Company Presentation

18th German Corporate Conference

UniCredit / Kepler Cheuvreux

23 January 2019

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Business Model & Strategy

pbb is a leading commercial real estate lender with a complementary public investment finance business

FUNDING

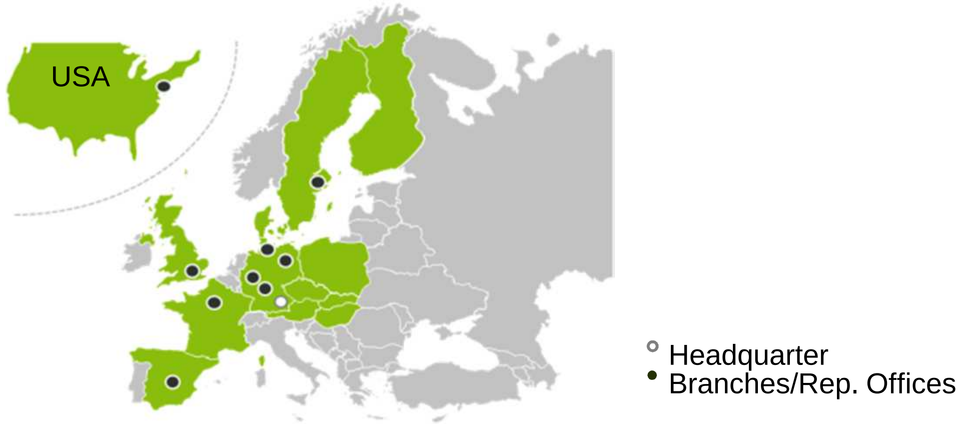
- Stable and well diversified funding base
  - Pfandbrief (leading issuer)
  - Senior unsecured bonds (preferred/non-preferred)
- Frequent benchmark issuer plus private placements
- Retail deposits (online)

- Specialised on-balance sheet lender
- European franchise, complemented by the US
- Regional presence – 10 offices in Europe and New York
- High risk standards and focus on risk management

LENDING

- Core business segments
  - Real Estate Finance (REF)
  - Public Investment Finance (PIF)
- Pfandbrief-eligible senior loans
- Structuring expertise for complex/large transactions
  - ~200-250 deals p.a.
  - Ø deal size € 40-50 mn
- Long standing client relationships

Key figures (IFRS)	**30/09/18**
Total assets	€ 57.3 bn
Total equity	€ 3.2 bn
RWA	€ 13.5 bn
CET1 ratio[1]	19.7%
Leverage ratio[1]	5.3%
RoE after taxes[2]	6.2%
FTE	747



1 Incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology 2 After pro-rata AT1 coupon

Promised and delivered

2018 looks like another successful year

2018

Strong performance in 9M/18

- NII stronger than expected due to reduced funding costs
- LLPs and GAE below plan

PBT full-year guidance for 2018 raised to € 205-215 mn
(from initially € 150-170 mn)

- Assumptions for Q4:
  - Stable NII
  - Further additions to loan loss provisions
  - Increase in GAE

New business[1] guidance 2018 of € 10-11 bn with typically strong Q4

- Continued competitive pressure
- Conservative approach

2019

pbb prepared to tackle challenges in 2019

- Market environment and competitive dynamics in CRE finance expected to become even more demanding
- Higher funding costs expected, but spreads from new funding still below stock
- Additional cost due to investments and regulatory requirements expected

Our positioning:

- Selective and risk conservative business approach to defend margins and to manage risk
- Strong capital base
- Stable Pfandbrief funding
- Cautious expansion and investments into future while maintaining strict cost control

1 Incl. extensions >1 year

Overview 9M 2018
New business with continuous focus on risk conservative positioning

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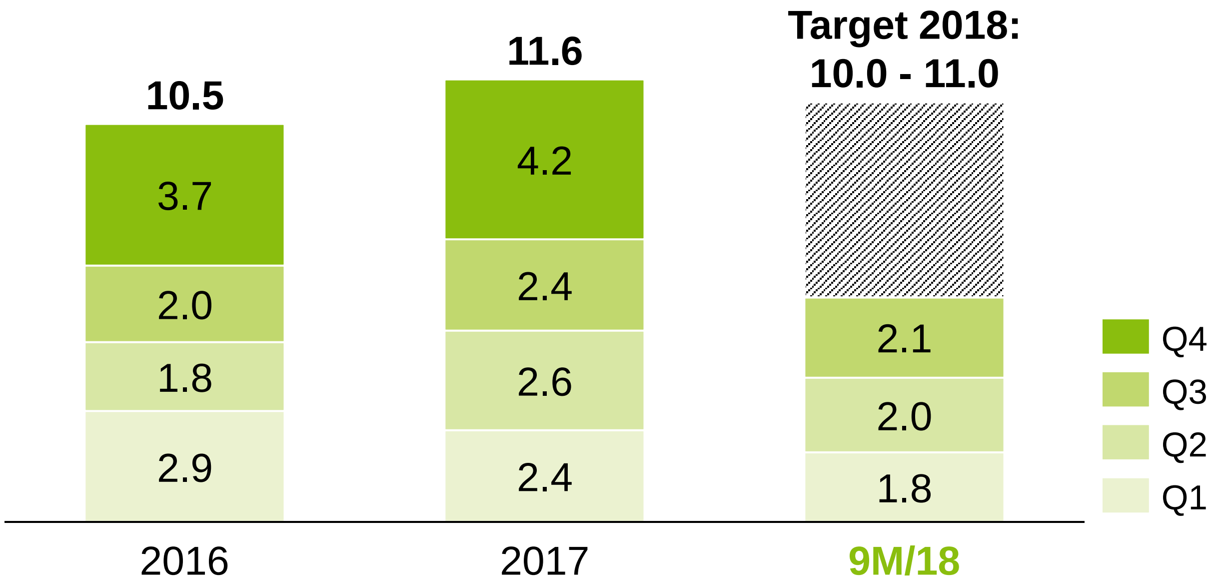
New business volume
€ bn (commitments, incl. extensions >1 yr)



- Solid track record despite highly competitive market environment
  - New business volume between € ~10-12bn, typically strong Q4
  - Avg. gross margin slightly down, but portfolio margin relatively stable due to improved funding costs
  - Avg. LTV between 60-63% (REF)

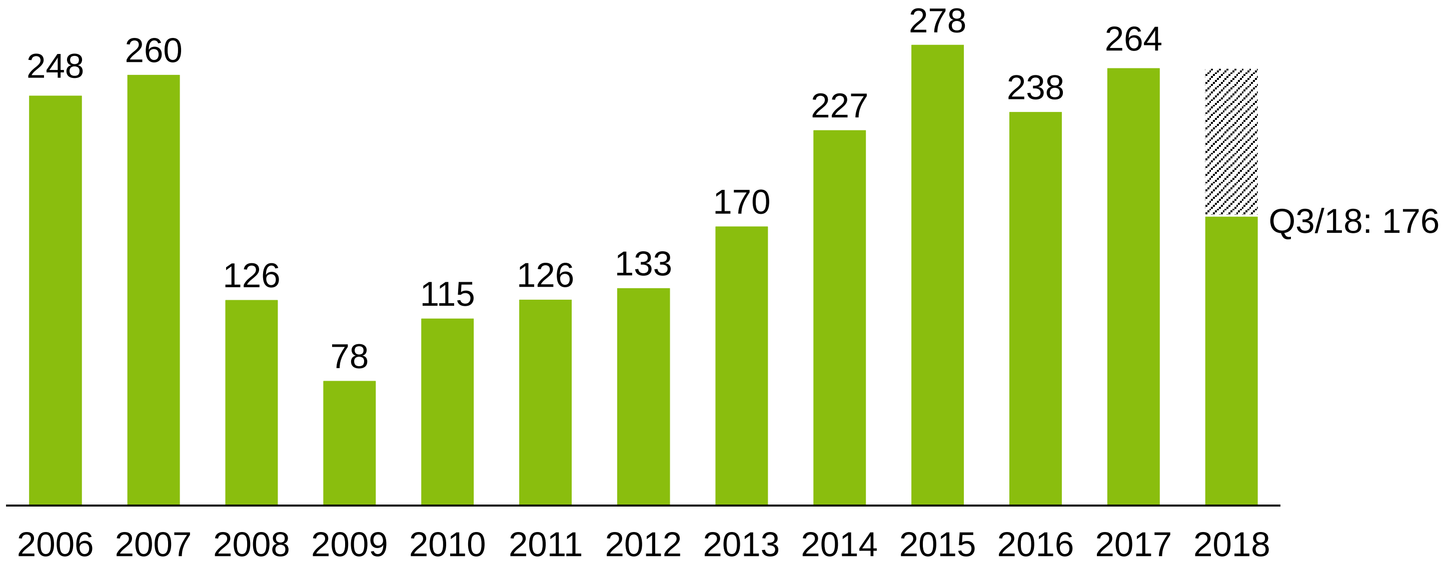
Note: Figures may not add up due to rounding

