

Good start into 2018 with PBT of EUR 48 mn in Q1/18

Results Q1/18

Analyst Call

14 May 2018

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# Agenda

- 1. Highlights**
- 2. Changes in Financial Reporting**
- 3. Financials**
- 4. New Business & Segment Reporting**
- 5. Portfolio Profile**
- 6. Funding**
- 7. Capital**
- 8. Outlook 2018**

**Appendix**

**Contact details**

## Highlights Q1/18

### Strong PBT of EUR 48 mn in Q1/18 due to solid underlying trends

- ➔ **PBT of EUR 48 mn slightly up y-o-y** (Q1/17: EUR 47 mn) due to solid underlying trends
  - Strong **NII** mainly benefitting from higher avg. strategic financing volume and reduced funding costs
  - No additions to net **risk provisions** required (release of EUR 4 mn)
  - **Operating costs** on typically low level in Q1
  - **Bank levy** of EUR 20 mn (Q1/17: EUR 20 mn) booked in Q1
  - **Q1/17** with **one-off gains** from asset sales out of VP
  
- ➔ **Net income** of EUR 39 mn results in **EpS** of EUR 0.29 (Q1/17: EUR 0.28) and **RoE after tax** of 5.4%
  
- ➔ **New business of EUR 1.8 bn on solid level** maintaining conservative underwriting standards
  - REF (EUR 1.7 bn) reflects selective approach; PIF (EUR 0.1 bn) with improved pipeline in Q2
  - REF new business margin (gross) up to >170bp in Q1/18 (2017: >155 bp, Q1/17: >160 bp)
  - Total financing volume up EUR +0.6 bn q-o-q (REF: EUR +0.8 bn, PIF: stable, VP: EUR -0.2 bn)
  
- ➔ **New long-term funding of EUR 2.0 bn** (Q1/17: EUR 2.7 bn) issued at significantly lower spreads y-o-y
  
- ➔ **Capitalisation** further improved with CET1 ratio of 18.8%<sup>1</sup>, benefitting from positive IFRS9 first time application effect (+0.8%-pts)

<sup>1</sup> Post proposed dividend for 2017, incl. interim result, post max. calc. dividend acc. to ECB methodology

# Highlights

## Operating and financial overview

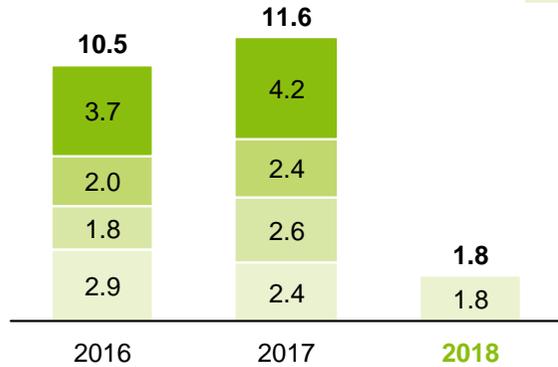
Figures for 2017 and Q1/18 based on new reporting structure (IFRS9)



### New business

EUR billions (commitments, incl. extensions >1 yr)

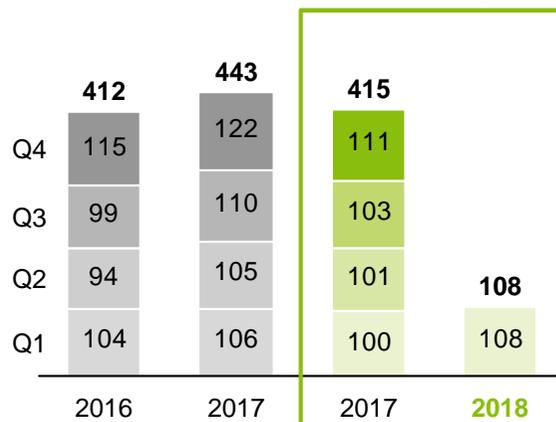
■ Q4  
■ Q3  
■ Q2  
■ Q1



### Net interest and commission income

EUR millions (IFRS)

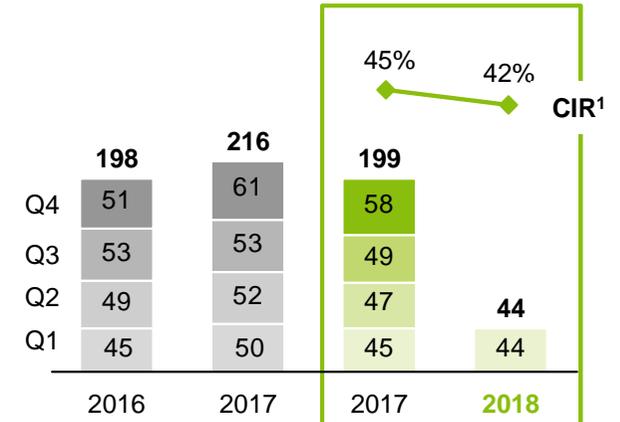
New structure (IFRS9)



### General and admin. expenses

EUR millions (IFRS)

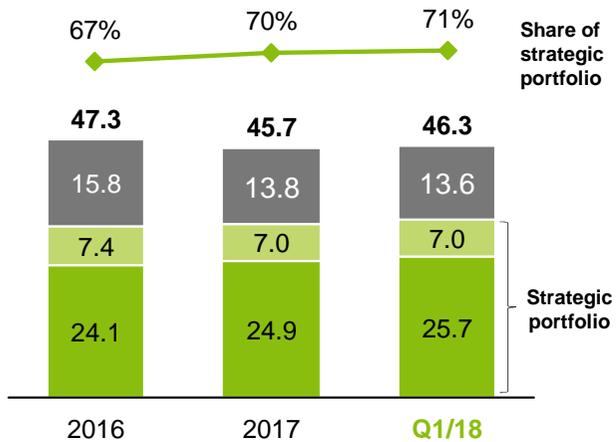
New structure (IFRS9)



### Portfolio

EUR billions (financing volumes)

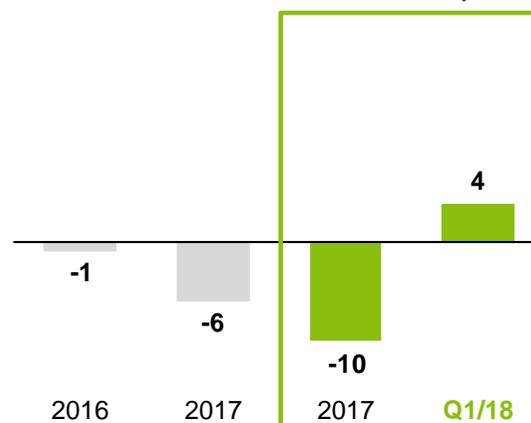
■ VP ■ PIF ■ REF



### Net result from risk provisions

EUR millions (IFRS)

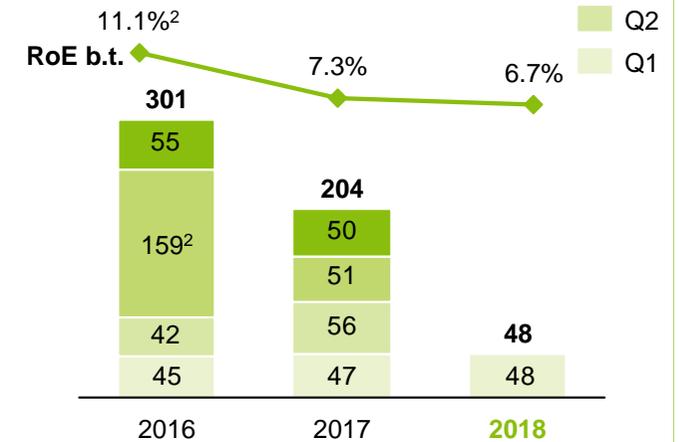
New structure (IFRS9)



### Pre-tax profit

EUR millions (IFRS)

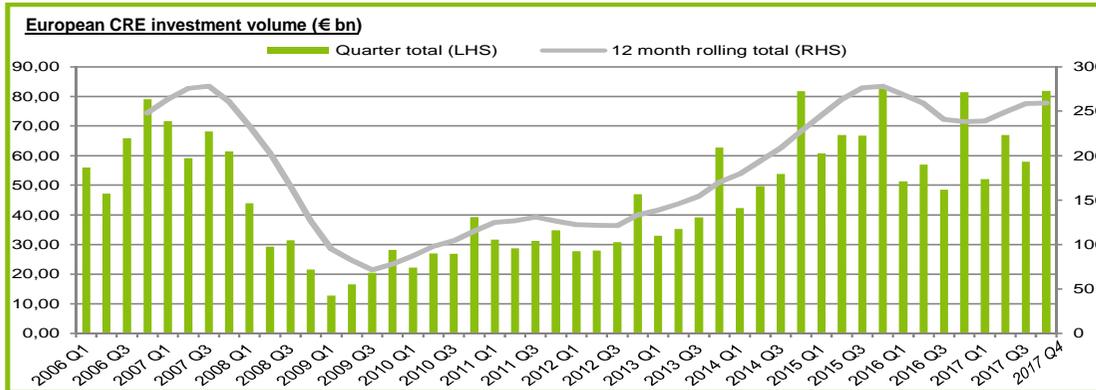
■ Q4  
■ Q3  
■ Q2  
■ Q1



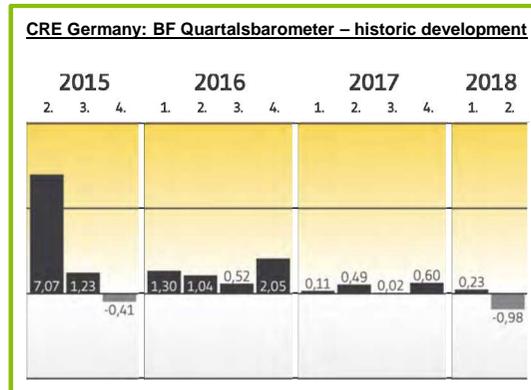
Note: Figures may not add up due to rounding 1 New definition: CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Incl. EUR +132 mn extraordinary gain from value adjustments on HETA exposure

# Highlights

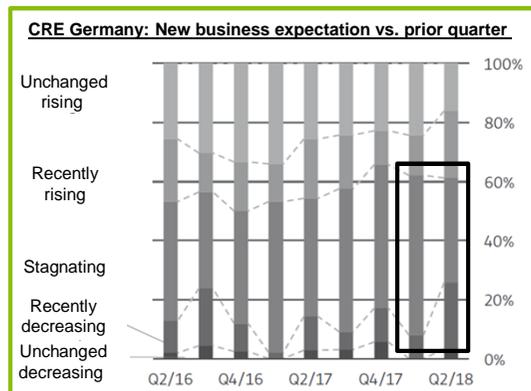
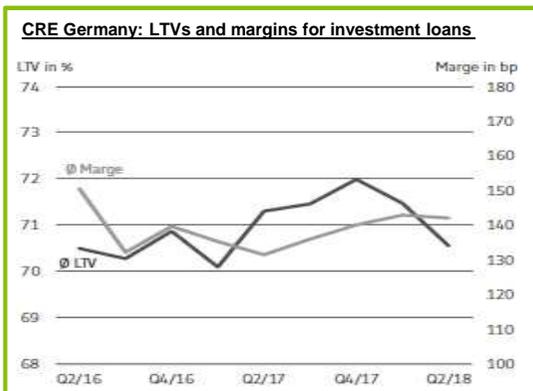
## CRE market environment remains highly competitive and challenging – pbb sticks to risk-conservative approach



- Real estate investment market in Europe at elevated levels
  - Volume saw another pick-up in Q4/17
  - For Q1/18 decline in CRE investment volume expected
- Prime yields are expected to remain mainly stable, UK retail prime yields have increased
- All in all, European economy in good shape and Europe looks set for another year of robust investment activity in 2018, supported by positive fundamentals



- BF Quartalsbarometer for CRE Germany fell to 5-year low in Q2/18
  - New business volumes expected to decline whereas refinancing costs tend to increase
  - Demand for prime properties significantly exceeds supply



- Avg. LTVs recently down while margins kept relatively stable – risk awareness seems to increase
- Change in expectation from “stagnating” to “recently decreasing” new business volumes

Source: Own source, bulwien gesa, BF direkt Real Estate Finance, BF Quartalsbarometer, Quartalsbericht Q2/18

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# Changes in financial reporting

## New structure following IFRS9 implementation – major changes

**Income statement  
Former structure (IAS 39)**  
(EUR mn)

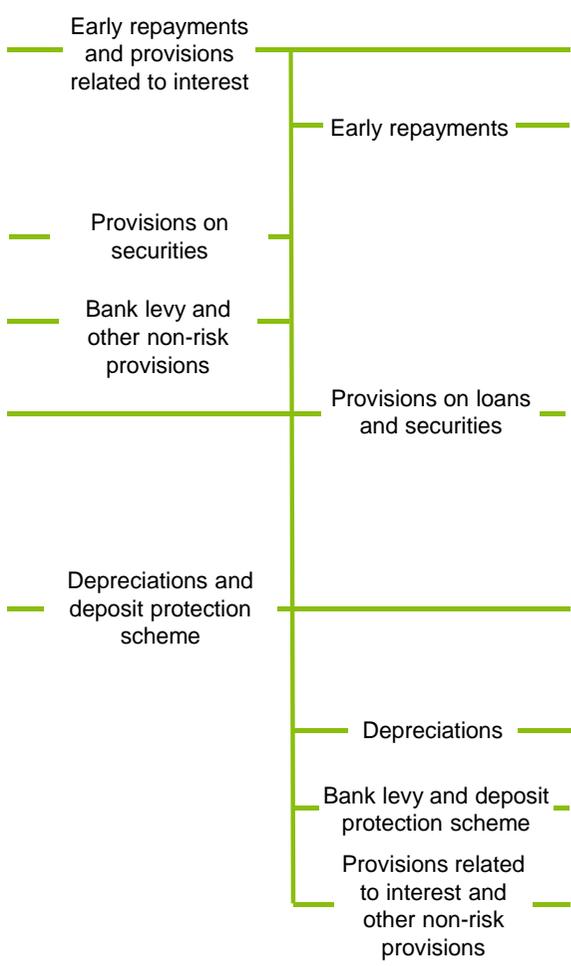
**Income statement  
New structure (IFRS9)**  
(EUR mn)



### Major changes

	Q1/17	FY17
<b>Net interest income</b>	<b>103</b>	<b>435</b>
Net income from financial investments	1	-4
Net other operating income	-8	-9
<b>Loan loss provisions</b>	<b>-2</b>	<b>-6</b>
<b>General and administrative expenses</b>	<b>-50</b>	<b>-216</b>

	Q1/17	FY17	Q1/18	
<b>Net interest income</b>	<b>97</b>	<b>407</b>	<b>107</b>	<b>Net interest income</b>
Early repayments	9	45	9	Net income from realisations
<b>Net income from risk provisioning</b>	<b>-</b>	<b>-10</b>	<b>4</b>	<b>Net income from risk provisioning</b>
<b>General and administrative expenses</b>	<b>-45</b>	<b>-199</b>	<b>-44</b>	<b>General and administrative expenses</b>
Depreciations	-3	-14	-3	Net income from write-downs and write-ups on non-financial assets
Expenses from bank levies and similar dues	-28	-28	-21	Expenses from bank levies and similar dues
<b>Net income from provisions</b>	<b>-7</b>	<b>-22</b>	<b>-1</b>	<b>Net income from provisions</b>



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## Income statement (new structure)

Solid operating performance – strong NII, no net risk provisioning, GAE on low level

