PBT of € 171 mn after 9 months
– full-year guidance raised to € 205-215 mn

Results Q3/9M 2018

Press Briefing,12 November 2018

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Highlights
Operating and financial overview

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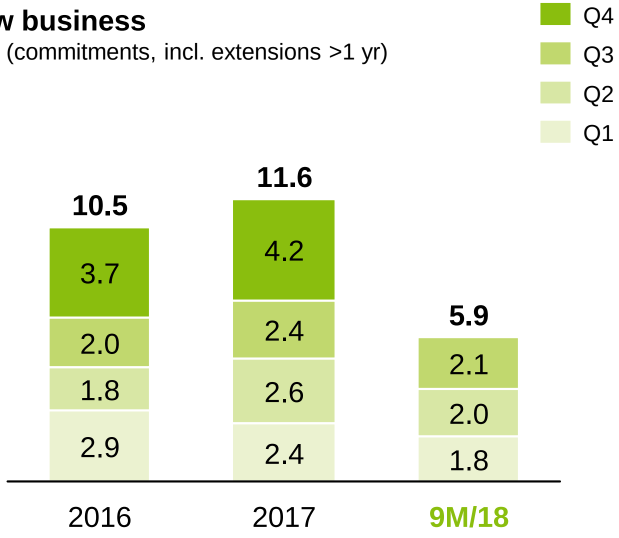
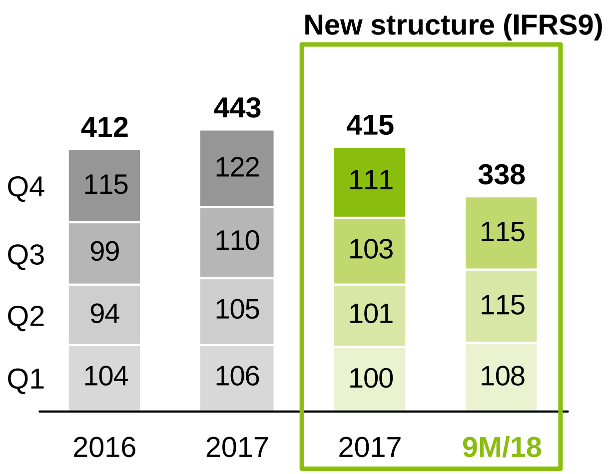
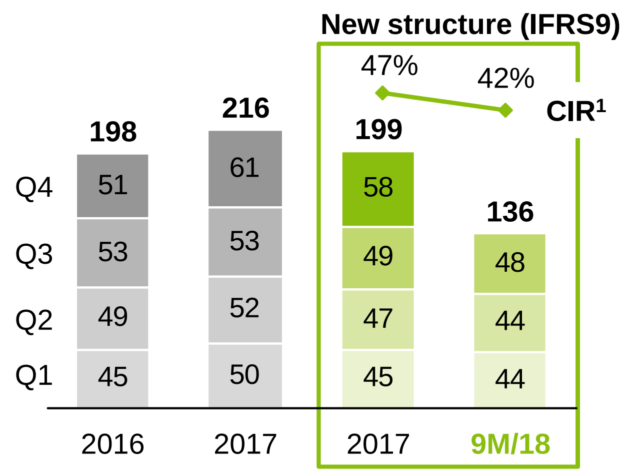
New business
€ bn (commitments, incl. extensions >1 yr)



