

Good performance with PBT of € 122 mn in H1/18

Results Q2/H1 2018

13 August 2018

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# Agenda

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

**Appendix**

**Contact details**

## Highlights H1/18

**pbb shows continued good performance – PBT full-year guidance raised to € 175-195 mn**



- **PBT** of € 74 mn in Q2/18 (Q2/17: € 56 mn) results in € 122 mn in H1/18 (+18% y-o-y; H1/17: € 103 mn) due to solid underlying trends and one-off gain
  - Strong **NII** (Q2/18: € 113 mn; H1/18: € 220 mn) mainly benefitting from reduced funding costs and higher avg. strategic financing volume
  - Net release of **risk provisions** (Q2/18: € 4 mn; H1/18: € 7 mn)
  - **GAE** on low level (Q2/18: € 44 mn; H1/18: € 88 mn)
  - **One-off** gain from a conditional additional purchase price adjustment on Heta
  
- **Net income** of € 99 mn in H1/18 (H1/17: € 85 mn); taking into account the AT1 coupon, **EpS** at € 0.72 (H1/17: € 0.63) and **RoE after tax** at 6.7%
  
- **New business** of € 3.8 bn in H1/18 down y-o-y (H1/17: € 5.0 bn) – pbb maintains conservative underwriting standards in further highly competitive markets
  - REF: € 3.6 bn; gross new business margin on solid level with >160 bp (2017: >155 bp; H1/17: >165 bp)
  - PIF: € 0.2 bn; improved pipeline for H2/18
  - Expansion in US market consistently underway
  
- **Strategic financing volume** up € +0.5 bn in H1/18 – REF up € +0.8 bn, while PIF is down € -0.3 bn; VP down € -0.3 bn in line with strategy
  
- **New long-term funding** of € 3.0 bn (H1/17: € 4.0 bn) issued at significantly lower spreads y-o-y, plus additional issuance of € 300 mn AT1 in Q2/18
  
- **Capitalisation** further improved with CET1 ratio of 19.4%<sup>1</sup>, benefitting from positive IFRS9 first time application effect (+0.8%-pts) and reduction of RWA mainly due to LGD changes and maturities

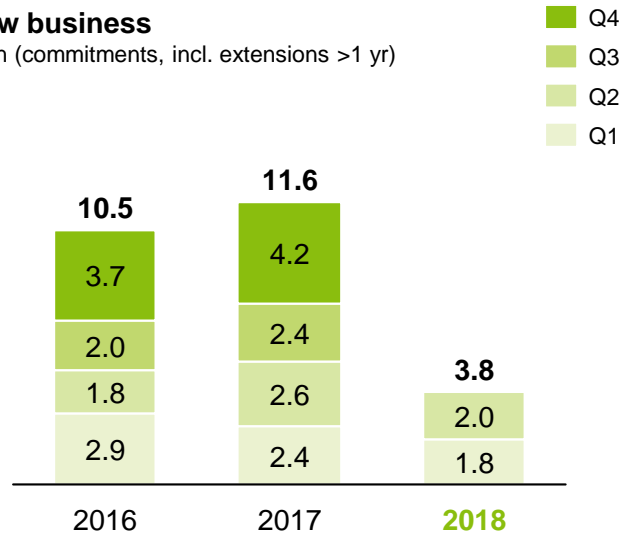
<sup>1</sup> incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology

# Highlights

## Operating and financial overview

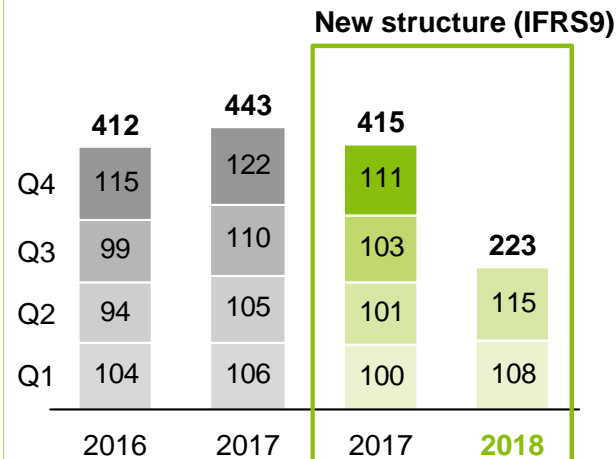
### New business

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



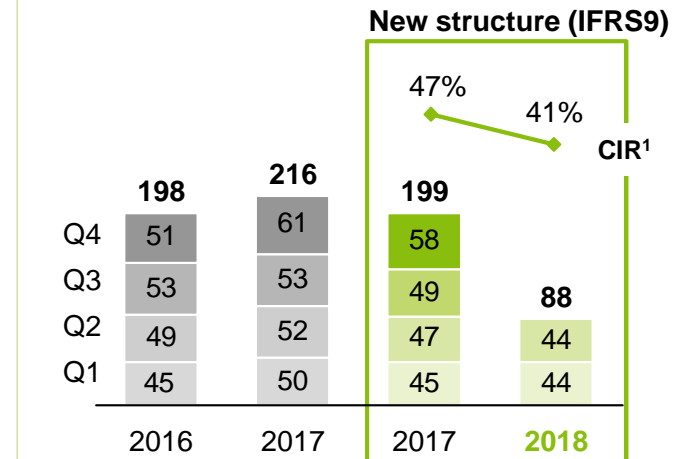
### Net interest and commission income

€ mn (IFRS)



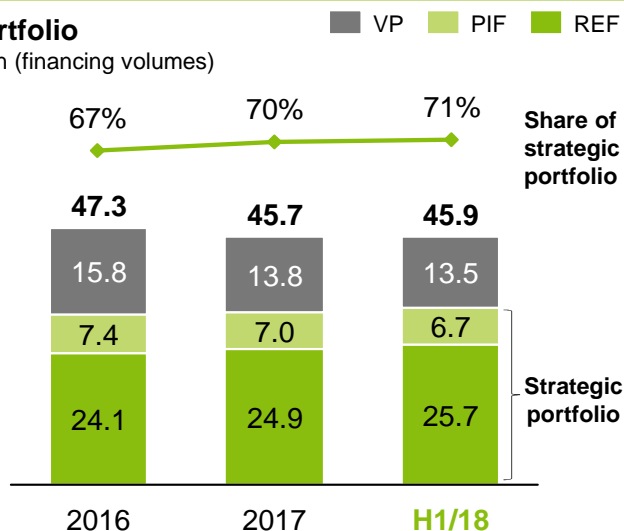
### General and admin. expenses

€ mn (IFRS)



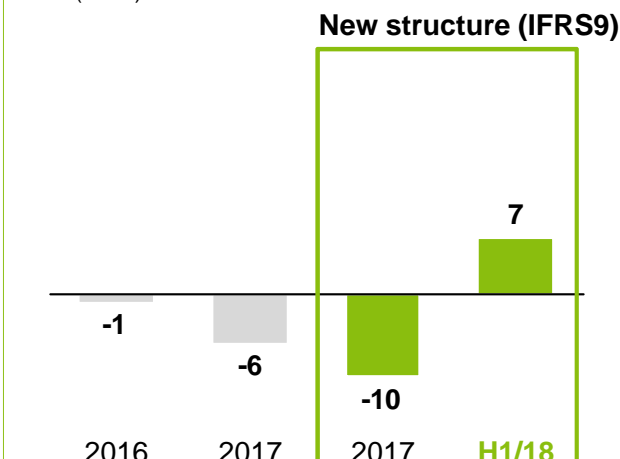
### Portfolio

€ bn (financing volumes)



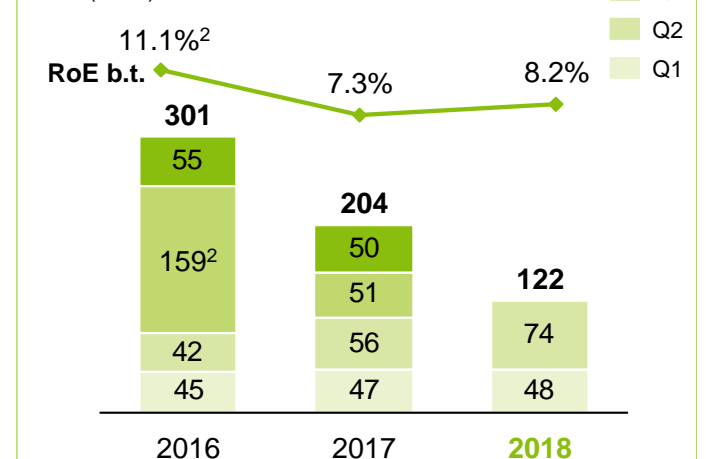
### Net income from risk provisioning

€ 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. € +132 mn extraordinary gain from value adjustments on HETA exposure

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## Income statement

Good performance with strong NII, GAE on low level and no net risk provisioning  
– in addition, one-off gain

### Income statement (new structure following IFRS 9)<sup>1</sup>

€ mn

	Q2/17	Q2/18	H1/17	H1/18
<b>Operating Income</b>	<b>111</b>	<b>120</b>	<b>228</b>	<b>232</b>
Net interest income	99	113	196	220
Net fee and commission income	2	2	5	3
Net income from fair value measurement	2	4	-	4
Net income from realisations	13	6	22	15
Net income from hedge accounting	-	-1	1	-2
Net other operating income	-5	-4	4	-8
Net income from risk provisioning	-	3	-	7
General and administrative expenses	-47	-44	-92	-88
Expenses from bank levies and similar dues	-3	-1	-25	-7
Net income from write-downs and write-ups on non-financial assets	-5	-4	-8	-22
<b>Pre-tax profit</b>	<b>56</b>	<b>74</b>	<b>103</b>	<b>122</b>
Income taxes	-9	-14	-18	-23
<b>Net income</b>	<b>47</b>	<b>60</b>	<b>85</b>	<b>99</b>
CIR <sup>2</sup> (%)	46.8	40.0	43.9	40.9
RoE before tax (%)	8.0	10.0	7.6	8.2
RoE after tax (%)	6.7	8.1	6.3	6.7
EpS (€)	0.35	0.43	0.63	0.72

#### Key drivers Q2/H1 2018:

- NII +12% y-o-y, benefitting from reduced funding costs and increased avg. strategic financing volume
- Net income from fair value measurement mainly driven by a one-off gain from conditional additional purchase price adjustment on Heta
- Net other operating income in H1/17 benefitting from € 17mn one-off gain from asset sales out of VP
- Net income from risk provisioning mainly driven by maturity effects
- GAE remain on low level due to FTEs below plan and release of provisions for completed projects
- Tax rate of 19% in line with long-term guidance of ~20%

<sup>1</sup> See appendix for reconciliation from IAS 39 to IFRS 9    <sup>2</sup> CIR = (GAE + net income from write-downs and write ups on non-financial assets) / operating income

## Income statement

NII up +12% y-o-y, mainly benefitting from reduced funding costs

### Income from lending business

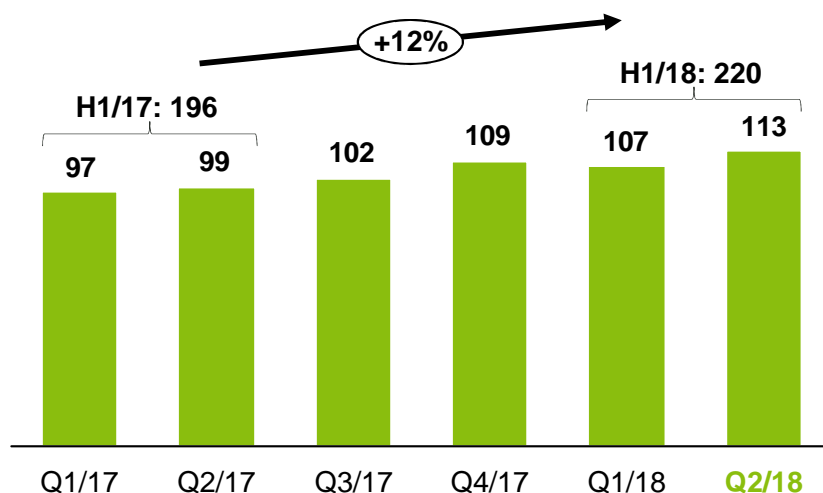
€ mn

	Q2/17	Q2/18	H1/17	H1/18
Net interest income	99	113	196	220
Net fee and commission income	2	2	5	3

	Q2/17	Q2/18	H1/17	H1/18
Net income from realisations	13	6	22	15

### Net interest income

€ mn



### Key drivers Q2/H1 2018:

- NII continues to benefit from solid underlying drivers
  - Avg. strategic financing volume slightly up to € 32.3 bn (06/17: € 31.8 bn)
    - REF: up € +1.2 bn to € 25.4 bn
    - PIF: down € -0.7 bn to € 6.9 bn
  - Funding costs reduced y-o-y due to maturities at legacy costs
  - Avg. total portfolio margin stable y-o-y
- 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
- Net income from realisations down y-o-y; mainly driven by
  - prepayment fees (H1/18: € +8 mn; H1/17: € +16 mn; Q2/18: € +4 mn; Q2/17: € +8 mn)
  - realisation of fees, redemption of liabilities and others (H1/18: € +7 mn; H1/17: € +6 mn; Q2/18: € +2 mn; Q2/17: € +5 mn)



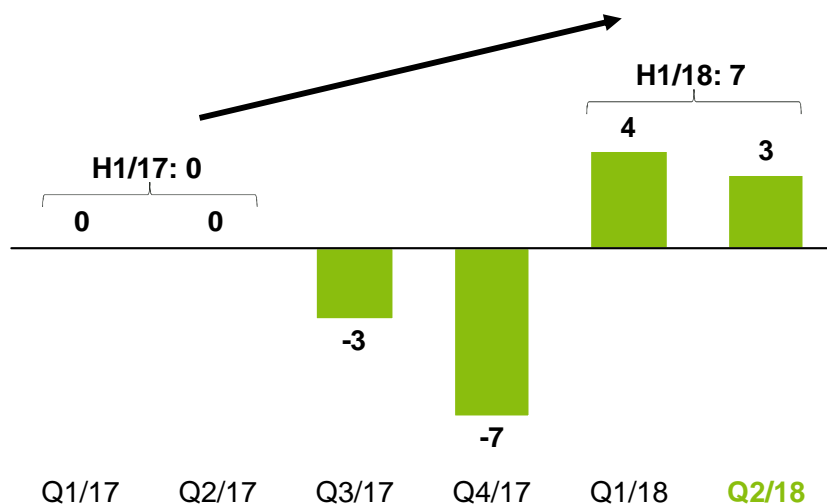
## Income statement

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

### Net income from risk provisioning

€ mn

	Q2/17	Q2/18	H1/17	H1/18
Net income from risk provisioning	-	3	-	7
thereof				
stage 1		-	n/a	1
stage 2	n/a	4	n/a	8
stage 3		-1		-2



### Key drivers Q2/H1 2018:

- Net release of provisions in stage 1 and 2 of € 4 mn in Q2/18 (H1/18: 9 mn) primarily driven by maturity effects from assets matured in Q2 or maturing within the next 12 months; net additions in stage 3 of € 1 mn (H1/18: 2 mn)
- Coverage ratio:
  - Slight increase of stage 3 coverage ratio<sup>1</sup> to 21.4% (12/17: 20.1%; 03/18: 20.8%)<sup>2</sup>
  - Additional collateral not taken into account – incl. these factors, REF coverage ratio at approx. 100%

