2020: € 1.4 bn (EaD, Basel III)



Hotel portfolio: LTV[1] ratio
30/06/2020: € 1.4 bn (EaD, Basel III)

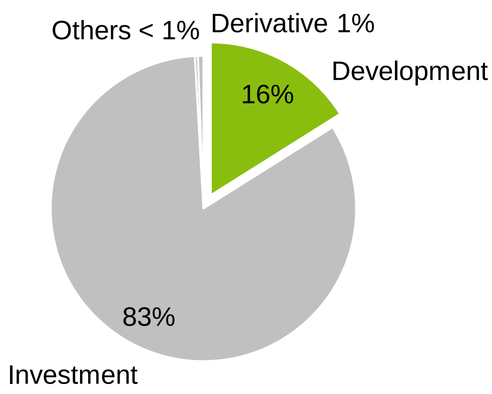


- Focus on business hotels in metropolitan regions of
  - Germany – Frankfurt, Hamburg, Munich, Berlin, Stuttgart
  - Benelux – Luxembourg, Den Haag, Utrecht
  - London and Vienna
- No holiday ressort hotels
- 90% investment loans, only 10% developments
- Typically good sponsor / brand background with established large brands / trademarks
- Average LTV[1] of 53%
- By now, except in UK, most hotels financed by pbb have reopened recently
- Based on prime location / sponsor quality / well-known branding, we generally expect good recovery and stabilisation post COVID-19
- However, further development of pandemic rather influential on timing of recovery, in particular to what extent business travel starts again
- In order to support borrowers, pbb agreed in some cases to temporary adapt amortisation schedules and covenant structures

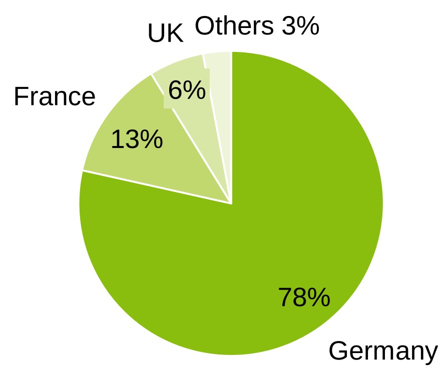
Note: Figures may not add up due to rounding 1 Based on performing investment loans only, values not reflecting corona effects

REF portfolio
Special focus: Developments

REF portfolio: Loan types
30/06/2020: € 29.2 bn (EaD, Basel III)



Developments: Countries
30/06/2020: € 4.7 bn (EaD, Basel III)



- Portfolio share of 16% with focus on Office (53%) and Residential (24%) mainly in Germany (78%) and France (13%)
- Strong risk-mitigating factors:
  - Experienced sponsors
  - 1A locations
  - Excellent infrastructure
  - High pre letting / pre-sales
  - Long stop dates in lease and sales contracts, providing comfortable buffers in terms of construction delays
  - Very extended long-stop dates
  - pbb is very strictly monitoring all our development financings leading to a very high risk transparency on our development exposure
- Loan disbursements strictly linked to respective project and corresponding construction/letting progress
- Fundamental risks resulting from COVID-19:
  - Closure of construction sites
  - Entry restrictions for workers
  - Interruption of supply chain (building material is however often in stock)
  - Tenant's cancellation rights or renegotiation of rents (in the event of a delay in completion)
  - Sales of condominium slowing down/pressure on price level for condominiums

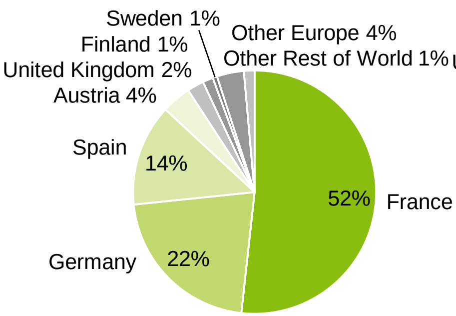
Note: Figures may not add up due to rounding

Portfolio
Public Investment Finance (PIF)

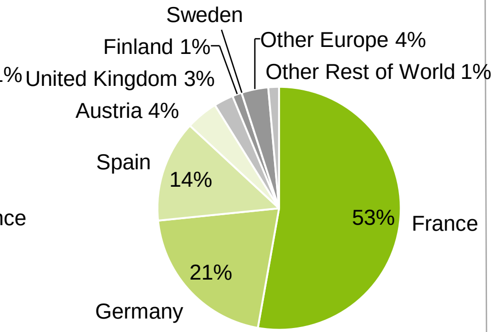
€ bn (EaD, Basel III)