Markets

CRE market environment remains highly competitive and challenging – pbb maintains selective approach

European CRE investment volume

€ bn

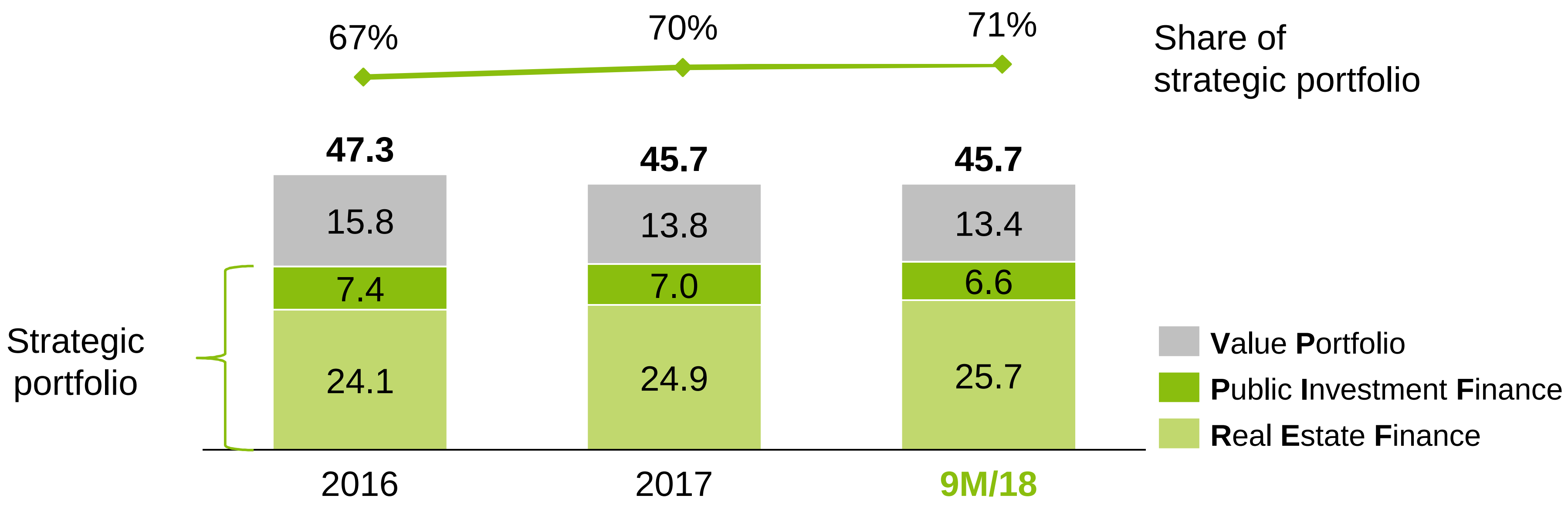


- Despite ongoing political uncertainties, underlying trends look rather positive for the European economy
- Positive momentum for CRE investments in Europe continued in 2018 – similar investment levels compared to 2017 are expected
- Retail saw a structural decline in volumes over the last years while logistics and alternative property types (hotels) increased
- Global uncertainties are so far not deflecting investors who trust the stable positive environment and healthy occupier markets

Source: pbb, CBRE Research, RealCapital Analystics

Overview 9M 2018
Strategic portfolio constantly increasing

Portfolio
€ bn (financing volumes)

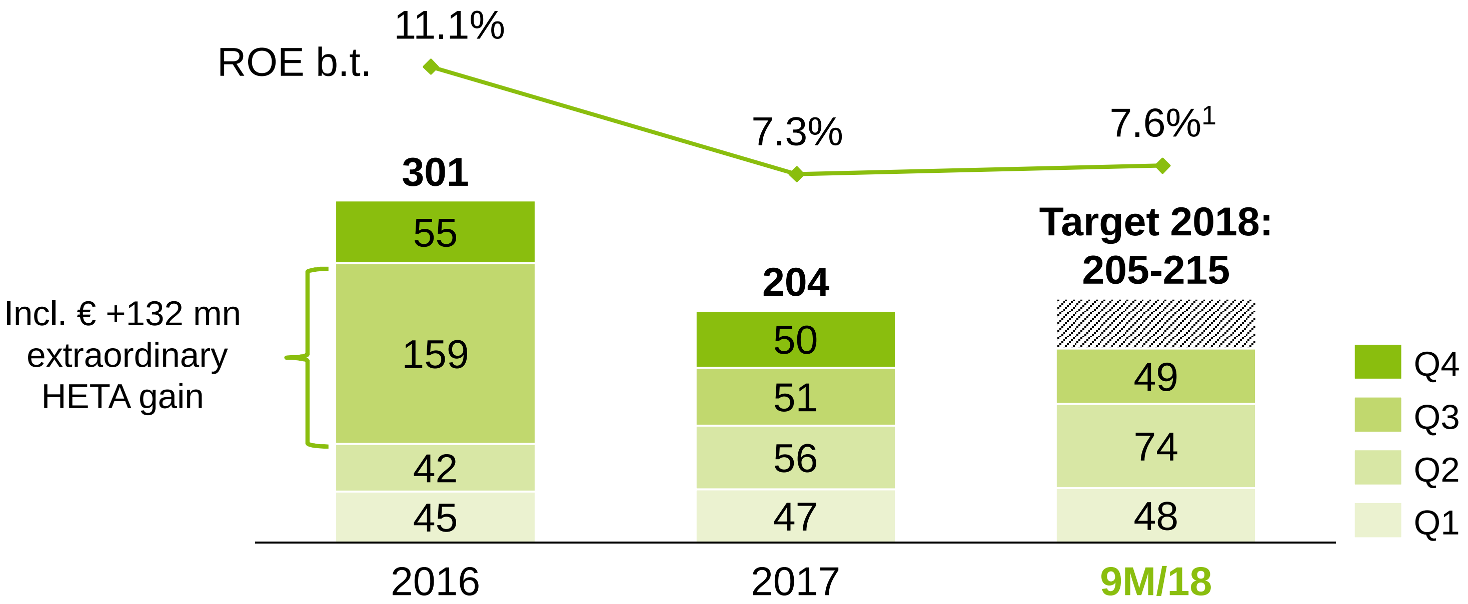


- REF main strategic anchor
- PIF complementary contribution business
- Non-strategic Value Portfolio in run-down

Note: Figures may not add up due to rounding

Overview 9M 2018
Strong performance

Pre-tax profit
€ mn (IFRS)



- PBT guidance 2018 raised from € 150-170 mn to € 205-215 mn
  - NII stronger than expected
  - LLPs and GAE below plan
- ROE in line with conservative business model and risk positioning

Note: Figures may not add up due to rounding 1 RoE as of 30/09/2018; Taking into account pro-rata AT1 coupon for 2018 (€ 12 mn pre-tax)