### Income statement

EUR millions

	Q1/17	Q4/17	Q1/18
<b>Operating Income</b>	<b>124</b>	<b>128</b>	<b>113</b>
Net interest income	97	109	107
Net fee and commission income	3	2	1
Net income from fair value measurement	-2	-1	-
Net income from realisations	9	14	9
Net income from hedge accounting	1	-1	-1
Net other operating income	16	5	-3
Net income from risk provisioning	-	-7	4
General and administrative expenses	-45	-58	-44
Net income from write-downs and write-ups on non-financial assets	-3	-3	-3
Expenses from bank levies and similar dues	-22	-1	-21
Net income from provisions	-7	-9	-1
<b>Pre-tax profit</b>	<b>47</b>	<b>50</b>	<b>48</b>
Income taxes	-9	6	-9
<b>Net income</b>	<b>38</b>	<b>56</b>	<b>39</b>
CIR <sup>1</sup>	38.7%	47.7%	41.6%
RoE before tax	6.7%	7.1%	6.7%
RoE after tax	5.4%	7.9%	5.4%
EPS	0.28€	0.42€	0.29€

#### Key drivers Q1/18.

- NII +10% y-o-y, benefitting from reduced funding costs and increased avg. strategic financing volume
- Net other operating income mainly driven by FX effect; Q1/17 benefitting from EUR 17mn one-off gain from asset sales out of VP
- Release mainly due to maturities within next 12 months
- GAE typically on low level in Q1
- Bank levy of EUR 20 mn (Q1/17: EUR 20 mn) booked in Q1 + EUR 1 mn deposit protection scheme (Q1/17: EUR 2 mn)
- CIR (new definition)<sup>1</sup> influenced by lower operating income as previous year benefitting from one-off gains

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

## Income statement (new structure)

NII up +10% y-o-y, mainly benefitting from reduced funding costs

### Income from lending business

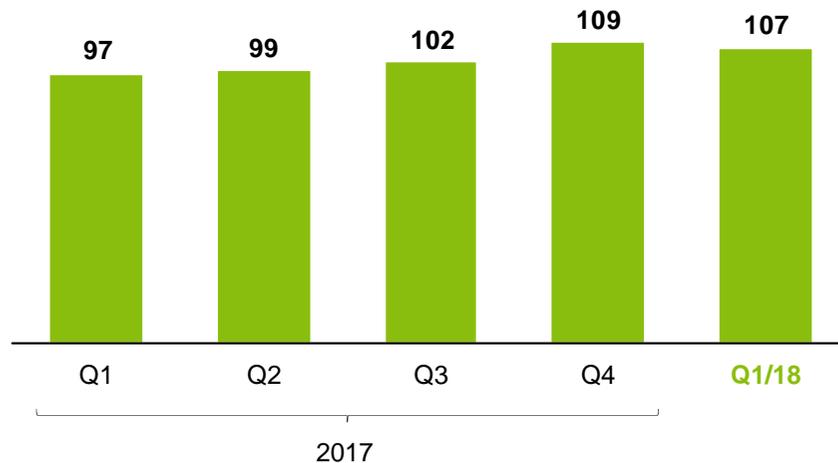
EUR millions

	Q1/17	Q4/17	Q1/18
Net interest income	97	109	107
Net fee and commission income	3	2	1

	Q1/17	Q4/17	Q1/18
Net income from realisations	9	14	9

### Net interest income

EUR millions



### Key drivers Q1/18:

- NII continues to benefit from solid underlying drivers
  - Avg. strategic financing volume slightly up to EUR 32.3 bn (2017: EUR 31.8 bn, Q1/17: EUR 31.7 bn)
  - Funding costs down y-o-y due to maturities at legacy costs and lower spreads on new refinancing
- However, NII continues to be negatively influenced by following major base effects:
  - Margin pressure
  - Value Portfolio run-down
  - Low(er) returns from (re)-investments of liquidity/equity book
- Stable net income from realisations y-o-y mainly driven by
  - prepayment fees (EUR +4 mn, Q4/17: EUR +10 mn, Q1/17: EUR +8mn)
  - realisation of fees and/or redemption of liabilities (EUR +5 mn; Q4/17: EUR +4mn, Q1/17: EUR +1 mn)

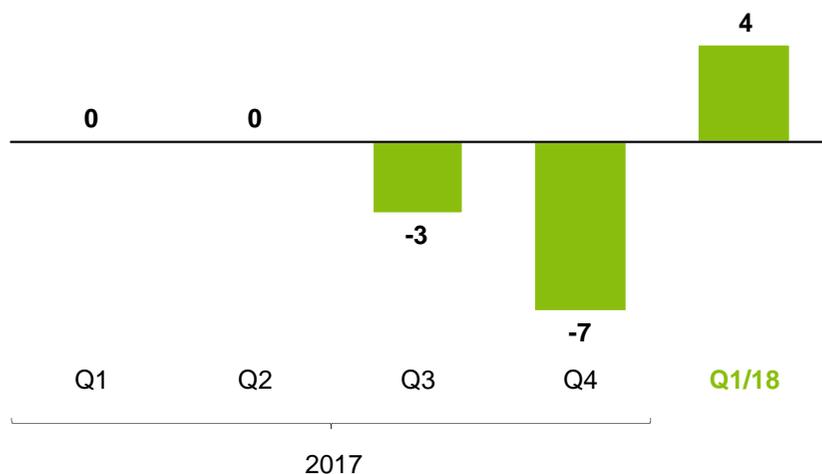
## Income statement (new structure)

No net additions to risk provisions required reflecting overall market environment and continued risk conservative business approach

### Net income from risk provisioning

EUR millions

	Q1/17	Q4/17	Q1/18
Net income from risk provisioning	-	-7	4
thereof			
stage 1		n/a	1
stage 2		n/a	4
stage 3		n/a	-1



### Key drivers Q1/18:

- IAS 39 Incurred Loss Model to be replaced by 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
  - Scenarios to be taken into account
- Net release of provisions in stage 1 and 2 of EUR 5mn primarily driven by maturity effects from assets maturing within the next 12 months; net additions in stage 3 of EUR 1mn
- Slight increase of stage 3 coverage ratio (new definition)<sup>1</sup> to 23.1% (12/17: 22.3%)
- Coverage ratio does not take into account additional collateral – incl. these factors, REF coverage ratio at approx. 100%

<sup>1</sup> Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities)

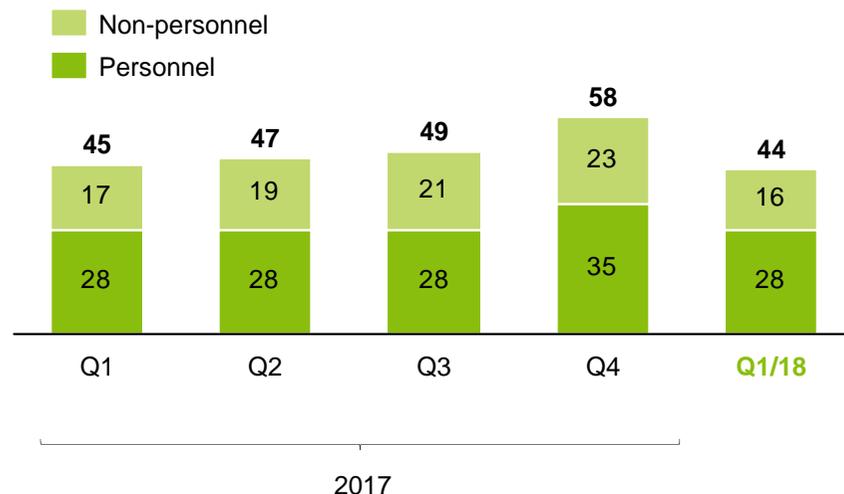
## Income statement (new structure)

Operating costs on typically low level in Q1 – regulatory costs and strategic investments will continue to weigh on overall cost level going forward

### General & administrative expenses and depreciations

EUR millions

	Q1/17	Q4/17	Q1/18
General admin. expenses	-45	-58	-44
<i>Personnel</i>	-28	-35	-28
<i>Non-personnel</i>	-17	-23	-16
Net income from write-downs and write-ups on non-financial assets	-3	-3	-3
<i>CIR (%)<sup>1</sup></i>	38.7	47.7	41.6



### Key drivers Q1/18:

- GAE stable y-o-y, in line with expectations
- All in all, costs remain under control – FTEs down to 733 FTE (12/17: 744 FTE; 03/17: 739 FTE)
- Regulatory costs and strategic investments (e.g. further digital transformation) will continue to weigh on overall cost level going forward
- Balanced net income from write-downs and write-ups on non-financial assets – scheduled depreciations on tangible and intangible assets

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

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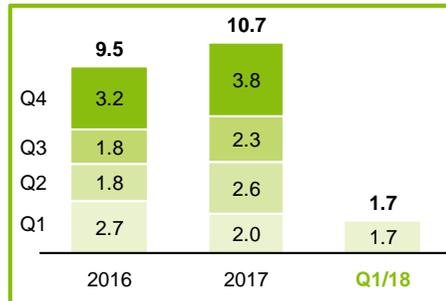
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# New business & segment reporting

**REF: Solid level of new business with improved margins – continued focus on conservative risk positioning**

New business	Q1/17	2017	Q1/18
Total volume (EUR bn)	2.0	10.7	1.7
<i>thereof:</i>			
<i>Extensions &gt;1 year</i>	0.3	1.9	0.2
No. of deals	48	221	34
Ø maturity (years) <sup>1</sup>	~5.6	~5.3	4.6
Ø LTV (%) <sup>2</sup>	62	60	62
Ø gross margin (bp)	>160	>155	>170

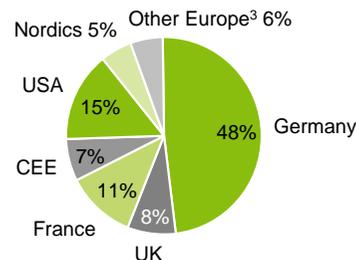


Income statement (IFRS, EUR mn)	Q1/17 <sup>5</sup>	Q4/17 <sup>5</sup>	Q1/18
Operating income	93	103	96
<i>thereof: Net interest income</i>	81	87	89
Net income from risk provisioning	-2	-4	-
General administrative expenses	-36	-46	-35
Net other income/expenses	-17	-9	-14
<b>Pre-tax profit</b>	<b>38</b>	<b>44</b>	<b>47</b>
Key indicators	Q1/17	Q4/17	Q1/18
CIR (%) <sup>4</sup>	40.9	46.6	38.5
RoE before tax (%)	13.8	14.7	14.5
Equity (EUR bn)	1.1	1.2	1.4
RWA (EUR bn)	6.3	8.3	8.1
Financing volume (EUR bn)	24.1	24.9	25.7

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

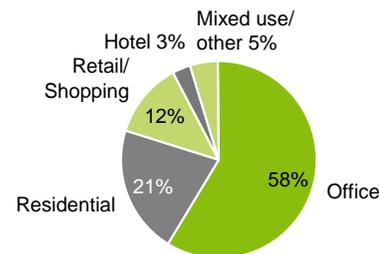
## Regions

Q1/18: EUR 1.7 bn



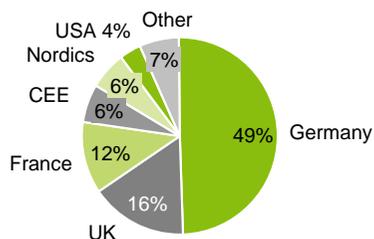
## Property types

Q1/18: EUR 1.7 bn

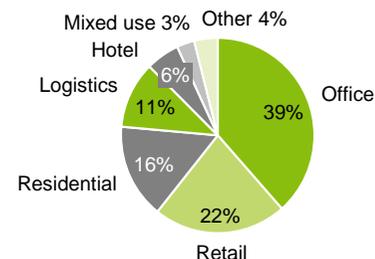


**Portfolio**  
(EaD, Basel III)

31/03/18: EUR 28.6 bn



31/03/18: EUR 28.6 bn



## Key drivers Q1/18:

- New business volume on solid level with improved avg. gross margin and stable risk profile
  - High competition and margin pressure, but continued focus on conservative risk positioning (avg. LTV 62%)
  - Changes to regional and product mix (e.g. UK down, US up, higher Office and Residential, lower Retail/Shopping)
- Financing volume +6.6% y-o-y due to strong new business in 2017 and lower level of prepayments in Q1/18
- RWA increase y-o-y reflects effects from ECB harmonisation of risk models in Q3/17
- Financial performance mainly driven by strong NII, no net additions to risk provisions and low level of GAE
- Main impacts from change in allocation: Higher operating income mainly reflecting new allocation of prepayment fees and income from equity investments resulting from higher allocated equity

Note: Figures may not add up due to rounding

1 Legal maturities 2 New commitments; avg. LTV (extensions): Q1/18: 68%, Q1/17: 44%

3 Spain

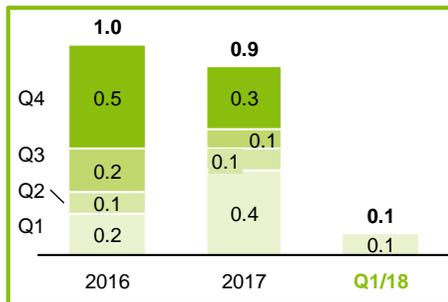
4 CIR = (GAE + net income from write-downs and write ups on non-financial assets)/operating income

5 Adjusted acc. to IFRS 8.29

# New business & segment reporting

**PIF: Strong competition weighs on new business volume and margins – low volume in Q1/18 not representative**

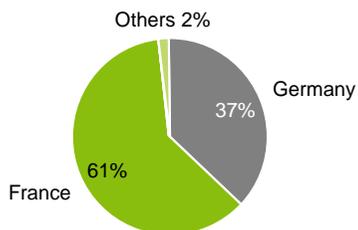
New business	Q1/17	2017	Q1/18
Total volume (EUR bn)	0.4	0.9	0.1
No. of deals	7	30	3
Ø maturity (years) <sup>1</sup>	~8.9	~8.7	~7.9
Ø gross margin (bp)	>90	>100	~60



Income statement (IFRS, EUR mn)	Q1/17 <sup>3</sup>	Q4/17 <sup>3</sup>	Q1/18
Operating income	6	6	7
<i>thereof: Net interest income</i>	7	8	8
Net income from risk provisioning	1	-5	2
General administrative expenses	-6	-8	-6
Net other income/expenses	-5	-1	-4
<b>Pre-tax profit</b>	<b>-4</b>	<b>-8</b>	<b>-1</b>
Key indicators	Q1/17	Q4/17	Q1/18
CIR (%) <sup>2</sup>	>100	>100	100.0
RoE before tax (%)	-16.0	-21.3	-2.0
Equity (EUR bn)	0.1	0.2	0.2
RWA (EUR bn)	1.4	1.6	1.6
Financing volume (EUR bn)	7.7	7.0	7.0

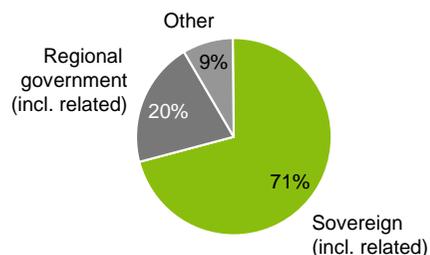
## Regions

Q1/18: EUR 0.1 bn



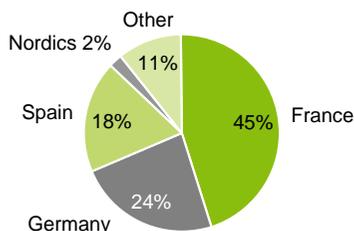
## Borrower classification

Q1/18: EUR 0.1 bn

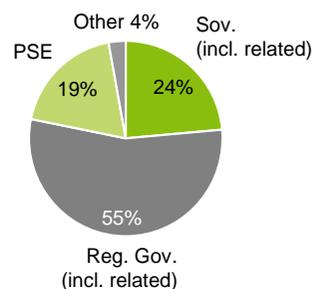


New business (Commitments)