### Note:

IFRS 9 Expected Credit Loss Model replaced IAS 39 Incurred Loss Model (effective 1 January 2018) – new 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

<sup>1</sup> Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities) <sup>2</sup> 12/17 and 03/18 retrospectively adjusted

## Income statement

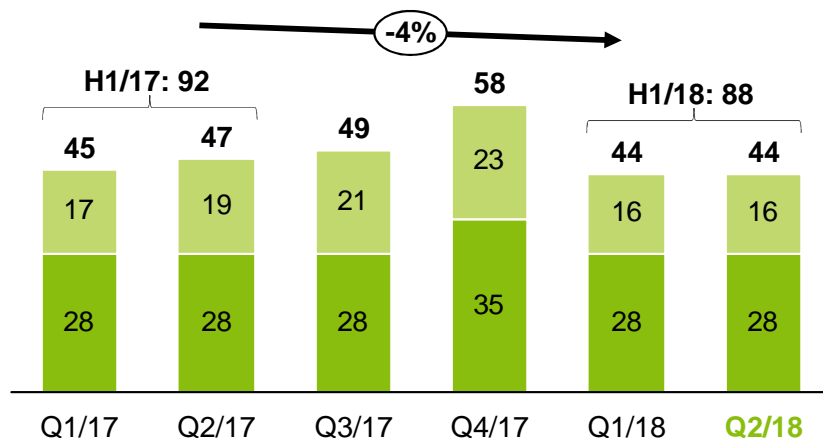
Operating costs on low level – regulatory costs and strategic investments will continue to weigh on overall cost level

### General & administrative expenses and depreciations

€ mn

	Q2/17	Q2/18	H1/17	H1/18
General admin. expenses	-47	-44	-92	-88
Personnel	-28	-28	-56	-56
Non-personnel	-19	-16	-36	-32
Net income from write-downs and write-ups on non-financial assets	-5	-4	-8	-7
CIR (%) <sup>1</sup>	46.8	40.0	43.9	40.9

■ Non-personnel  
■ Personnel



### Key drivers Q2/H1 2018:

- GAE on low level
  - costs remain under control
  - FTEs up to 747 but below plan (03/18: 733; 12/17: 744; 06/17: 741)
  - Non-personnel costs down y-o-y due to release of provisions for completed projects
- Regulatory costs and strategic investments (e.g. further digital transformation) will continue to weigh on overall cost level
- Net income from write-downs and write-ups on non-financial assets mainly driven by scheduled depreciations

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

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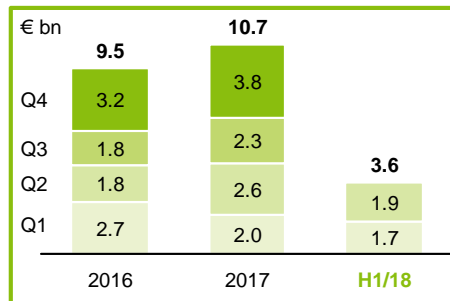
**Contact details**

# New business & segment reporting

REF: New business with stable margins – continued focus on conservative risk positioning



New business	H1/17	2017	H1/18
Total volume (€ bn)	4.5	10.7	3.6
<i>thereof:</i>			
<i>Extensions &gt;1 year</i>	1.0	1.9	0.8
No. of deals	105	221	73
Ø maturity (years) <sup>1</sup>	~5.1	~5.3	~4.7
Ø LTV (%) <sup>2</sup>	61	60	59
Ø gross margin (bp)	>165	>155	>160

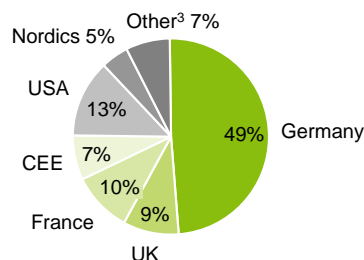


Income statement (IFRS, € mn)	Q2/17 <sup>5</sup>	Q2/18	H1/17 <sup>5</sup>	H1/18
Operating income	102	93	184	189
<i>thereof: Net interest income</i>	82	94	163	183
Net income from risk provisioning	-	-1	-2	-1
General administrative expenses	-38	-35	-74	-70
Net other revenues	-14	-4	-20	-18
<b>Pre-tax profit</b>	<b>50</b>	<b>53</b>	<b>88</b>	<b>100</b>
Key indicators	Q2/17	Q2/18	H1/17	H1/18
CIR (%) <sup>4</sup>	45.3	41.9	44.0	40.2
RoE before tax (%)	18.2	16.3	16.0	15.4
Equity (€ bn)	1.2	1.4	1.2	1.4
RWA (€ bn)	6.5	8.1	6.5	8.1
Financing volume (€ bn)	24.4	25.7	24.4	25.7

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

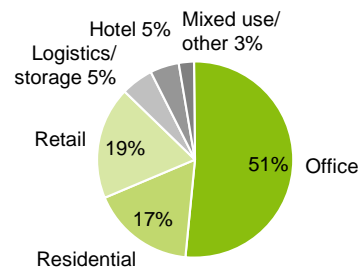
## Regions

H1/18: € 3.6 bn



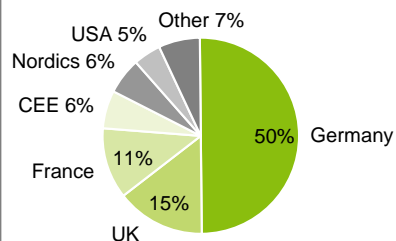
## Property types

H1/18: € 3.6 bn

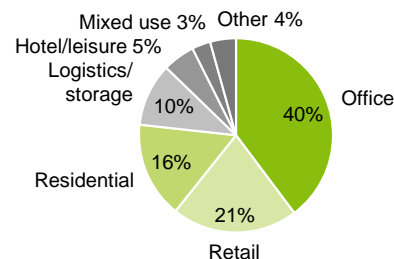


Portfolio  
(EaD, Basel III)

30/06/18: € 28.8 bn



30/06/18: € 28.8 bn



## Key drivers Q2/H1 2018:

- High competition and margin pressure results in lower gross new business margin y-o-y
  - Continued focus on conservative risk positioning (avg. LTV 59%)
  - Changes to regional and product mix (e.g. UK down, US up, higher Office, lower Warehouse/Logistics)
- Financing volume +5.3% y-o-y due to strong new business in 2017 and lower level of prepayments in H1/18
- 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

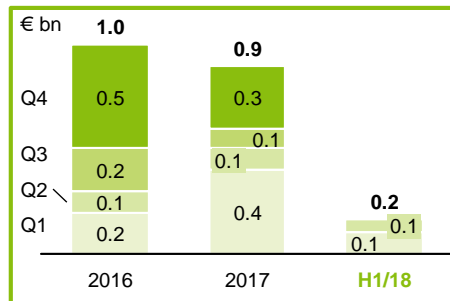
Note: Figures may not add up due to rounding

1 Legal maturities 2 New commitments; avg. LTV (extensions): H1/18: 56%; H1/17: 57% 3 Spain, Netherlands 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

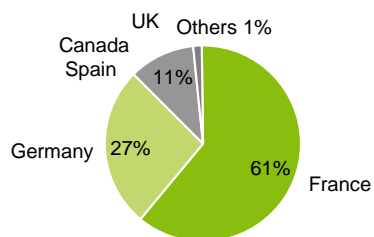
New business	H1/17	2017	H1/18
Total volume (€ bn)	0.5	0.9	0.2
No. of deals	14	30	6
Ø maturity (years) <sup>1</sup>	~9.0	~8.7	~9.5
Ø gross margin (bp)	>90	>100	>55



Income statement (IFRS, € mn)	Q2/17 <sup>3</sup>	Q2/18	H1/17 <sup>3</sup>	H1/18
Operating income	7	7	13	14
<i>thereof: Net interest income</i>	7	8	14	16
Net income from risk provisioning	-	2	1	4
General administrative expenses	-6	-6	-12	-12
Net other revenues	-1	-	-6	-4
<b>Pre-tax profit</b>	<b>0</b>	<b>3</b>	<b>-4</b>	<b>2</b>
Key indicators	Q2/17	Q2/18	H1/17	H1/18
CIR (%) <sup>2</sup>	85.7	85.7	>100.0	92.9
RoE before tax (%)	-	4.0	-8.0	2.7
Equity (€ bn)	0.2	0.1	0.2	0.1
RWA (€ bn)	1.4	1.3	1.4	1.3
Financing volume (€ bn)	7.6	6.7	7.6	6.7

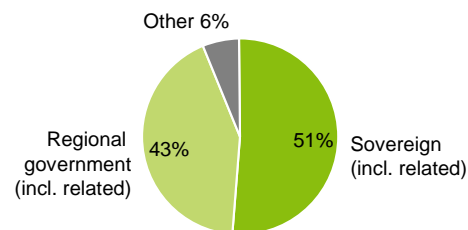
### Regions

H1/18: € 0.2 bn



### Borrower classification

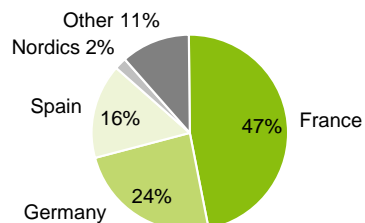
H1/18: € 0.2 bn



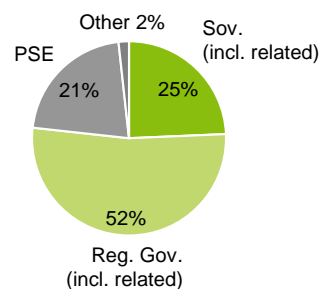
New business  
(Commitments)

Portfolio  
(EaD, Basel III)

30/06/18: € 7.6 bn



30/06/18: € 7.6 bn



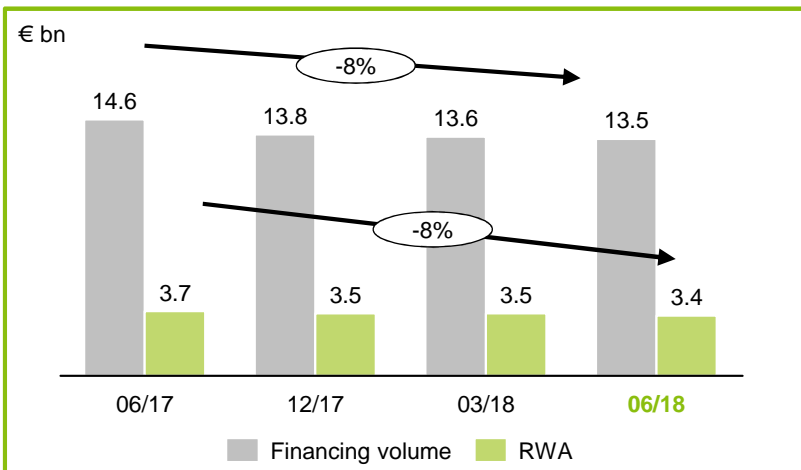
### Key drivers Q2/H1 2018:

- New business volume on low level with higher pipeline for H2/18
- Financing volume down y-o-y due to maturities
- PIF remains contribution business with ~20% direct costs vs. ~80% allocated overhead (allocation based on financing volume)

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

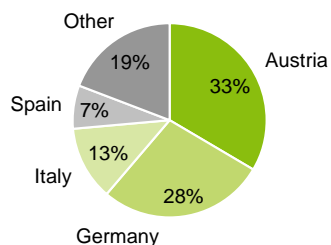


Income statement (IFRS, € mn)	Q2/17 <sup>2</sup>	Q2/18	H1/17 <sup>2</sup>	H1/18
Operating income	8	19	32	26
<i>thereof: Net interest income</i>	8	10	16	18
Net income from risk provisioning	-	2	1	4
General administrative expenses	-3	-3	-6	-6
Net other revenues	-1	-1	-11	-7
<b>Pre-tax profit</b>	<b>4</b>	<b>17</b>	<b>16</b>	<b>17</b>
Key indicators	Q2/17	Q2/18	H1/17	H1/18
CIR (%) <sup>1</sup>	42.9	15.8	20.7	23.1
RoE before tax (%)	1.3	3.2	1.3	3.2
Equity (€ bn)	1.1	1.0	1.1	1.0
RWA (€ bn)	3.7	3.4	3.7	3.4
Financing volume (€ bn)	14.6	13.5	14.6	13.5

Value Portfolio  
(EaD, Basel III)

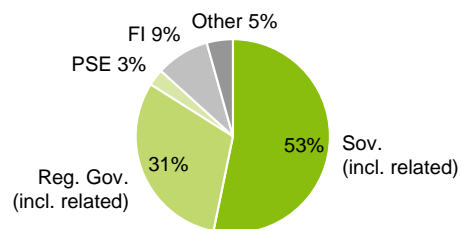
### Regions

30/06/18: € 16.6 bn



### Borrower classification

30/06/18: € 16.6 bn



### Key drivers Q2/H1 2018:

- Value Portfolio significantly down by € -1.1 bn (-8%) 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: € +17 mn)

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

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# Portfolio

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

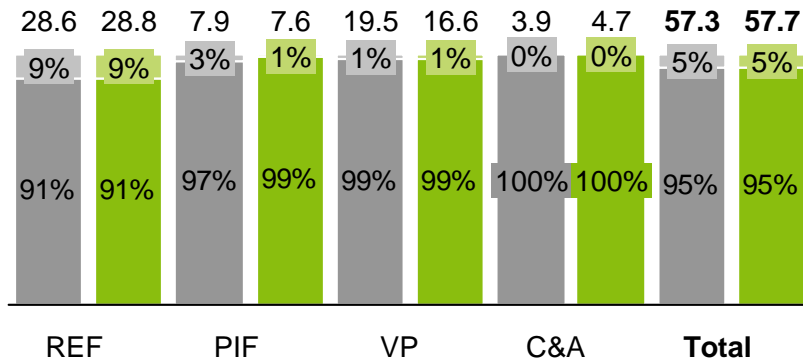


## Total portfolio: Internal ratings (EL classes)

€ bn (EaD, Basel III)