Overview 9M 2018

Solid development of net interest income despite competitive market environment

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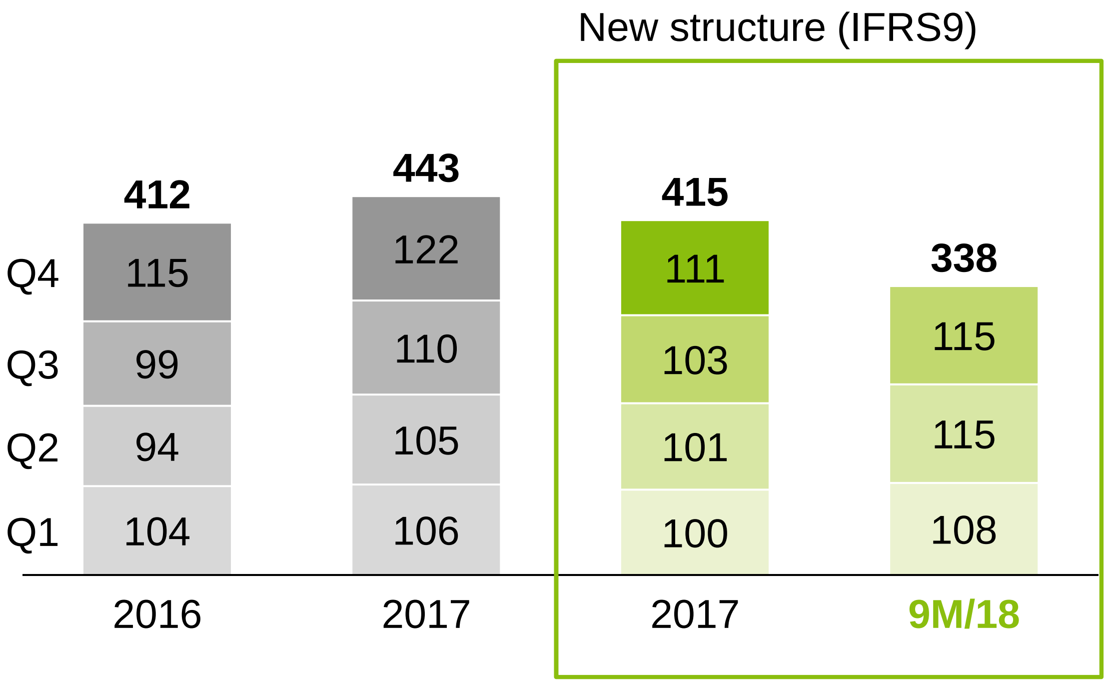
Net interest income
€ mn



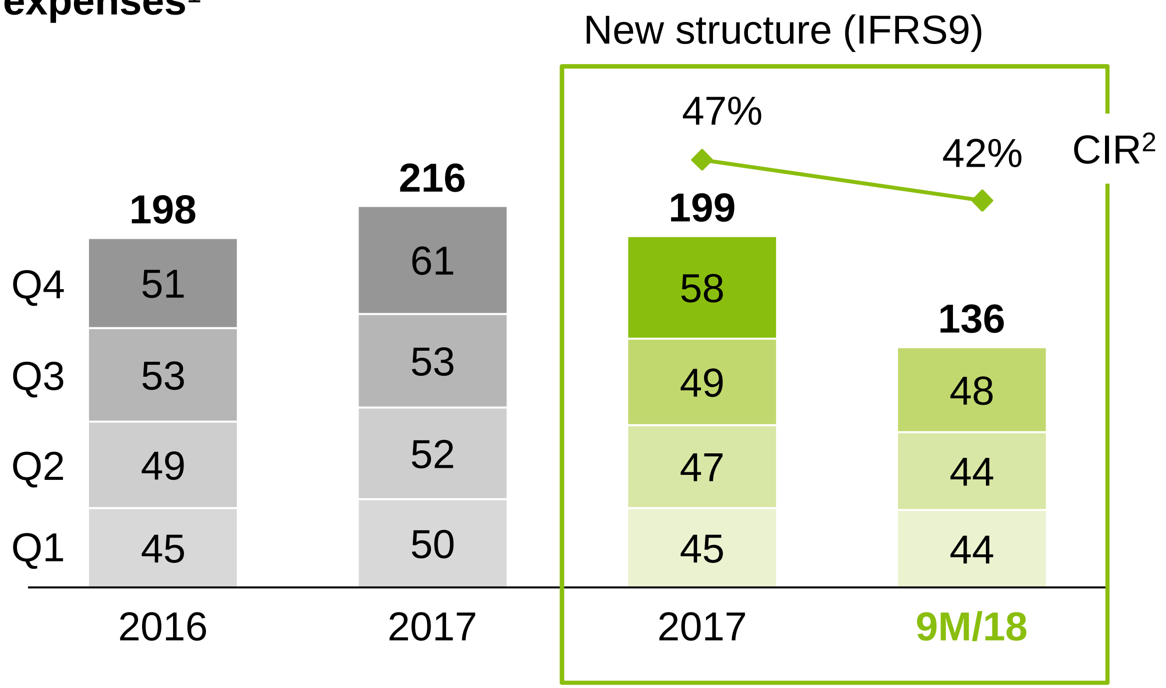
- Drivers of strong NII development
  - pbb managed to keep new business gross margin stable despite competitive pressure while maintaining risk standards (pos. effect from business selection & mix)
  - pbb increased strategic financing volume to € 32.3 bn (09/17: € 31.8 bn)
  - pbb significantly reduced funding costs
  - Avg. total portfolio margin stable

Note: Figures may not add up due to rounding

Operating cost development reflects strict cost management

General & administrative expenses[1]

€ mn



- Slight cost increase expected in Q4/18 and going forward - driven by regulatory costs and strategic investments (e.g. digitalisation)
- Strict cost containment running the bank to free up potential for future investments

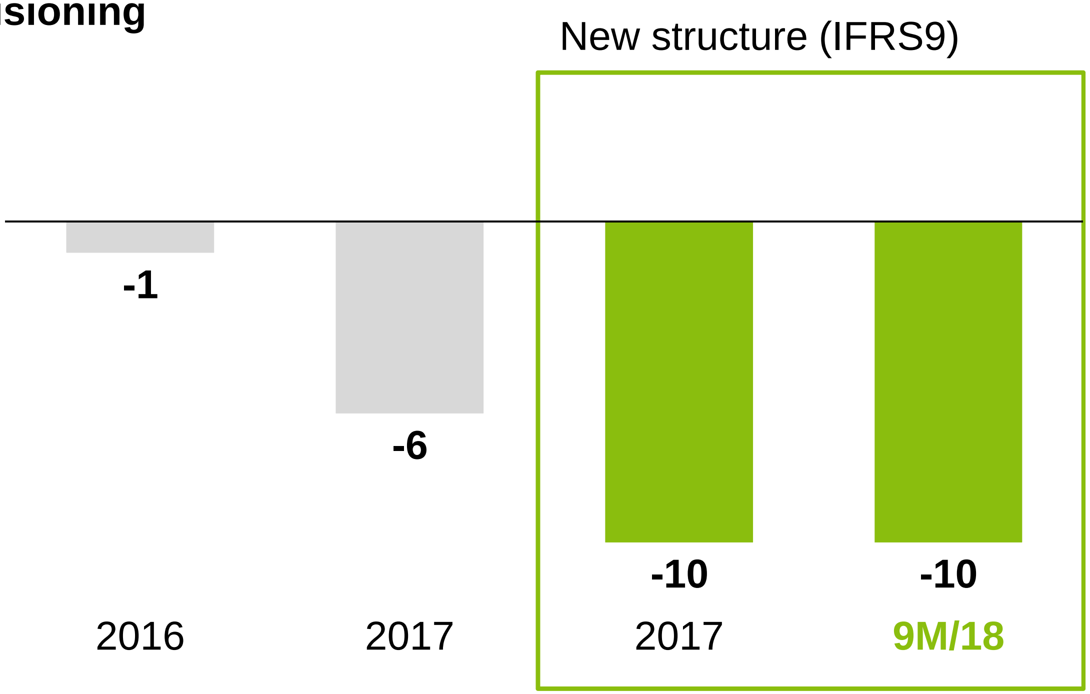
Note: Figures may not add up due to rounding 1 Without net income from write-downs and write-ups on non-financial assets (12/17: € -14 mn; 09/18: € -11 mn) 2 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income