31/03/18: EUR 7.9 bn



31/03/18: EUR 7.9 bn



Portfolio (EaD, Basel III)

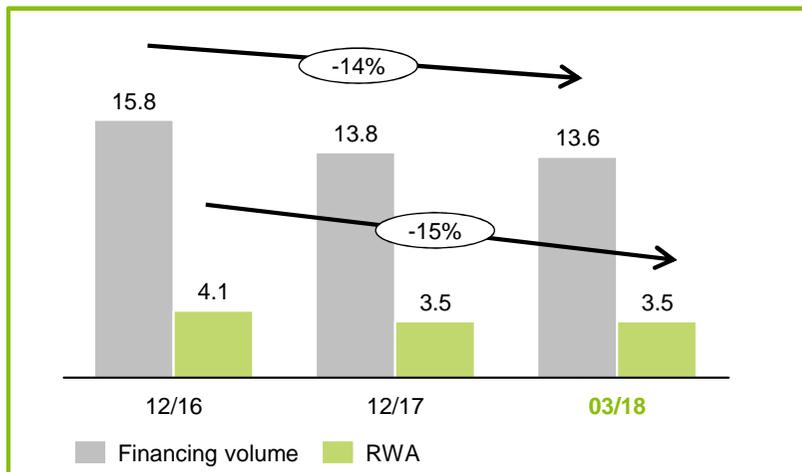
## Key drivers Q1/18:

- PIF remains contribution business with ~20% direct costs vs. ~80% allocated overhead (allocation based on financing volume)
- Financing volume down y-o-y due to maturities
- Main impacts from change in allocation: Lower operating income due to new allocation of prepayment fees and income from equity investments resulting from lower allocated equity

Note: Figures may not add up due to rounding 1 Weighted average lifetime 2 CIR = (GAE + net income from write-downs and write ups on non-financial assets)/operating income 3 Figures adjusted acc. to IFRS 8.29

# New business & segment reporting

## VP: Run-down of non-strategic Value Portfolio continued in line with strategy

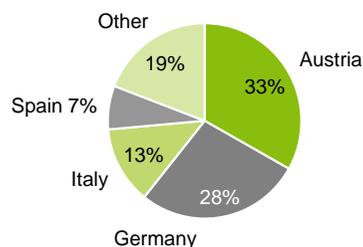


Income statement (IFRS, EUR mn)	Q1/17 <sup>2</sup>	Q4/17 <sup>2</sup>	Q1/18
Operating income	24	17	8
<i>thereof: Net interest income</i>	8	12	8
Net income from risk provisioning	1	2	2
General administrative expenses	-3	-4	-3
Net other income/expenses	-10	1	-7
<b>Pre-tax profit</b>	<b>12</b>	<b>12</b>	<b>0</b>
Key indicators	Q1/17	Q4/17	Q1/18
CIR (%) <sup>1</sup>	12.5	29.4	37.5
RoE before tax (%)	3.7	4.2	-
Equity (EUR bn)	1.3	1.1	1.1
RWA (EUR bn)	4.0	3.5	3.5
Financing volume (EUR bn)	15.5	13.8	13.6

Value Portfolio  
(EaD, Basel III)

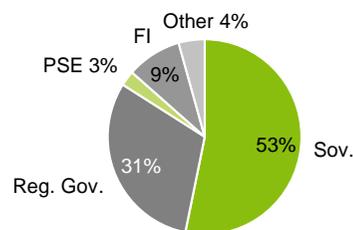
### Regions

31/03/18: EUR 16.8 bn



### Borrower classification

31/03/18: EUR 16.8 bn



### Key drivers Q1/18:

- Value Portfolio significantly down by EUR -1.9 bn (-12%) y-o-y, in line with strategy
- Financial segment performance influenced by allocation effects and one-offs; previous year mainly affected by asset sales in Q1/17 (net other operating income: EUR +17 mn)
- Main impacts from change in allocation: Lower operating income due to new allocation of prepayment fees and income from equity investments resulting from lower allocated equity

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    2 Figures adjusted acc. to IFRS 8.29

# Agenda

1. **Highlights**
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**Appendix**

**Contact details**

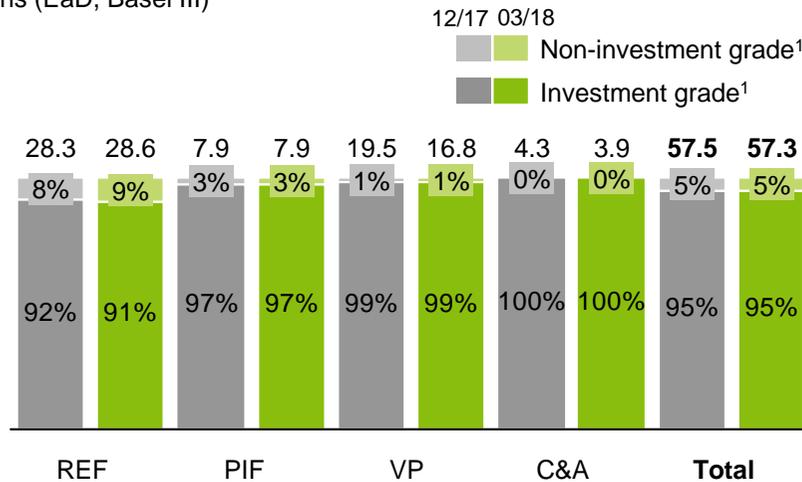
# Portfolio

Conservative business and risk strategy continued – high portfolio quality with 95% investment grade and avg. LTV of 55%



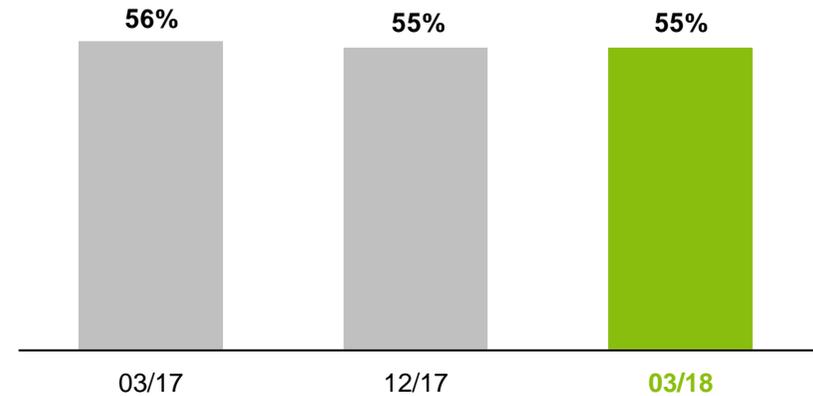
## Total portfolio: Internal ratings (EL classes)

EUR billions (EaD, Basel III)



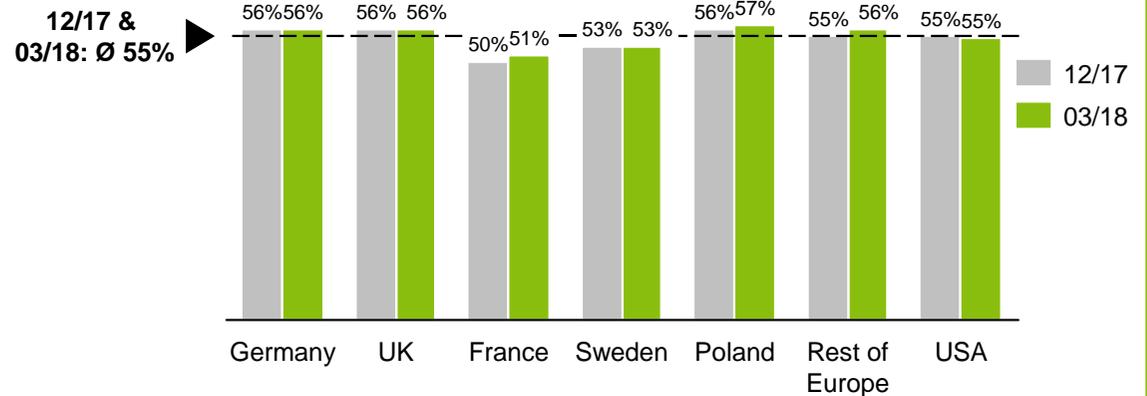
## REF Portfolio: Avg. weighted LTVs

% (commitments)<sup>2</sup>



### Key drivers Q1/18:

- Stable high portfolio quality
  - 95% investment grade (based on internal ratings)
  - Avg. LTV of 55%



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

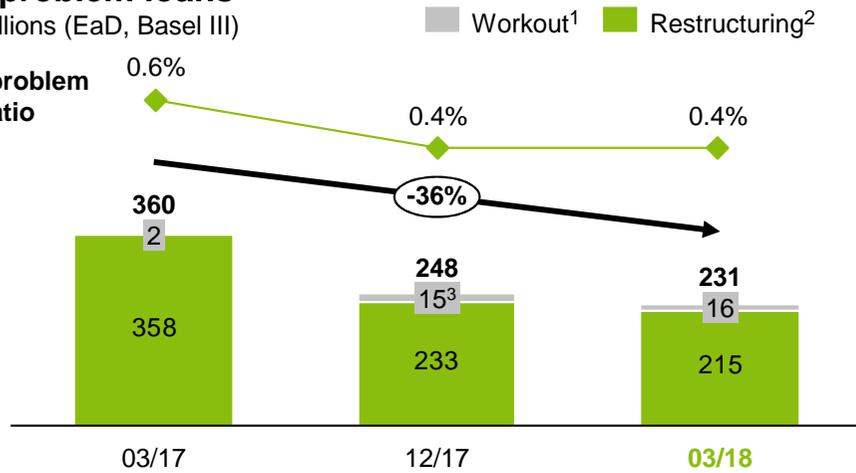
# Portfolio

## Total problem loans continue to be at historically low level

### Total problem loans

EUR millions (EaD, Basel III)

Total problem loan ratio

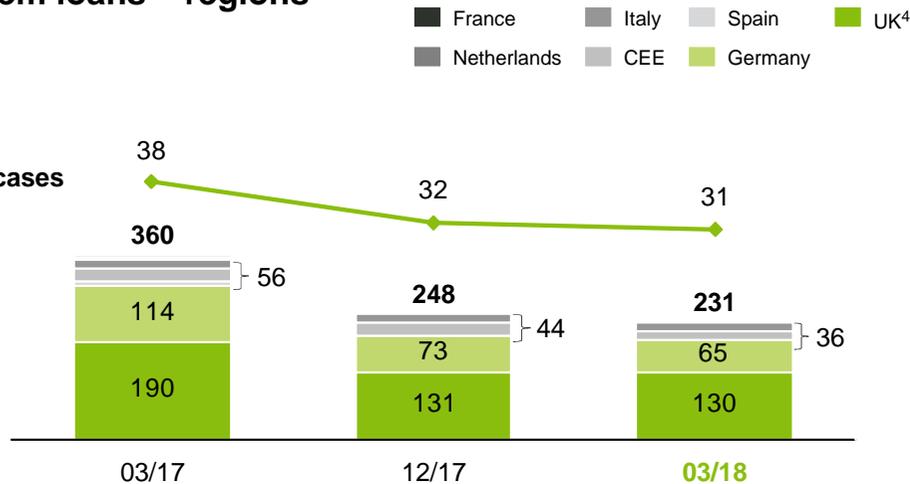


### Key drivers Q1/18:

- Total problem loans down -36% y-o-y
  - No problem loans in PIF and VP
  - Only EUR 16 mn workout loans
  - Expert proceeding on Estate UK-3 ongoing

### Problem loans – regions

No. of indiv. cases



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 Internal rating downgrade of 1 loan (Italy); amount: EUR 14 mn. 4 Estate UK-3 'technically' shown as problem loan – properties sold, but synthetic securitisation has not yet allocated loss.

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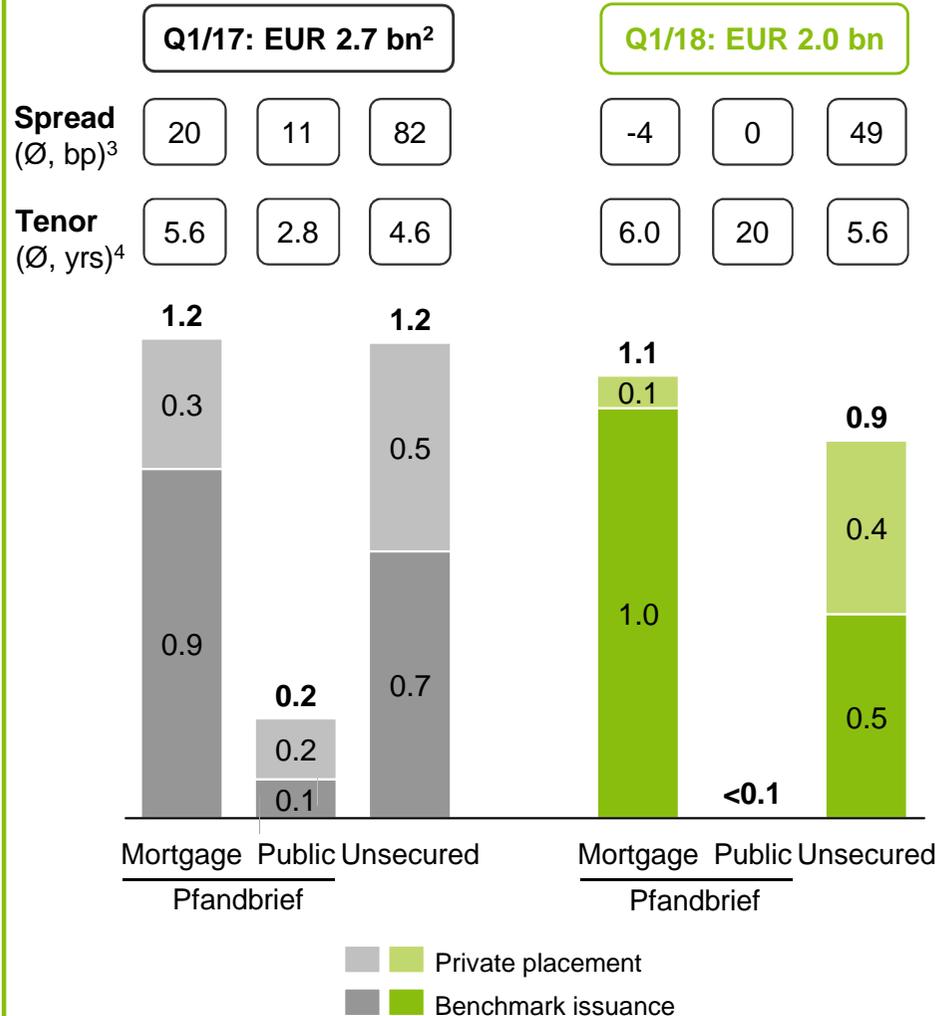
# Funding

## Stable, diversified funding profile – further reduction of funding costs in Q1/18



### New long-term funding<sup>1</sup>

EUR billions



### Pfandbriefe

- Mortgage Pfandbriefe: EUR 250 mn tap issued in January 2018 and EUR 750 mn benchmark issued in March 2018

### Senior Unsecured

- EUR 500 mn 4y benchmark issued in January 2018 and continuous private placements in Q1/2018
- EUR 20 mn senior preferred issued

### AT1

- Inaugural EUR 300 mn Tier 1 (AT1) issuance in April 2018 optimizing capital structure and strengthening leverage ratio