Regions

31/12/2019: € 7.1 bn

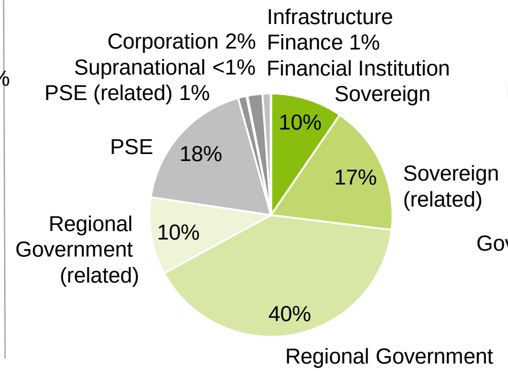


30/06/2020: € 6.8 bn

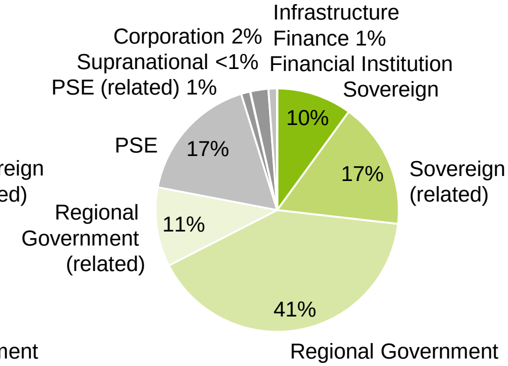


Borrower classification[1]

31/12/2019: € 7.1 bn

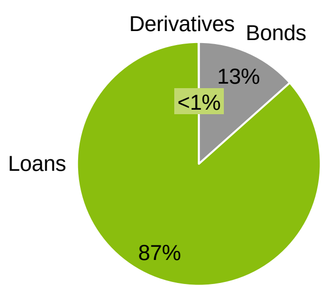


30/06/2020: € 6.8 bn

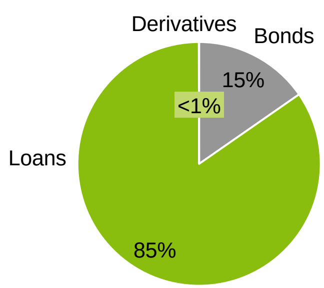


Product class

31/12/2019: € 7.1 bn

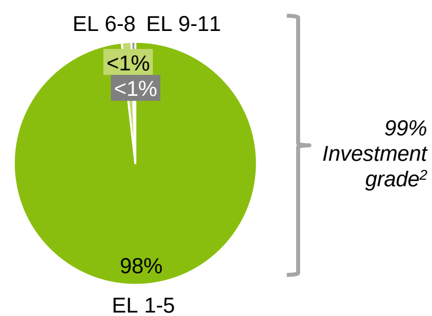


30/06/2020: € 6.8 bn

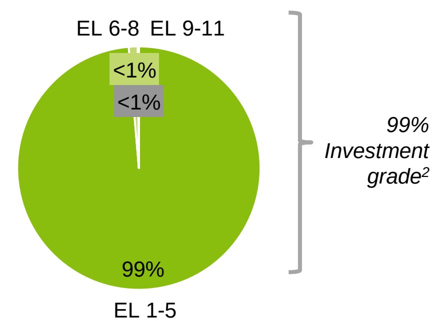


Internal ratings (EL classes)

31/12/2019: € 7.1 bn



30/06/2020: € 6.8 bn

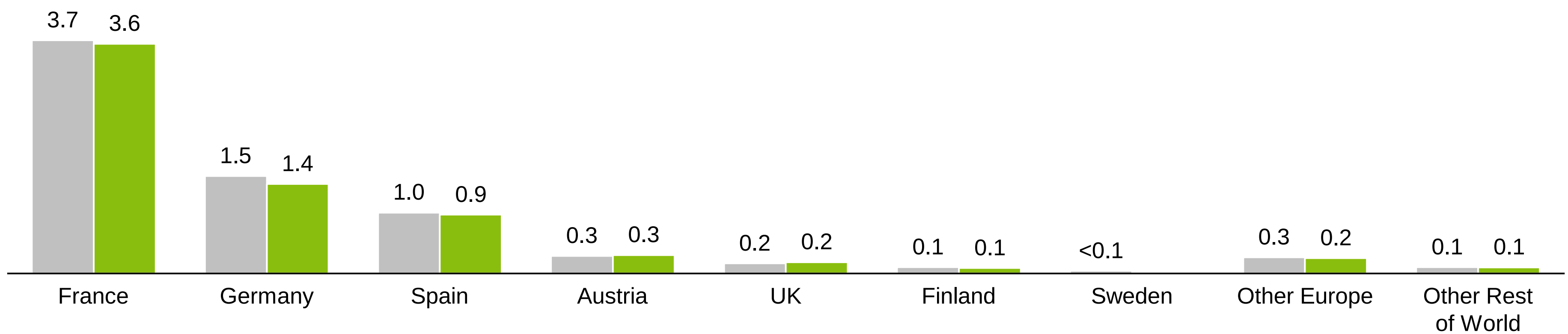


Note: Figures may not add up due to rounding 1 See appendix for definition of borrower classification 2 Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade

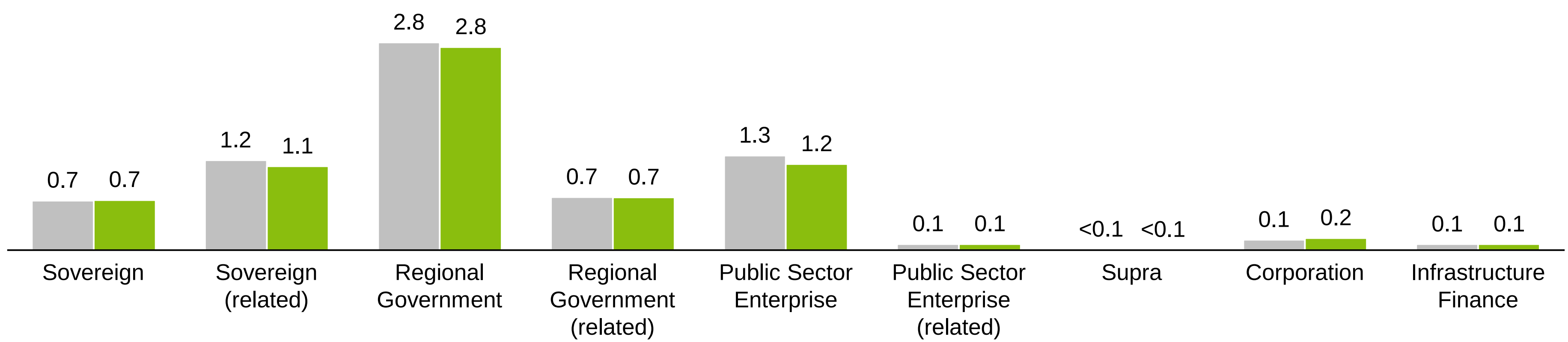
Portfolio
Public Investment Finance (PIF)

Regions
€ bn (EaD, Basel III)

31/12/2019 / Total: € 7.1 bn
30/06/2020 / Total: € 6.8 bn



Borrower classification[1]
€ bn (EaD, Basel III)



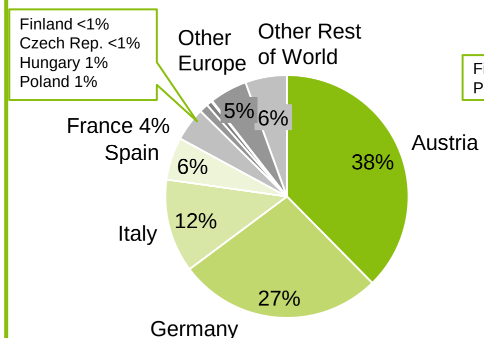
Note: Figures may not add up due to rounding   1 See appendix for definition of borrower classification

Portfolio
Value Portfolio (VP)

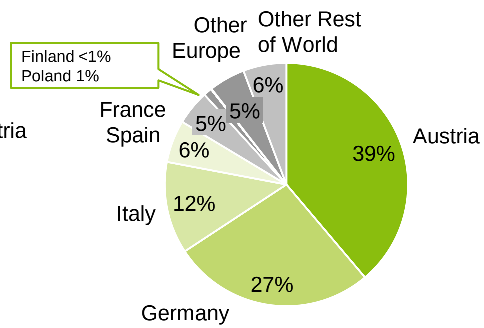
€ bn (EaD, Basel III)

Regions

31/12/2019: € 15.6 bn

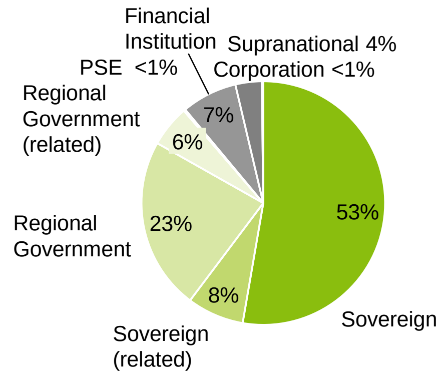


30/06/2020: € 15.7 bn

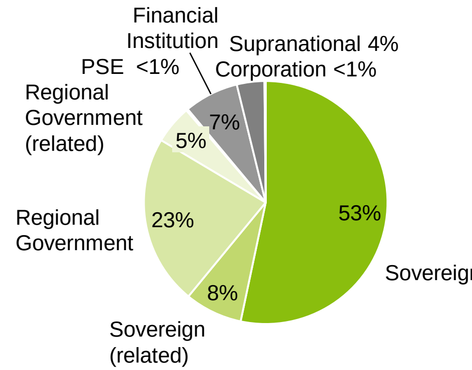


Borrower classification[1]

31/12/2019: € 15.6 bn

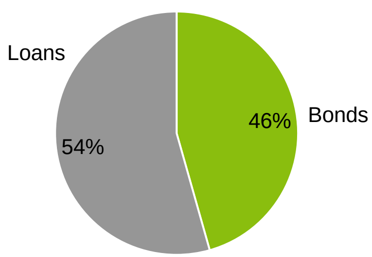


30/06/2020: € 15.7 bn

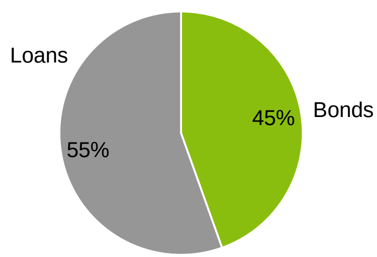


Product class

31/12/2019: € 15.6 bn

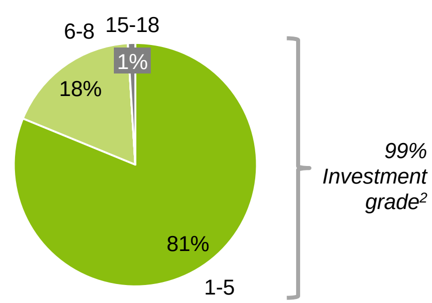


30/06/2020: € 15.7 bn

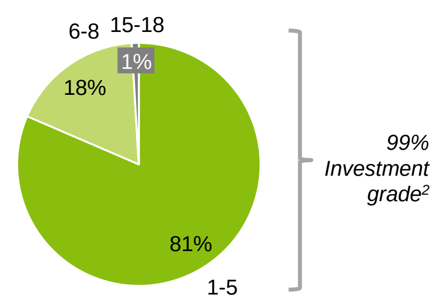


Internal ratings (EL classes)