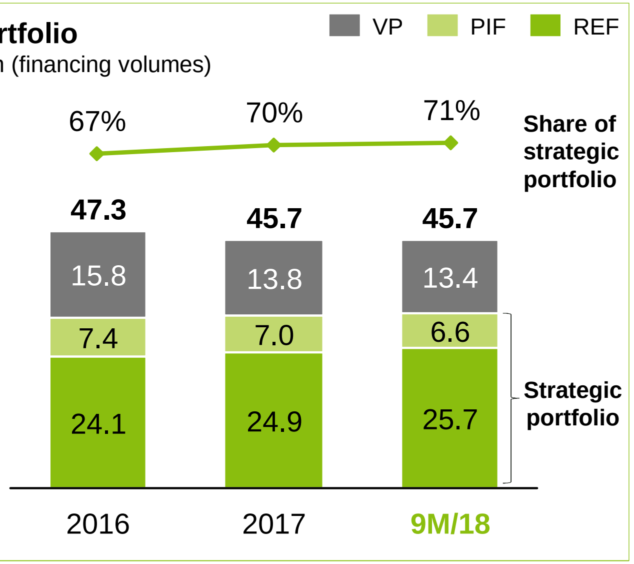
Net interest and commission income
€ mn (IFRS)



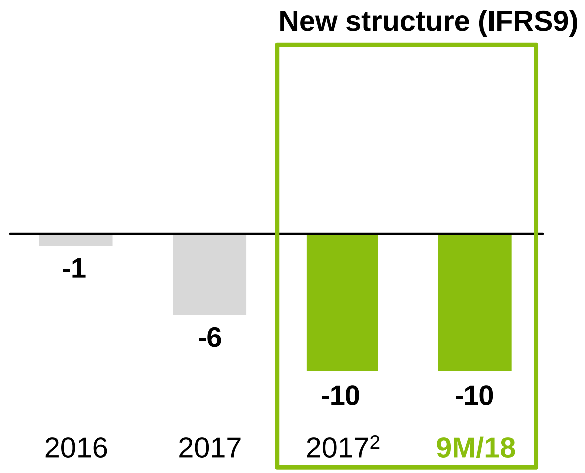
General and admin. expenses
€ mn (IFRS)



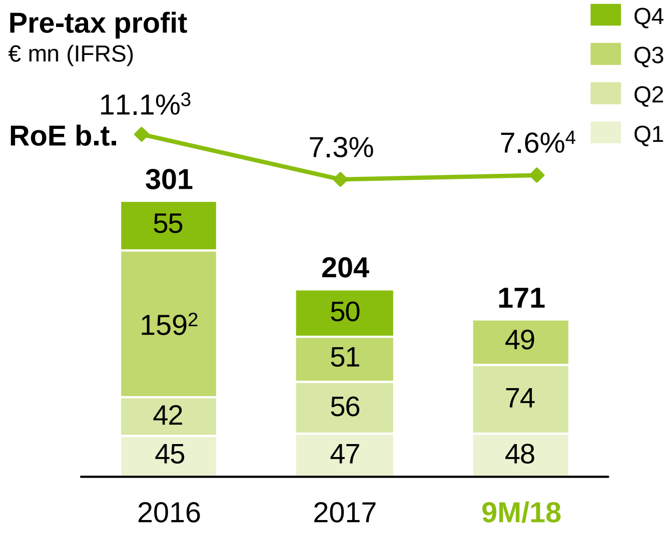
Portfolio
€ bn (financing volumes)



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 9M/17: € -3 mn 3 Incl. € +132 mn extraordinary gain from value adjustments on HETA exposure 4 Taking into account pro-rata AT1 coupon for 2018 (€ 12 mn pre-tax)

Income statement

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

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Income from lending business

