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

Results H1/18

Press Briefing, 13 August 2018

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Highlights

Operating and financial overview

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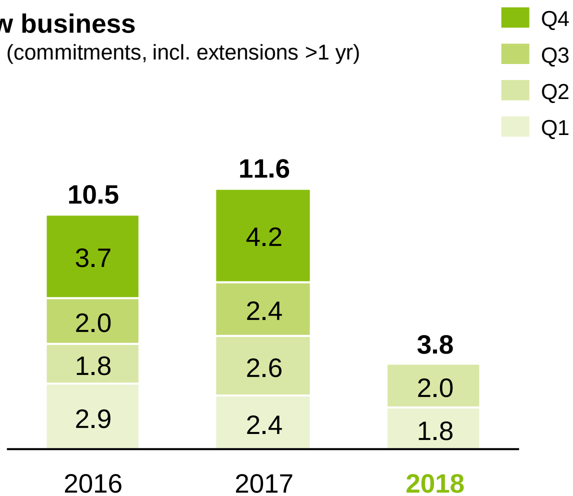
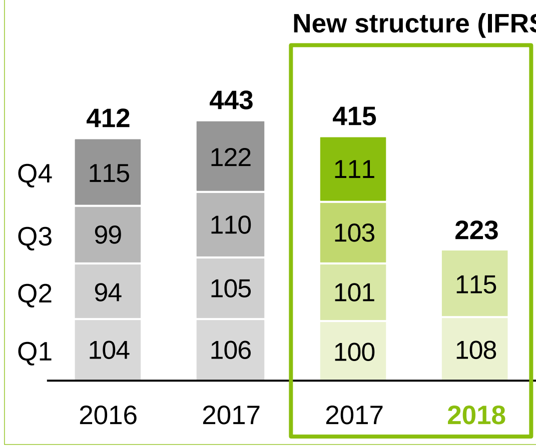
New business

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



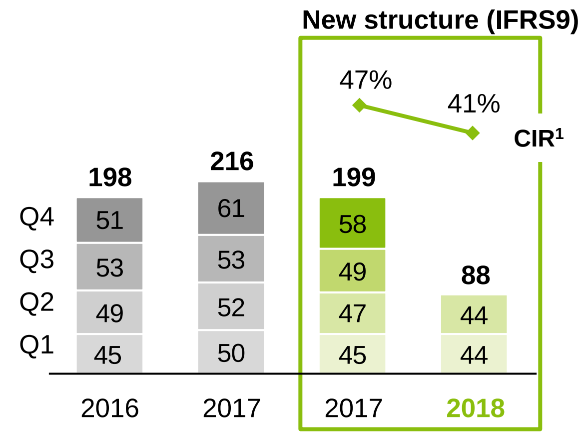
Net interest and commission income

€ mn (IFRS)



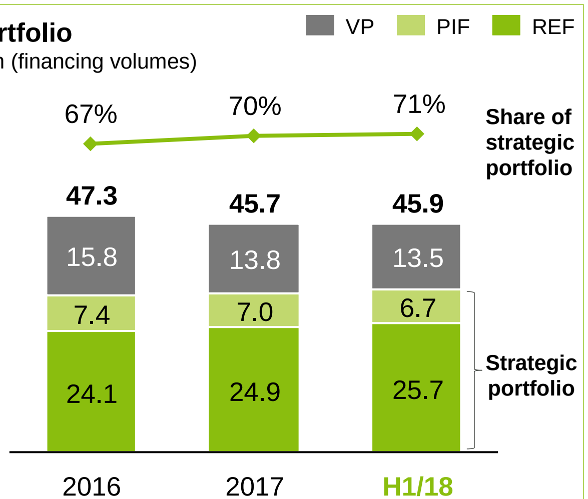
General and admin. expenses

€ mn (IFRS)



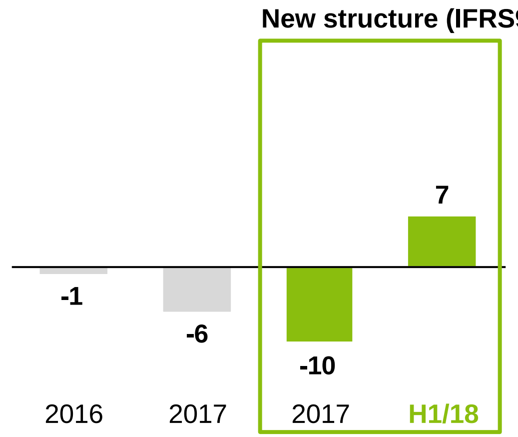
Portfolio

€ bn (financing volumes)