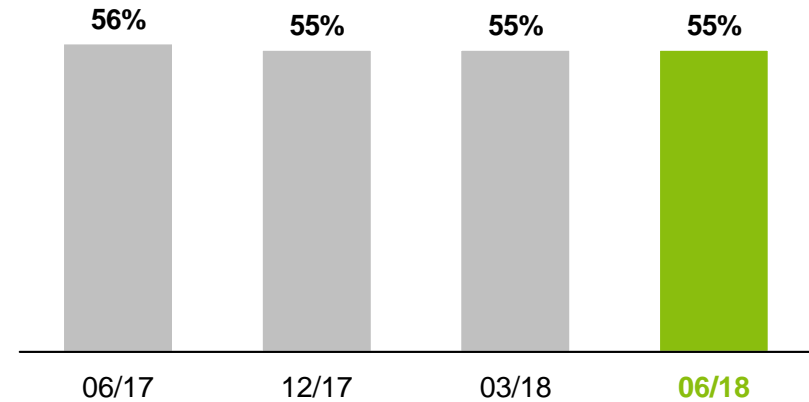
03/18 06/18

■ Non-investment grade<sup>1</sup>  
■ Investment grade<sup>1</sup>



## REF Portfolio: Avg. weighted LTVs

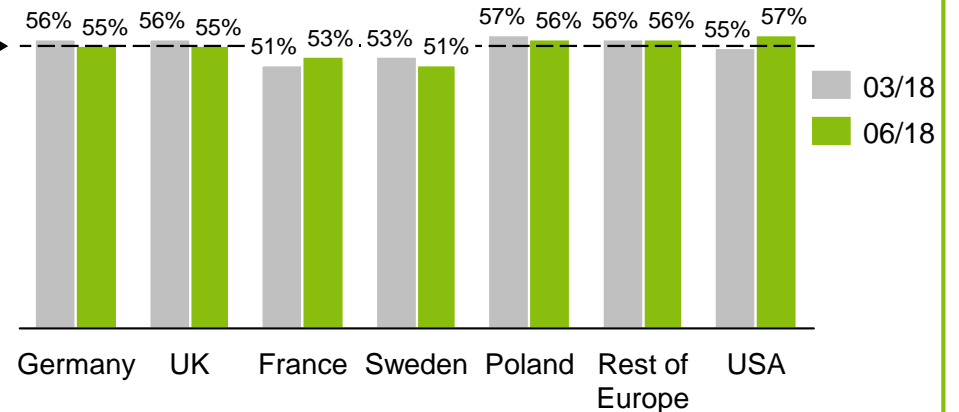
% (commitments)<sup>2</sup>



### Key drivers Q2/H1 2018:

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

03/18 & 06/18: Ø 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 loans only



# Portfolio

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

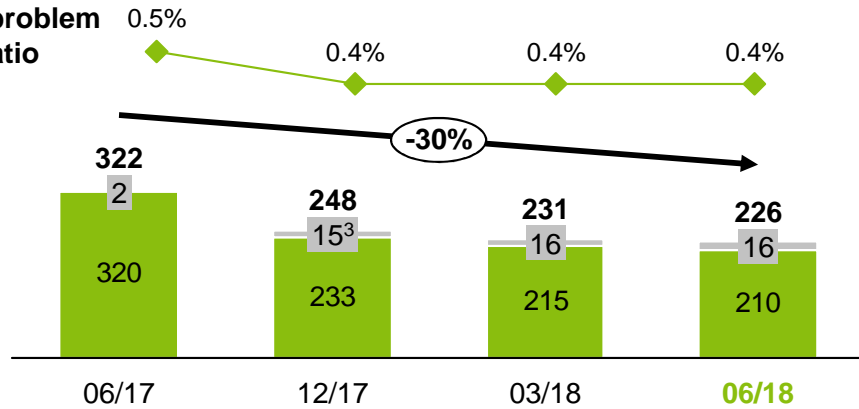


### Total problem loans

€ mn (EaD, Basel III)

#### Total problem loan ratio

Workout<sup>1</sup>  
Restructuring<sup>2</sup>



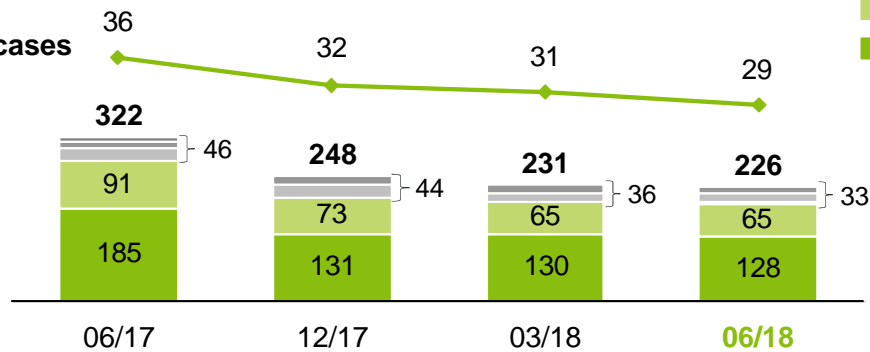
### Key drivers Q2/H1 2018:

- Total problem loans down -30% y-o-y
  - No problem loans in PIF and VP
  - Only € 16 mn workout loans
- Estate UK-3 'technically' shown as problem loan
  - properties sold, but synthetic securitisation has not yet allocated loss
  - Expert proceeding ongoing

### Problem loans – regions

#### No. of indiv. cases

Netherlands  
Italy  
CEE  
Spain  
Germany  
UK<sup>4</sup>



Note: Figures may not add up due to rounding. <sup>1</sup> Internal PD class 30: No signs that the deal will recover soon, compulsory measures necessary. <sup>2</sup> Internal PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply. <sup>3</sup> Internal rating downgrade of 1 loan (Italy); amount: € 14 mn. <sup>4</sup> Estate UK-3 'technically' shown as problem loan – properties sold, but synthetic securitisation has not yet allocated loss.

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**Appendix**

**Contact details**

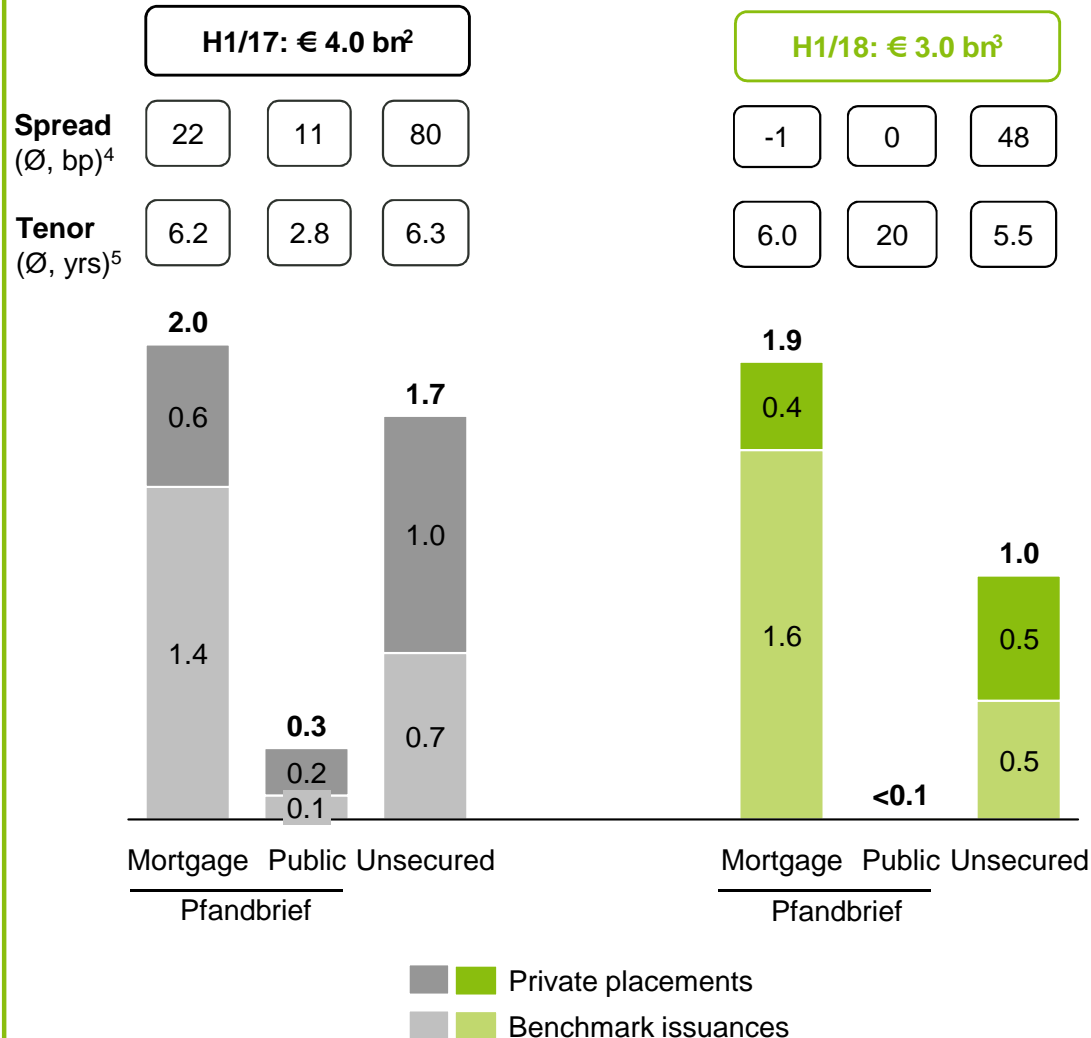
# Funding

## Further significant reduction of funding costs in H1/18



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

€ bn



### Pfandbriefe

- Mortgage Pfandbrief Benchmarks: € 750 mn 5y, € 500 mn 6y, € 250 mn tap; additionally foreign currencies (£ 50 mn and SEK 2 bn)

### Senior Unsecured

- € 500 mn 4y Senior Non-Preferred benchmark issued in Q1/18 and continuous private placements of over € 500 mn in H1/2018
- € 32 mn structured senior preferred issued

### pbb direkt

- Total volume with € 3.1 bn (12/17: € 3.3 bn) slightly down, reflecting optimisation of funding structure; average maturity<sup>6</sup> stable at 3.2 years (12/17: 3.1 yrs)

### AT1

- Inaugural € 300 mn Tier 1 (AT1) issuance in April 2018 optimizes capital structure and strengthens leverage ratio

### 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. retail deposit business 2 Excl. Tier 2 issuance € 500mn 3 Excl. AT1 issuance 4 vs. 3M Euribor 5 Initial weighted average maturity 6 Initial weighted average maturity of term deposits

# Funding

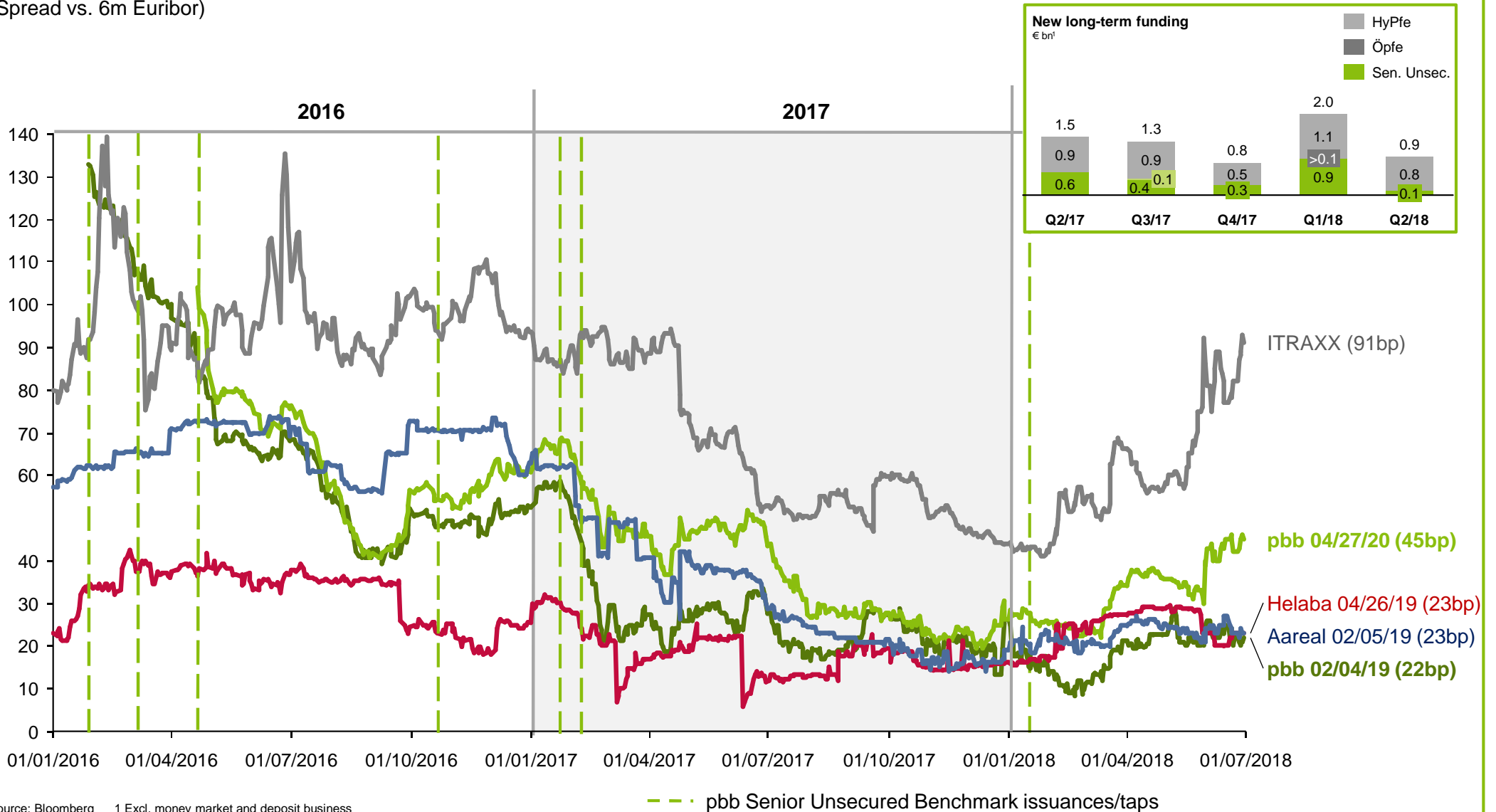
Senior unsecured spreads are widening in line with market trends



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## 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

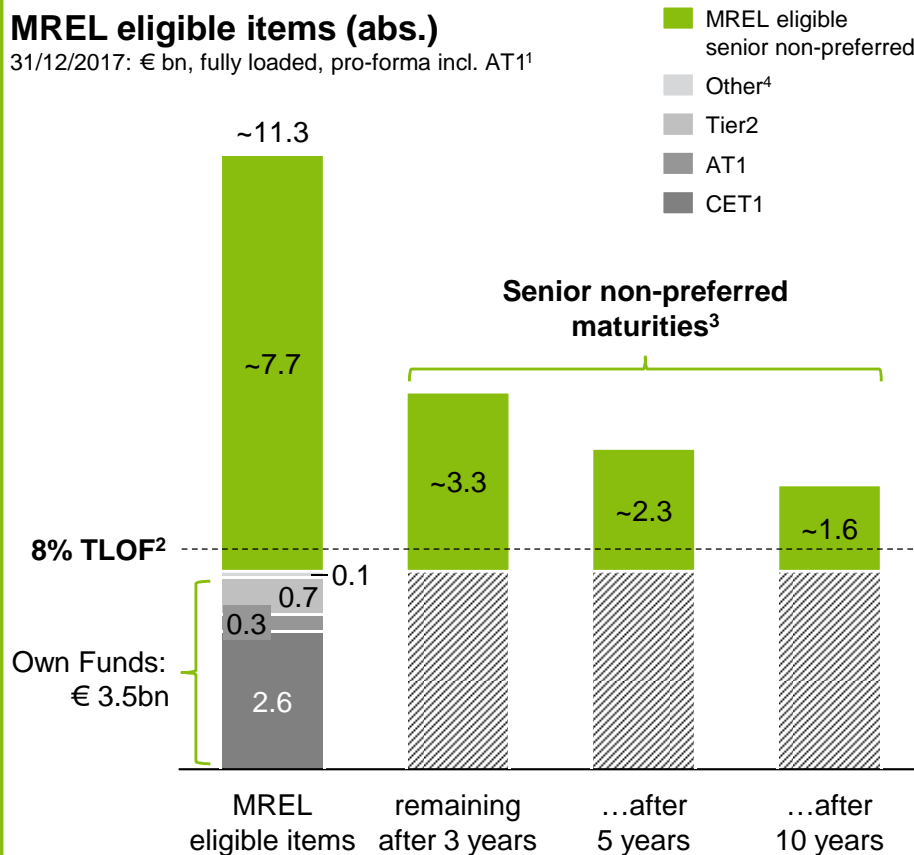
# MREL requirements

pbb specific MREL requirement set below 8% TLOF – MREL eligible items significantly exceed MREL requirements