31/12/2019: € 15.6 bn



30/06/2020: € 15.7 bn

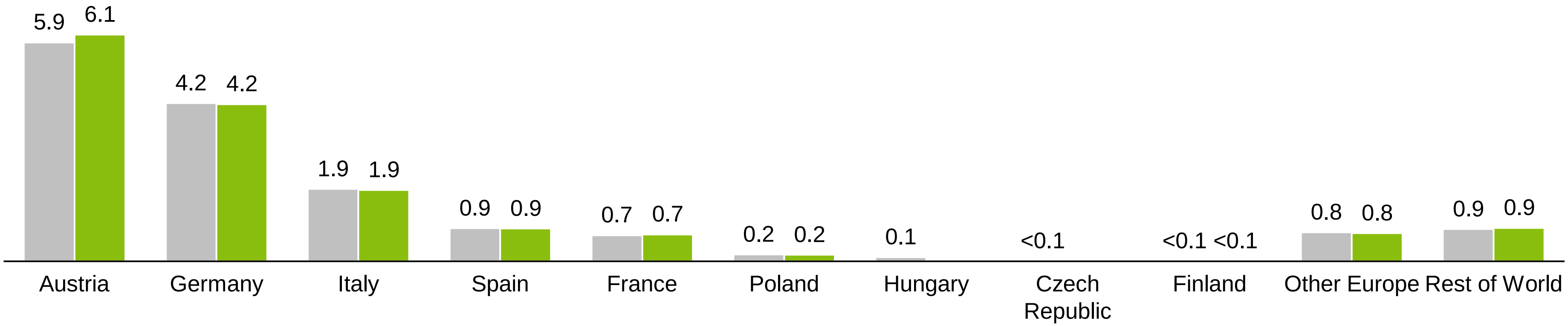


Note: Figures may not add up due to rounding 1 See appendix for definition of borrower classification 2 Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade

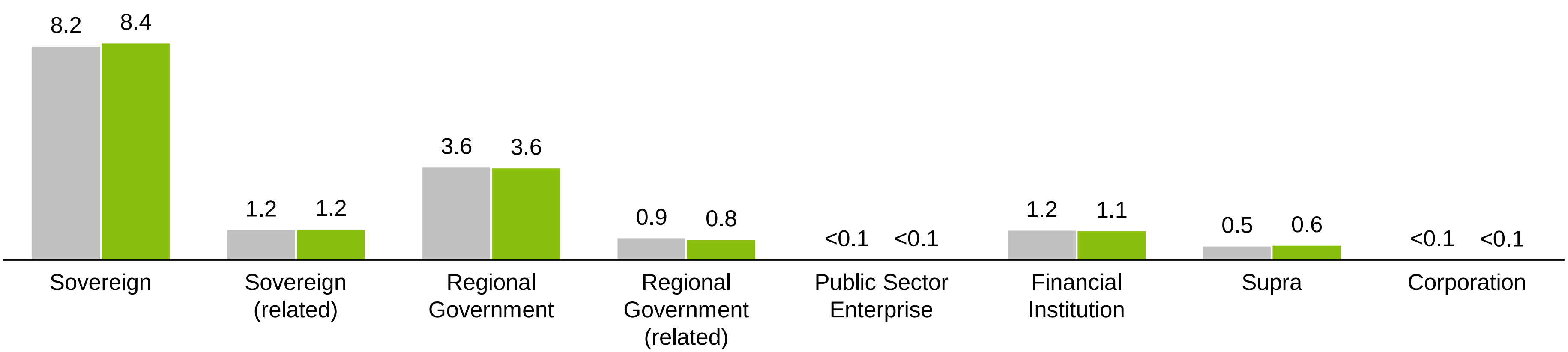
Portfolio
Value Portfolio (VP)

Regions
€ bn (EaD, Basel III)

31/12/2019 / Total: € 15.6 bn
30/06/2020 / Total: € 15.7 bn



Borrower classification[1]
€ bn (EaD, Basel III)



Note: Figures may not add up due to rounding

1 See appendix for definition of borrower classification

Portfolio
Consolidation & Adjustments (C&A)