### pbb direkt

- Total volume stable at EUR 3.2 bn (12/17: EUR 3.3 bn); average maturity<sup>5</sup> 3.2 years (12/17: 3.1 yrs)

### MREL

- Comfortable volume of MREL eligible items (EUR ~11 bn, thereof EUR ~7.7 bn senior unsecured)<sup>6</sup> allows for primary focus on preferred issuances going forward

### Funding structure and liquidity

- ALM profile and liquidity position remain comfortable (NSFR >100%; LCR >150%)

Note: Figures may not add up due to rounding

1 Excl. money market and retail deposit business 2 Excl. Tier 2 issuances 3 vs. 3M Euribor 4 Initial weighted average maturity 5 Initial weighted average maturity of term deposits 6 Based on pbb preliminary calculation

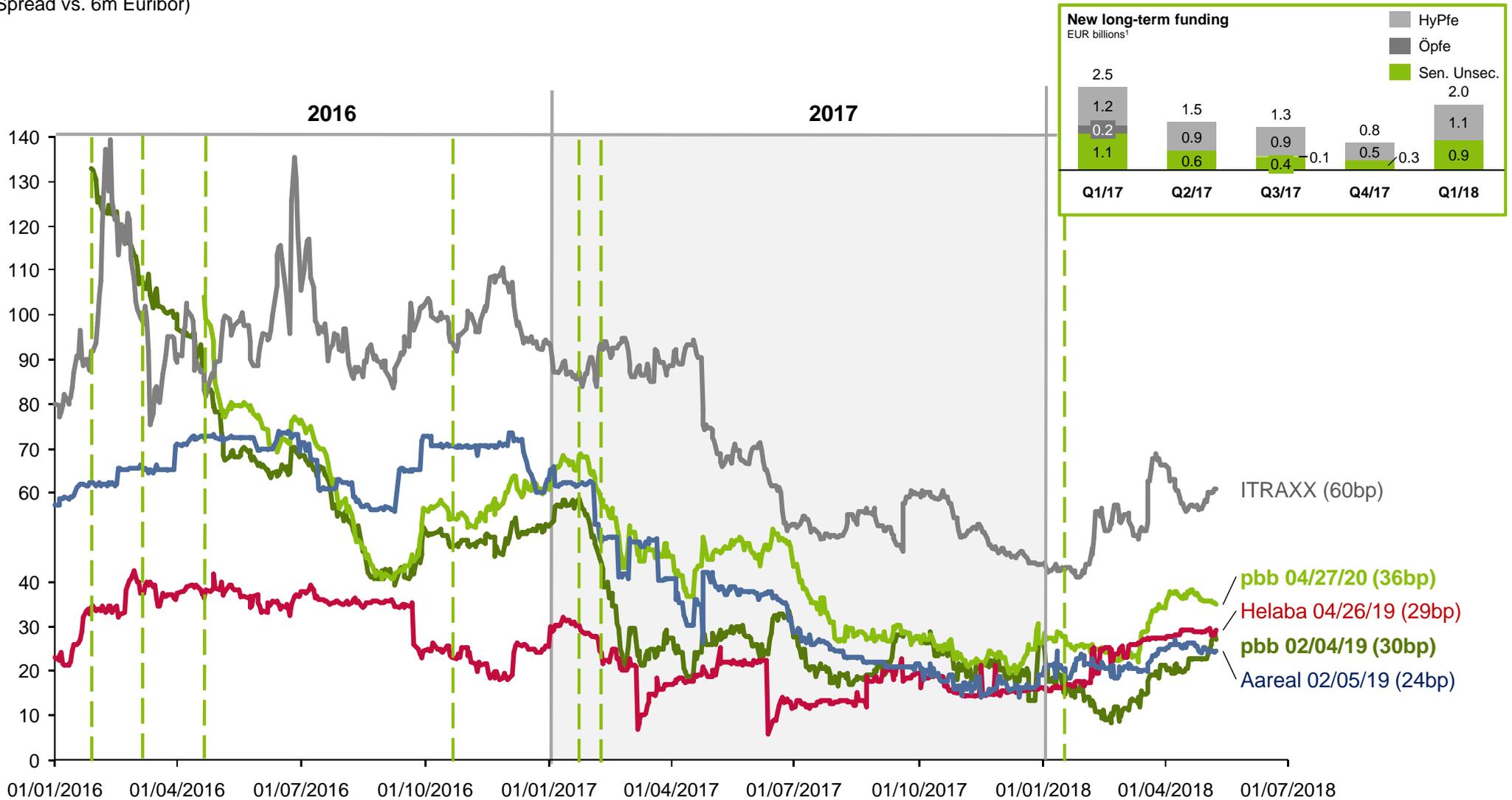
# Funding

## Senior unsecured spreads converged significantly



### Spread development of pbb Senior Unsecured Benchmarks vs peers and iTraxx Bank Senior

(Spread vs. 6m Euribor)



Source: Bloomberg 1 Excl. money market and deposit business

--- pbb Senior Unsecured Benchmark issuances/taps

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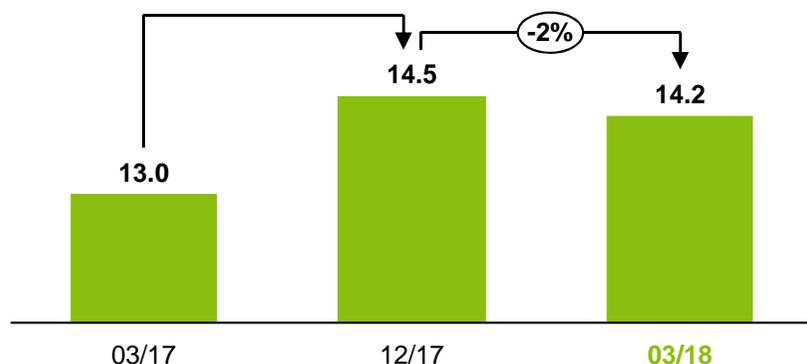
# Capital

## Capitalisation remains strong - positive IFRS9 first-time application effect

### Basel III: RWA

EUR billions (IFRS)

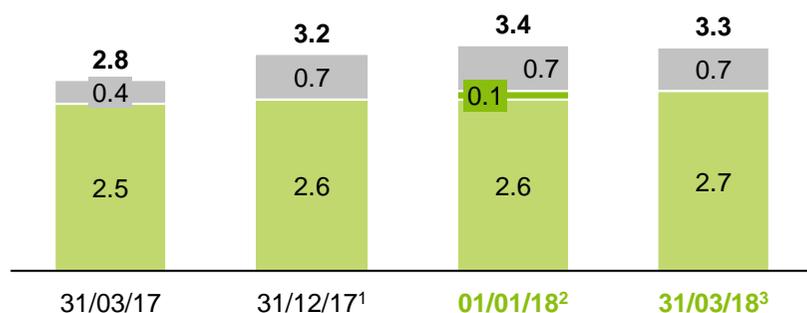
- incl. approx. EUR +2 bn RWA from ECB harmonisation



### Basel III: Equity (fully-loaded)

EUR billions (IFRS)

■ Tier 2  
■ IFRS9  
■ CET 1



### Basel III: Capital ratios (fully-loaded)

% (IFRS)

in %	03/17 <sup>2</sup>	12/17 <sup>1</sup>	03/18 <sup>2</sup>	Ambition levels
CET 1	19.2	17.6	18.8	≥12.5
Tier 1	19.2	17.6	18.8	≥16
Own funds	21.9	22.2	23.5	16-18
Leverage ratio	4.3	4.5	4.8	≥3.5

### Key drivers Q1/18:

- RWA down by EUR -0.3 bn mainly due to LGD changes
- Capital up due to positive IFRS9 first-time application effect
- pbb retains capital buffers for further RWA challenges: regulation (TRIM/Basel IV), potential strategic growth and cyclical risks and/or strategic measures

### IFRS9:

- EUR 109 mn IFRS9 first-time application effect in IFRS capital
  - Negative effects from impairments (EUR -32 mn before deferred tax)
  - Positive effects from classification & measurements (EUR 158 mn before deferred tax)

### SREP:

- SREP requirements 2018<sup>4</sup>:
  - CET 1 ratio phase-in: 9.325% / fully-loaded: 9.95%
  - Own funds ratio phase-in: 12.825% / fully loaded: 13.45%

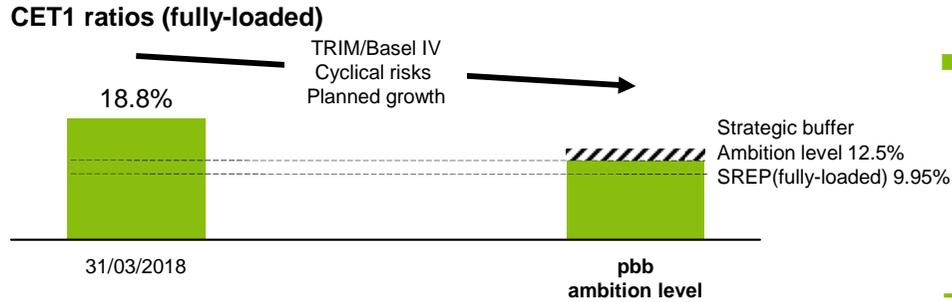
Note: Figures may not add up due to rounding 1 Incl. full-year result, post proposed dividend methodology 2 IFRS9 first-time application effect 3 Post proposed dividend for 2017, incl. interim result, post max. calc. dividend acc. to ECB 4 Incl. capital conservation buffer (1.875%) and anticipated countercyclical buffer (0.2%; actual as of 31.12.2017: 0.11%)

# Key components of capital planning

Capital structure optimised – AT1 issuance in April supports regulatory capital structure, Available Financial Resources/Economic Capital and rating agencies requirements

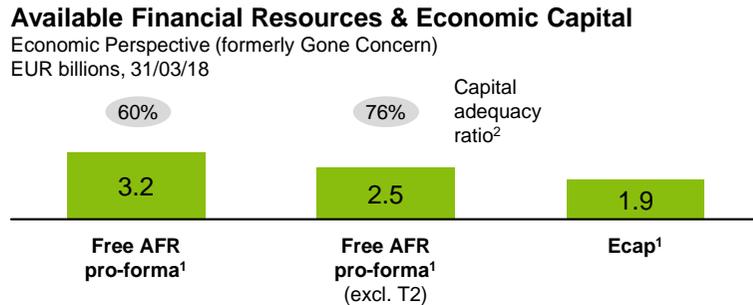


**Regulatory view**  
(Pillar 1)



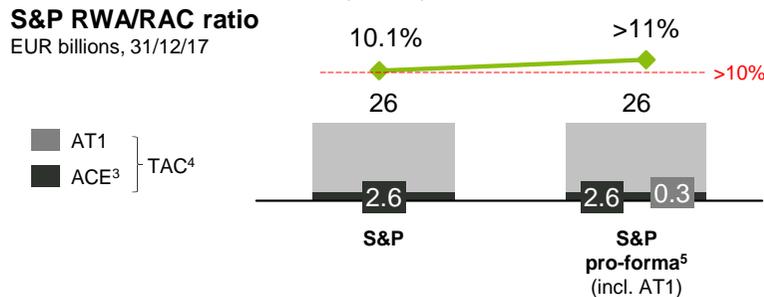
- Sufficient capital buffer to be adequately capitalized under future regulatory requirements

**Economic view**  
(Pillar 2)



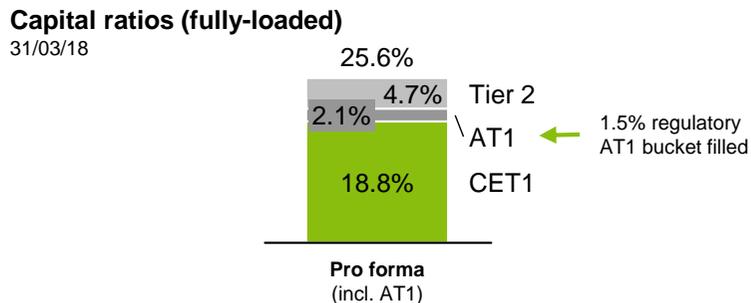
- pbb needs a substantial buffer of excess free Available Financial Resources (free AFR) to always comfortably cover ECap requirement, i.e. sufficient loss absorbing capacity in extreme stress (99.9% conf. level)
- According to ECB ICAAP Guideline (03/2018, draft) T2 instruments will most likely lose eligibility to cover risk in the Economic Perspective – AT1 issuance supports ECap buffer

**Rating**



- S&P requires a certain capital level going forward to maintain the current strong capital & earnings assessment – AT1 issuance supports S&P's RAC ratio forecast
- Furthermore, AT1 issuance supports ratings in general

**Capital structure optimisation**  
(Pillar 1)



- Capital structure strategically optimised by filling 1.5% regulatory AT1 bucket, providing more strategic flexibility
- Maturities will lead to decrease of T2 stack going forward

<sup>1</sup> Post proposed dividend 2017    <sup>2</sup> Capital adequacy ratio = Total diversified ECap / free AFR (required to be substantially less than 95%)    <sup>3</sup> S&P Adjusted Common Equity    <sup>4</sup> S&P Total Adjusted Capital    <sup>5</sup> pbb calculation

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➔ **pbb well on track** – good start into 2018

➔ **Full-year guidance 2018** unchanged

- Ongoing competitive market sentiment
- Deminishing support from funding costs expected

➔ **Strategic initiatives** underway to strengthen market position and support profitability

- Expand US business
  - All approvals/licenses in place
  - Representative office to be opened in due course
- Digitalisation
  - Portal for REF clients launched in April, providing payment information and documents
    - further expansion of functionality and processes envisaged
  - Platform for public sector lending CAPVERIANT to be launched in May 2018

# Appendix

# Changes in financial reporting

## Change in definition of key ratios and segment allocation

### CIR

- New calculation method of CIR as a result of new P&L structure:
  - In principal, continuation of past structure
  - Better reflection of operating efficiency
  - Esp. bank levy and similar dues no longer included

$$\text{CIR} = \frac{\text{General admin. Expenses} + \text{Net income from write-downs and write-ups on non-financial assets}}{\text{Operating income}}$$

### Coverage Ratio

- Replacement of IAS 39 Incurred Loss Model by 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 still not take into account additional collateral

$$\text{Coverage ratio} = \frac{\text{Credit loss allowances on financial assets in stage 3}}{\text{Gross book values in stage 3 (loans and securities)}}$$

### Segment Reporting

- New approach better reflects operating profitability of the segments

#### Major effects:

- Prepayment fees now allocated on single deal level
- Costs of liquidity buffer no longer calculated on portfolio level
- Equity now allocated according to going concern view instead of liquidation approach

However, no changes in allocation of operating costs

### RoE

- Adjustment of RoE calculation after AT1-issuance (Q2/18 onwards only)

$$\text{Return on equity} = \frac{\text{Profit before/after tax} - \text{AT1 coupon}}{\text{Ø Shareholders equity (excl. AT1)}}$$