Overview 9M 2018

Risk provisioning reflects risk conservative business approach and local market developments

Net income from risk provisioning

€ mn (IFRS)

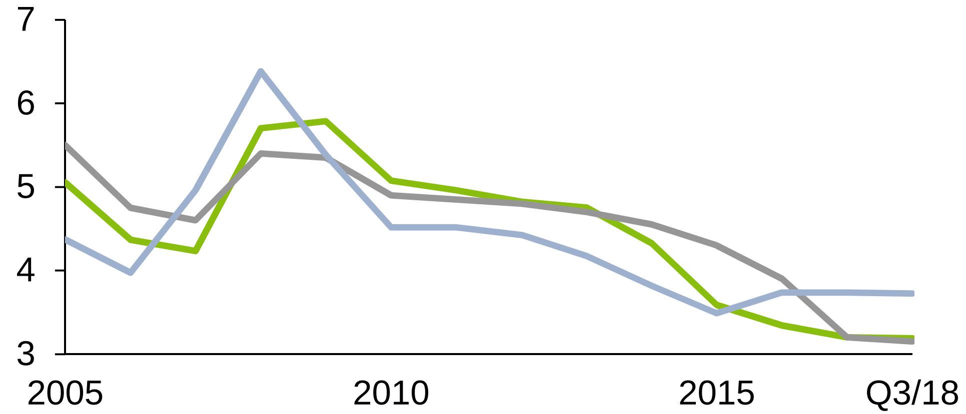


- 3 stage logic of IFRS 9 leads to provisioning without payment default and at earlier point in time
- Nevertheless, so far continued low level of risk provisioning
  - benefiting from supportive market environment
  - but also clearly reflecting pbb's strict risk management

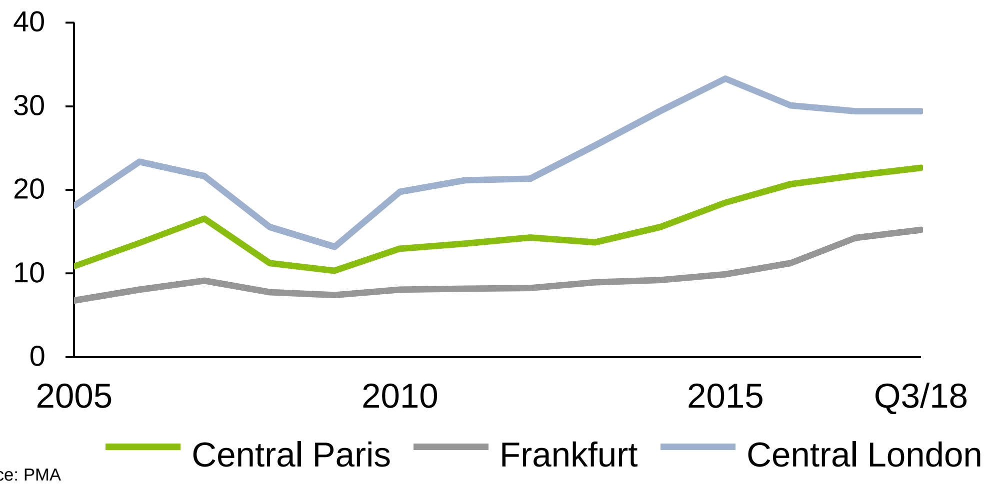
Note: Figures may not add up due to rounding

Structural challenges
Increasing yields lead to changes in valuations

Prime yields – Office
%



Prime capital values – Office
€ thousands per sqm



Source: PMA

Future challenges for risk costs

- Macroeconomic environment & geopolitical risks
- Valuation, liquidity & rate levels
- Project cash flows

pbb applies conservative risk policy to manage risks

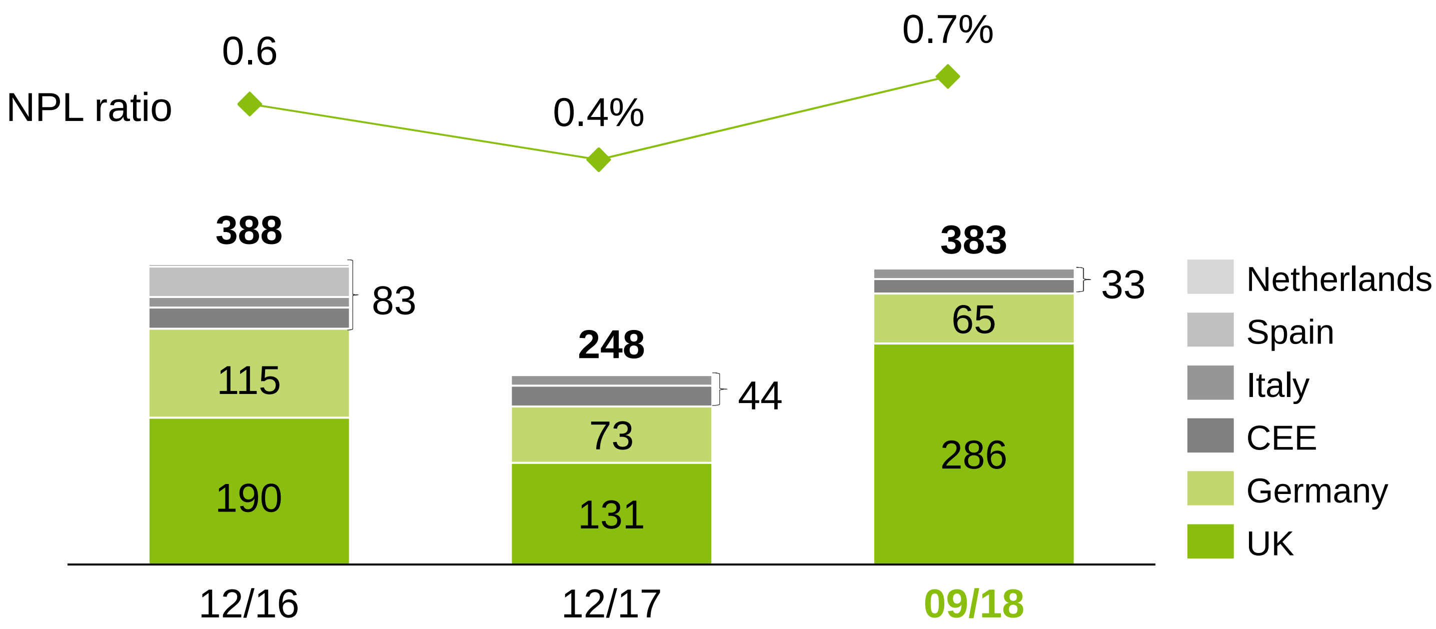
- Location: prime locations, diversification, low LTV
- Sponsor: high equity, strong track record
- Business case: stable cash flows
- Structure: covenants

Structural challenges

Small portfolio of non-performing loans with NPL ratio of only 0.7% and almost no workout loans

Non-performing loans

€ mn (EaD, Basel III)



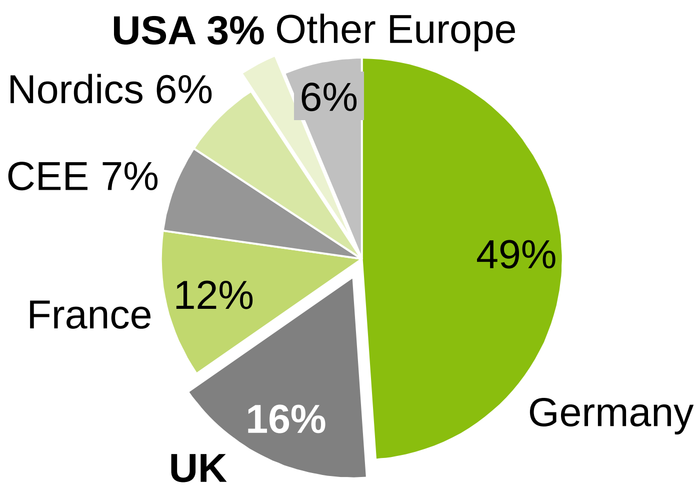
- pbb shows low NPL ratios – also compared to peers
- Estate UK-3 securitization to hedge historic UK loans technically shown as non-performing
- Addition of UK loan exposures in the sub-segment Shopping Centers in Q3/18 – LTV covenant breach, no payment default