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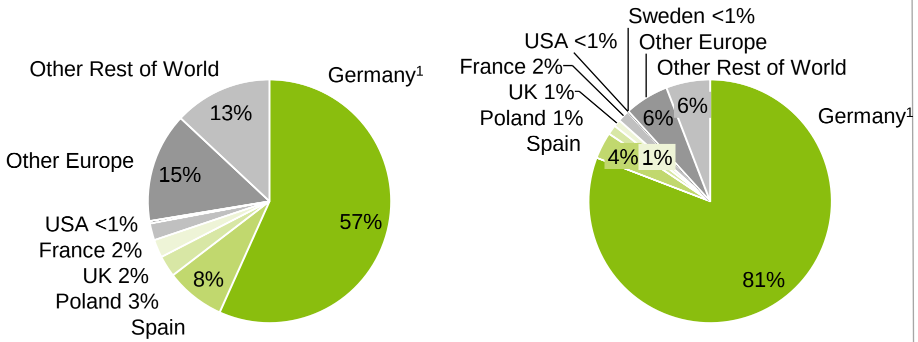
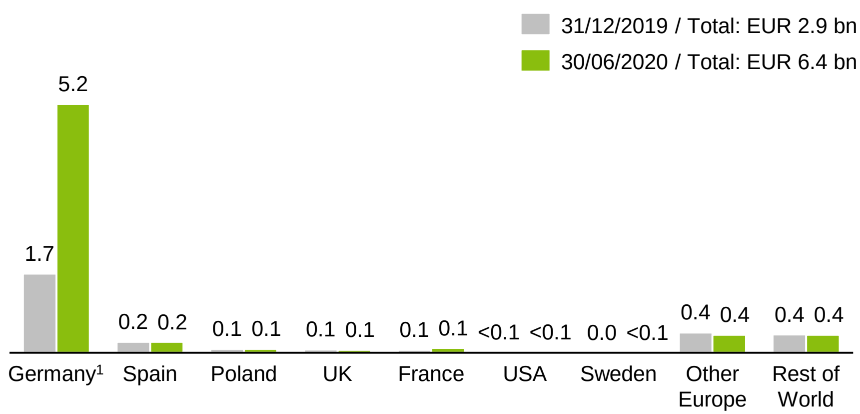
€ bn (EaD, Basel III)

Regions

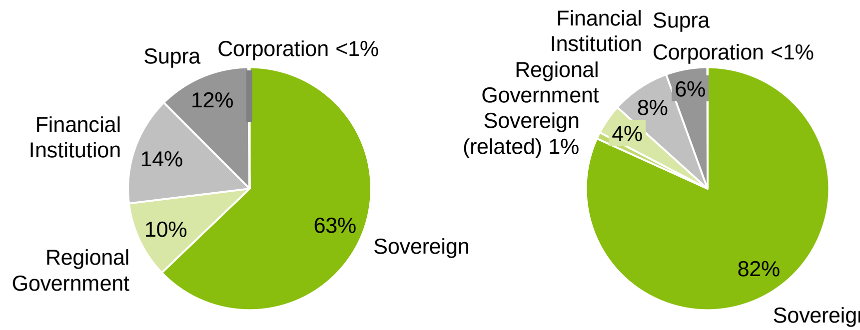
31/12/2019: € 2.9 bn **30/06/2020: € 6.4 bn**





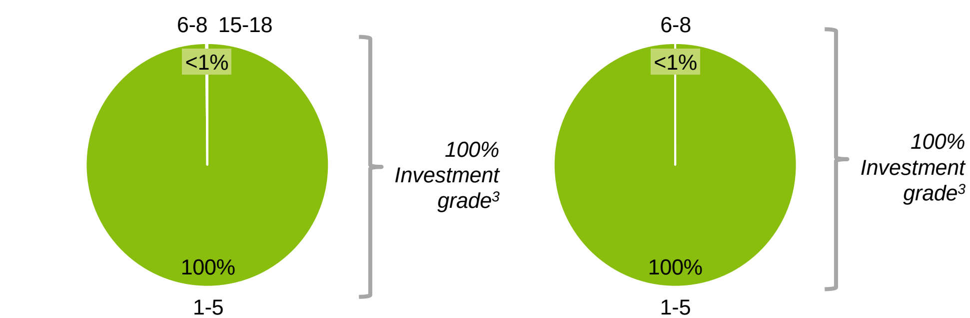
Borrower classification[2]

31/12/2019: € 2.9 bn **30/06/2020: € 6.4 bn**



Internal ratings (EL classes)