Income statement – former structure (EUR millions)	2016 <sup>1</sup>	2017	Income statement – new structure (EUR millions)	Q1/17	Q2/17	Q3/17	Q4/17	2017	Q1/18
Net interest income	404	435	Net interest income	97	99	102	109	407	107
Net fee and commission income	8	8	Net fee and commission income	3	2	1	2	8	1
Net trading income	-6	-5	Net income from fair value measurement	-2	2	-4	-1	-5	-
Net income from financial investments	125	-4	Net income from realisations	9	13	9	14	45	9
Net income from hedging relationships	6	-1	Net income from hedge accounting	1	-	-1	-1	-1	-1
Net other operating income/expenses	-29	-9	Net other operating income	16	3	-1	5	23	-3
<b>Operating income</b>	<b>508</b>	<b>424</b>	<b>Operating Income</b>	<b>124</b>	<b>119</b>	<b>106</b>	<b>128</b>	<b>477</b>	<b>113</b>
Loan-loss provisions	-1	-6	Net income from risk provisioning	-	-	-3	-7	-10	4
General and administrative expenses	-198	-216	General and administrative expenses	-45	-47	-49	-58	-199	-44
			Expenses from bank levies and similar dues	-22	-3	-2	-1	-28	-21
			Net income from write-downs and write-ups on non-financial assets	-3	-5	-3	-3	-14	-3
Net miscellaneous income/expenses	-8	2	Net income from provisions	-7	-8	2	-9	-22	-1
<b>Pre-tax profit</b>	<b>301</b>	<b>204</b>	<b>Pre-tax profit</b>	<b>47</b>	<b>56</b>	<b>51</b>	<b>50</b>	<b>204</b>	<b>48</b>
Income taxes	-104	-22	Income taxes	-9	-9	-10	6	-22	-9
<b>Net income</b>	<b>197</b>	<b>182</b>	<b>Net income</b>	<b>38</b>	<b>47</b>	<b>41</b>	<b>56</b>	<b>182</b>	<b>39</b>
<b>Key ratios (%)</b>	<b>2016<sup>1</sup></b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>Q3/17</b>	<b>Q4/17</b>	<b>12/17</b>	<b>03/18</b>
CIR	39.0	50.9	CIR <sup>6</sup>	38.7	43.7	49.1	47.7	44.7	41.6
RoE before tax	11.1	7.3 <sup>2</sup>	RoE before tax	6.7	8.0	7.4	7.1	7.3	6.7
RoE after tax	7.3	6.5 <sup>2</sup>	RoE after tax	5.4	6.7	5.9	7.9	6.5	5.4
<b>Balance sheet (EUR billions)</b>	<b>12/16</b>	<b>12/17</b>	<b>Balance sheet (EUR billions)</b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
Total assets	62.7 <sup>2</sup>	58.0	Total assets	61.2	60.7	57.9	58.0	58.0	57.6
Equity	2.8	2.9	Equity	2.8	2.7	2.8	2.9	2.9	3.0
Financing volume	47.3	45.7	Financing volume	47.3	46.6	46.0	45.7	45.7	46.3
<b>Regulatory capital ratios<sup>3</sup></b>	<b>12/16<sup>1</sup></b>	<b>12/17</b>	<b>Regulatory capital ratios<sup>3</sup></b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
RWA (EUR bn)	13.1	14.5	RWA (EUR bn)	13.0	12.9	14.7	14.5	14.5	14.2
CET 1 ratio – phase in (%)	19.5 <sup>4</sup>	17.7 <sup>5</sup>	CET 1 ratio – phase in (%)	19.5 <sup>7</sup>	19.6 <sup>7</sup>	17.3 <sup>8</sup>	17.7 <sup>5</sup>	17.7 <sup>5</sup>	18.8 <sup>9</sup>
<b>Personnel</b>	<b>12/16</b>	<b>12/17</b>	<b>Personnel</b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
Employees (FTE)	756	744	Employees (FTE)	739	741	736	744	744	733

Note: Annual results 2016-2017 audited 1 Incl. EUR +132 mn extraordinary gain from value adjustments on HETA exposure 2 Revised due to IAS 8.14 et seq dividend 3 Basel III transitional rules 4 Incl. full-year result, post proposed dividend 5 Incl. full-year result, post proposed dividend 6 CIR = (GAE + net income from write-downs and write ups on non-financial assets)/operating income 7 Excl. interim result 8 Incl. interim result, post max. calc. dividend acc. to ECB methodology 9 Post proposed dividend for 2017, incl. interim result, post max. calc. dividend acc. to ECB methodology

## Key figures

### pbb Group Q1/17 vs. Q1/18



DEUTSCHE  
PFANDBRIEFBANK

Income statement – new structure (EUR millions)	REF		PIF		VP		C&A		pbb Group	
	Q1/17	Q1/18	Q1/17	Q1/18	Q1/17	Q1/18	Q1/17	Q1/18	Q1/17	Q1/18
Net interest income	81	89	7	8	8	8	1	2	97	107
Net fee and commission income	3	1							3	1
Net income from fair value valuations			-1		-1				-2	
Net income from realisations	9	8				1			9	9
Net income from hedge accounting		-1			1				1	-1
Net other operating income		-1		-1	16	-1			16	-3
<b>Operating Income</b>	<b>93</b>	<b>96</b>	<b>6</b>	<b>7</b>	<b>24</b>	<b>8</b>	<b>1</b>		<b>124</b>	<b>113</b>
Net income from risk provisioning	-2		1	2	1	2				4
General and administrative expenses	-36	-35	-6	-6	-3	-3			-45	-44
Expenses from bank levies and similar dues	-11	-12	-3	-3	-8	-6			-22	-21
Net income from write-downs and write-ups on non-financial assets	-2	-2	-1	-1					-3	-3
Net income from provisions	-4		-1		-2	-1			-7	-1
<b>Pre-tax profit</b>	<b>38</b>	<b>47</b>	<b>-4</b>	<b>-1</b>	<b>12</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>47</b>	<b>48</b>
Income taxes									-9	-9
<b>Net income</b>									<b>38</b>	<b>39</b>

## Key figures

### Real Estate Finance (REF)

Income statement – former structure (EUR millions)	2016	2017	Income statement – new structure (EUR millions)	Q1/17 <sup>3</sup>	Q2/17 <sup>3</sup>	Q3/17 <sup>3</sup>	Q4/17 <sup>3</sup>	2017 <sup>3</sup>	Q1/18
Net interest income	321	350	Net interest income	81	82	84	87	334	89
Net fee and commission income	9	9	Net fee and commission income	3	2	2	2	9	1
Net trading income	-2	-	Net income from fair value valuations	-	2	-2	-	-	-
Net income from financial investments	3	-1	Net income from realisations	9	13	8	15	45	8
Net income from hedging relationships	3	-1	Net income from hedge accounting	-	1	-1	-1	-1	-1
Net other operating income/expenses	-28	-20	Net other operating income	-	2	-1	-	1	-1
<b>Operating income</b>	<b>306</b>	<b>337</b>	<b>Operating Income</b>	<b>93</b>	<b>102</b>	<b>90</b>	<b>103</b>	<b>388</b>	<b>96</b>
Loan-loss provisions	2	-7	Net income from risk provisioning	-2	-	-2	-4	-8	-
General and administrative expenses	-156	-172	General and administrative expenses	-36	-38	-38	-46	-158	-35
			Expenses from bank levies and similar dues	-11	-2	-1	-1	-15	-12
			Net income from write-downs and write-ups on non-financial assets	-2	-5	-3	-2	-12	-2
Net miscellaneous income/expenses	-6	2	Net income from provisions	-4	-7	-1	-6	-18	-
<b>Pre-tax profit</b>	<b>146</b>	<b>160</b>	<b>Pre-tax profit</b>	<b>38</b>	<b>50</b>	<b>45</b>	<b>44</b>	<b>177</b>	<b>47</b>
<b>Key ratios (%)</b>	<b>2016</b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>Q3/17</b>	<b>Q4/17</b>	<b>2017</b>	<b>Q1/18</b>
CIR	51.0	51.0	CIR <sup>1</sup>	40.9	42.2	45.6	46.6	43.8	38.5
RoE before tax	26.0	24.9	RoE before tax	13.8	18.2	15.7	14.7	15.4	14.5
<b>Key figures (EUR billions)</b>	<b>12/16</b>	<b>12/17</b>	<b>Key figures (EUR billions)</b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
Equity	0.6	0.6	Equity <sup>2</sup>	1.1	1.1	1.2	1.2	1.2	1.4
RWA	6.4	8.3	RWA	6.3	6.5	8.6	8.3	8.3	8.1
Financing volume	24.1	24.9	Financing volume	24.1	24.4	24.6	24.9	24.9	25.7

Note: Annual results 2016-2017 audited; interim results unaudited instead of liquidation approach 3 Adjusted acc. to IFRS 8.29

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

## Key figures

### Public Investment Finance (PIF)

**pbb**

DEUTSCHE  
PFANDBRIEFBANK

Income statement – former structure (EUR millions)	2016	2017	Income statement – new structure (EUR millions)	Q1/17 <sup>3</sup>	Q2/17 <sup>3</sup>	Q3/17 <sup>3</sup>	Q4/17 <sup>3</sup>	2017 <sup>3</sup>	Q1/18
Net interest income	35	36	Net interest income	7	7	8	8	30	8
Net fee and commission income	-	-	Net fee and commission income	-	-	-	-	-	-
Net trading income	-1	-2	Net income from fair value valuations	-1	-	-	-1	-2	-
Net income from financial investments	1	-6	Net income from realisations	-	-	-	-	-	-
Net income from hedging relationships	1	-	Net income from hedge accounting	-	-	-	-	-	-
Net other operating income/expenses	-6	-4	Net other operating income	-	-	-	-1	-1	-1
<b>Operating income</b>	<b>30</b>	<b>24</b>	<b>Operating Income</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>6</b>	<b>27</b>	<b>7</b>
Loan-loss provisions	-	-	Net income from risk provisioning	1	-	-2	-5	-6	2
General and administrative expenses	-26	-29	General and administrative expenses	-6	-6	-7	-8	-27	-6
			Expenses from bank levies and similar dues	-3	-1	-	-	-4	-3
			Net income from write-downs and write-ups on non-financial assets	-1	-	-	-	-1	-1
Net miscellaneous income/expenses	-1	-	Net income from provisions	-1	-	1	-1	-1	-
<b>Pre-tax profit</b>	<b>3</b>	<b>-5</b>	<b>Pre-tax profit</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>-12</b>	<b>-1</b>
<b>Key ratios (%)</b>	<b>2016</b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>Q3/17</b>	<b>Q4/17</b>	<b>2017</b>	<b>Q1/18</b>
CIR	86.7	>100	CIR <sup>1</sup>	>100	100.0	95.2	>100	>100	100.0
RoE before tax	0.9	-1.7	RoE before tax	-16.0	-	-	-21.3	-8.0	-2.0
<b>Key figures (EUR billions)</b>	<b>12/16</b>	<b>12/17</b>	<b>Key figures (EUR billions)</b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
Equity	0.3	0.3	Equity <sup>2</sup>	0.1	0.1	0.1	0.2	0.2	0.2
RWA	1.4	1.6	RWA	1.4	1.4	1.4	1.6	1.6	1.6
Financing volume	7.4	7.0	Financing volume	7.7	7.6	7.2	7.0	7.0	7.0

Note: Annual results 2016-2017 audited; interim results unaudited  
view instead of liquidation approach <sup>3</sup> Adjusted acc. to IFRS 8.29

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

<sup>2</sup> Equity now allocated according to going concern

## Key figures

### Value Portfolio (VP)

Income statement – former structure (EUR millions)	2016 <sup>1</sup>	2017	Income statement – new structure (EUR millions)	Q1/17 <sup>4</sup>	Q2/17 <sup>4</sup>	Q3/17 <sup>4</sup>	Q4/17 <sup>4</sup>	2017 <sup>4</sup>	Q1/18
Net interest income	41	42	Net interest income	8	8	9	12	37	8
Net fee and commission income	-1	-1	Net fee and commission income			-1		-1	
Net trading income	-3	-3	Net income from fair value valuations	-1		-2		-3	
Net income from financial investments	121	3	Net income from realisations			1	-1		1
Net income from hedging relationships	2	-	Net income from hedge accounting	1	-1				
Net other operating income/expenses	5	15	Net other operating income	16	1		6	23	-1
<b>Operating income</b>	<b>165</b>	<b>56</b>	<b>Operating Income</b>	<b>24</b>	<b>8</b>	<b>7</b>	<b>17</b>	<b>56</b>	<b>8</b>
Loan-loss provisions	-3	1	Net income from risk provisioning	1		1	2	4	2
General and administrative expenses	-16	-15	General and administrative expenses	-3	-3	-4	-4	-14	-3
			Expenses from bank levies and similar dues	-8		-1		-9	-6
			Net income from write-downs and write-ups on non-financial assets				-1	-1	
Net miscellaneous income/expenses	-1	-	Net income from provisions	-2	-1	2	-2	-3	-1
<b>Pre-tax profit</b>	<b>145</b>	<b>42</b>	<b>Pre-tax profit</b>	<b>12</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>33</b>	<b>0</b>
<b>Key ratios (%)</b>	<b>2016</b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>Q3/17</b>	<b>Q4/17</b>	<b>2017</b>	<b>Q1/18</b>
CIR	9.7	26.8	CIR <sup>2</sup>	12.5	37.5	57.1	29.4	26.8	37.5
RoE before tax	9.7	2.8	RoE before tax	3.7	1.3	1.7	4.2	2.8	-
<b>Key figures (EUR billions)</b>	<b>12/16</b>	<b>12/17</b>	<b>Key figures (EUR billions)</b>	<b>03/17</b>	<b>06/17</b>	<b>09/17</b>	<b>12/17</b>	<b>12/17</b>	<b>03/18</b>
Equity	1.5	1.5	Equity <sup>3</sup>	1.3	1.2	1.2	1.1	1.1	0.9
RWA	4.1	3.5	RWA	4.0	3.7	3.6	3.5	3.5	3.5
Financing volume	15.8	13.8	Financing volume	15.5	14.6	14.2	13.8	13.8	13.6

Note: Annual results 2016-2017 audited; interim results unaudited. <sup>1</sup> Incl. extraordinary effects from value adjustments on HETA exposure: EUR -117 mn (2014); EUR -76 mn (Q1/15, 2015); EUR +132 mn (Q3/16, 2016)  
<sup>2</sup> CIR = (GAE + net income from write-downs and write ups on non-financial assets)/operating income <sup>3</sup> Equity now allocated according to going concern view instead of liquidation approach <sup>4</sup> Adjusted acc. to IFRS 8.29

