

Annual General Meeting 2017 of Deutsche Pfandbriefbank AG

Presentation by the Management Board

30 May 2017

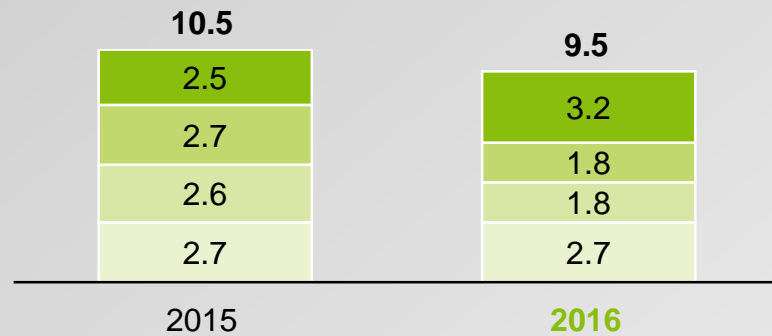
pbb posts another set of good results for 2016

- Consolidated profit of €301 million (in accordance with IFRS) marks the **best result** since the restart in 2009 – strong new business volume of €10.5 billion
- Proposed dividend of €1.05 per share – 11.5% **dividend yield** based on the 2016 year-end closing price
- Changes of regulatory environment leave mark on banking sector – sound **capitalisation** provides pbb with room to manoeuvre
- Continue to develop pbb, strengthen the market position, and drive innovation – organic measures to **further develop** the business model

Solid new business, despite intense competition

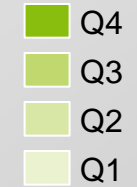
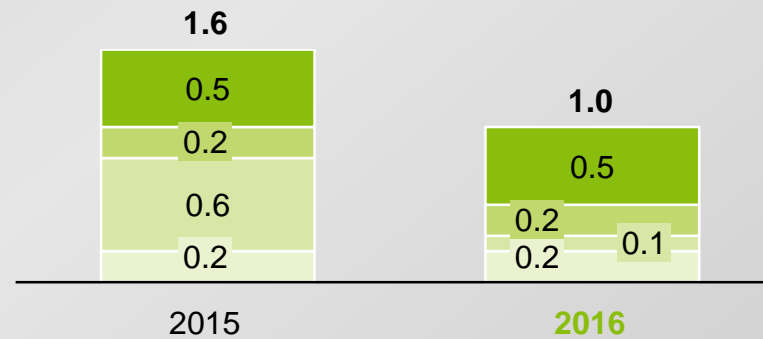
Real Estate Finance

(commitments including extensions – € bn)



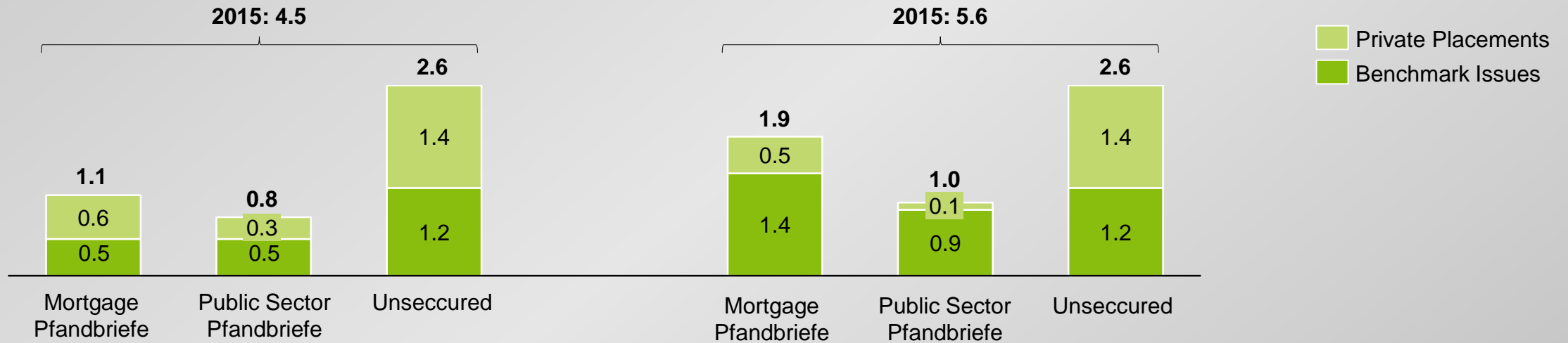
Public Investment Finance

(commitments – € bn)