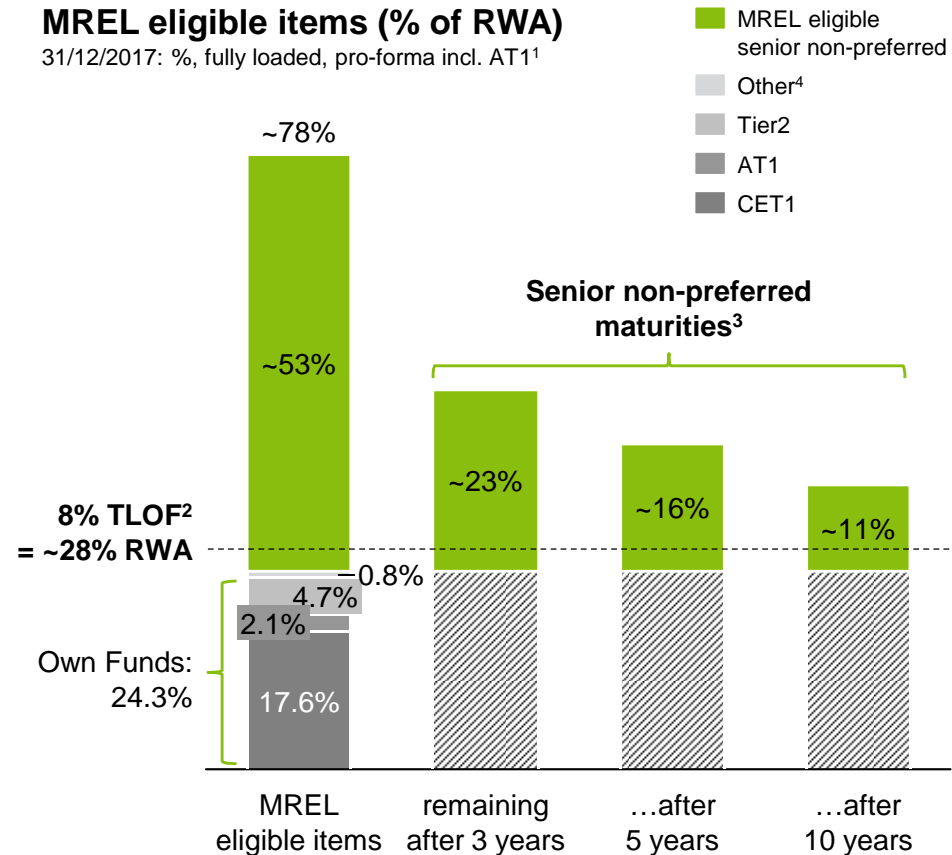
## MREL eligible items (abs.)

31/12/2017: € bn, fully loaded, pro-forma incl. AT1<sup>1</sup>



## MREL eligible items (% of RWA)

31/12/2017: %, fully loaded, pro-forma incl. AT1<sup>1</sup>



- pbb specific MREL requirement set below 8% of TLOF (based on figures as of 31.12.2016)
- pbb's MREL eligible items significantly exceed MREL requirements, even if taking into account senior non-preferred maturities within the next few years

- Senior-preferred issuances will be in focus going forward
- However, senior non-preferred issuances will remain core element of pbb's refinancing strategy

<sup>1</sup> As of 31/12/2017, including € 300 mn AT1 issuance in Q2/18 on a pro-forma basis    <sup>2</sup> Total Liabilities and Own Funds; MREL may vary; according to EU proposals as of June 2018, cap of 8% TLOF discussed    <sup>3</sup> Maturity profile of the MREL eligible senior non-preferred liabilities >1 year according to contractual maturities on the basis of own funds, other MREL eligible T2 and RWAs as of 31.12.2017    <sup>4</sup> MREL eligible T2 instruments, which do not qualify for own funds

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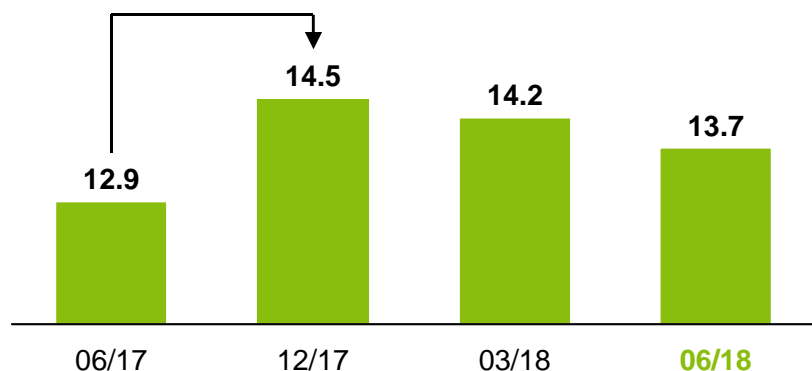
# Capital

## Capitalisation remains strong

### Basel III: RWA

€ bn (IFRS)

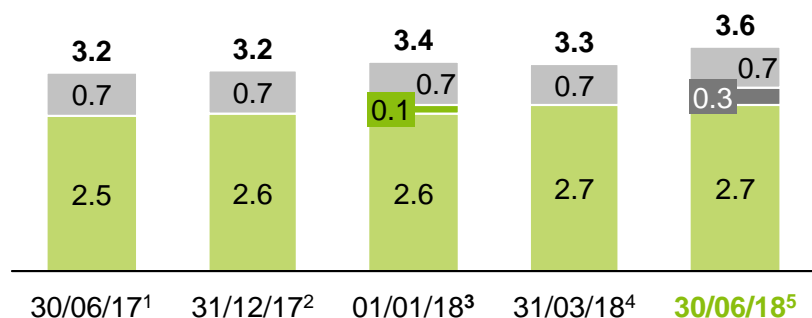
- incl. approx. € +2 bn RWA from ECB harmonisation



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

€ bn (IFRS)

Tier2 IFRS9  
AT1 CET 1



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

% (IFRS)

in %	06/17 <sup>1</sup>	12/17 <sup>2</sup>	03/18 <sup>4</sup>	06/18 <sup>5</sup>	Ambition levels
CET 1	19.4	17.6	18.8	19.4	≥12.5
Tier 1	19.4	17.6	18.8	21.5	≥16
Own funds	24.8	22.2	23.5	26.3	16-18
Leverage ratio	4.3	4.5	4.8	5.3	≥3.5

### Key drivers Q2/H1 2018:

- RWA down by € -0.8 bn mainly due to LGD changes and maturities
- Capital up due to positive IFRS 9 first-time application effect and AT 1 issuance of € 300 mn in April 2018
- pbb retains capital buffers for further RWA challenges: regulation (TRIM/Basel IV), potential strategic growth and cyclical risks/strategic measures

### IFRS9:

- € 109 mn IFRS9 first-time application effect in IFRS capital (effective 1 January 2018)

### SREP:

- SREP requirements 2018:
  - CET 1 ratio phase-in: 9.325%<sup>6</sup> / fully-loaded: 9.95%
  - Own funds ratio phase-in: 12.825%<sup>6</sup> / fully loaded: 13.45%

Note: Figures may not add up due to rounding. 1 Excl. interim result. 2 Incl. full-year result, post proposed dividend. 3 IFRS9 first-time application effect. 4 Post proposed dividend for 2017, incl. interim result, post max. calc. dividend acc. to ECB methodology. 5 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology. 6 Incl. capital conservation buffer (1.875%) and anticipated countercyclical buffer (0.2%; actual as of 31.12.2017: 0.11%)

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## Summary & Outlook

### Strong H1/18 paves way for good 2018 results

- ➔ **Good performance with solid underlying trends – PBT of € 122 mn in H1/18**
  - Stable net interest income and low risk costs
  - One-off gain from conditional additional purchase price adjustment on Heta
  - New business slightly higher q-o-q but below previous years level due to competitive pressure and conservative approach
  
- ➔ **Full-year guidance 2018 raised to PBT of € 175-195 mn**
  
- ➔ **Strategic initiatives strengthen market position and support profitability**
  - Expand US business
    - Growing portfolio share in line with expectation
    - Representative office established
  
  - Digitalisation
    - Portal for REF clients launched in April 2018, providing payment information and documents
      - further expansion of functionality and processes envisaged
    - Platform for public sector lending CAPVERIANT launched in May 2018

# Appendix

## Income statement

### New structure based on internationally common disclosure – changes increase transparency of financial reporting

#### Major changes:

- A. Depreciations for non financial assets in „GAE“ and „net other operating income“ are allocated to „net results from write-downs and write-ups on non-financial assets“
- B. Additions/reversals of provisions for restructuring measures from „net miscellaneous income/expenses“ are allocated to „net other operating income“
- C. Expenses for bank levy and deposit protection in „GAE“ and „net other operating income“ are allocated to „expenses from bank levies and similar dues“
- D. Interest income and fees from early repayments of financial assets from „net interest income“ are allocated to „net income from realisations“
- E. Additions/reversals of provisions with interest character from „net interest income“, „net other operating income“ and „net miscellaneous income/expenses“ are allocated to „net income from provisioning“

Former structure (EUR mn)	H1/17	A	B	C	D	E	H1/17	New structure (EUR mn)
Net interest income	206				-21	11	196	Net interest income
Net fee and commission income	5						5	Net fee and commission income
Net trading result	-						-	Net income from fair value measurement
					22		22	Net income from realisations
Net income from financial investments	1				-1			
Net income from hedging relationships	1						1	Net income from hedge accounting
Net other operating income	-10	3	2	20		-11	4	Net other operating income <sup>1</sup>
<b>Operating Income</b>	<b>203</b>						<b>228</b>	<b>Operating Income</b>
Loan loss provisions	-						-	Net income from risk provisioning
General and administrative expenses	-102	5		5			-92	General and administrative expenses
				-25			-25	Expenses from bank levies and similar dues
		-8					-8	Net income from write-downs and write-ups on non-financial assets
Net miscellaneous income/expenses	2		-2					
<b>Pre-tax profit</b>	<b>103</b>						<b>103</b>	<b>Pre-tax profit</b>
Income tax	-18						-18	Income tax
<b>Net income</b>	<b>85</b>						<b>85</b>	<b>Net income</b>

Note: Figures may not add up due to rounding <sup>1</sup> "Net other operating income" includes "Net income from provisions"

# Financial reporting

## Change in definition of key ratios and segment allocation in 2018

### 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)

$$\text{Return on equity} = \frac{\text{annualised Profit} - \text{accrued AT1 coupon (before/after tax)}}{\text{Ø Shareholders equity}^1 \text{ (excl. AT1)}}$$

<sup>1</sup> Excl. other comprehensive income from cash flow hedge accounting and from financial assets at fair value through other comprehensive income (IAS 39: AfS reserve)

Income statement – former structure (€ mn)	2016 <sup>1</sup>	2017	Income statement – new structure (€ mn)	Q1/17	Q2/17	H1/17	2017	Q1/18	Q2/18	H1/18
Net interest income	404	435	Net interest income	97	99	196	407	107	113	220
Net fee and commission income	8	8	Net fee and commission income	3	2	5	8	1	2	3
Net trading income	-6	-5	Net income from fair value measurement	-2	2	-	-5	-	4	4
Net income from financial investments	125	-4	Net income from realisations	9	13	22	45	9	6	15
Net income from hedging relationships	6	-1	Net income from hedge accounting	1	-	1	-1	-1	-1	-2
Net other operating income/expenses	-29	-9	Net other operating income	9	-5	4	1	-4	-4	-8
<b>Operating income</b>	<b>508</b>	<b>424</b>	<b>Operating Income</b>	<b>117</b>	<b>111</b>	<b>228</b>	<b>455</b>	<b>112</b>	<b>120</b>	<b>232</b>
Loan-loss provisions	-1	-6	Net income from risk provisioning	-	-	-	-10	4	3	7
General and administrative expenses	-198	-216	General and administrative expenses	-45	-47	-92	-199	-44	-44	-88
			Expenses from bank levies and similar dues	-22	-3	-25	-28	-21	-1	-22
			Net income from write-downs and write-ups on non-financial assets	-3	-5	-8	-14	-3	-4	-7
Net miscellaneous income/expenses	-8	2								
<b>Pre-tax profit</b>	<b>301</b>	<b>204</b>	<b>Pre-tax profit</b>	<b>47</b>	<b>56</b>	<b>103</b>	<b>204</b>	<b>48</b>	<b>74</b>	<b>122</b>
Income taxes	-104	-22	Income taxes	-9	-9	-18	-22	-9	-14	-23
<b>Net income</b>	<b>197</b>	<b>182</b>	<b>Net income</b>	<b>38</b>	<b>47</b>	<b>85</b>	<b>182</b>	<b>39</b>	<b>60</b>	<b>99</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>H1/17</b>	<b>2017</b>	<b>Q1/18</b>	<b>Q2/18</b>	<b>H1/18</b>
CIR	39.0	50.9	CIR <sup>6</sup>	41.0	46.8	43.9	46.8	42.0	40.0	40.9
RoE before tax	11.1	7.3 <sup>2</sup>	RoE before tax	6.7	8.0	7.4	7.3	6.7	10.0	8.2
RoE after tax	7.3	6.5 <sup>2</sup>	RoE after tax	5.4	6.7	6.1	6.5	5.4	8.1	6.7
<b>Balance sheet (€ bn)</b>	<b>12/16</b>	<b>12/17</b>	<b>Balance sheet (€ bn)</b>	<b>03/17</b>	<b>06/17</b>	<b>06/17</b>	<b>12/17</b>	<b>03/18</b>	<b>06/18</b>	<b>06/18</b>
Total assets	62.7 <sup>2</sup>	58.0	Total assets	61.2	60.7	60.7	58.0	57.6	57.8	57.8
Equity	2.8	2.9	Equity	2.9	2.9	2.9	2.9	3.0	3.2	3.2
Financing volume	47.3	45.7	Financing volume	47.3	46.6	46.6	45.7	46.3	45.9	45.9
<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>06/17</b>	<b>12/17</b>	<b>03/18</b>	<b>06/18</b>	<b>06/18</b>
RWA (€ bn)	13.1	14.5	RWA (€ bn)	13.0	12.9	12.9	14.5	14.2	13.7	13.7
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>	19.6 <sup>7</sup>	17.7 <sup>5</sup>	18.8 <sup>9</sup>	19.4 <sup>10</sup>	19.4 <sup>10</sup>
<b>Personnel</b>	<b>12/16</b>	<b>12/17</b>	<b>Personnel</b>	<b>03/17</b>	<b>06/17</b>	<b>06/17</b>	<b>12/17</b>	<b>03/18</b>	<b>06/18</b>	<b>06/18</b>
Employees (FTE)	756	744	Employees (FTE)	739	741	741	744	733	747	747