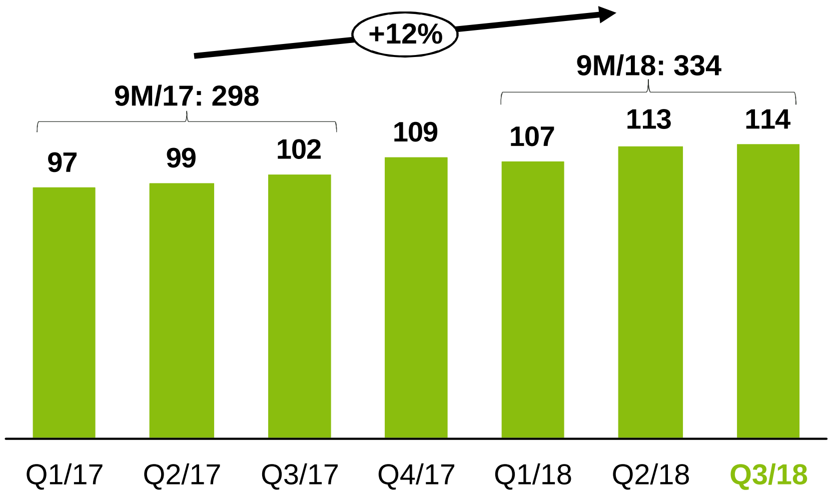
€ mn

	Q3/17	Q3/18	9M/17	9M/18
Net interest income	102	114	298	334
Net fee and commission income	1	1	6	4

	Q3/17	Q3/18	9M/17	9M/18
Net income from realisations	9	8	31	23

Net interest income

€ mn



Key drivers Q3/9M 2018:

- NII continued to benefit from solid underlying drivers
  - Funding costs reduced y-o-y due to maturities at legacy costs and new funding at lower spreads
  - Avg. strategic financing volume slightly up to € 32.3 bn (09/17: € 31.8 bn), based on strong new business in 2017 and lower level of prepayments
  - Avg. total portfolio margin stable y-o-y, reflecting pbb's selective new business approach
- Net income from realisations down y-o-y, less benefitting from prepayment fees (9M/18: € +13 mn; 9M/17: € +21 mn; Q3/18: € +5 mn; Q3/17: € +5 mn)

Income statement

Risk provisioning reflects risk conservative business approach and local market developments

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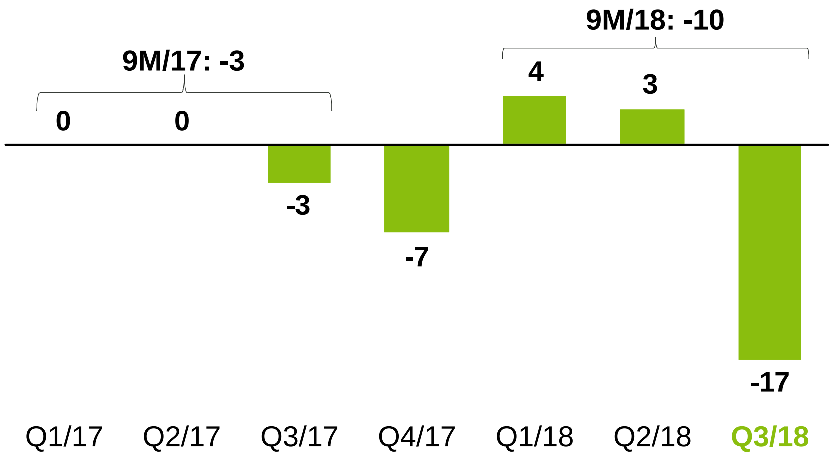
Net income from risk provisioning

€ mn

	Q3/17	Q3/18	9M/17	9M/18
Net income from risk provisioning	-3	-17	-3	-10
thereof				
stage 1	n/a	*1*	n/a	*2*
stage 2		*-*		*8*
stage 3		*-18*		*-20*



Key drivers Q3/9M 2018:

- In general, risk provisioning driven by two counterbalancing effects:

  (a) Overall portfolio provisioning profits from still prevailing benign sentiment (reflected by still improving PDs/LGDs):
  - Net release of provisions in stage 1 and 2 of € 10 mn in 9M/18 (Q3/18: € 1 mn)

  (b) Individual adverse development in sub-segments:
  - Net additions in stage 3 of € -20 mn in 9M/18 (Q3/18: € -18 mn) – thereof, € -17 mn for valuation driven provisions on UK Retail Shopping Centers in Q3
    - Provisioning driven by new market valuations, triggering covenants breach and equity injection requirement however
    - no payment defaults as all payment obligations being met

- Coverage ratio:
  - Stage 3 coverage ratio[1] down to 17% (06/18: 21%, 12/17: 20%) driven by two newly added UK loans with 11% coverage ratio in Q3/18
  - Additional collateral not taken into account – incl. these factors, REF coverage ratio at approx. 100%