Note: Figures may not add up due to rounding

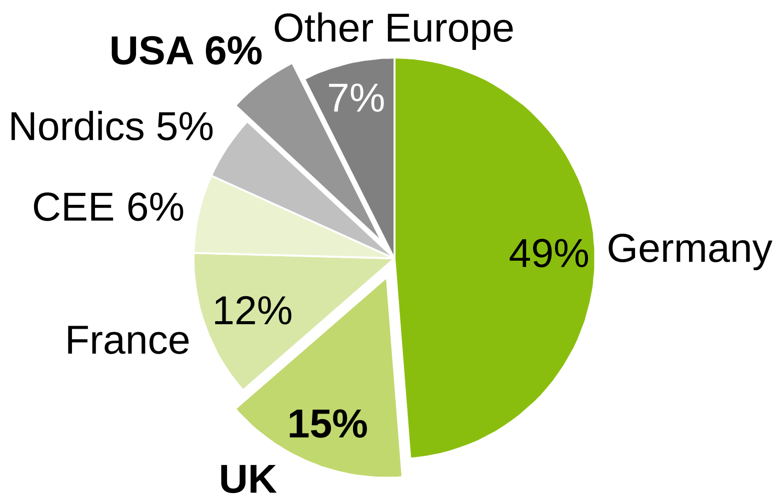
Structural challenges
Changing market development requires continuous adaption of business approach – pbb maintains strong anchor in Germany

Real Estate Finance (REF)
Portfolio (EaD, Basel III)

31.12.2017: € 28.3 bn



30.09.2018: € 28.7 bn



- Selective approach with focus on conservative risk positioning – business continuously adapted to changing market developments
  - Increasing share of US-business compensating decreasing UK-business
  - Cautious on retail/shopping properties
- Stable gross interest margin in new business ~155 bp (2017: >155 bp)

Note: Figures may not add up due to rounding

Structural challenges
Markets on focus

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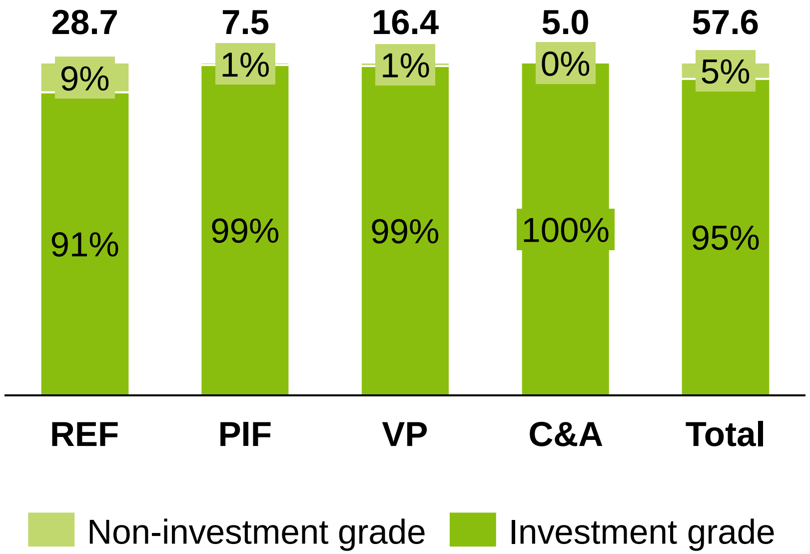
Risk approach / strategy

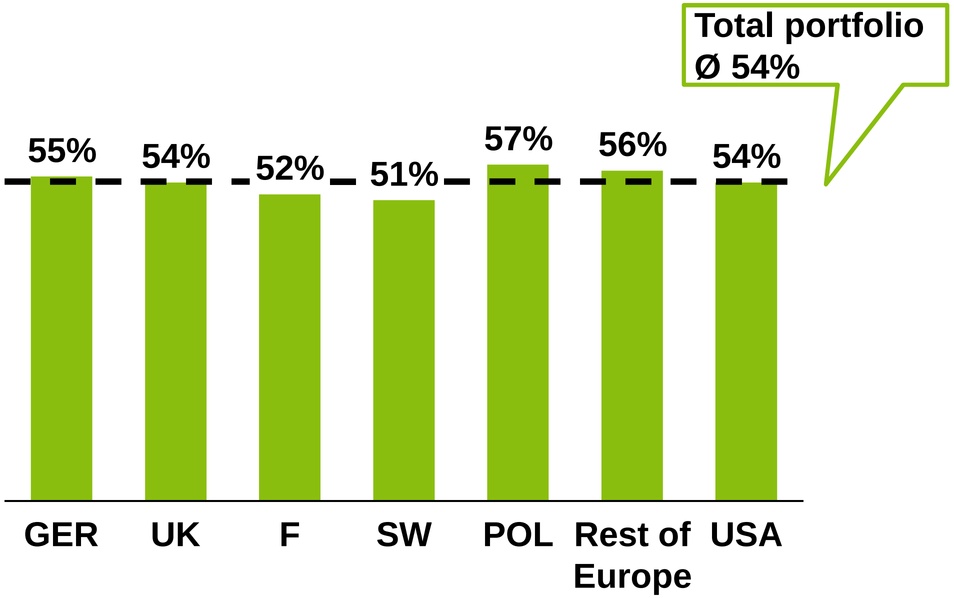
UK & Brexit	■ Macroeconomic risk increased after 15/01/19 ■ Critical focus on UK retail ■ Long-term view on CRE markets (prime locations, low LTV)	**Cautious on UK**
Italy & spread developments	■ Italian public sector exposure (nominal: € 1.6 bn) largely booked at amortized costs (>85%) ■ Spread developments with only marginal valuation impact on P&L	**Further reduce Italy**
US business	■ Most transparent and liquid real estate market ■ Relatively stable market development ■ pbb focusses on East coast prime locations with selective business in Chicago, San Francisco, Los Angeles and Seattle	**Seize opportunities in the US**

Structural challenges
High portfolio quality with 95% investment grade and avg. LTV of 54%

Total portfolio: Internal ratings (EL classes)[1]
as of 30/09/18; € bn (EaD, Basel III)



REF Portfolio: Avg. weighted LTVs
as of 30/09/18; % (commitments; EAD, Basel III)[2]