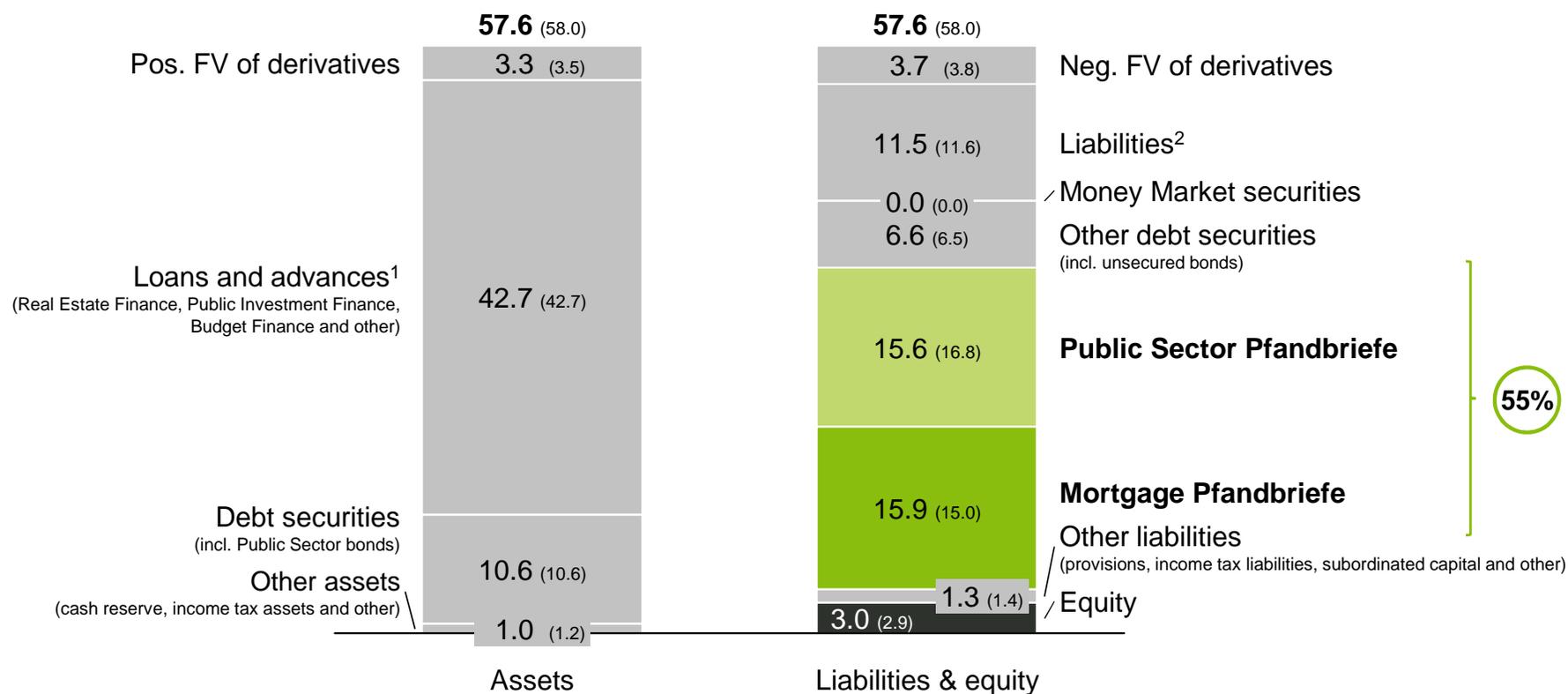
# Balance sheet

## Specialist lender with attractive German Pfandbrief as major funding instrument



**Balance sheet: 31/03/2018** (31/12/2017)

IFRS, EUR billions



Note: Figures may not add up due to rounding 1 Incl. allowances for losses on loans and advances 2 incl. liabilities to central banks, promissory notes and liabilities to other banks and customers

# Portfolio

## Total portfolio

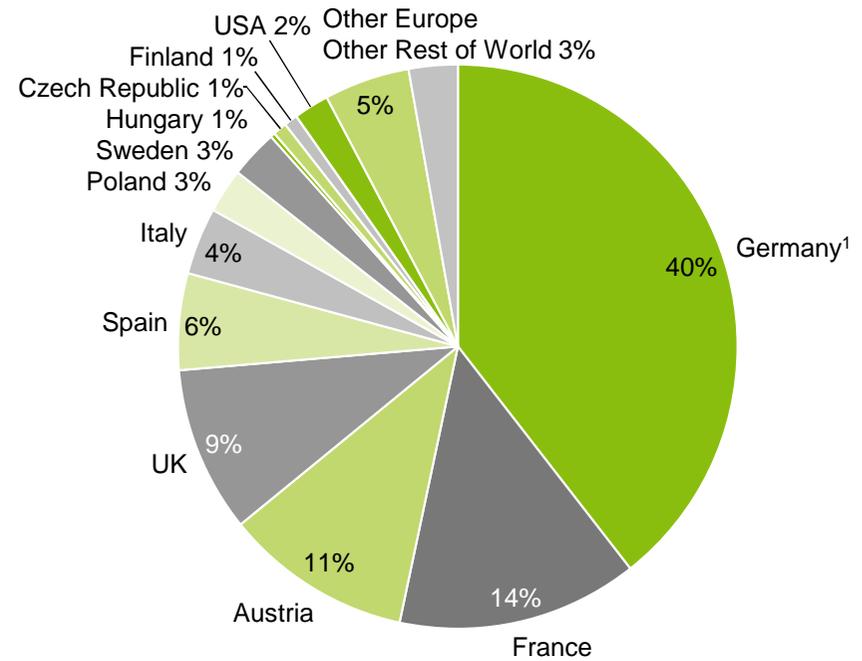
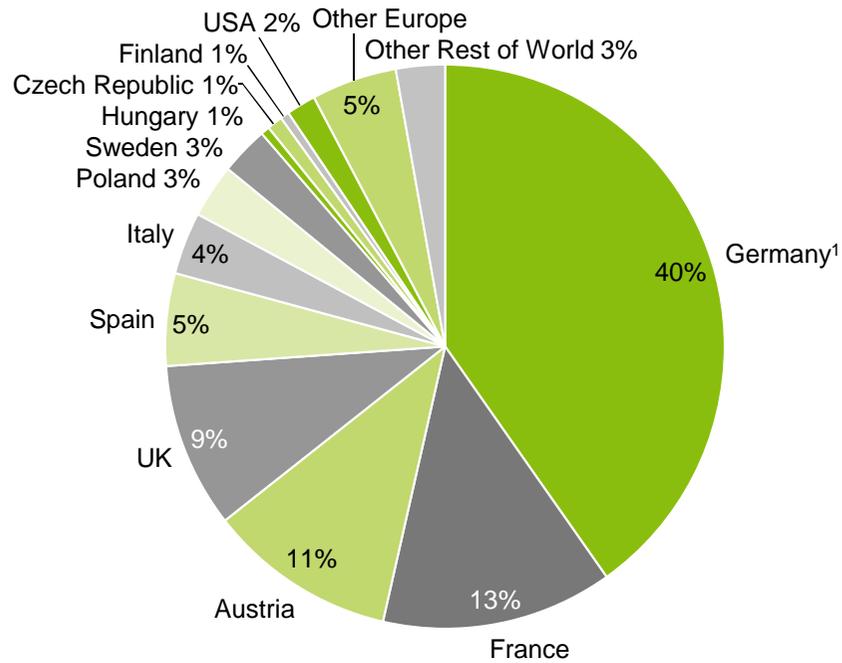


In EUR billion (EaD, Basel III)

### Regions

31/12/2017 / Total: EUR 57.5bn

31/03/2018 / Total: EUR 57.3bn



Note: Figures may not add up due to rounding <sup>1</sup> Incl. Bundesbank accounts (12/17: EUR 1.0 bn; 03/18: EUR 0.8 bn)

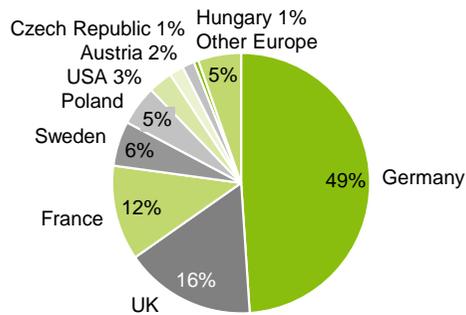
# Portfolio

## Real Estate Finance (REF)

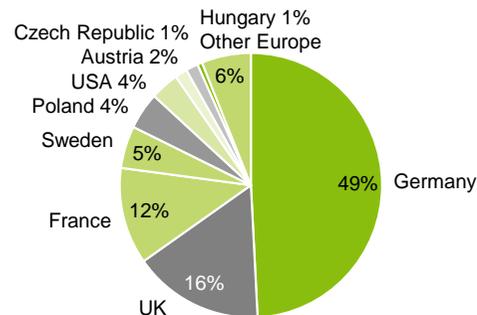
In EUR billion (EaD, Basel III)

### Regions

31.12.2017: EUR 28.3 bn

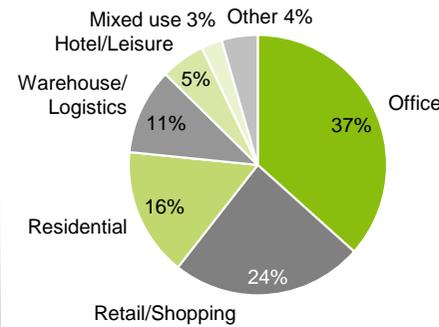


31.03.2018: 28.6 bn

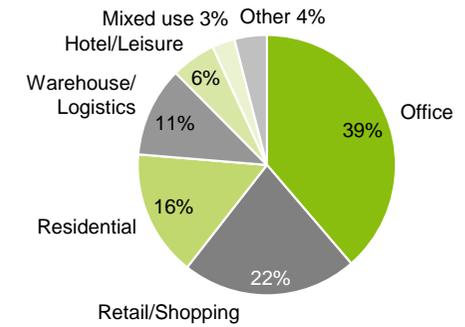


### Property types

31.12.2017: EUR 28.3 bn

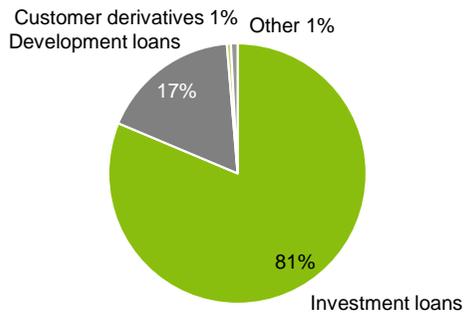


31.03.2018: 28.6 bn

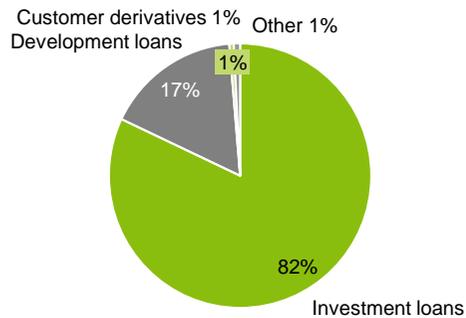


### Loan types

31.12.2017: EUR 28.3 bn

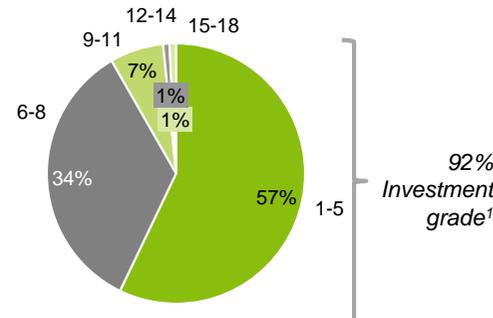


31.03.2018: 28.6 bn

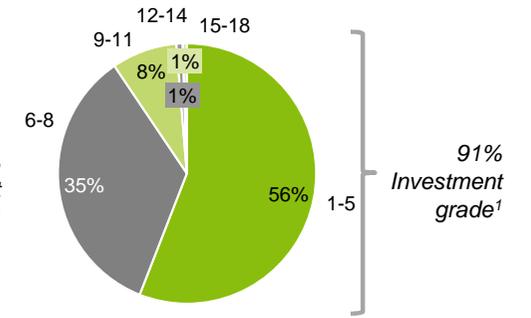


### Internal ratings (EL classes)

31.12.2017: EUR 28.3 bn



31.03.2018: 28.6 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

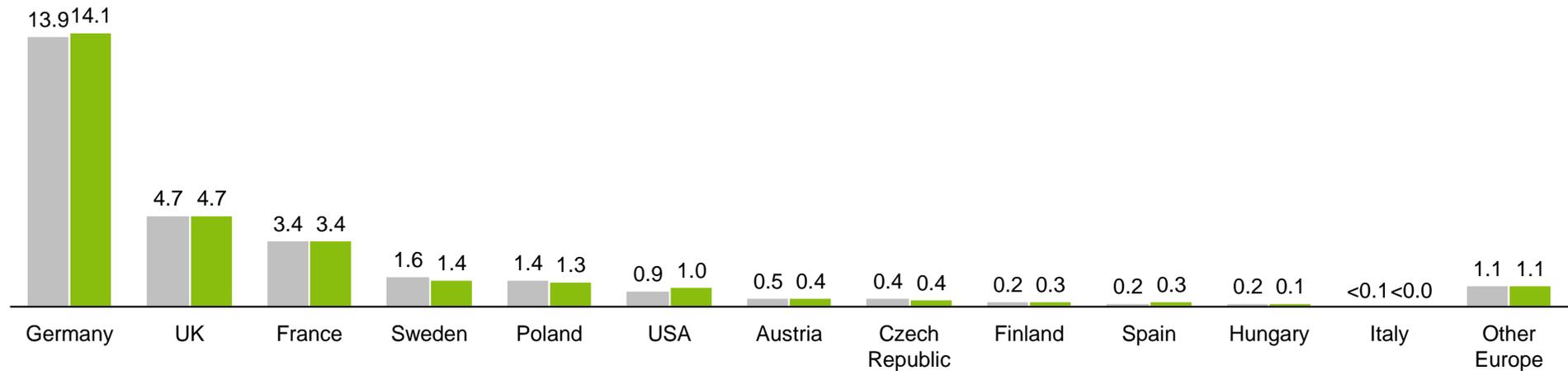
## Real Estate Finance (REF)



### Regions

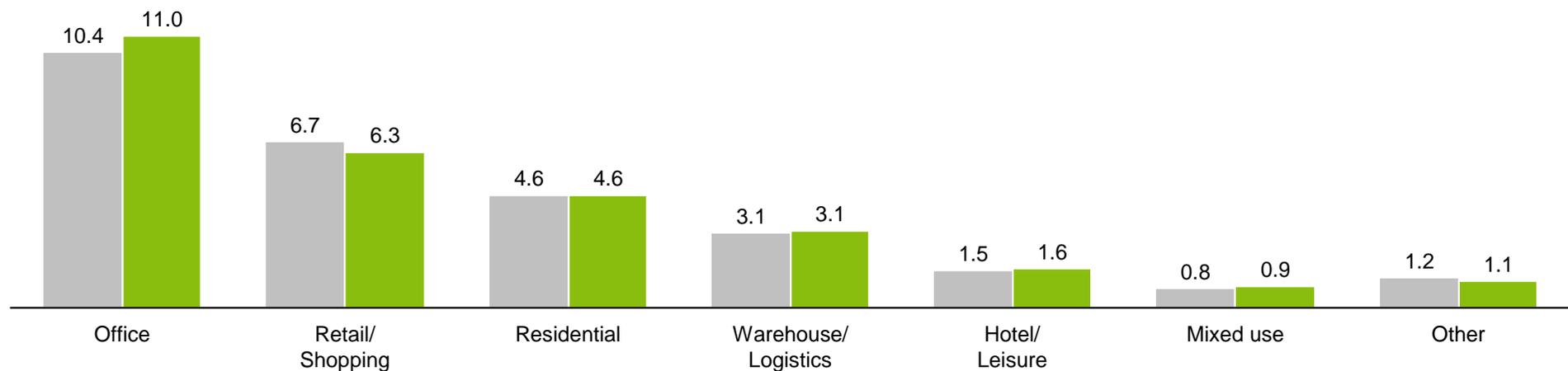
EUR billions (EaD, Basel III)

■ 31/12/2017 / Total: EUR 28.3 bn  
■ 31/03/2018 / Total: EUR 28.6 bn



### Property types

EUR billions (EaD, Basel III)



Note: Figures may not add up due to rounding

# Portfolio

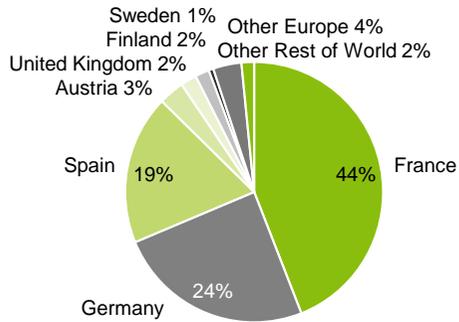
## Public Investment Finance (PIF)



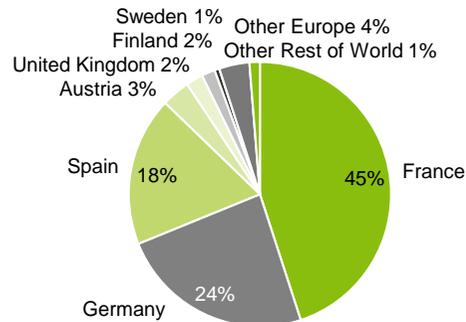
In EUR billion (EaD, Basel III)