Note: IFRS 9 Expected Credit Loss Model replaced by IAS 39 Incurred Loss Model (effective 1st Jan 18) – 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)

Income statement

Operating costs slightly up in Q3/18, but on low level – further increase expected in Q4/18

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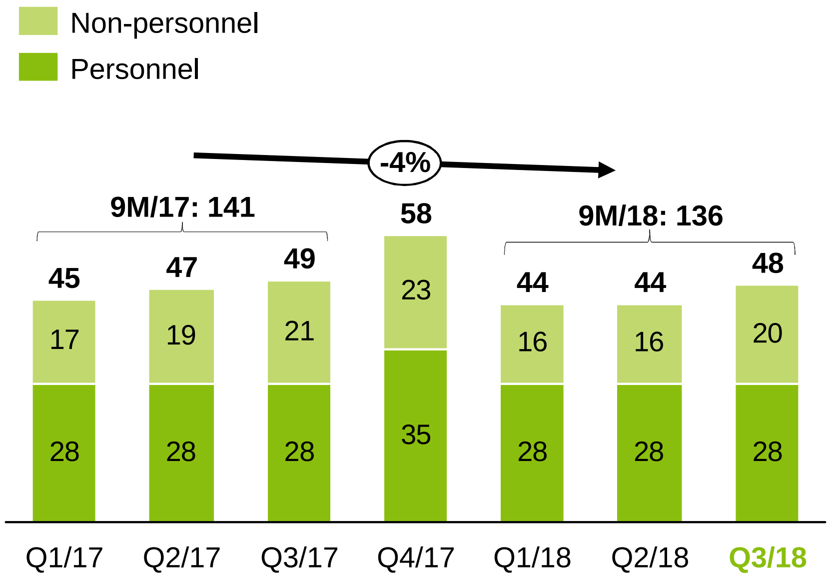
General & administrative expenses and depreciations

€ mn

	Q3/17	Q3/18	9M/17	9M/18
General admin. expenses	-49	-48	-141	-136
Personnel	*-28*	*-28*	*-84*	*-84*
Non-personnel	*-21*	*-20*	*-57*	*-52*
Net income from write-downs and write-ups on non-financial assets	-3	-4	-11	-11
CIR (%)[1]	*48.1*	*43.7*	*45.2*	*41.9*



Key drivers Q3/9M 2018:

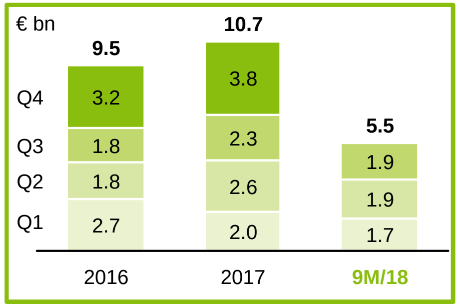
- GAE slightly up in Q3/18, but on low level
  - FTEs up to 747 y-o-y, but below plan (06/18: 747; 12/17: 744; 09/17: 736)
  - Non-personnel costs
    - up q-o-q due to higher costs for regulatory and IT projects
    - down y-o-y due to release of provisions for completed projects
- Regulatory costs and strategic investments (e.g. further digital transformation) will continue to weigh on overall cost level, both Q4 and thereafter
- Net income from write-downs and write-ups on non-financial assets mainly driven by scheduled depreciations and stable.