Note: Annual results 2016-2017 audited 1 Incl. € +132 mn extraordinary gain from value adjustments on HETA exposure 2 Revised due to IAS 8.14 et seq 3 Basel III transitional rules 4 Incl. full-year result, post 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 10 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology

## Key figures

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



Income statement – new structure (€ mn)	REF		PIF		VP		C&A		pbb Group	
	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18	H1/17	H1/18
Net interest income	163	183	14	16	16	18	3	3	196	220
Net fee and commission income	5	3	-						5	3
Net income from fair value measurement	2	-4	-1	-1	-1	9			-	4
Net income from realisations	22	14				1			22	15
Net income from hedge accounting	1	-1				-1			1	-2
Net other operating income	-9	-6	-1	-1	14	-1			4	-8
<b>Operating Income</b>	<b>184</b>	<b>189</b>	<b>12</b>	<b>14</b>	<b>29</b>	<b>26</b>	<b>3</b>	<b>3</b>	<b>228</b>	<b>232</b>
Net income from risk provisioning	-2	-1	1	4	1	4			-	7
General and administrative expenses	-74	-70	-12	-12	-6	-6			-92	-88
Expenses from bank levies and similar dues	-13	-12	-4	-3	-8	-7			-25	-22
Net income from write-downs and write-ups on non-financial assets	-7	-6	-1	-1					-8	-7
<b>Pre-tax profit</b>	<b>88</b>	<b>100</b>	<b>-4</b>	<b>2</b>	<b>16</b>	<b>17</b>	<b>3</b>	<b>3</b>	<b>103</b>	<b>122</b>
Income taxes									-18	-23
<b>Net income</b>									<b>85</b>	<b>99</b>

# Key figures

## Real Estate Finance (REF)

Income statement – former structure (€ mn)	2016	2017	Income statement – new structure (€ mn)	Q1/17 <sup>3</sup>	Q2/17 <sup>3</sup>	H1/17 <sup>3</sup>	2017 <sup>3</sup>	Q1/18	Q2/18	H1/18
Net interest income	321	350	Net interest income	81	82	163	334	89	94	183
Net fee and commission income	9	9	Net fee and commission income	3	2	5	9	1	2	3
Net trading income	-2	-	Net income from fair value measurement	-	2	2	-	-	-4	-4
Net income from financial investments	3	-1	Net income from realisations	9	13	22	45	8	6	14
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	-4	-5	-9	-17	-1	-5	-6
<b>Operating income</b>	<b>306</b>	<b>337</b>	<b>Operating Income</b>	<b>89</b>	<b>95</b>	<b>184</b>	<b>370</b>	<b>96</b>	<b>93</b>	<b>189</b>
Loan-loss provisions	2	-7	Net income from risk provisioning	-2	-	-2	-8	-	-1	-1
General and administrative expenses	-156	-172	General and administrative expenses	-36	-38	-74	-158	-35	-35	-70
			Expenses from bank levies and similar dues	-11	-2	-13	-15	-12	-	-12
			Net income from write-downs and write-ups on non-financial assets	-2	-5	-7	-12	-2	-4	-6
Net miscellaneous income/expenses	-6	2								
<b>Pre-tax profit</b>	<b>146</b>	<b>160</b>	<b>Pre-tax profit</b>	<b>38</b>	<b>50</b>	<b>88</b>	<b>177</b>	<b>47</b>	<b>53</b>	<b>100</b>
<b>Key ratios (%)</b>	<b>2016</b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>H1/17</b>	<b>2017</b>	<b>Q1/18</b>	<b>Q2/18</b>	<b>H1/18</b>
CIR	51.0	51.0	CIR <sup>1</sup>	40.9	42.2	44.0	45.9	38.5	41.9	40.2
RoE before tax	26.0	24.9	RoE before tax	13.8	18.2	16.0	15.4	14.5	16.3	15.4
<b>Key figures (€ bn)</b>	<b>12/16</b>	<b>12/17</b>	<b>Key figures (€ bn)</b>	<b>03/17</b>	<b>06/17</b>	<b>06/17</b>	<b>12/17</b>	<b>03/18</b>	<b>06/18</b>	<b>06/18</b>
Equity	0.6	0.7	Equity <sup>2</sup>	1.1	1.2	1.2	1.2	1.4	1.4	1.4
RWA	6.4	8.3	RWA	6.3	6.5	6.5	8.3	8.1	8.1	8.1
Financing volume	24.1	24.9	Financing volume	24.1	24.4	24.4	24.9	25.7	25.7	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**

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Income statement – former structure (€ mn)	2016	2017	Income statement – new structure (€ mn)	Q1/17 <sup>3</sup>	Q2/17 <sup>3</sup>	H1/17 <sup>3</sup>	2017 <sup>3</sup>	Q1/18	Q2/18	H1/18
Net interest income	35	36	Net interest income	7	7	14	30	8	8	16
Net fee and commission income	-	-	Net fee and commission income	-	-	-	-	-	-	-
Net trading income	-1	-2	Net income from fair value measurement	-1	-	-1	-2	-	-1	-1
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	-2	-1	-	-1
<b>Operating income</b>	<b>30</b>	<b>24</b>	<b>Operating Income</b>	<b>5</b>	<b>7</b>	<b>12</b>	<b>26</b>	<b>7</b>	<b>7</b>	<b>14</b>
Loan-loss provisions	-	-	Net income from risk provisioning	1	-	1	-6	2	2	4
General and administrative expenses	-26	-29	General and administrative expenses	-6	-6	-12	-27	-6	-6	-12
			Expenses from bank levies and similar dues	-3	-1	-4	-4	-3	-	-3
			Net income from write-downs and write-ups on non-financial assets	-1	-	-1	-1	-1	-	-1
Net miscellaneous income/expenses	-1	-								
<b>Pre-tax profit</b>	<b>3</b>	<b>-5</b>	<b>Pre-tax profit</b>	<b>-4</b>	<b>0</b>	<b>-4</b>	<b>-12</b>	<b>-1</b>	<b>3</b>	<b>2</b>
<b>Key ratios (%)</b>	<b>2016</b>	<b>2017</b>	<b>Key ratios (%)</b>	<b>Q1/17</b>	<b>Q2/17</b>	<b>H1/17</b>	<b>2017</b>	<b>Q1/18</b>	<b>Q2/18</b>	<b>H1/18</b>
CIR	86.7	>100	CIR <sup>1</sup>	>100	100.0	>100	>100	100.0	85.7	92.9
RoE before tax	0.9	-1.7	RoE before tax	-16.0	-	-8.0	-8.0	-2.0	4.0	2.7
<b>Key figures (€ bn)</b>	<b>12/16</b>	<b>12/17</b>	<b>Key figures (€ bn)</b>	<b>03/17</b>	<b>06/17</b>	<b>06/17</b>	<b>12/17</b>	<b>03/18</b>	<b>06/18</b>	<b>06/18</b>
Equity	0.3	0.3	Equity <sup>2</sup>	0.1	0.2	0.2	0.2	0.2	0.1	0.1
RWA	1.4	1.6	RWA	1.4	1.4	1.4	1.6	1.6	1.3	1.3
Financing volume	7.4	7.0	Financing volume	7.7	7.6	7.6	7.0	7.0	6.7	6.7

Note: Annual results 2016-2017 audited; interim results unaudited  
view 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



## Key figures

### Value Portfolio (VP)

Income statement – former structure (€ mn)	2016 <sup>1</sup>	2017	Income statement – new structure (€ mn)	Q1/17 <sup>4</sup>	Q2/17 <sup>4</sup>	H1/17 <sup>4</sup>	2017 <sup>4</sup>	Q1/18	Q2/18	H1/18
Net interest income	41	42	Net interest income	8	8	16	37	8	10	18
Net fee and commission income	-1	-1	Net fee and commission income	-	-	-	-1	-	-	-
Net trading income	-3	-3	Net income from fair value measurement	-1	-	-1	-3	-	9	9
Net income from financial investments	121	3	Net income from realisations	-	-	-	-	1	-	1
Net income from hedging relationships	2	-	Net income from hedge accounting	1	-1	-	-	-	-1	-1
Net other operating income/expenses	5	15	Net other operating income	14	-	14	20	-2	1	-1
<b>Operating income</b>	<b>165</b>	<b>56</b>	<b>Operating Income</b>	<b>22</b>	<b>7</b>	<b>29</b>	<b>53</b>	<b>7</b>	<b>19</b>	<b>26</b>
Loan-loss provisions	-3	1	Net income from risk provisioning	1	-	1	4	2	2	4
General and administrative expenses	-16	-15	General and administrative expenses	-3	-3	-6	-14	-3	-3	-6
			Expenses from bank levies and similar dues	-8	-	-8	-9	-6	-1	-7
			Net income from write-downs and write-ups on non-financial assets	-	-	-	-1	-	-	-
Net miscellaneous income/expenses	-1	-								
<b>Pre-tax profit</b>	<b>145</b>	<b>42</b>	<b>Pre-tax profit</b>	<b>12</b>	<b>4</b>	<b>16</b>	<b>33</b>	<b>-</b>	<b>17</b>	<b>17</b>

Key ratios (%)	2016	2017	Key ratios (%)	Q1/17	Q2/17	H1/17	2017	Q1/18	Q2/18	H1/18
CIR	9.7	26.8	CIR <sup>2</sup>	12.5	37.5	20.7	28.3	42.9	15.8	23.1
RoE before tax	9.7	2.8	RoE before tax	3.7	1.3	2.5	2.8	-	3.2	3.2

Key figures (€ bn)	12/16	12/17	Key figures (€ bn)	03/17	06/17	06/17	12/17	03/18	06/18	06/18
Equity	1.5	1.5	Equity <sup>3</sup>	1.3	1.1	1.1	1.1	0.9	1.0	1.0
RWA	4.1	3.5	RWA	4.0	3.7	3.7	3.5	3.5	3.4	3.4
Financing volume	15.8	13.8	Financing volume	15.5	14.6	14.5	13.8	13.6	13.5	13.5

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

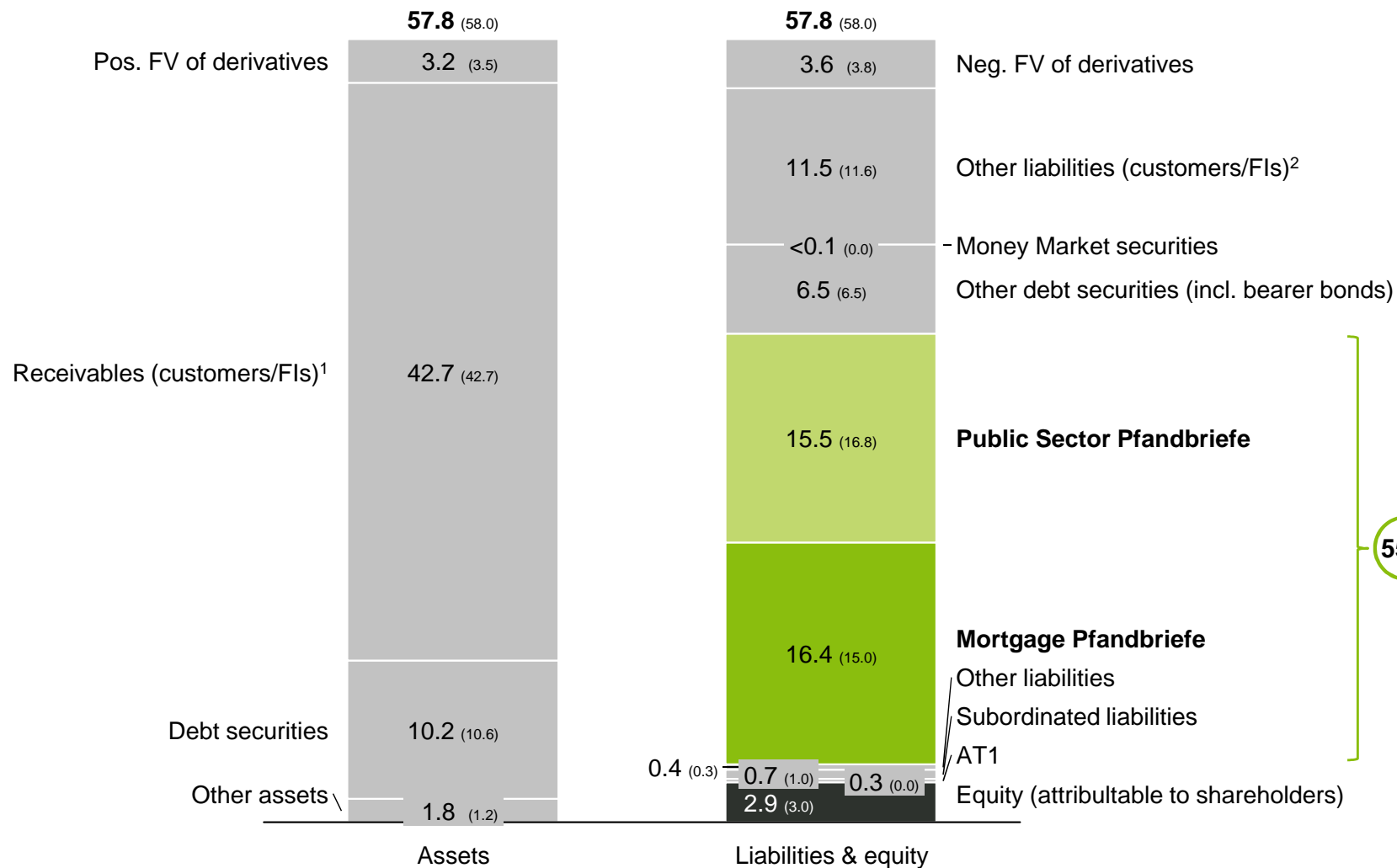
# Balance sheet

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



Balance sheet: 30/06/2018 (01/01/18)