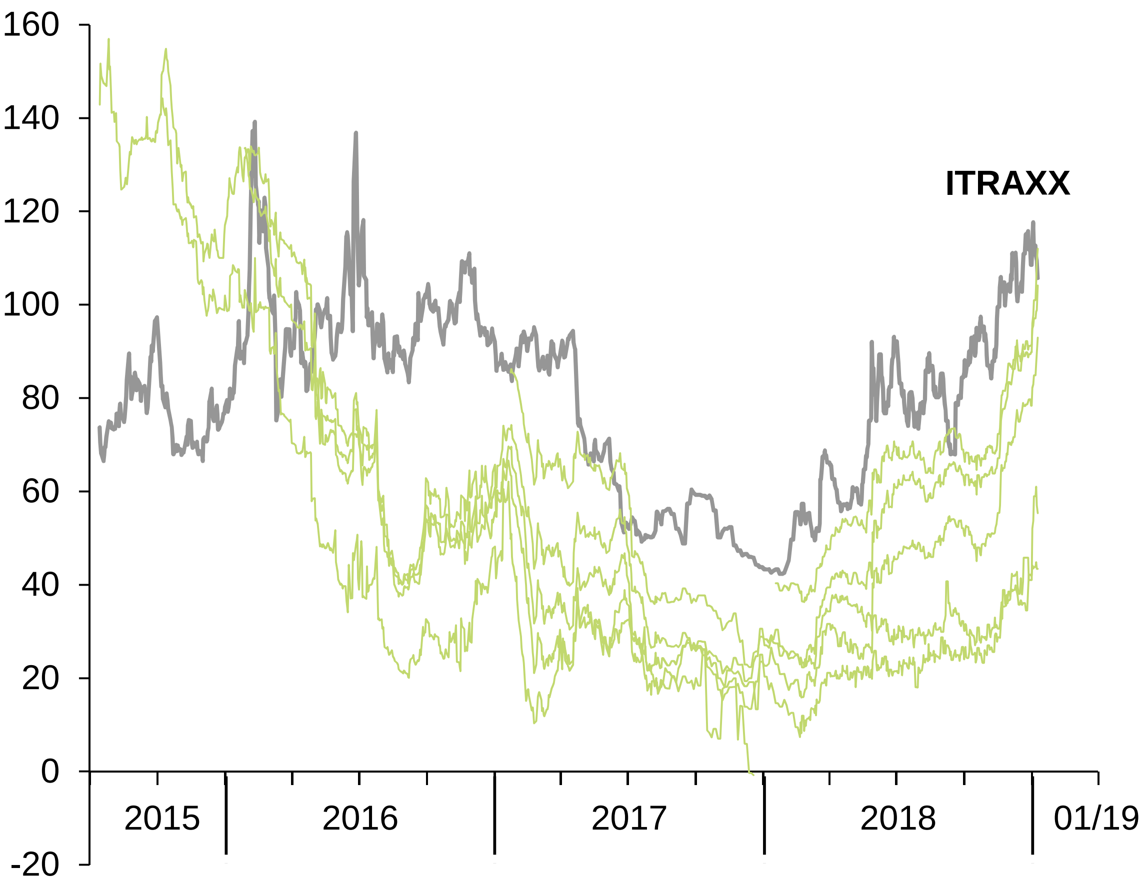
Note: Figures may not add up due to rounding 1 EL classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade 2 Based on performing investment loans only

Structural challenges

pbb aims to mitigate recent spread increase through optimization of funding structure

Spread development of pbb Senior Unsecured Benchmarks vs. iTraxx Bank Senior

(Spread vs. 6m Euribor)



- Pfandbrief Funding
  - Mortgage and Public Pfandbriefe
- Unsecured Funding
  - Senior preferred bonds
  - Senior non-preferred bonds
  - Overnight and term deposits
- Retail funding – pbb direct
- Different currencies
  - EUR, USD, GBP, SEK
- Benchmark and private placements

Source: Bloomberg

Structural challenges

Funding: pbb one of the largest Pfandbrief issuers – broad range of funding instruments in different currencies

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New long-term funding[1]

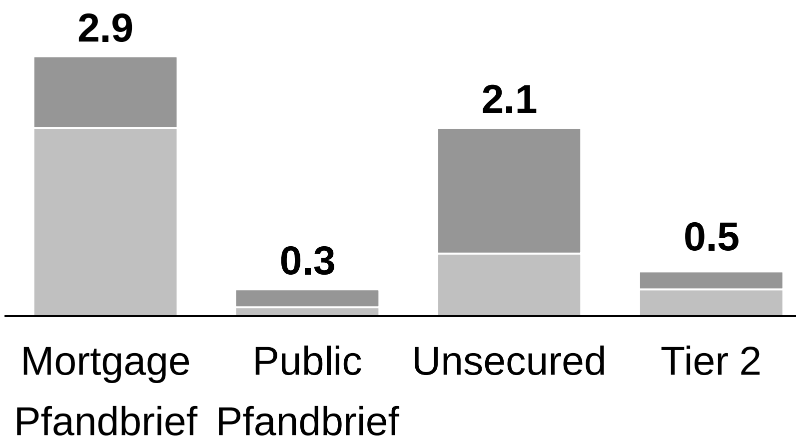
€ bn

Private placements

Benchmark issuances

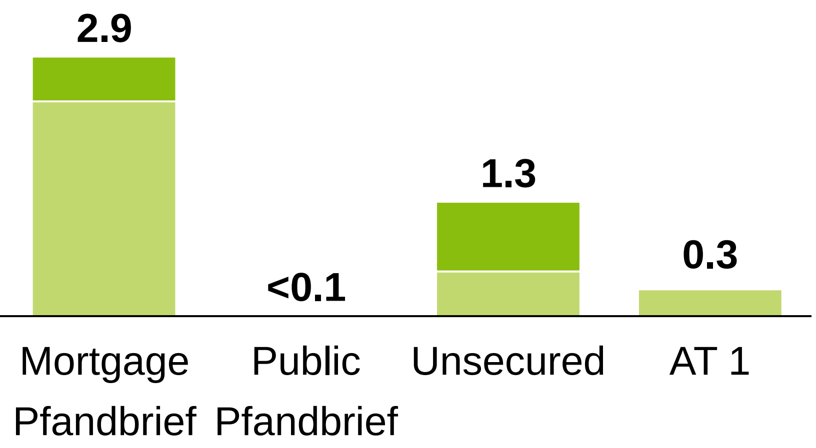
9M/17: € 5.8 bn

	Mortgage Pfandbrief	Public Pfandbrief	Unsecured	Tier 2
Spread (Ø, bp)[2]	17	11	77	
Tenor (Ø, yrs)[3]	5.8	6.2	7.4	



9M/18: € 4.7 bn

	Mortgage Pfandbrief	Public Pfandbrief	Unsecured	AT 1
Spread (Ø, bp)[2]	3	0	46	
Tenor (Ø, yrs)[3]	7.3	20	7.4	