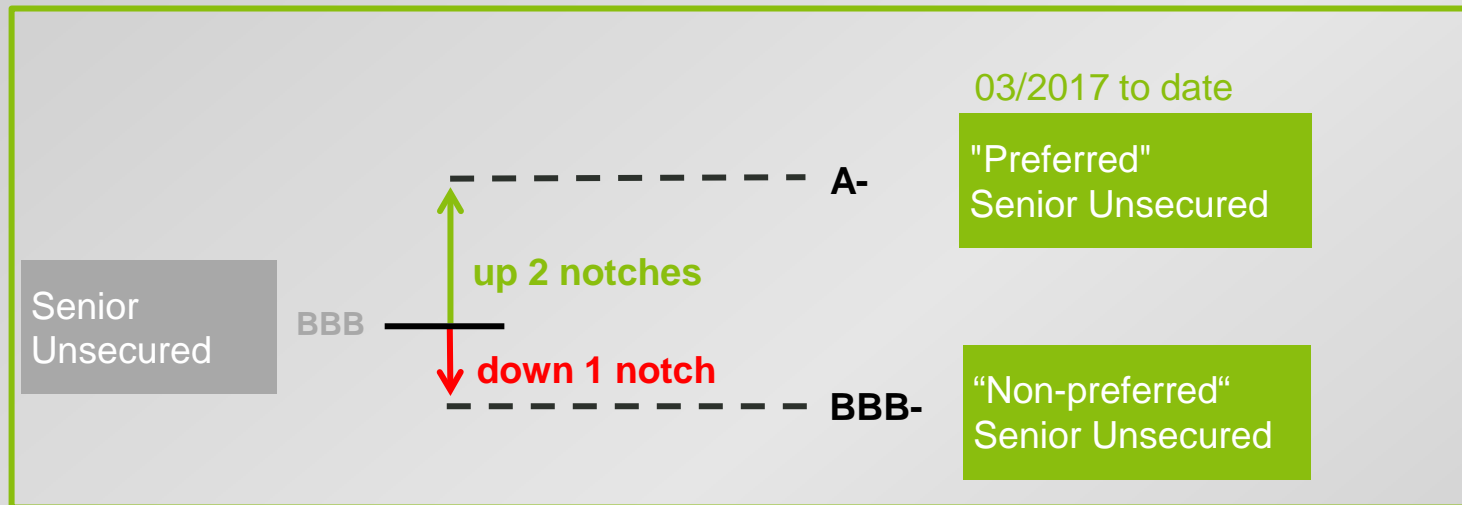
Long-term funding activities markedly increased

New long-term funding (€ bn, excluding money market and deposit-taking business)



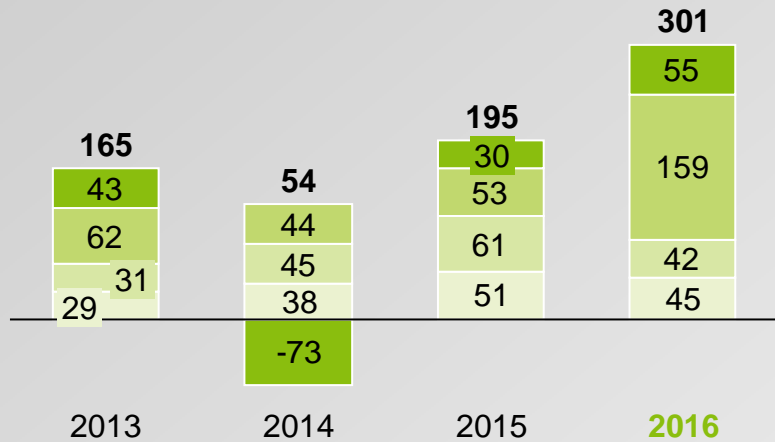
Rating raised for uncovered funding instruments

S&P ratings (rating action dated 28 March 2017)

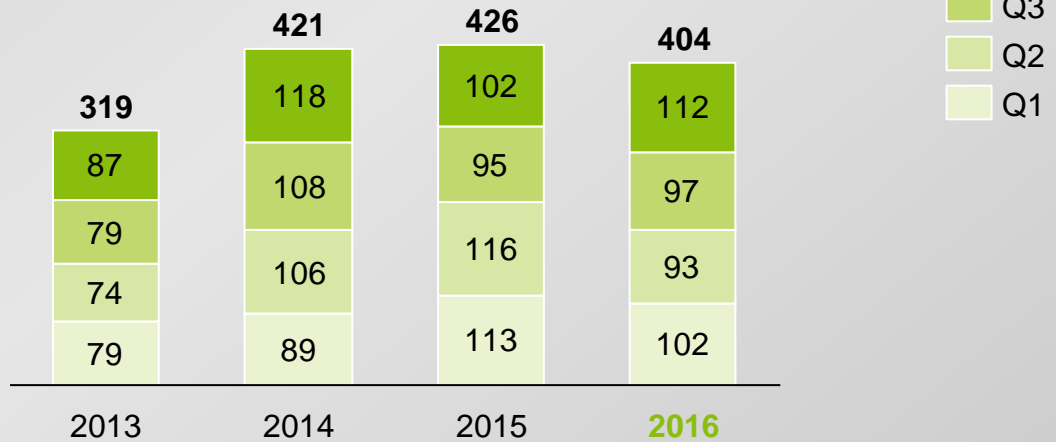


Pre-tax profit rises significantly, to €301 million – net interest income declines on account of reduced portfolio