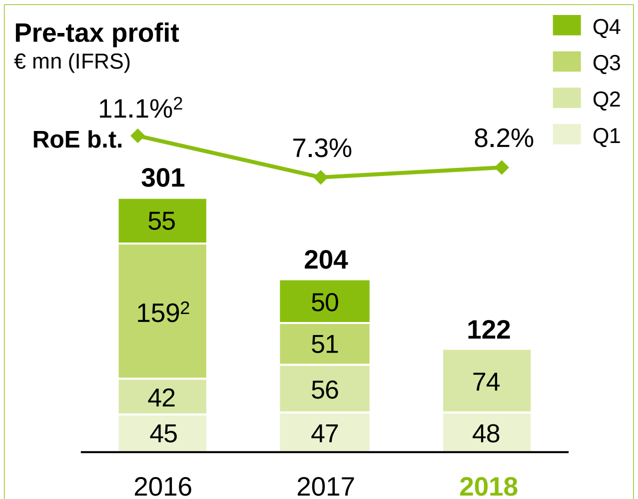
Net income from risk provisioning

€ mn (IFRS)



Pre-tax profit

€ mn (IFRS)



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

Income statement

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

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Income from lending business

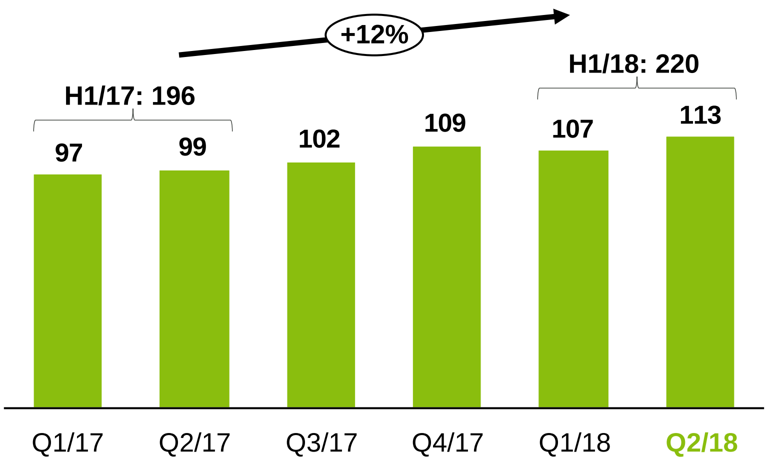
€ mn

	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

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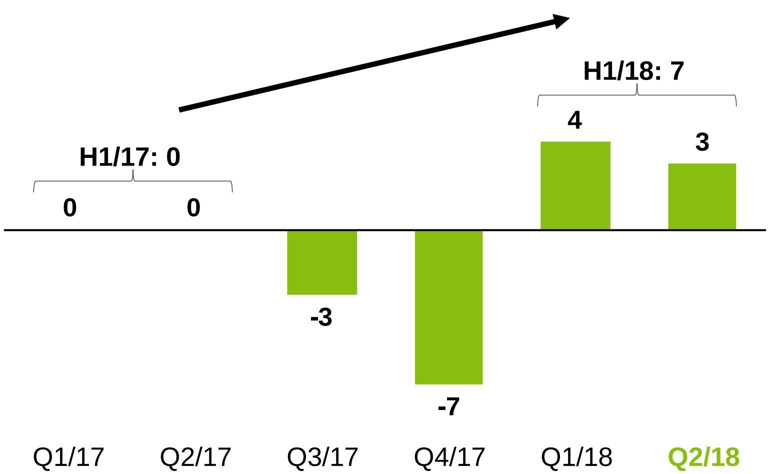
Net income from risk provisioning

€ mn

	Q2/17	Q2/18	H1/17	H1/18
Net income from risk provisioning	-	3	-	7
thereof				
stage 1	n/a	-	n/a	*1*
stage 2		*4*		*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[1] to 21.4% (12/17: 20.1%; 03/18: 20.8%)[2]
  - 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