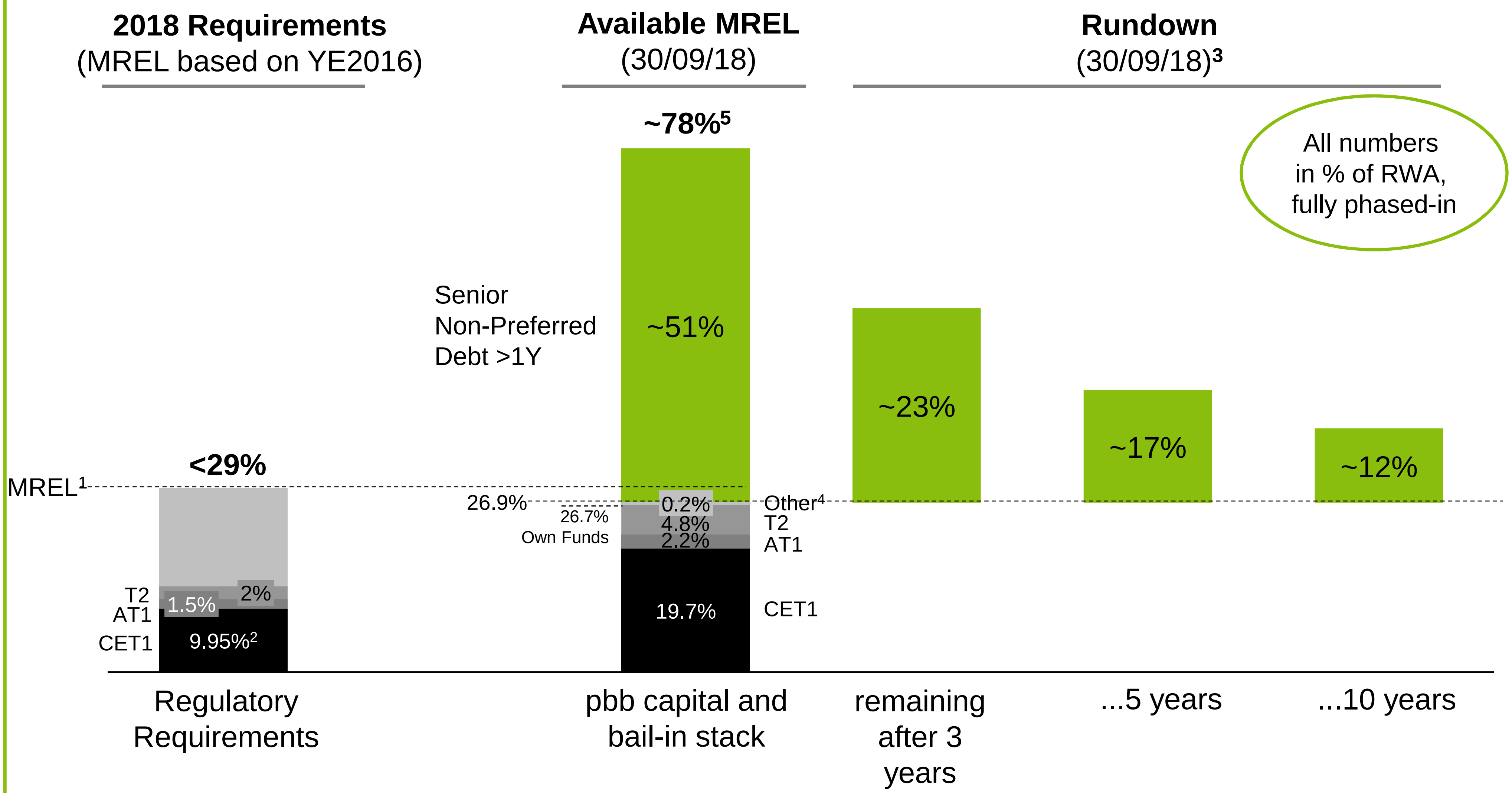


- German Pfandbrief main funding instrument, remainder funded unsecured
- Frequent benchmark issuer, strong position in private placements
- In addition, online platform pbb direkt for retail deposits
- New debt product “senior preferred” provides new funding opportunities

Note: Figures may not add up due to rounding   1 Excl. retail deposit business   2 vs. 3M Euribor   3 Initial weighted average maturity

Structural challenges

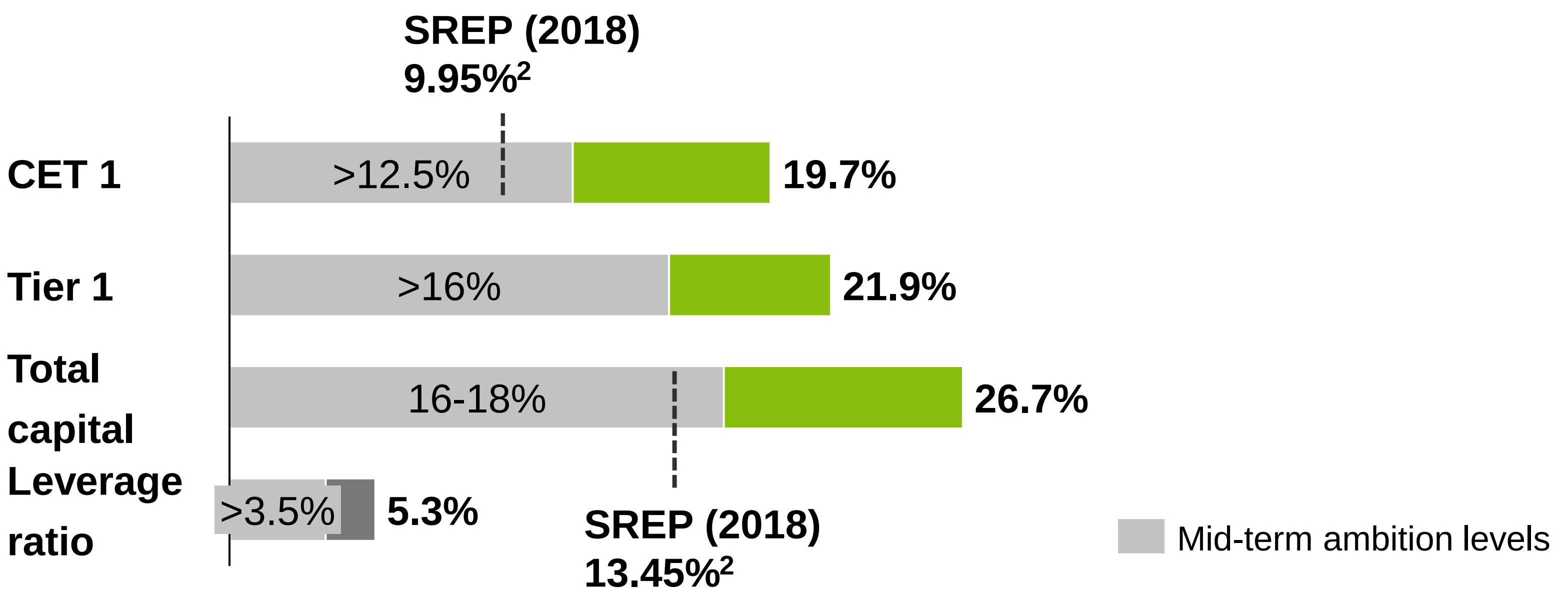
Significant MREL buffer allows for focus on senior preferred issues



1 MREL may vary; the 2018 MREL requirement is set as a percentage below 8% of Total Liabilities and Own Funds (TLOF) calculated on the basis of RWA as of 31 December 2016 2 Overall Capital Requirement (OCR), fully-phased in, combined buffer requirement including anticipated countercyclical buffer 3 MREL-eligible Senior Non-Preferred Debt >1Y according to legal maturities; in % of RWA assuming constant regulatory RWA as of 30 September 2018; the capital stack includes € 300 mn AT1 issuance callable in 2023 and € 300 mn T2 issuance callable in 2022 4 T2 instruments no longer eligible for Own Funds but eligible for MREL 5 Due to amortization of SNP debt %-MREL approx. 7% points lower YE 2018.

Capital, dividend and RWA-challenges
Strong capital ratios provides strategic advantage

Basel III: Capital ratios (fully-loaded)[1]
30/09/18: % (IFRS)



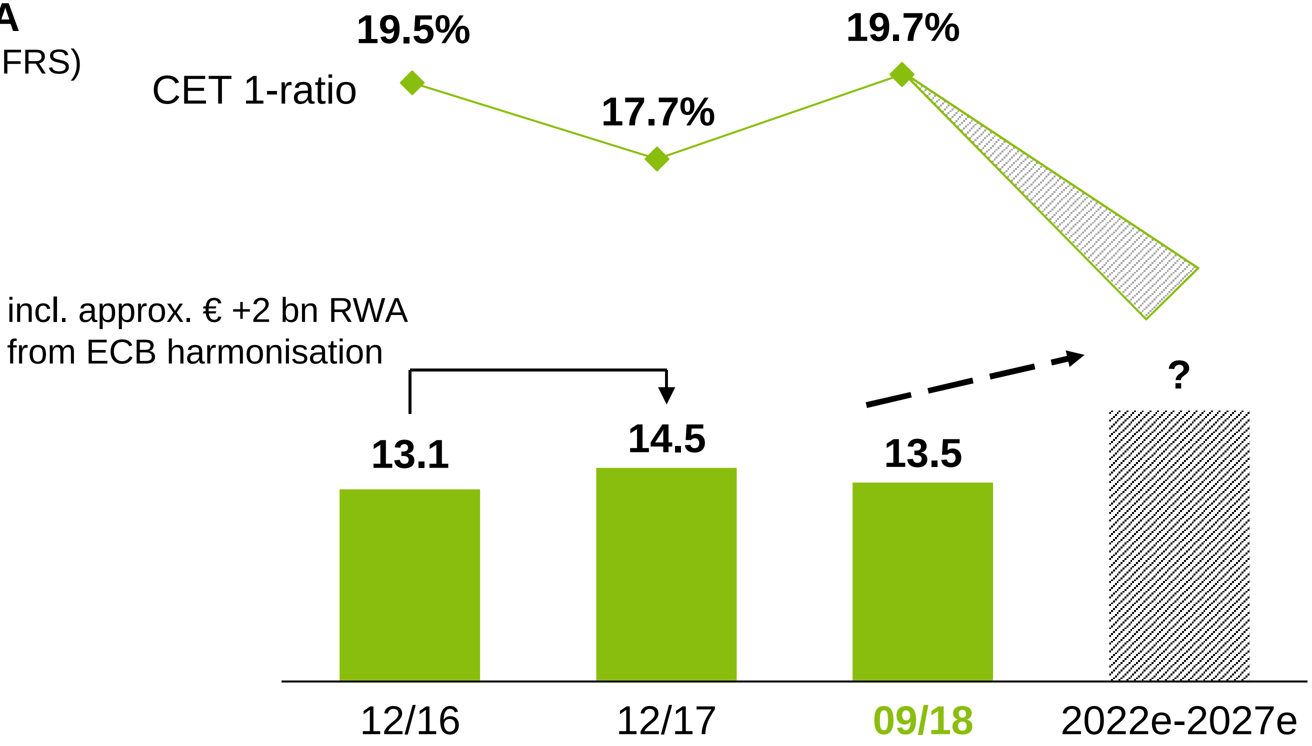
- Capital ratios well above regulatory minimum requirements
- pbb retains capital buffers for further RWA challenges
  – regulation (TRIM/Basel IV)
  – potential strategic growth
  – cyclical risks/ strategic measures