Pre-tax profit (€ mn; in accordance with IFRS)



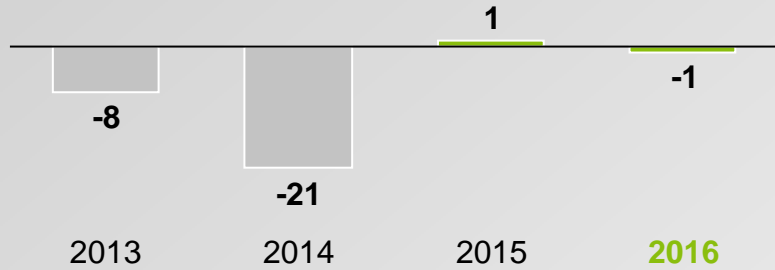
Net interest income (€ mn; in accordance with IFRS)



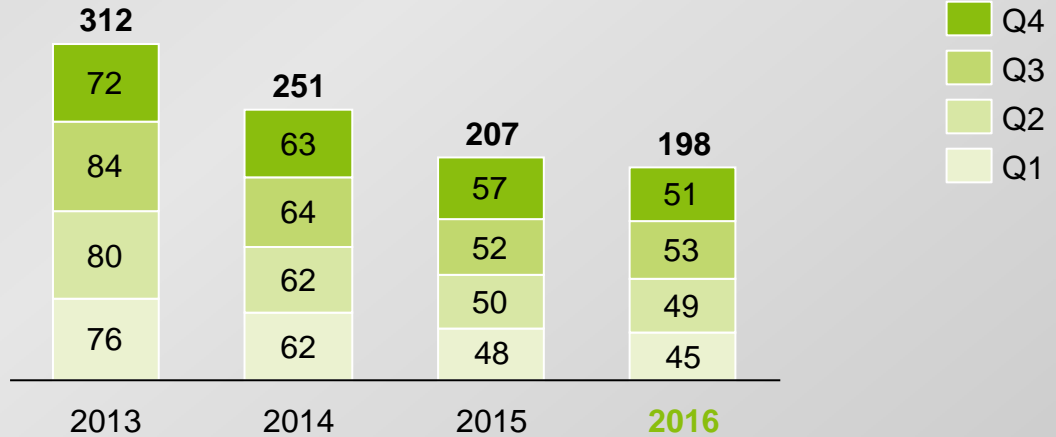
1) Non-recurring effects from HETA value adjustments: Q4 2014: €-117 mn; Q1 2015: €-79 mn; Q3 2016: €132 mn

Loan loss provisions remain low – general administrative expenses further reduced

Loan loss provisions
(€ mn; in accordance with IFRS)



General administrative expenses
(€ mn; in accordance with IFRS)



Regulatory initiatives now point towards higher risk-weighted assets

– pbb has an adequate capital buffer

Capital ratios (% – Basel III fully phased-in; in accordance with IFRS)

| | <i>Transitional provisions</i> | | <i>Basel III fully phased-in¹</i> | |
|----------------|--------------------------------|--------------------|--|---------------------|
| | 12/15 ² | 12/16 ² | 12/16 ² | Medium-term targets |
| CET1 | 18.9 | 19.5 | 19.0 | >12.5 |
| Tier 1 | 20.5 | 20.9 | 19.0 | >16 |
| Own funds | 23.4 | 23.7 | 20.7 | 16-18 |
| Leverage Ratio | 4.4 | 4.6 | 4.2 | >3.5 |

- 1) Simulation in line with current Basel III rules – actual figures may deviate significantly
- 2) Following confirmation of results for the year, less proposed dividend

Initiatives for 2017

- Accelerate expansion into the **US commercial real estate market**
- Broaden the range of clients and transactions in pbb's strategic business areas, through **organic measures**
- Expedite pbb's **digitalisation**

Financial outlook

New business

- Target **volume** of between €10.5 billion and €12.5 billion
- **Interest income** anticipated to be stable, or slightly weaker

Loan loss provisions

- **Risk costs** set at 10-15 basis points of the real estate financing portfolio
- No specific **reason** to expect higher loan loss provisioning

General administrative expenses

- **Increase** anticipated
- **General administrative expenses** set to remain below €220 million

Pre-tax profit

- **Pre-tax profit** targeted between €150 million and €170 million.

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