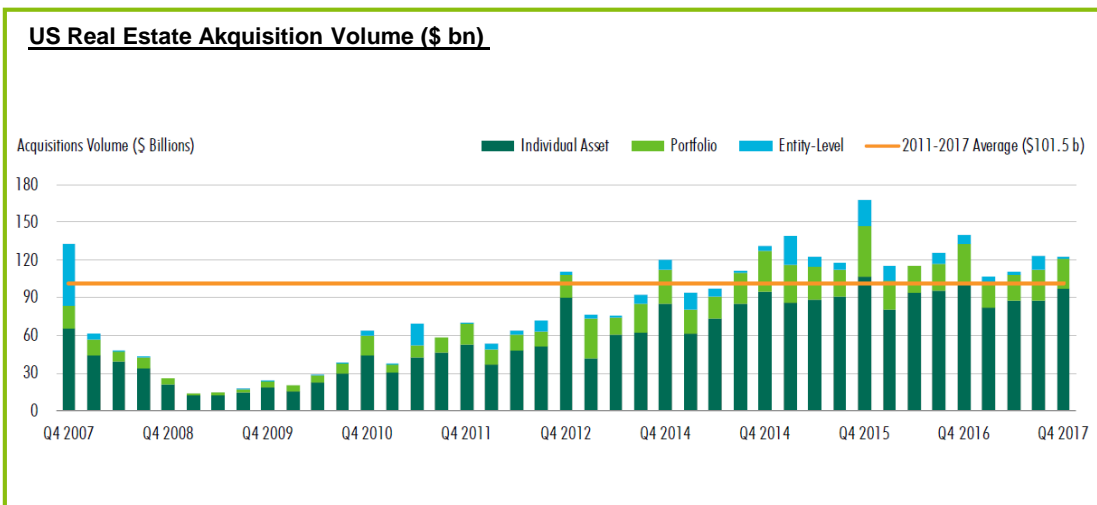
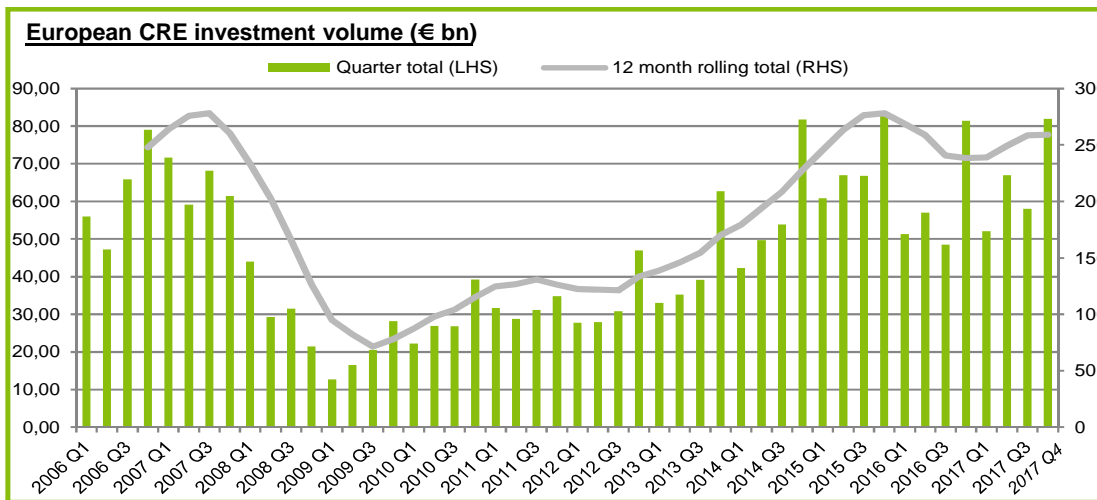
IFRS, € bn



Note: Figures may not add up due to rounding 1 Incl. credit loss allowances on financial assets 2 Incl. central banks

## Markets

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



- CRE investment market in Europe at elevated levels
  - Volume saw another pick-up in Q4/17
  - For 2018, CRE investment volume expected to decline but to remain on high level
- Prime yields are expected to remain mainly stable, UK retail prime yields have increased
- All in all, Europe looks set for another year of robust investment activity in 2018 supported by positive fundamentals
- Germany: CRE investment volume expected to exceed € 50 bn again. In Q1/18, the transaction volume was € 12.3 bn, just 3% below the record set in Q1/17.
- France: With € 3.8bn invested, Q1/18 CRE investment is stable compared to Q1/17 but below ten-year average of € 4.4bn. 2018 investments could almost reach 2017 levels.
- UK: Despite Brexit, the UK still remains an attractive investment market, especially for international investors. The 2017 transaction volume of £ 64bn exceeded most expectations.
- USA: 2018 might again see a slight decrease but transaction volumes expected to be relatively stable during the year. The majority of transaction activity will continue to be in core properties.

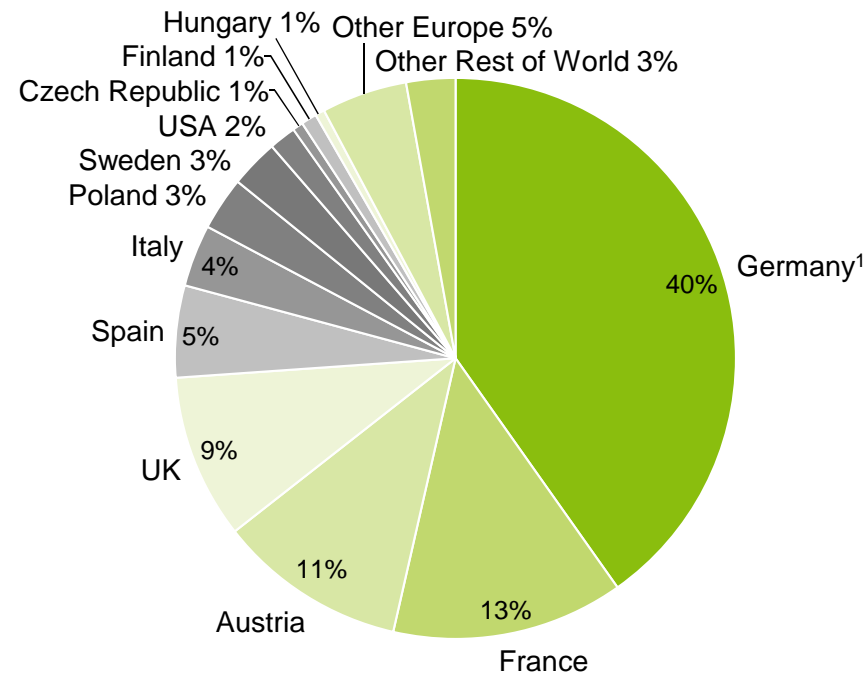
# Portfolio

## Total portfolio

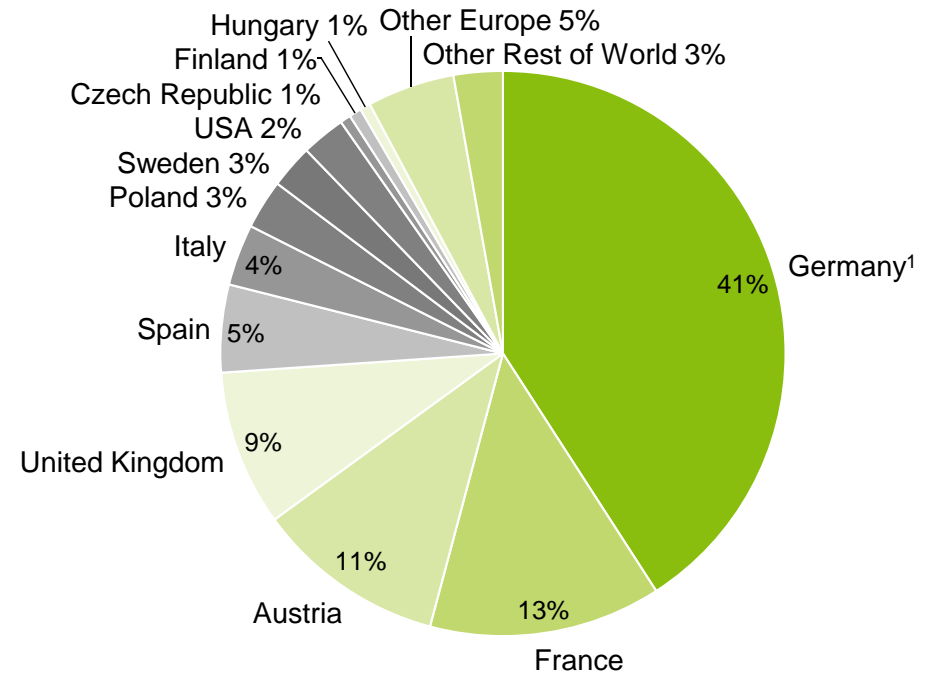
In € billion (EaD, Basel III)

### Regions

31/12/2017 / Total: € 57.5 bn



30/06/2018 / Total: € 57.7 bn



Note: Figures may not add up due to rounding 1 Incl. Bundesbank accounts (12/17: € 1.0 bn; 06/18: € 1.5 bn)

# Portfolio

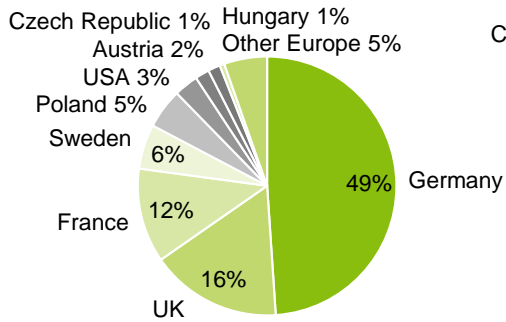
## Real Estate Finance (REF)



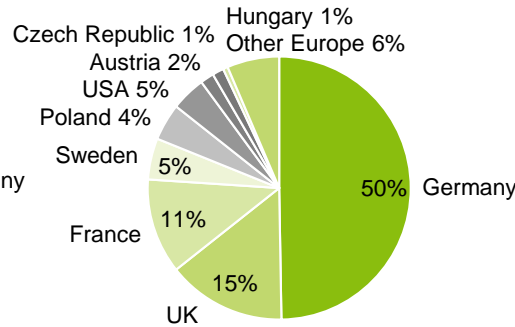
In € billion (EaD, Basel III)

### Regions

31.12.2017: € 28.3 bn

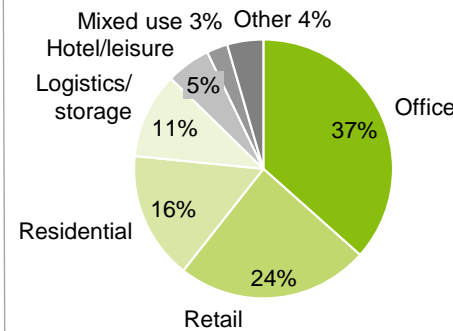


30.06.2018: € 28.8 bn

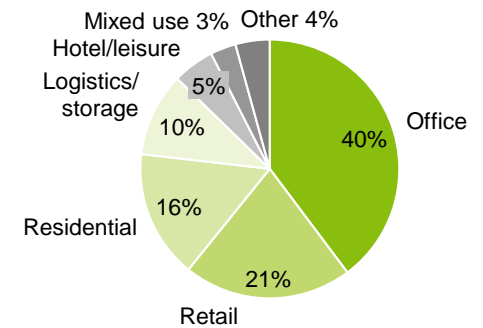


### Property types

31.12.2017: € 28.3 bn

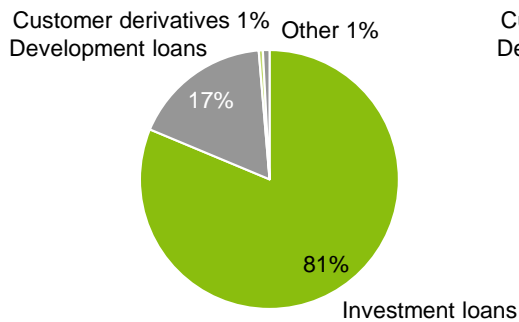


30.06.2018: € 28.8 bn

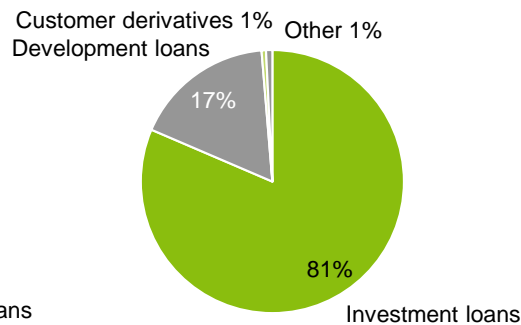


### Loan types

31.12.2017: € 28.3 bn

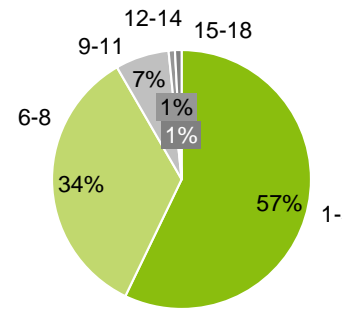


30.06.2018: € 28.8 bn

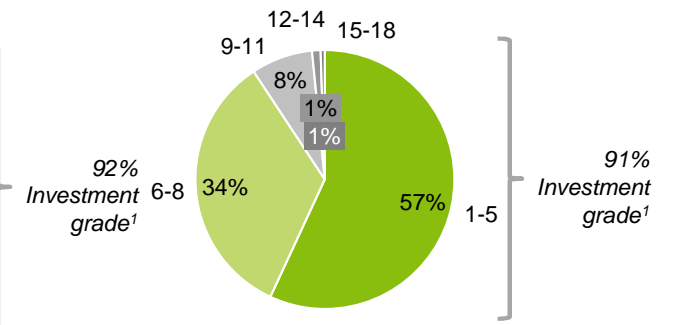


### Internal ratings (EL classes)

31.12.2017: € 28.3 bn



30.06.2018: € 28.8 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

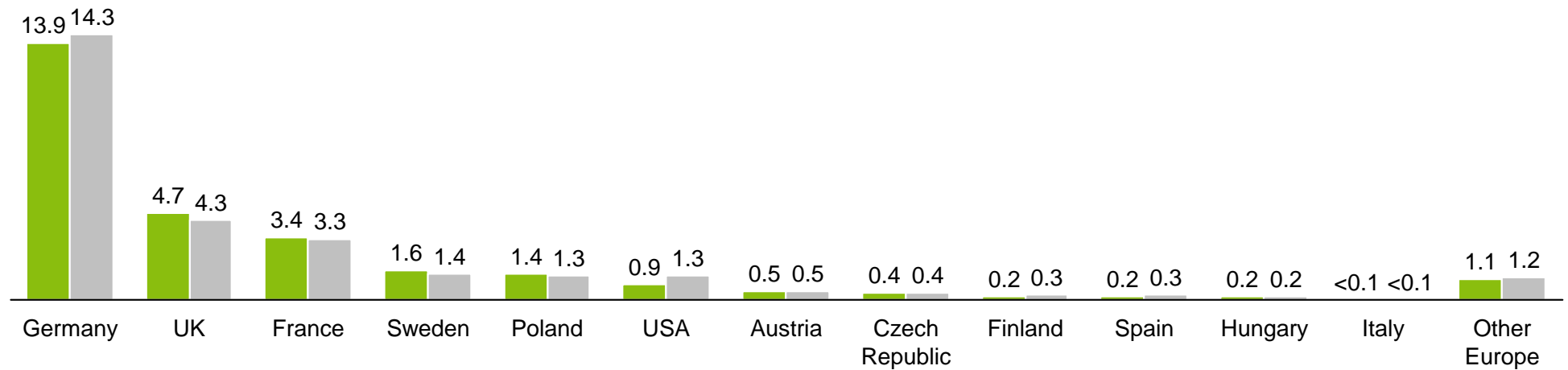
## Real Estate Finance (REF)