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

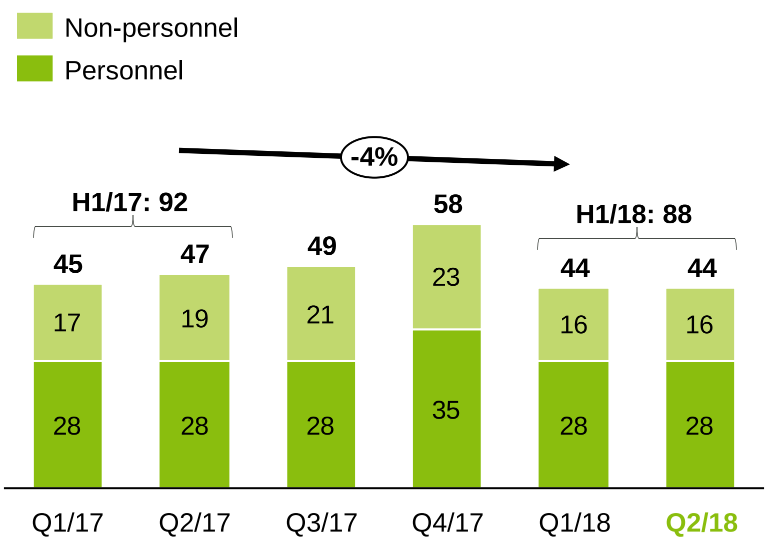
Income statement

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 (%)[1]	*46.8*	*40.0*	*43.9*	*40.9*



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

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

New business & segment reporting

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

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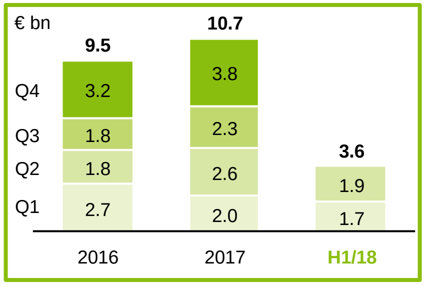
New business	H1/17	2017	H1/18
Total volume (€ bn)	4.5	10.7	3.6
thereof: Extensions >1 year	*1.0*	*1.9*	*0.8*
No. of deals	105	221	73
Ø maturity (years)[1]	~5.1	~5.3	~4.7
Ø LTV (%)[2]	61	60	59
Ø gross margin (bp)	>165	>155	>160



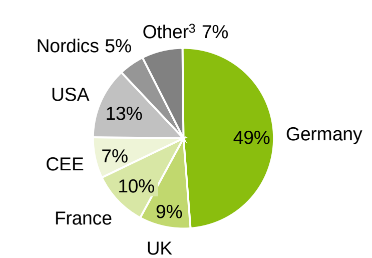
Income statement (IFRS, € mn)	Q2/17[5]	Q2/18	H1/17[5]	H1/18
Operating income	102	93	184	189
thereof: Net interest income	*82*	*94*	*163*	*183*
Net income from risk provisioning	-	-1	-2	-1
General administrative expenses	-38	-35	-74	-70
Net other revenues	-14	-4	-20	-18
Pre-tax profit	**50**	**53**	**88**	**100**
Key indicators	**Q2/17**	**Q2/18**	**H1/17**	**H1/18**
CIR (%)[4]	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

Regions

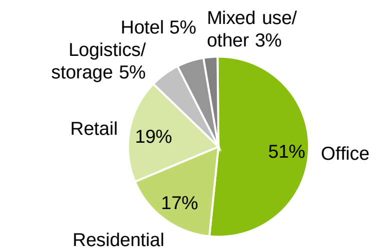
Property types

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

H1/18: € 3.6 bn

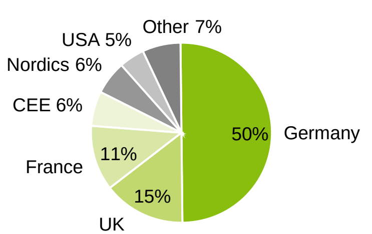


H1/18: € 3.6 bn

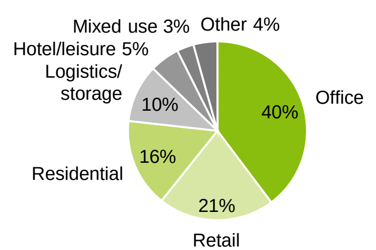


Portfolio (EaD, Basel III)