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

New business & segment reporting

REF: New business at stable margin levels – continued selective approach with focus on conservative risk positioning

REF: New business	9M/17	2017	9M/18
Total volume (€ bn)	6.9	10.7	5.5
thereof: Extensions >1 year	*1.5*	*1.9*	*1.2*
No. of deals	147	221	115
Ø maturity (years)[1]	~5.1	~5.3	~4.6
Ø LTV (%)[2]	61	60	60
Ø gross interest margin (bp)	>160	>155	~160



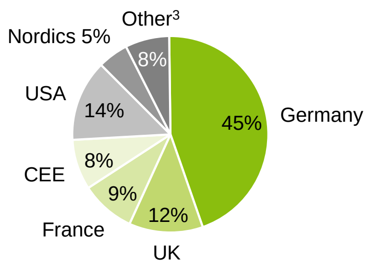
REF: Income statement (IFRS, € mn)	Q3/17[5]	Q3/18	9M/17[5]	9M/18
Operating income	89	101	273	290
thereof: Net interest income	*84*	*93*	*247*	*276*
Net income from risk provisioning	-2	-17	-4	-18
General administrative expenses	-38	-38	-112	-108
Net other revenues	-4	-4	-24	-22
Pre-tax profit	**45**	**42**	**133**	**142**
Key indicators	**Q3/17[5]**	**Q3/18**	**9M/17[5]**	**9M/18**
CIR (%)[4]	46.1	40.6	44.7	40.3
RoE before tax (%)	15.7	10.8	15.4	13.7
Equity (€ bn)	1.2	1.4	1.1	1.4
RWA (€ bn)	8.6	7.6	8.6	7.6
Financing volume (€ bn)	24.6	25.7	24.6	25.7

Regions

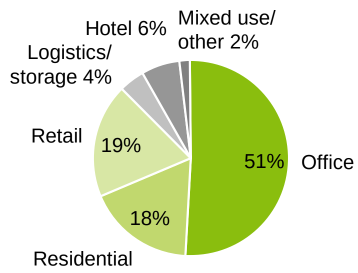
Property types

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

9M/18: € 5.5 bn

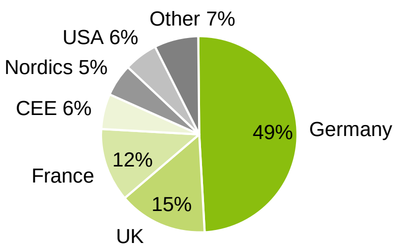


9M/18: € 5.5 bn

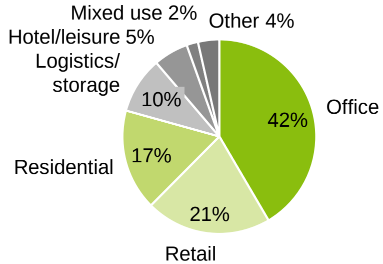


Portfolio (EaD, Basel III)

30/09/18: € 28.7 bn



30/09/18: € 28.7 bn



Key drivers Q3/9M 2018:

- High competition and margin pressure ongoing
  - Continued selective approach with focus on conservative risk positioning (avg. LTV 60%)
  - Regional and product mix aligned to market developments (e.g. UK share down, US up; higher share in Office, lower Retail and Warehouse/Logistics)
  - Gross interest margin relatively stable at ~160 bp (2017: >155 bp, 9M/17: >160 bp)
- Financing volume +4% y-o-y due to strong new business in 2017 and supported by lower level of prepayments in 9M/18
- Positive financial segment performance y-o-y mainly driven by strong NII and low level of GAE, despite higher risk provisioning
- RWA decrease y-o-y due to LGD changes

Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 9M/18: 57%; 9M/17: 57% 3 Spain, Netherlands, Belgium, Luxembourg 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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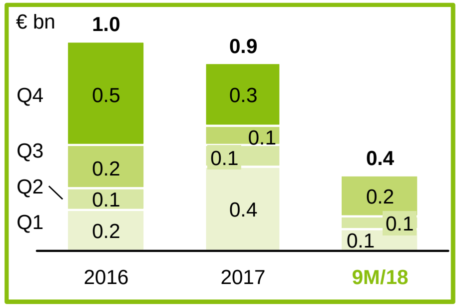
PIF: New business	9M/17	2017	9M/18
Total volume (€ bn)	0.6	0.9	0.4
No. of deals	19	30	10
Ø maturity (years)[1]	~9.0	~8.7	~9.9
Ø gross interest margin (bp)	>90	>100	>55