### Regions

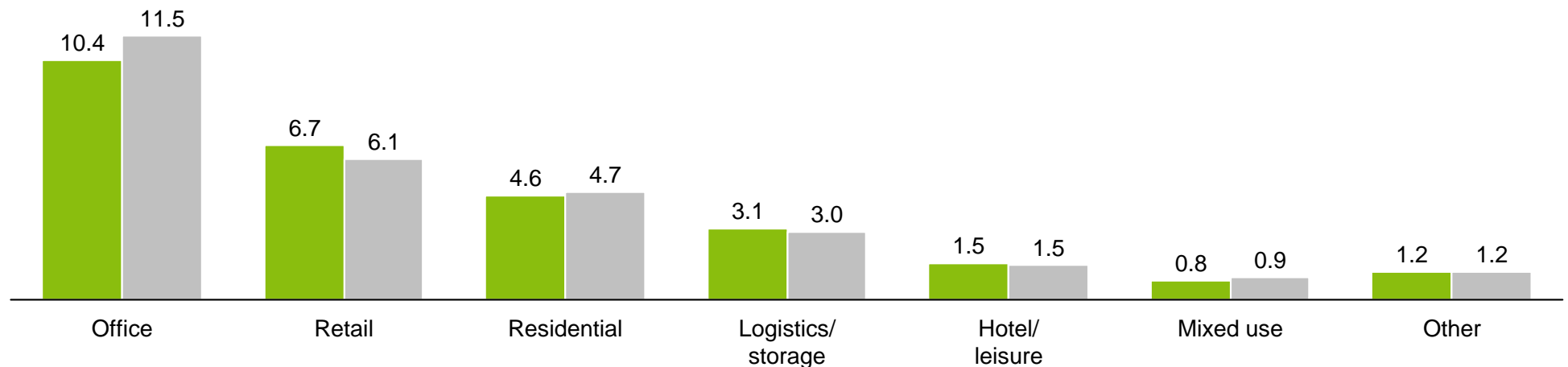
€ bn (EaD, Basel III)

■ 31/12/2017 / Total: € 28.3 bn  
 ■ 30/06/2018 / Total: € 28.8 bn



### Property types

€ bn (EaD, Basel III)



Note: Figures may not add up due to rounding

## Side note: Brexit and US-market entry

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

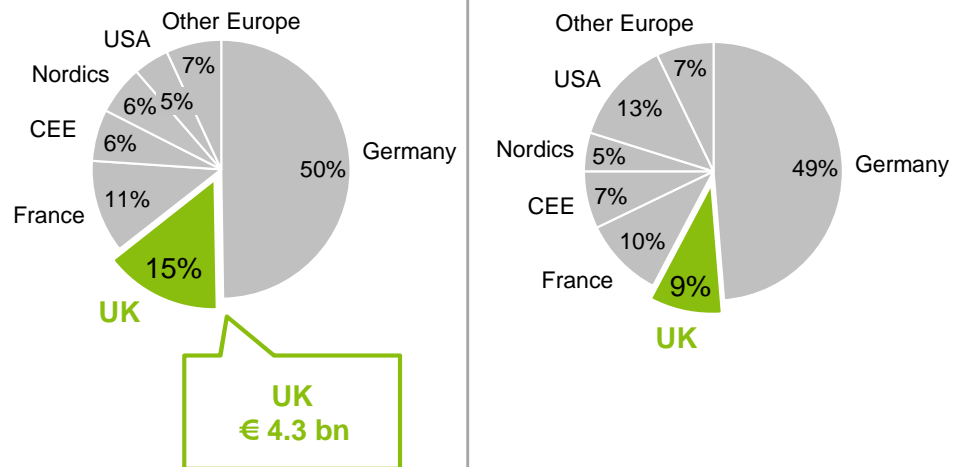
#### REF Portfolio

30/06/2018: € 28.8 bn (EaD, Basel III)

#### REF New business

H1/18: € 3.6 bn (commitments incl. extensions >1J)

#### Brexit

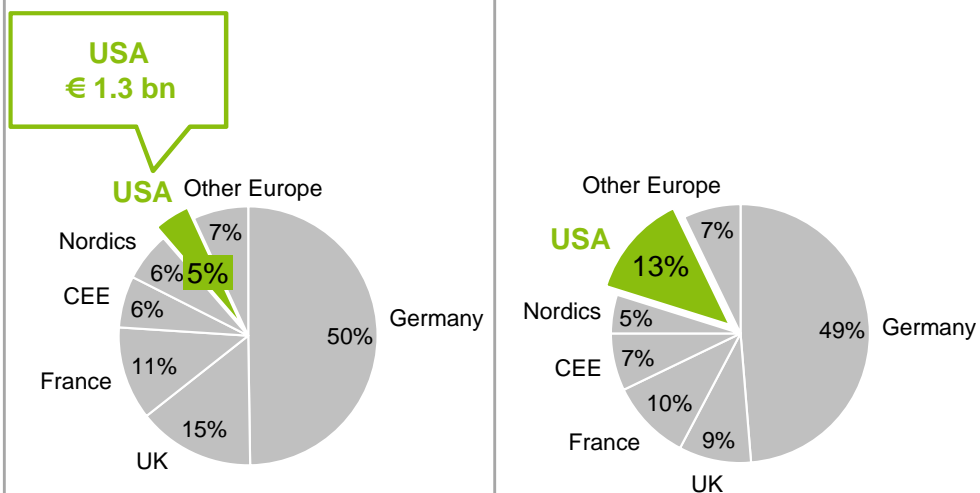


#### High portfolio quality

- Avg. LTV 55%, 1 exposure >75% LTV
- Avg. ISC of >300% provides solid cushion
- 43 % Central London, remainder geographical spread
- Property types with focus on retail (34%), office buildings (33%) and logistics (13%)
- No problem loans in UK-portfolio<sup>1</sup>

- Relative 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 20 deals closed; mainly arranged as syndication loans in New York and Boston
- Avg. LTV 57%, no exposure >75% LTV

#### Strengthening of market position by local presence - opening Rep Office in New York planned for H2/18

- 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

# Portfolio

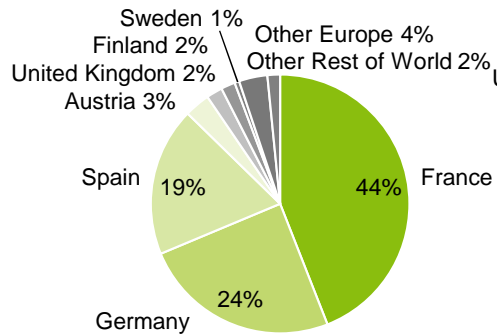
## Public Investment Finance (PIF)



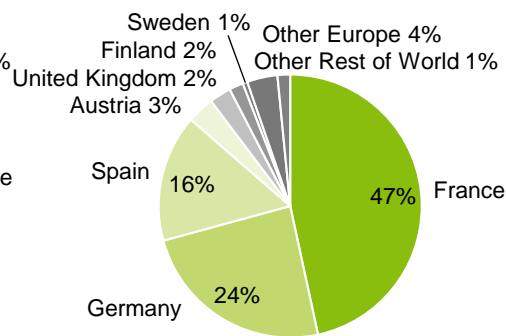
In € billion (EaD, Basel III)

### Regions

31.12.2017: € 7.9 bn

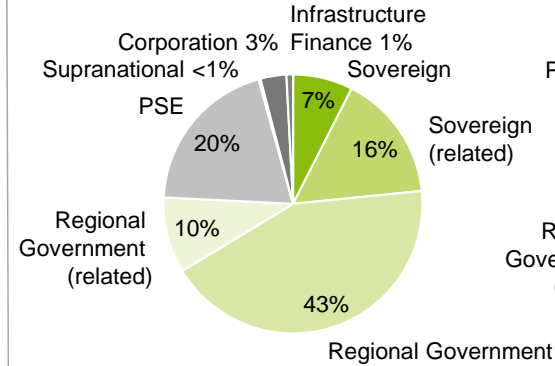


30.06.2018: € 7.6 bn

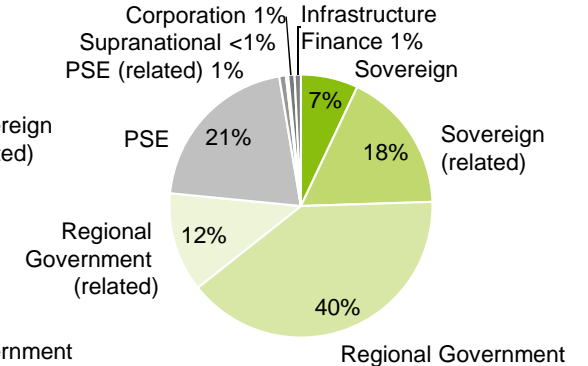


### Borrower classification<sup>1</sup>

31.12.2017: € 7.9 bn

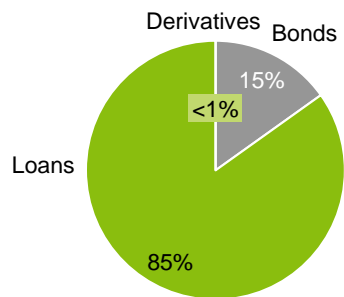


30.06.2018: € 7.6 bn

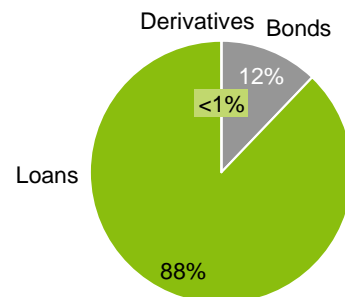


### Product class

31.12.2017: € 7.9 bn

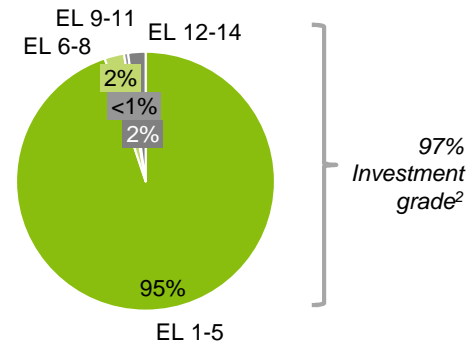


30.06.2018: € 7.6 bn

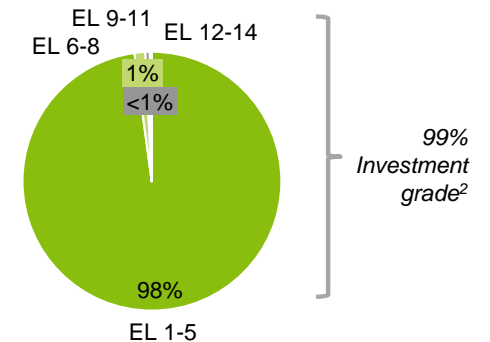


### Internal ratings (EL classes)

31.12.2017: € 7.9 bn



30.06.2018: € 7.6 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

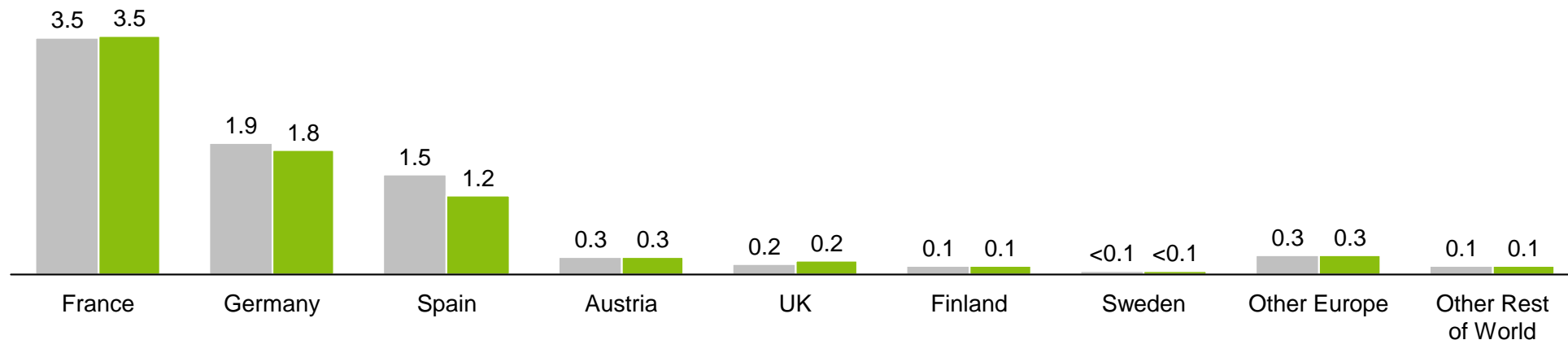
## Public Investment Finance (PIF)



### Regions

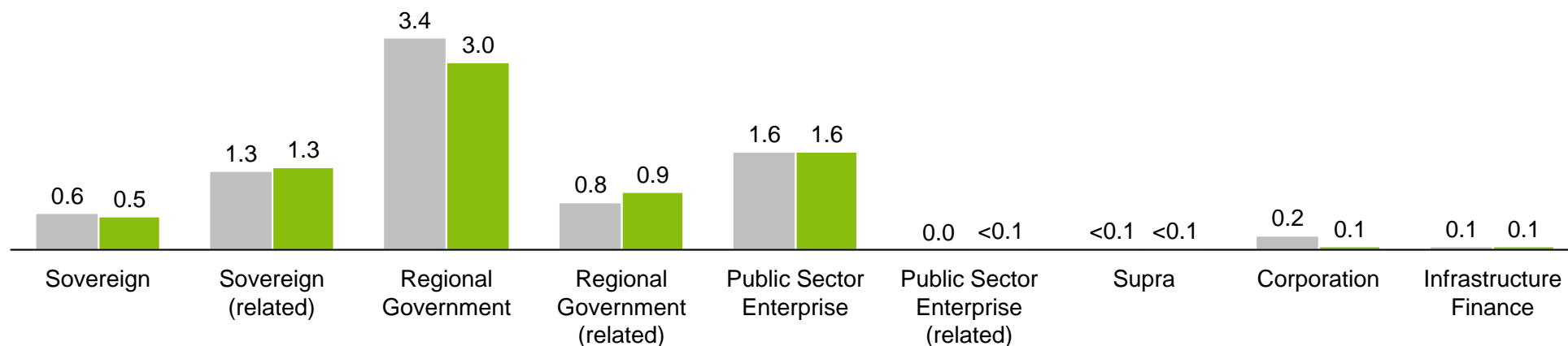
€ bn (EaD, Basel III)

■ 31/12/2017 / Total: € 7.9 bn  
 ■ 30/06/2018 / Total: € 7.6 bn



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

€ bn (EaD, Basel III)