### Regions

31.12.2017: EUR 7.9 bn

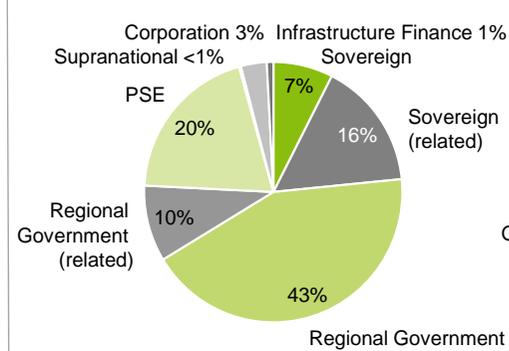


31.03.2018: 7.9 bn

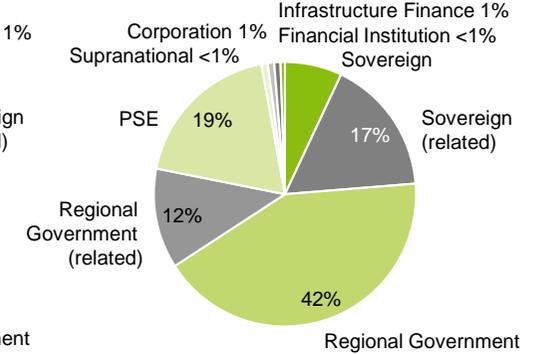


### Borrower classification<sup>1</sup>

31.12.2017: EUR 7.9 bn

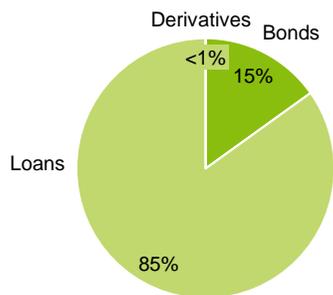


31.03.2018: 7.9 bn

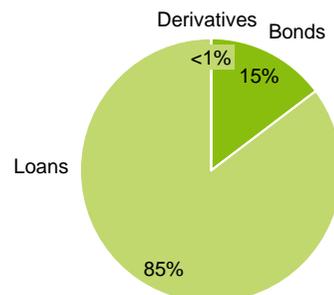


### Product class

31.12.2017: EUR 7.9 bn

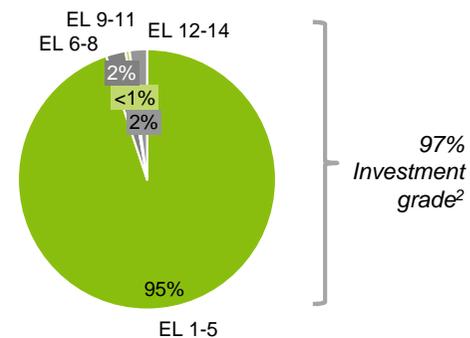


31.03.2018: 7.9 bn

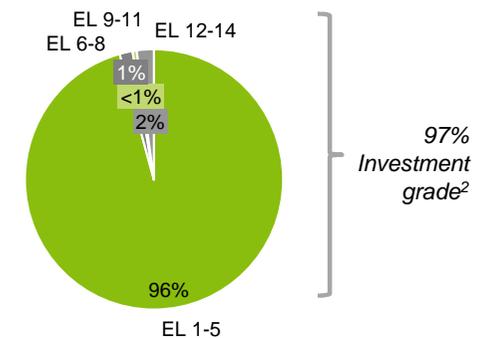


### Internal ratings (EL classes)

31.12.2017: EUR 7.9 bn



31.03.2018: 7.9 bn



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

# Portfolio

## Public Investment Finance (PIF)

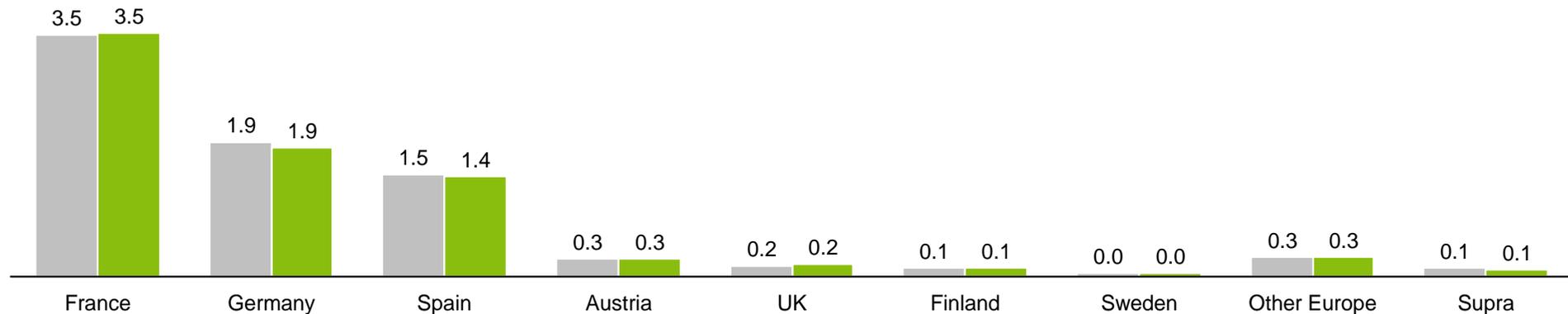


### Regions

EUR billions (EaD, Basel III)

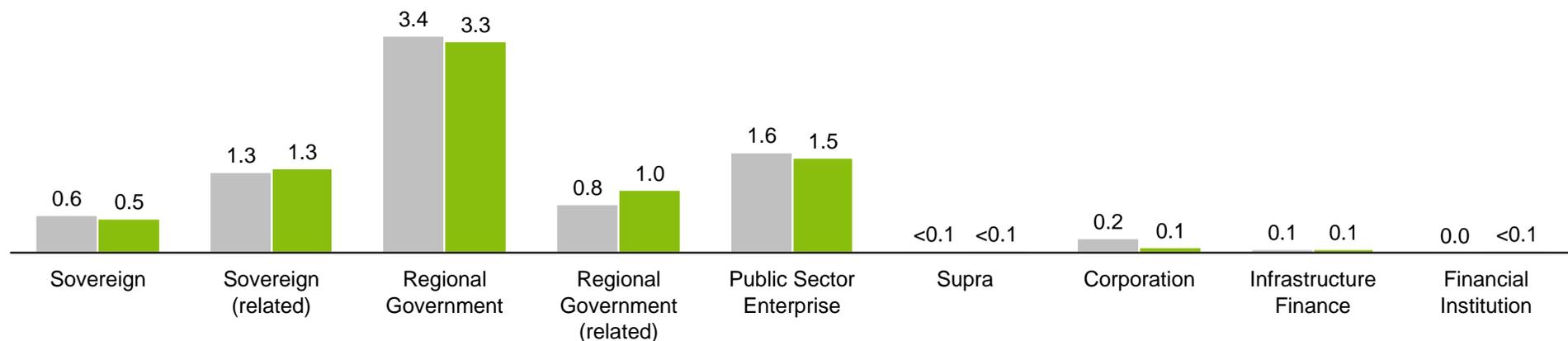
31/12/2017 / Total: EUR 7.9 bn

31/03/2018 / Total: EUR 7.9 bn



### Borrower classification<sup>1</sup>

EUR billions (EaD, Basel III)



Note: Figures may not add up due to rounding

<sup>1</sup> See appendix for definition of borrower classification

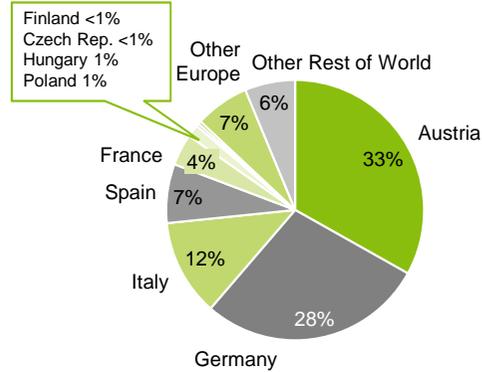
# Portfolio

## Value Portfolio (VP)

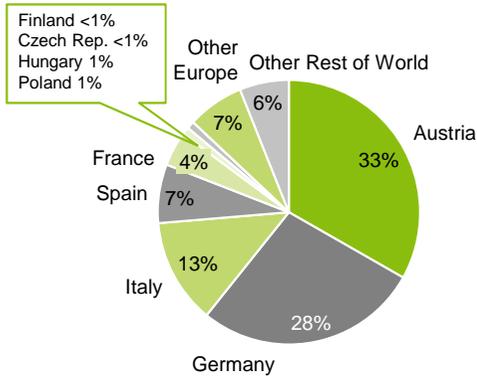
In EUR billion (EaD, Basel III)

### Regions

31.12.2017: EUR 17.0 bn

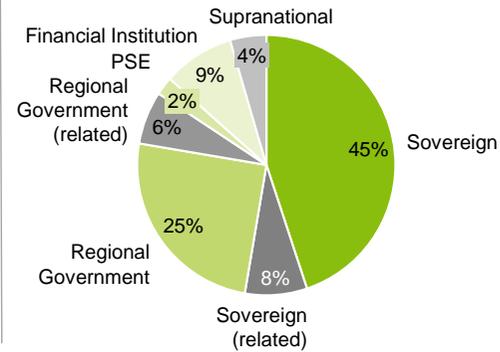


31.03.2018: 16.8 bn

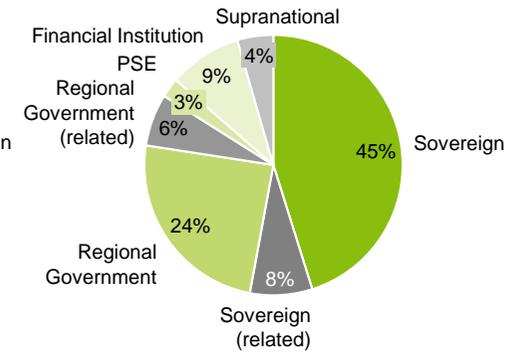


### Borrower classification<sup>1</sup>

31.12.2017: EUR 17.0 bn

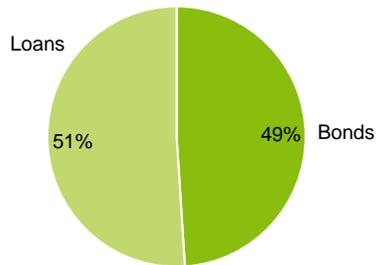


31.03.2018: 16.8 bn

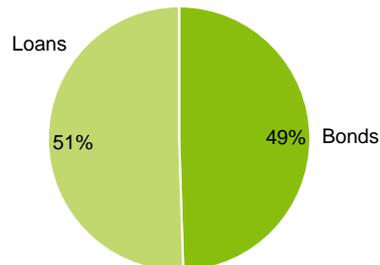


### Product class

31.12.2017: EUR 17.0 bn

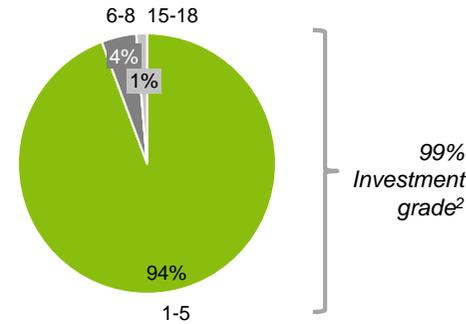


31.03.2018: 16.8 bn

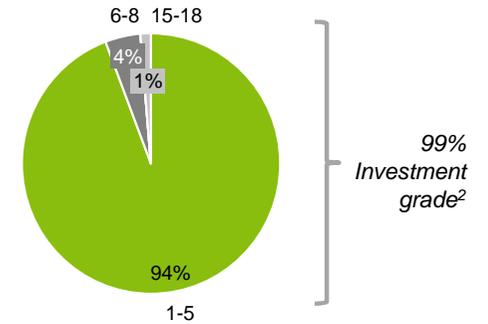


### Internal ratings (EL classes)

31.12.2017: EUR 17.0 bn



31.03.2018: 16.8 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

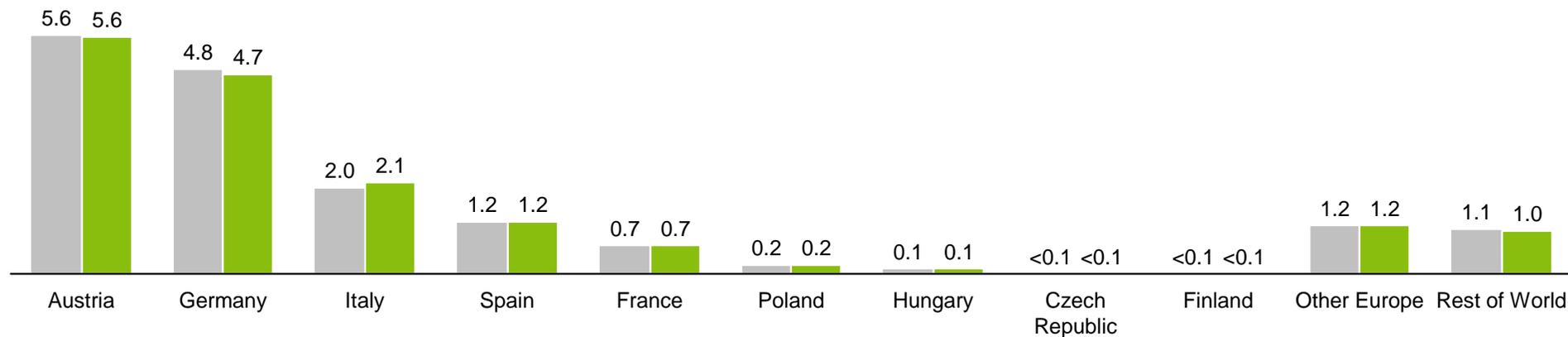
## Value Portfolio (VP)



### Regions

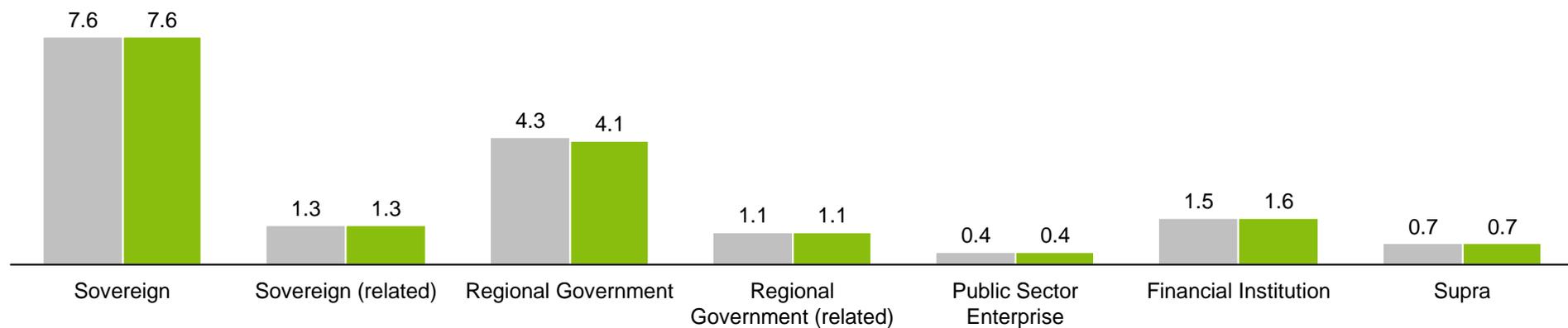
EUR billions (EaD, Basel III)