31/12/2019: € 2.9 bn **30/06/2020: € 6.4 bn**

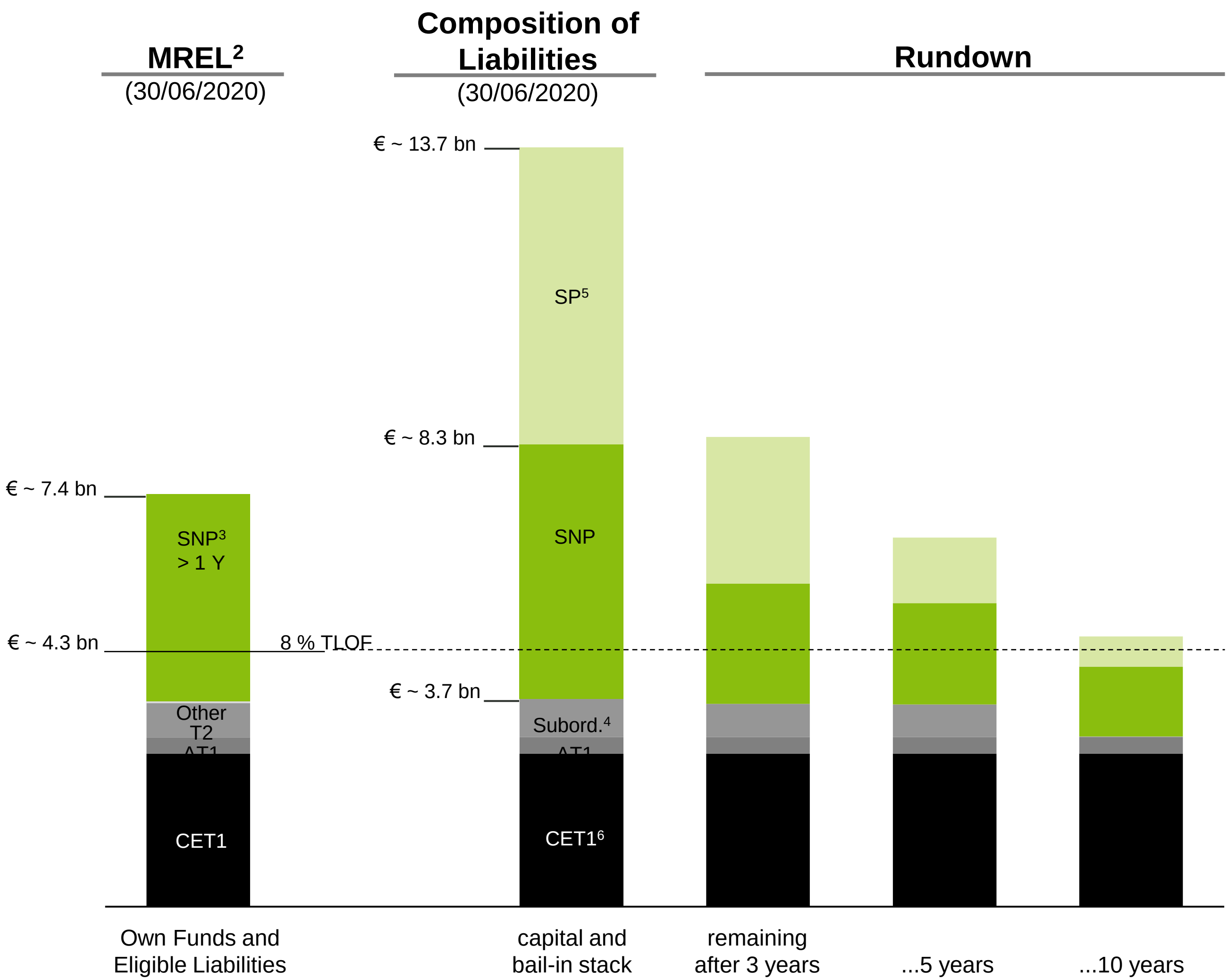


Note: Figures may not add up due to rounding
1 Incl. Bundesbank accounts (12/19: € 1.1 bn; 06/20: € 4.5 bn)   2 See appendix for definition of borrower classification   3 Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade

Funding

Ambition level for Own Funds and Eligible Liabilities of more than 8 % TLOF

(in € as of 30/06/2020)[1]



- Substantial buffer for Senior Preferred (SP) investors due to high volume of capital instruments and Senior Non-Preferred (SNP) liabilities
- Existing Senior Non-Preferred liabilities have long remaining terms
- SP is expected to be the prevailing senior product in the near-term, but SNP will remain an element of pbb´s funding strategy
- pbb has a MREL-ambition level of > 8 % TLOF
- Increase in TLOF due to participation in TLTRO III
- Regulatory requirements (SREP, MREL etc.) are comfortably met

1 Incl. full-year result 2019 2 pbb has set its ambition level at > 8% TLOF. As of 30 June 2020, MREL eligible items amounted to ~14% TLOF (based on estimated TLOF as 30. June 2020) / ~43% RWA 3 MREL-eligible Senior Non-Preferred Debt >1Y according to legal maturities 4 Nominal amount of Tier 2 instruments; the capital stack includes € 300 mn AT1 issuance callable in 2023 and € 300 mn T2 issuance callable in 2022 5 Senior Preferred, structured unsecured and corporate deposits (excl. protected deposits) 6 CET1 assumed to be constant