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

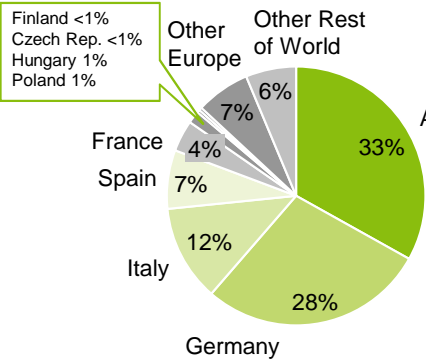
# Portfolio

## Value Portfolio (VP)

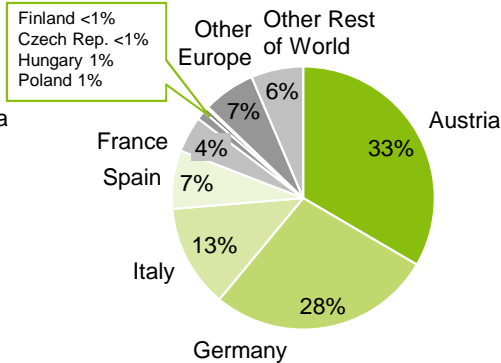
In € billion (EaD, Basel III)

### Regions

31.12.2017: € 17.0 bn

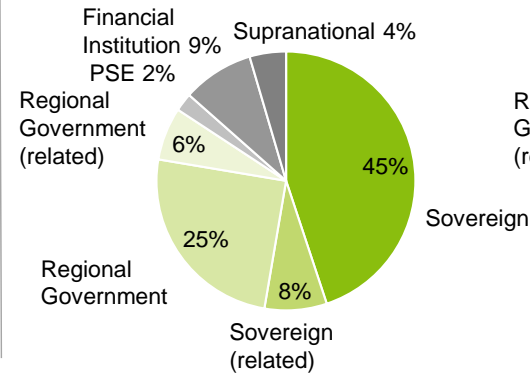


30.06.2018: € 16.6 bn

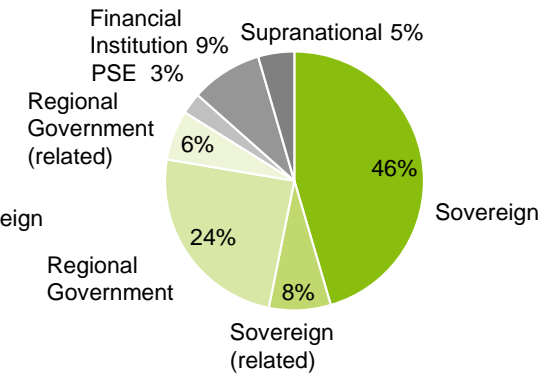


### Borrower classification<sup>1</sup>

31.12.2017: € 17.0 bn

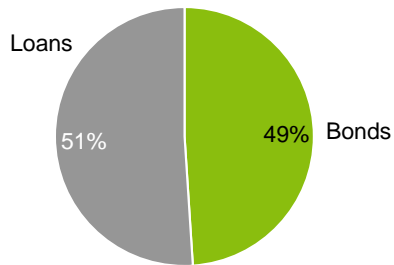


30.06.2018: € 16.6 bn

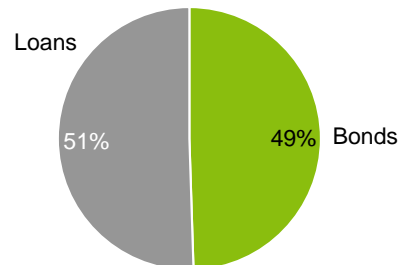


### Product class

31.12.2017: € 17.0 bn

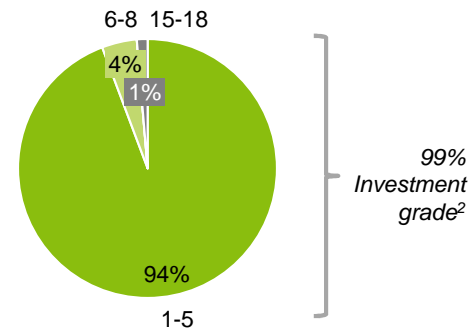


30.06.2018: € 16.6 bn

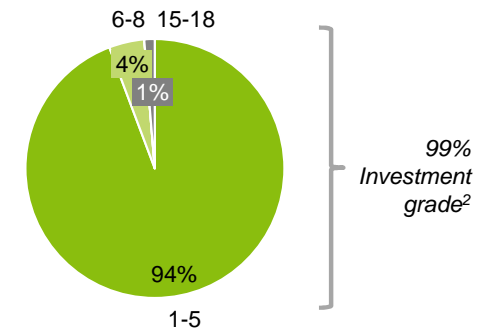


### Internal ratings (EL classes)

31.12.2017: € 17.0 bn



30.06.2018: € 16.6 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

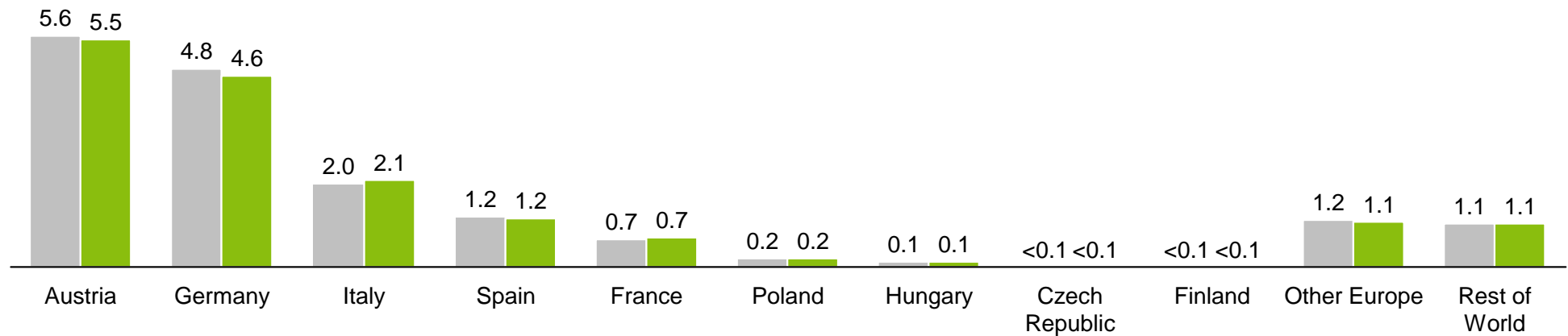
## Value Portfolio (VP)



### Regions

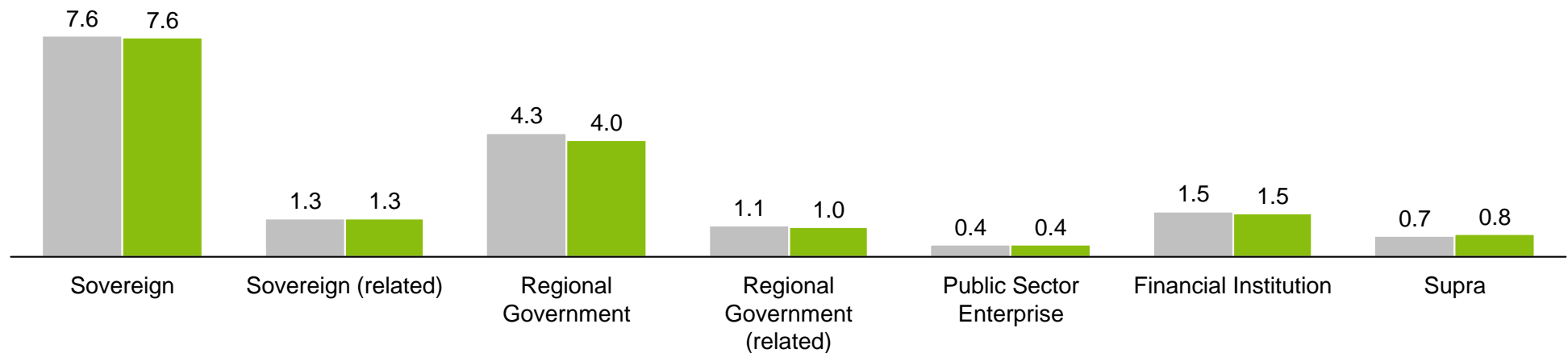
€ bn (EaD, Basel III)

■ 31/12/2017 / Total: € 17.0 bn  
 ■ 30/06/2018 / Total: € 16.6 bn



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

€ bn (EaD, Basel III)



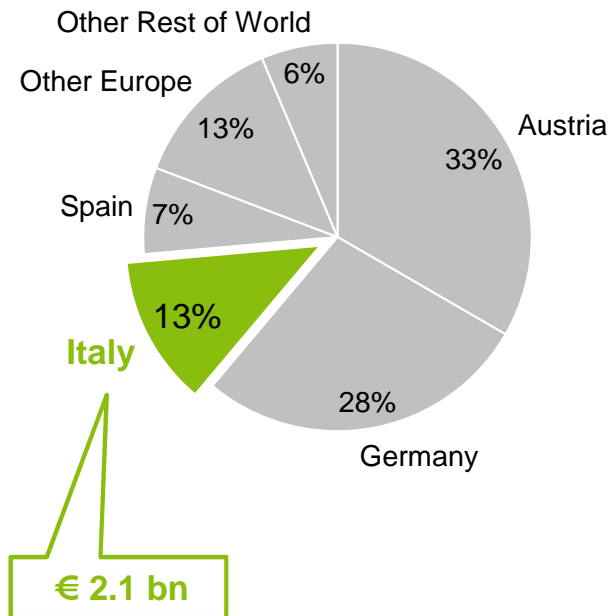
Note: Figures may not add up due to rounding      1 See appendix for definition of borrower classification

## Side note: Italy

High portfolio quality in Value Portfolio, only marginal Italy exposure in REF portfolio

### Total Value Portfolio

30/06/2018: € 16.6 bn (EaD, Basel III)



- High portfolio quality
  - ~70% Sovereign and ~30% Regional Government
  - ~99% Investment Grade
  - Avg. maturity ~10.4 years<sup>1</sup>
  - More than 85% booked at amortized costs – only exposure of € 80 mn booked at FV/P&L with marginal valuation effects
- Only marginal exposure of € 34 mn in REF portfolio
  - € 20 mn with Ø-LTV of 67%
  - € 14 mn in workout

Note: Figures may not add up due to rounding <sup>1</sup> Weighted average lifetime

# Portfolio

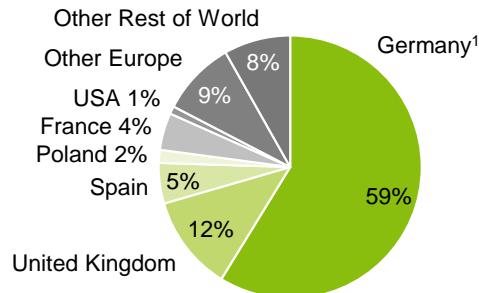
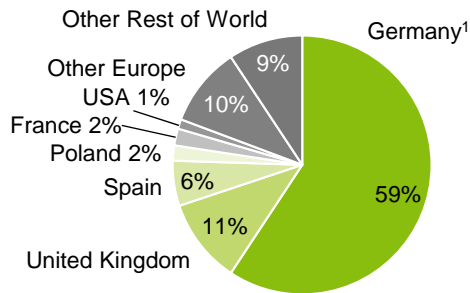
## Consolidation & Adjustments (C&A)

In € billion (EaD, Basel III)

### Regions

31.12.2017: € 4.3 bn

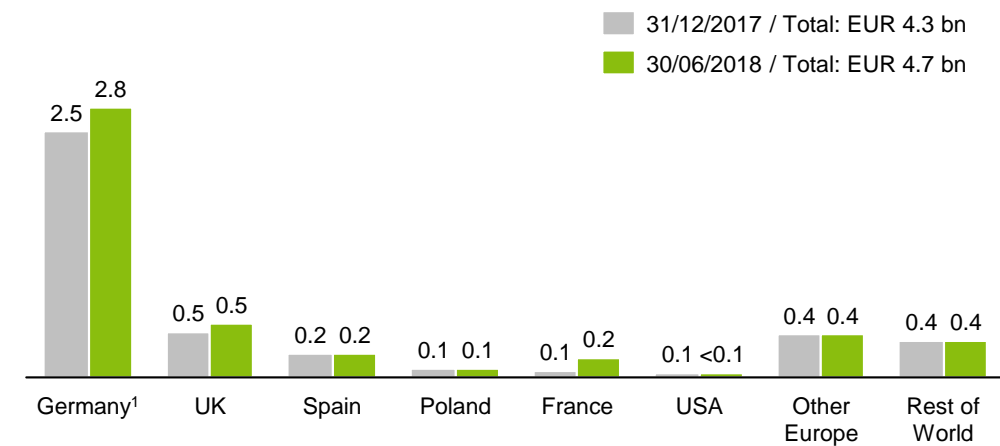
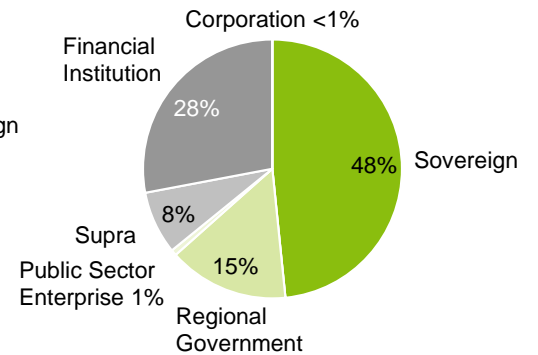
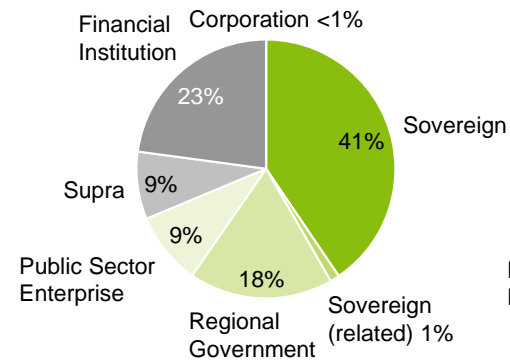
30.06.2018: € 4.7 bn



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

31.12.2017: € 4.3 bn

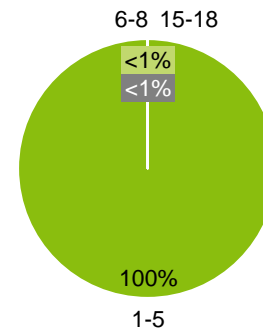
30.06.2018: € 4.7 bn



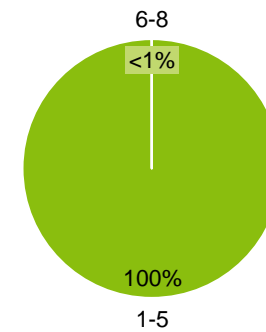
### Internal ratings (EL classes)

31.12.2017: € 4.3 bn

30.06.2018: € 4.7 bn



100% Investment grade<sup>3</sup>



100% Investment grade<sup>3</sup>

Note: Figures may not add up due to rounding

<sup>1</sup> Incl. Bundesbank accounts (12/17: € 1.0 bn; 06/18: € 1.5 bn)

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

<sup>3</sup> Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade

# 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%
Mortgage Pfandbrief	A2GSLL	15/05/2018	22/05/2024	EUR 500 mn	-9 bp	0.500%	99.912%

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	
<b>Long-term</b>	<b>A-</b>	<b>BBB</b>	
Outlook/Trend	Negative	Positive	
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 (low)	
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 Debt"    3 S&P: "Senior Subordinated Debt"; DBRS: "Senior Non-Preferred Debt"

## Definition of borrower classifications

Borrower classification	Definition
<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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