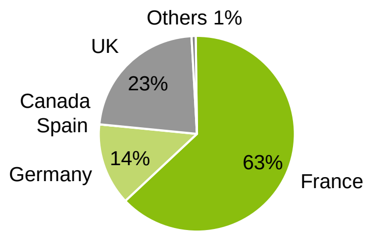
PIF: Income statement (IFRS, € mn)	Q3/17[3]	Q3/18	9M/17[3]	9M/18
Operating income	9	9	21	23
thereof: Net interest income	*8*	*10*	*22*	*26*
Net income from risk provisioning	-2	-	-1	4
General administrative expenses	-7	-7	-19	-19
Net other revenues	-	-	-5	-4
Pre-tax profit	**0**	**2**	**-4**	**4**
Key indicators	**Q3/17[3]**	**Q3/18**	**9M/17[3]**	**9M/18**
CIR (%)[2]	77.8	77.8	95.2	87.0
RoE before tax (%)	0.0	2.5	-5.3	3.4
Equity (€ bn)	0.1	0.1	0.1	0.2
RWA (€ bn)	1.4	1.3	1.4	1.3
Financing volume (€ bn)	7.2	6.6	7.2	6.6

Regions

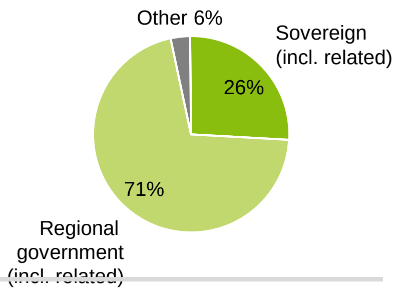
Borrower classification

New business (Commitments)

9M/18: € 0.4 bn

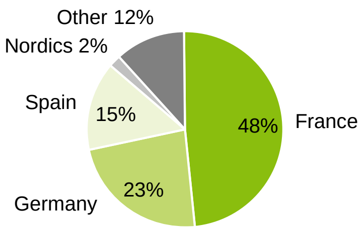


9M/18: € 0.4 bn

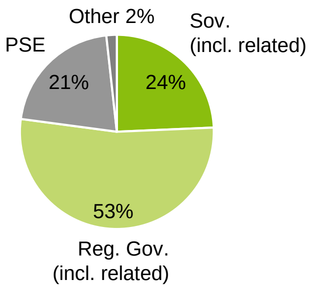


Portfolio (EaD, Basel III)

30/09/18: € 7.5 bn



30/09/18: € 7.5 bn



Key drivers Q3/9M 2018:

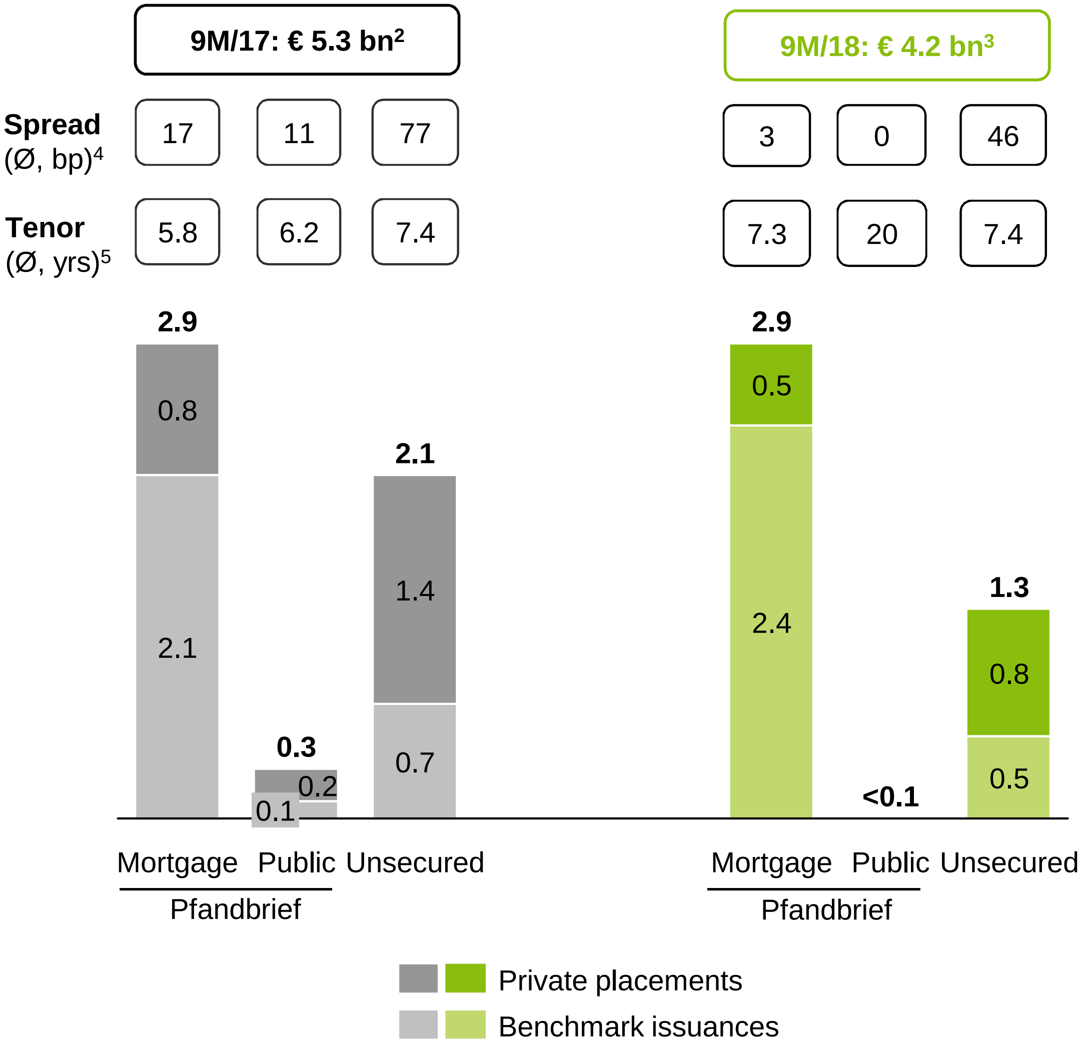
- New business volume slightly up q-o-q in Q3/18 – further increase expected in Q4/18
- Financing volume down y-o-y due to maturities
- Financial segment performance y-o-y benefiting from increased NII and release of risk provisioning

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 Adjusted acc. to IFRS 8.29

Funding

Significant reduction of funding costs y-o-y – further broadening of investor base with Pfandbriefe in £ and SEK and "new" senior preferred product

New long-term funding[1]
€ bn



Pfandbriefe

- Mortgage Pfandbrief Benchmarks: € 750 mn 5y, € 500 mn 6y, € 500 mn 9y and € 250 mn tap; additionally foreign currencies (£ 300 mn 3.25y, £ 50 mn tap and SEK 2 bn)

Senior Unsecured

- € 500 mn 4y Senior Non-Preferred benchmark issued in Q1/18 and continuous private placements of over € 550 mn in 9M/2018
- € 224 mn 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