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

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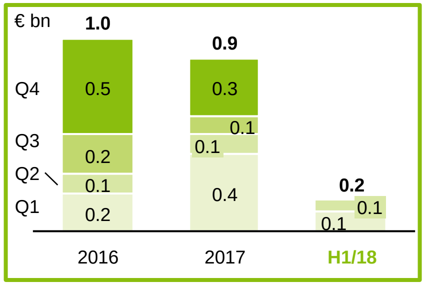
New business	H1/17	2017	H1/18
Total volume (€ bn)	0.5	0.9	0.2
No. of deals	14	30	6
Ø maturity (years)[1]	~9.0	~8.7	~9.5
Ø gross margin (bp)	>90	>100	>55



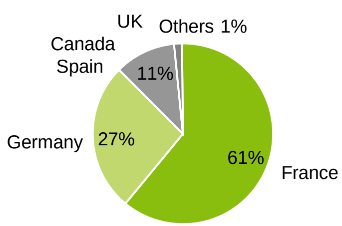
Income statement (IFRS, € mn)	Q2/17[3]	Q2/18	H1/17[3]	H1/18
Operating income	7	7	13	14
thereof: Net interest income	*7*	*8*	*14*	*16*
Net income from risk provisioning	-	2	1	4
General administrative expenses	-6	-6	-12	-12
Net other revenues	-1	-	-6	-4
Pre-tax profit	**0**	**3**	**-4**	**2**
Key indicators	**Q2/17**	**Q2/18**	**H1/17**	**H1/18**
CIR (%)[2]	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

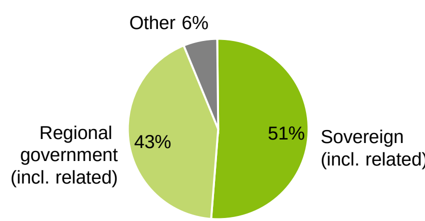
Borrower classification

New business (Commitments)

H1/18: € 0.2 bn

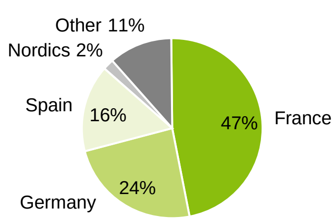


H1/18: € 0.2 bn

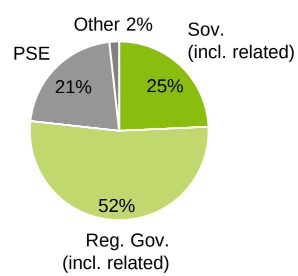


Portfolio (EaD, Basel III)

30/06/18: € 7.6 bn



30/06/18: € 7.6 bn



Key drivers Q2/H1 2018:

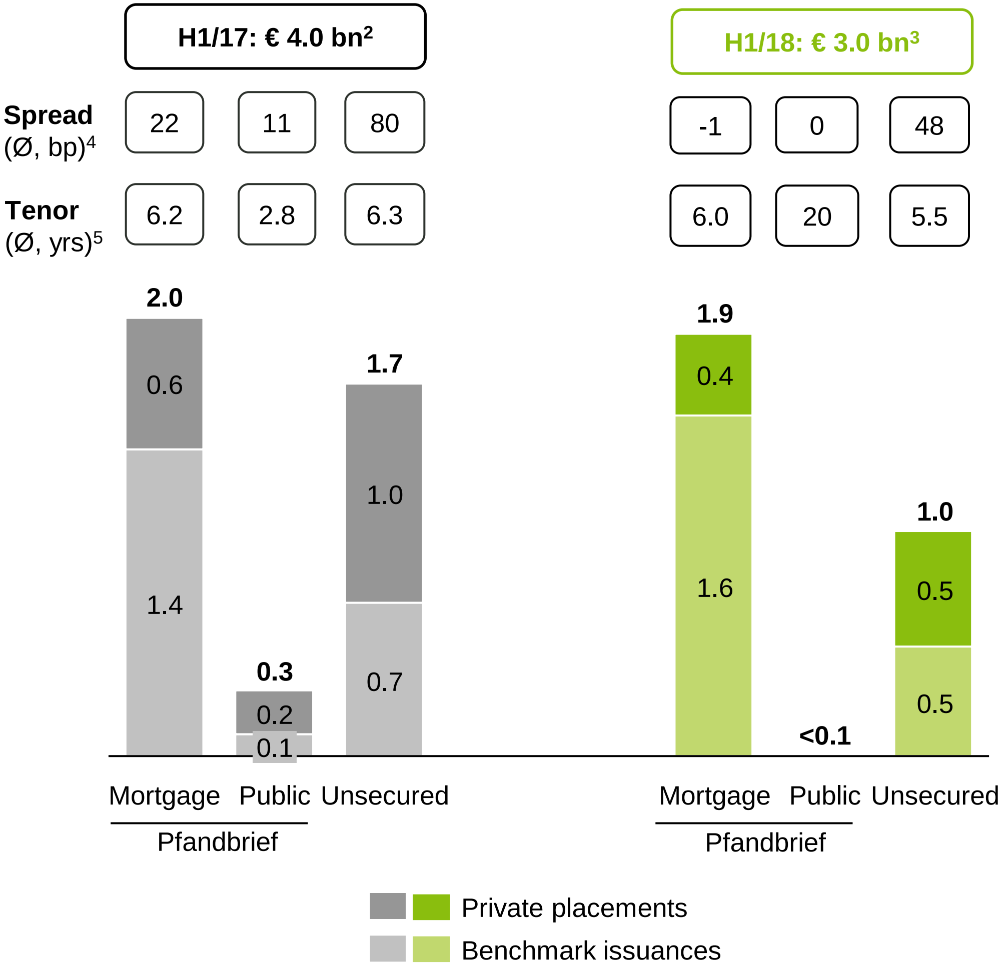
- New business volume on low level with higher pipeline for H2/18
- Financing volume down y-o-y due to maturities
- PIF remains contribution business with ~20% direct costs vs. ~80% allocated overhead (allocation based on financing volume)