Funding
Public benchmark issuances since 2017

DEUTSCHE PFANDBRIEFBANK

Type	WKN	Launch Date	Maturity Date	Size	Spread[1]	Coupon	Issue/Reoffer Price
Mortgage Pfandbrief	A2ADASA	05/01/2017	01/03/2022	GBP 250 mn	+55 bp[2]	3m-Libor +55 bp	100.00%
Mortgage Pfandbrief (5th Tap)	A1PG3M	16/01/2017	20/12/2019	GBP 50 mn	+50 bp[2]	1.875%	102.32%
Public Sector Pfandbrief (1st Tap)	A2AAVU	17/01/2017	30/08/2019	USD 100 mn	+55 bp[3]	1.625%	98.764%
Senior Unsecured	A2DASD	23/01/2017	29/01/2021	EUR 500 mn	+90 bp	0.875%	99.797%
Mortgage Pfandbrief	A2DASJ	01/02/2017	09/08/2021	EUR 500 mn	-6 bp	0.05%	99.901%
Senior Unsecured	A2DASK	08/02/2017	14/02/2020	EUR 150 mn	+75 bp[5]	3m-Euribor+75 bp	100.00%
Mortgage Pfandbrief	A2DASU	25/04/2017	04/05/2020	USD 600 mn	+55 bp[3]	2.25%	99.827%
Tier 2	XS01637926137	21/06/2017	28/06/2027	EUR 300 mn	+275 bp	2.875%	99.904%
Mortgage Pfandbrief (1st Tap)	A2DASU	03/08/2017	04/05/2020	USD 100 mn	+40 bp[3]	2.25%	100.417%
Mortgage Pfandbrief	A2E4ZE	29/08/2017	05/09/2022	EUR 500 mn	-7 bp	0.05%	99.930%
Mortgage Pfandbrief (1st Tap)	A2DASJ	19/09/2017	09/08/2021	EUR 100 mn	-14 bp	0.05%	100.473%
Mortgage Pfandbrief	A2E4ZK	27/11/2017	04/12/2020	GBP 450 mn	+29 bp[2]	1.00%	99.63%
Senior Unsecured	A2GSLC6	16/01/2018	23/02/2022	EUR 500 mn	+40 bp	0.625%	99.956%
Mortgage Pfandbrief (1st Tap)	A2E4ZE	24/01/2018	05/09/2022	EUR 250 mn	-18 bp	0.05%	99.579%
Mortgage Pfandbrief	A2GSLF	08/03/2018	15/03/2023	EUR 750 mn	-13 bp	0.25%	99.520%
Additional Tier 1	XS1808862657	12/04/2018	Perpertual	EUR 300 mn	+538 bp	5.75%	100.00%
Mortgage Pfandbrief (1st Tap)	A2E4ZK	24/04/2018	04/12/2020	GBP 50 mn	+26 bp[2]	1.00%	98.958%
Mortgage Pfandbrief	A2GSLL	15/05/2018	22/05/2024	EUR 500 mn	-9 bp	0.500%	99.912%
Mortgage Pfandbrief	A2GSLV	22/08/2018	30/08/2027	EUR 500 mn	-2 bp	0.625%	98.933%
Mortgage Pfandbrief	A2LQNH	19/09/2018	16/12/2021	GBP 300 mn	+32 bp[2]	1.50%	99.802%
Mortgage Pfandbrief	A2LQNK	13/11/2018	22/11/2021	USD 600 mn	+35 bp[3]	3.375%	99.603%
Mortgage Pfandbrief	A2LQNP	21/01/2019	29/01/2024	EUR 500 mn	+8 bp	0.25%	99.812%
Senior Preferred	A2LQNQ	31/01/2019	07/02/2023	EUR 500 mn	+80 bp	0.75%	99.679%
Mortgage Pfandbrief (1st Tap)	A13SWE	31/01/2019	01/03/2022	EUR 100 mn	+2 bp	0.20%	100.74%
Public Sector Pfandbrief (1st Tap)	A13SWG	05/02/2019	20/04/2035	EUR 100 mn	+17 bp	1.25%	99.476%
Mortgage Pfandbrief (1st Tap)	A2GSLL	07/02/2019	22/05/2024	EUR 100 mn	-9 bp	0.50%	101.638%
Mortgage Pfandbrief (2nd Tap)	A13SWE	04/03/2019	01/03/2022	EUR 100 mn	-3 bp	0.20%	100.81%
Public Sector Pfandbrief (2nd Tap)	A13SWG	04/03/2019	20/04/2035	EUR 150 mn	+14 bp	1.25%	100.057%
Senior Preferred (1st Tap)	A2LQNQ	06/03/2019	07/02/2023	EUR 250 mn	+72 bp	0.75%	100.004%
Senior Preferred	CH0419041246	15/05/2019	05/06/2023	CHF 125 mn	+65 bp[4]	0.125%	100.12%
Mortgage Pfandbrief	A2NBJ7	22/05/2019	31/05/2022	USD 600 mn	+32 bp[3]	2.50%	99.851%
Mortgage Pfandbrief (1st Tap)	A2GSLV	12/06/2019	30/08/2027	EUR 100 mn	0 bp	0.625%	104.138%
Senior Preferred	A2NBKK	29/08/2019	05/09/2024	EUR 500 mn	+75 bp	0.125%	99.498%
Mortgage Pfandbrief (3rd Tap)	A13SWE	10/09/2019	01/03/2022	EUR 50 mn	-0.5 bp	0.20%	101.795%
Mortgage Pfandbrief (1st Tap)	A2YNVK	25/09/2019	31/05/2022	USD 50 mn	32 bp[3]	2.50%	101.619%
Mortgage Pfandbrief	A2YNVM	09/10/2019	16/10/2025	EUR 500 mn	+5 bp	0.01%	101.984%
Senior Preferred	A2YNVU	13/11/2019	21/11/2022	GBP 250 mn	+114 bp[2]	1.75%	99.849%
Mortgage Pfandbrief (1st Tap)	A1X3LT	19/11/2019	21/01/2022	EUR 100 mn	0 bp	1.875%	104.77%
Mortgage Pfandbrief	A2YNVY	14/01/2020	21/01/2028	EUR 750 mn	+5 bp	0.10%	99.992%
Mortgage Pfandbrief (2nd Tap)	A1X3LT	15/01/2020	21/01/2022	EUR 150 mn	0 bp	1.875%	104.36%
Mortgage Pfandbrief (1st Tap)	A2LQNP	22/01/2020	29/01/2024	EUR 250 mn	+1 bp	0.25%	101.919%
Senior Preferred	A2YNV3	23/01/2020	28/07/2023	EUR 300 mn	+55 bp	3m-Euribor+90 bp	101.237%
Public Sector Pfandbrief (3rd Tap)	A13SWG	18/02/2020	20/04/2035	EUR 50 mn	+0 bp	1.25%	116.16%