- € 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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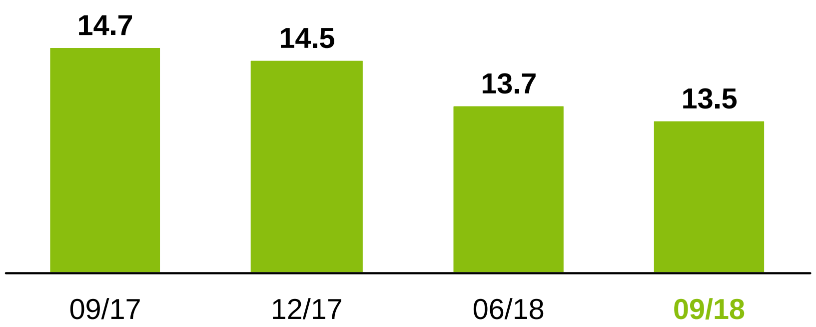
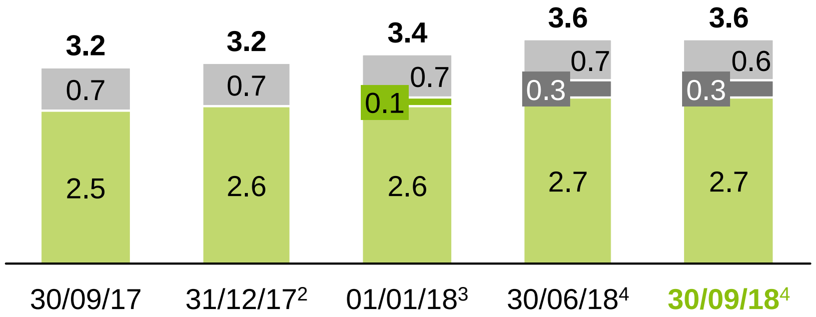
Basel III: RWA

€ bn (IFRS)



Basel III: Equity (fully-loaded)

€ bn (IFRS)



Basel III: Capital ratios (fully-loaded)

% (IFRS)

in %	09/17[1]	12/17[2]	06/18[4]	09/18[4]	Ambition levels
CET 1	17.1	17.6	19.4	19.7	≥12.5
Tier 1	17.1	17.6	21.5	21.9	≥16
Own funds	21.8	22.2	26.3	26.7	16-18
Leverage ratio	4.5	4.5	5.3	5.3	≥3.5

Key drivers Q3/9M 2018:

- RWA down by € -0.2 mn in Q3/18 and € -1.0 bn in 9M/18 mainly due to LGD changes and maturities
- Year-to-date, capital up due to positive IFRS 9 first-time application effect (effective 1 January 2018) 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
  - cyclical risks/ strategic measures

SREP:

- SREP requirements 2018:
  - CET 1 ratio phase-in: 9.325%[5] / fully-loaded: 9.95%[6]
  - Own funds ratio phase-in: 12.825%[5] / fully loaded: 13.45%[6]

Note: Figures may not add up due to rounding 1 Incl. interim result 2 Incl. full-year result, post proposed dividend 3 IFRS9 first-time application effect 4 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology
5 Incl. capital conservation buffer (1.875%) and anticipated countercyclical buffer (0.2%; actual as of 31.12.2017: 0.11%) 6 based on present P2R

Summary & Outlook
Strong 9M/18 paves way for good 2018 results

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➔ pbb shows **continued good performance with PBT of € 171 mn in 9M/18** based on continued solid underlying trends and one-off gain in Q2/18

➔ **Full-year PBT guidance for 2018 raised to € 205-215 mn**, assuming for Q4 stable NII, further additions to loan loss provisions as well as an increase in GAE; new business volume[1] for full-year 2018 expected at lower end of existing guidance of € 10-11 bn

➔ **For 2019, pbb remains cautious** – market environment and competitive dynamics in CRE finance will become even more demanding; in addition, pbb expects higher funding costs and additional cost due to investments and regulatory requirements

➔ **Strategic initiatives** to strengthen market position and support profitability continuously pushed forward

- Further built out of **US business**
  - Growing portfolio share in line with expectation and counterbalancing reduced UK business
  - Representative office in operation

- **Digitalisation** as integral concept in pbb – focus on:
  - Client relationship: Optimisation of interaction between bank and client with integral workflow approach (e.g. portal for REF clients)
  - New products and services: Leverage of pbb capabilities into (new) products and services for clients (e.g. CAPVERIANT, providing procurement for plain-vanilla public-sector lending via an internet platform)
  - Process efficiency: Adapt agile digital approach for whole organisation

1 Incl. extensions >1 year

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