Note: Figures may not add up due to rounding   1 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology   2 Incl. anticipated countercyclical buffer (0.2%; actual as of 31.12.2017: 0.11%), based on present P2R

Capital, dividend and RWA-challenges

Sufficient buffer for regulatory changes ahead

Basel III: RWA
30/09/18: € bn (IFRS)

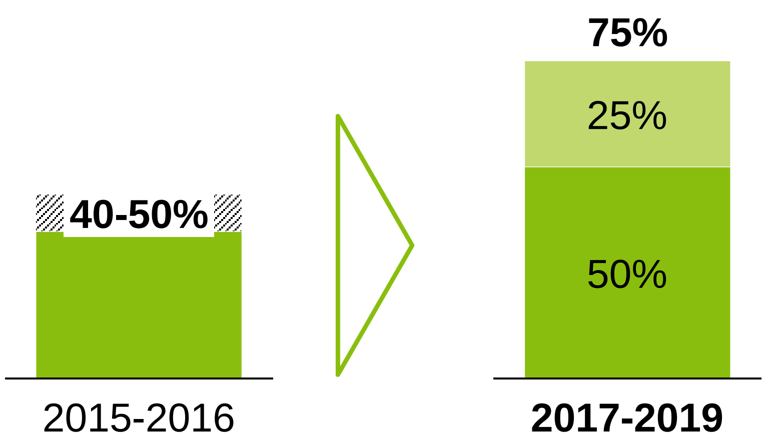


- Adequate buffers, essential for regulatory changes, operational stability and strategic flexibility
- RWA down by € -1.0 bn in 9M/18 mainly due to LGD changes and maturities

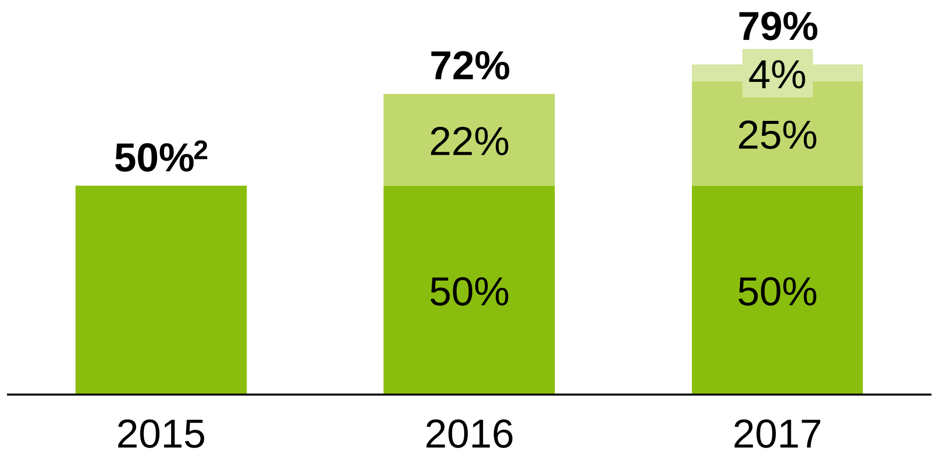
Note: Figures may not add up due to rounding 1 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology 2 Incl. anticipated countercyclical buffer (0.2%; actual as of 31.12.2017: 0.11%), based on present P2R

pbb provides attractive dividend yield with 75% pay-out until 2019

Dividend strategy (payout ratio[1])



Dividend payment (payout ratio[1] / abs.)



	2015	2016	2017
DPS	**0.43 €**	**1.05 €**	**1.07 €**
Div. Yield[3]	**7.7%**	**11.5%**	**8.0%**

Regular dividend Supplementary dividend Add-on

1 Based on IFRS group profit after tax 2 Annualised; dividend payment only for period after IPO (16.07.2015) 3 based on year-end closings

Focus and Invest – pushing forward strategic initiatives to strengthen market position and support profitability

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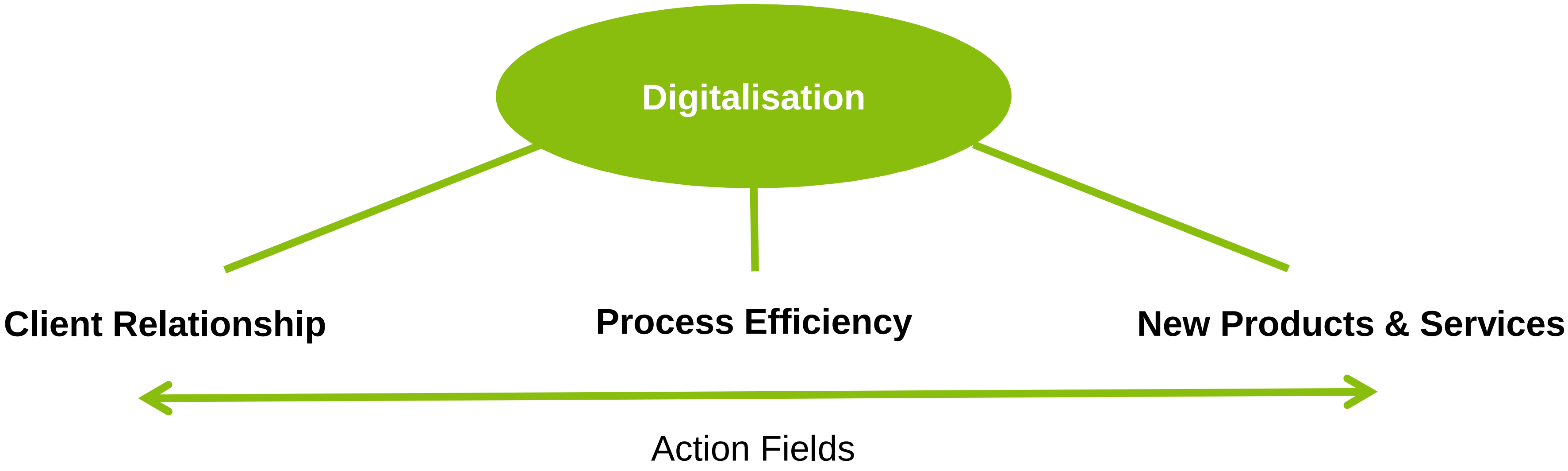
Focus

- Reorganisation of business segment PIF – optimization of business approach, organisational setup and headcount
- Centralisation of functions

Invest

- Further expansion of US business
- Implementation of digitalisation as integral concept in pbb



Our DNA
Why to invest in pbb?

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- **High asset quality**
- **Conservative, sustainable business approach based on strict risk standards**
- **Strong operating track record**
- **Strong capital base, providing adequate buffer for challenges ahead**
- **Attractive dividend yield and valuation**
- **Cautiously expanding and investing**

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