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

Funding

Further significant reduction of funding costs in H1/18

New long-term funding[1]
€ 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[6] 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

Capital

Capitalisation remains strong

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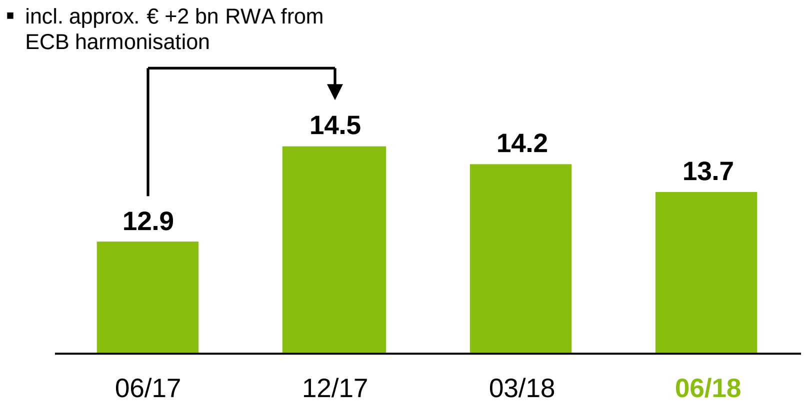
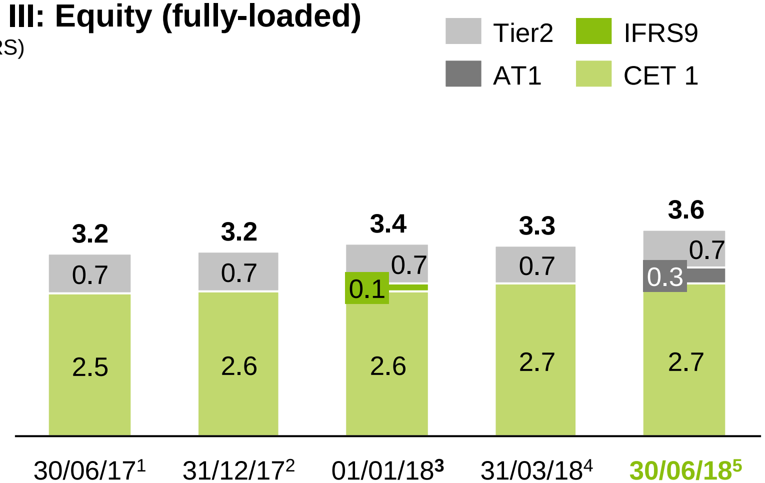
Basel III: RWA

€ bn (IFRS)



Basel III: Equity (fully-loaded)

€ bn (IFRS)



Basel III: Capital ratios (fully-loaded)

% (IFRS)

in %	06/17[1]	12/17[2]	03/18[4]	06/18[5]	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%[6] / fully-loaded: 9.95%
  - Own funds ratio phase-in: 12.825%[6] / 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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