■ 31/12/2017 / Total: EUR 17.0 bn  
 ■ 31/03/2018 / Total: EUR 16.8 bn



### Borrower classification<sup>1</sup>

EUR billions (EaD, Basel III)



Note: Figures may not add up due to rounding

<sup>1</sup> See appendix for definition of borrower classification

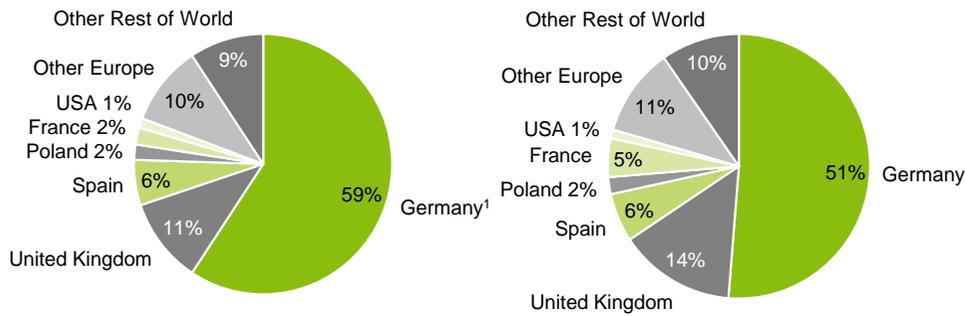
# Portfolio Consolidation & Adjustments (C&A)

In EUR billion (EaD, Basel III)

## Regions

31.12.2017: EUR 4.3 bn

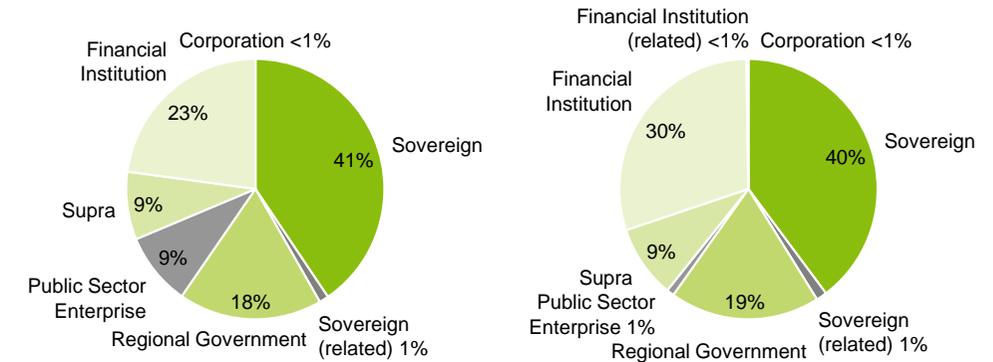
31.03.2018: 3.9 bn



## Borrower classification<sup>2</sup>

31.12.2017: EUR 4.3 bn

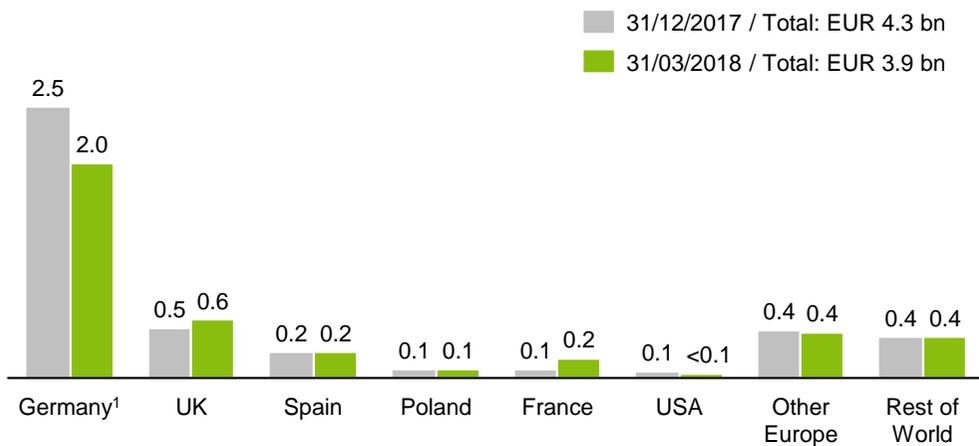
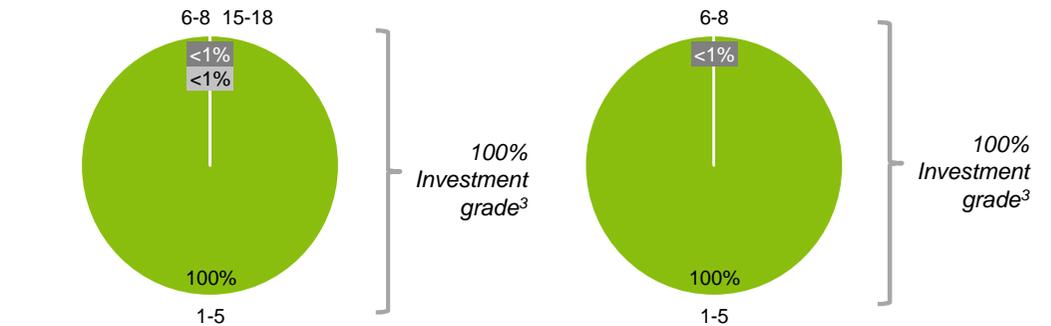
31.03.2018: 3.9 bn



## Internal ratings (EL classes)

31.12.2017: EUR 4.3 bn

31.03.2018: 3.9 bn



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

<sup>1</sup> Incl. Bundesbank accounts (12/17: EUR 1.0 bn; 03/18: EUR 0.8 bn)

<sup>2</sup> See appendix for definition of borrower classification

<sup>3</sup> Internal EL Classes 1-8 = Investment grade;

# Excursion: Brexit and US-market entry

## REF: High portfolio quality in UK and selective new business with low LTVs in US

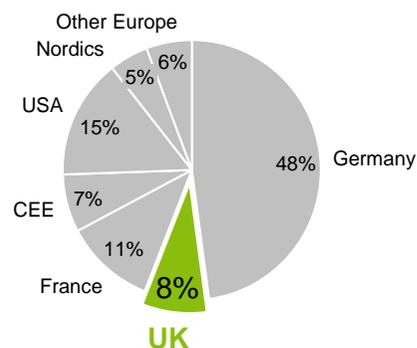
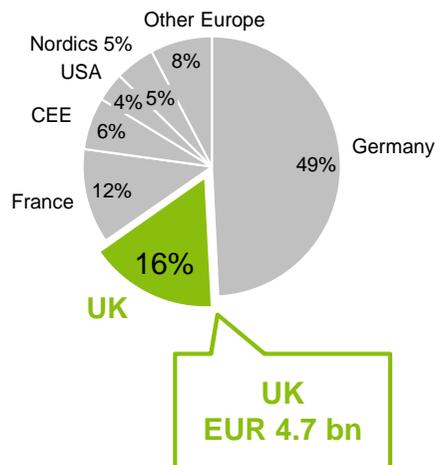
### REF Portfolio

31/03/2018: EUR 28.6 bn (EaD, Basel III)

### REF New business

03/18: EUR 1.7 bn (commitments incl. extensions >1J)

#### Brexit

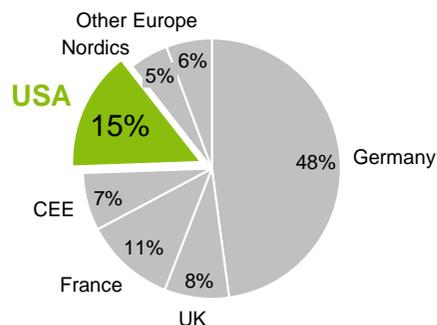
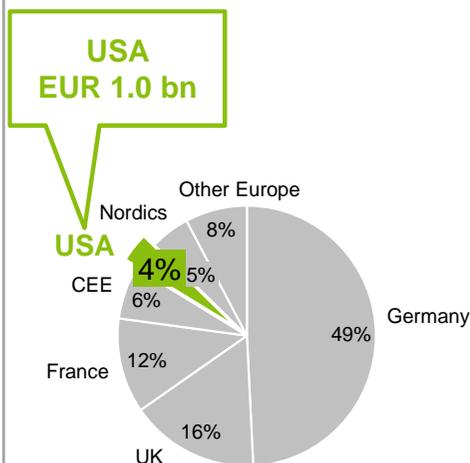


#### High portfolio quality

- Avg. LTV 56%, 1 exposure >75% LTV
- Avg. ISC of ~300% provides solid cushion
- 40 % Central London, remainder geographical spread
- Property types with focus on retail (39%), office buildings (32%) and logistics (13%)
- No problem loans in UK-portfolio<sup>1</sup>

- Investment volumes declined in aftermath of Brexit decision, but GBP weakness acts as further incentive for overseas investors and stabilised investment volume again – London prime yields remain at record lows

#### US-market entry



#### Cautious step-by-step market entry since Q3/16

- Leverage of existing networks of partner banks and international clients
- Focus on main asset classes office / residential in East Coast metropolitan areas
- Currently 17 deals closed; mainly arranged as syndication loans in New York and Boston
- Avg. LTV 55%, no exposure >75% LTV

- Strengthening of market position by local presence - opening Rep Office in New York planned for H1/18

- pbb with experience and knowledge in the US market
- Network of international clients also focusing on US market
- Well-known position for financing of complex, large deals in focused areas
- Pfandbrief eligibility given

Note: Figures may not add up due to rounding <sup>1</sup> Estate UK-3 'technically' shown as problem loan – properties sold, but synthetic securitisation has not yet allocated loss

# Funding

## Public benchmark issuances since 2016



Type	WKN	Launch Date	Maturity Date	Size	Spread <sup>1</sup>	Coupon	Issue/Reoffer Price
Mortgage Pfandbrief	A13SWC	12/01/2016	19/01/2023	EUR 750 mn	+8 bp	0.50%	99.221%
Senior Unsecured	A13SWD	28/01/2016	04/02/2019	EUR 500 mn	+140 bp	1.25%	99.816%
Mortgage Pfandbrief	A13SWE	22/02/2016	01/03/2022	EUR 500 mn	+8 bp	0.20%	99.863%
Senior Unsecured (2 <sup>nd</sup> Tap)	A12UAR	04/03/2016	17/09/2019	EUR 100 mn	+130 bp	1.50%	101.209%
Public Sector Pfandbrief	A13SWG	13/04/2016	20/04/2035	EUR 500 mn	+25 bp	1.25%	99.647%
Senior Unsecured	A13SWH	19/04/2016	27/04/2020	EUR 500 mn	+125 bp	1.125%	99.751%
Mortgage Pfandbrief (3 <sup>rd</sup> Tap)	A1PG3M	11/07/2016	20/12/2019	GBP 100mn	+40 bp <sup>2</sup>	1.875%	102.817%
Public Sector Pfandbrief	A2AAVU	23/08/2016	30/08/2019	USD 500 mn	+60 bp <sup>3</sup>	1.625%	99.954%
Mortgage Pfandbrief (4 <sup>th</sup> Tap)	A1PG3M	19/10/2016	20/12/2019	GBP 25 mn	+38 bp <sup>2</sup>	1.875%	102.351%
Senior Unsecured	CH0341440300	20/10/2016	02/11/2021	CHF 100 mn	+80 bp <sup>4</sup>	0.30%	100.074%
Mortgage Pfandbrief	A2ADASA	05/01/2017	01/03/2022	GBP 250 mn	+55 bp <sup>2</sup>	3m-Libor +55	100.00%
Mortgage Pfandbrief (5 <sup>th</sup> Tap)	A1PG3M	16/01/2017	20/12/2019	GBP 50 mn	+50 bp <sup>2</sup>	1.875%	102.32%
Public Sector Pfandbrief (1 <sup>st</sup> Tap)	A2AAVU	17/01/2017	30/08/2019	USD 100 mn	+55 bp <sup>3</sup>	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	29/01/2021	EUR 500 mn	-6 bp	0.05%	99.901%
Senior Unsecured	A2DASK	08/02/2017	14/02/2020	EUR 150 mn	+75 bp <sup>5</sup>	3m-Euribor+75	100.00%
Mortgage Pfandbrief	A2DASU	25/04/2017	04/05/2020	USD 600 mn	+55 bp <sup>3</sup>	2.25%	99.827%
Tier 2	XS01637926137	21/06/2017	28/06/2027	EUR 300 mn	+275bp	2.875%	99.904%
Mortgage Pfandbrief (1 <sup>st</sup> Tap)	A2DASU	03/08/2017	04/05/2020	USD 100 mn	+40 bp <sup>3</sup>	2.25%	100.417%
Mortgage Pfandbrief	A2E4ZE	29/08/2017	05/09/2022	EUR 500 mn	-7 bp	0.05%	99.930%
Mortgage Pfandbrief (1 <sup>st</sup> 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 <sup>2</sup>	1.00%	99.63%
Senior Unsecured	A2GSLC6	16/01/2018	23/02/2022	EUR 500 mn	+40 bp	0.625%	99.956%
Mortgage Pfandbrief (1 <sup>st</sup> 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	Perpetual	EUR 300 mn	+538 bp	5.75%	100.00%
Mortgage Pfandbrief (1 <sup>st</sup> Tap)	A2E4ZK	24/01/2018	04/12/2020	GBP 50 mn	+26 bp	1.00%	98.958%

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

# Ratings



Bank ratings	S&P	DBRS	
Long-term	A-	BBB	
Outlook/Trend	Negative	Stable	
Short-term	A-2	R-2 (high)	
Stand-alone rating <sup>1</sup>	bbb	BBB	
<b>Long Term Debt Ratings</b>			
“Preferred” senior unsecured Debt <sup>2</sup>	A-	BBB	
“Non-preferred” senior unsecured Debt <sup>3</sup>	BBB-	BBB	
Subordinated Debt	BB+	BB (high)	
<b>Pfandbrief ratings</b>			<b>Moody’s</b>
Public Sector Pfandbrief			Aa1
Mortgage Pfandbrief			Aa1

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Note: The above list does not include all ratings    1 S&P: Stand-alone credit profile; DBRS: Intrinsic Assessment    2 S&P: "Senior Unsecured Debt"; DBRS: "Senior Unsecured Debt"    3 S&P: "Senior Subordinated Debt"; DBRS: "Senior Unsecured Debt"

## Definition of borrower classifications

<b>Borrower classification</b>	<b>Definition</b>
<b>Sovereign</b>	Direct and indirect obligations of Central Governments, Central Banks and National Debt Agencies
<b>Sovereign (related)</b>	Indirect obligations of Non Sovereigns with an explicit first call guarantee by a Sovereign
<b>Regional Government</b>	Direct and indirect obligations of Regional, Provincial and Municipal Governments
<b>Regional Government (related)</b>	Indirect obligations of Non Regional Government with an explicit first call guarantee by a Regional Government
<b>Public Sector Enterprise</b>	Direct obligations of administrative bodies and non commercial/non-profit undertakings
<b>Public Sector Enterprise (related)</b>	Indirect obligations of Non Public Sector Enterprise with an explicit first call guarantee by a Public Sector Enterprise
<b>Financial Institution</b>	Direct and indirect obligations of Universal Banks, Investment Banks, Mortgage Institutions, Brokerages and other banks or Basel regulated institution
<b>Corporation</b>	Direct and indirect obligations of enterprises, established under corporate law and operating in a for profit or competitive environment
<b>Structured Finance</b>	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
<b>Supranational</b>	Direct obligations to international Organisations and International Investment and Development Banks
<b>Other</b>	Direct obligations to Individuals

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