1 vs. mid-swap 2 vs. 3m GBP-Libor 3 vs. 3m USD-Libor 4 vs. 6m CHF-Libor 5 vs 3m Euribor

Ratings

Ratings unchanged – S&P Unsecured ratings and outlook recently affirmed

DEUTSCHE PFANDBRIEFBANK

Bank ratings	S&P	
Long-term	**A-**	
Outlook/Trend	Negative	
Short-term	A-2	
Stand-alone rating[1]	bbb	
Long Term Debt Ratings		
"Preferred" senior unsecured Debt[2]	A-	
"Non-preferred" senior unsecured Debt[3]	BBB-	
Subordinated Debt	BB+	

Pfandbrief ratings		Moody's
Public Sector Pfandbrief		Aa1
Mortgage Pfandbrief		Aa1

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Ratings Q2/H1 2020

- In the context of the COVID-19 pandemic, **rating agencies** have been extensively reviewing rating parameters on sectorial and individual basis resulting in numerous rating actions on, inter alia, banks varying from outlook revisions, assignment of rating watches, downgrades to rating affirmations
- **S&P:** pbb's unsecured ratings and outlook unchanged since 03/17 and last affirmed on 23. April 2020 as part of a COVID-19 related sector review of German banks

  Negative outlook inter alia reflects the negative trend of Germany's S&P BICRA score already since 09/19
- **Moody's:** pbb's Pfandbrief ratings unchanged since 11/15 – currently no COVID-19 impact on OC requirements
- Potential COVID-19 related **rating changes or changes to OC requirements** inter alia contingent on further development of economic environment and the rating agencies' assessment thereof

Note: The above list does not include all ratings   1 Stand-alone credit profile   2 "Senior Unsecured Debt"   3 "Senior Subordinated Debt"

Definition of key ratios

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CIR	■ Cost-Income-Ratio:	$$\text{CIR} = \frac{\text{General admin. Expenses + Net income from write-downs and write-ups on non-financial assets}}{\text{Operating income}}$$
Coverage Ratio	■ IFRS9 Expected Credit Loss Model with 3 stage logic: – Stage 1: impaired with 1 year expected credit loss – Stage 2 and 3: impaired with lifetime expected credit loss ■ Coverage ratio does not take into account additional collateral	$$\text{Coverage ratio} = \frac{\text{Credit loss allowances on financial assets in stage 3}}{\text{Gross book values in stage 3 (loans and securities)}}$$
RoE	■ Adjustment of RoE calculation after AT1-issuance (Q2/18 onwards only)	$$\text{Return on equity} = \frac{\text{Annualised profit - accrued (pro-rata) AT1 coupon}^{2}\text{ (before/after tax)}}{\text{Ø Shareholders equity}^{1}\text{ (excl. AT1)}}$$

1 Excl. other comprehensive income from cash flow hedge accounting and from financial assets at fair value through other comprehensive income 2 Assuming full payment of the discretionary coupon

Definition of borrower classifications

Borrower classification	Definition
Sovereign	Direct and indirect obligations of Central Governments, Central Banks and National Debt Agencies
Sovereign (related)	Indirect obligations of Non Sovereigns with an explicit first call guarantee by a Sovereign
Regional Government	Direct and indirect obligations of Regional, Provincial and Municipal Governments
Regional Government (related)	Indirect obligations of Non Regional Government with an explicit first call guarantee by a Regional Government
Public Sector Enterprise	Direct obligations of administrative bodies and non commercial/non-profit undertakings
Public Sector Enterprise (related)	Indirect obligations of Non Public Sector Enterprise with an explicit first call guarantee by a Public Sector Enterprise
Financial Institution	Direct and indirect obligations of Universal Banks, Investment Banks, Mortgage Institutions, Brokerages and other banks or Basel regulated institution
Corporation	Direct and indirect obligations of enterprises, established under corporate law and operating in a for profit or competitive environment
Structured Finance	Obligations of an SPV which references the risk of an underlying pool of securitised assets, either synthetically via CDS or directly, the tranches issued by the SPV have different seniority to each other
Supranational	Direct obligations to international Organisations and International Investment and Development Banks
Other	Direct obligations to Individuals

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