Strong half year results with PBT of EUR 117 mn support positive outlook for FY 2019

Results Q2/H1 2019

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Andreas Arndt
CEO/CFO
Deutsche Pfandbriefbank AG

Highlights H1/19

pbb remains well on track – strong operating and financial performance

Financials	■ Strong **PBT** of € 69 mn in Q2/19 (Q2/18: € 74 mn) results in € 117 mn in H1/19 (H1/18: € 122 mn) – Strong **NII** due to reduced funding costs and increase in strategic REF financing volume y-o-y; **income from realisations** stable – No net additions to **risk provisions** – **GAE** slightly up
New business[1]	■ Solid **new business** of € 4.6 bn in H1/19 (H1/18: € 3.8 bn) – **REF** € 4.4 bn, **PIF** € 0.2 bn ■ **Average REF gross interest margin** returned to >150bp in Q2/19 after ~130bp in Q1/19 (H1/19: >140bp) – Regional and property mix back to previous levels – LTV of 57%[2] reflects unchanged conservative approach
Portfolio (financing volume)	■ **REF** € +0.9 bn up ytd, supported by strong new business in H1/19 – further moderate **growth** of core strategic portfolio **envisaged** ■ **PIF** remains stable – in line with **hold proposition** ■ **Value Portfolio** € -0.9 bn down ytd – **further reduction** due to maturities in line with strategy
Funding	■ **Strong new funding** with € 4.2 bn in H1/19 (H1/18: € 3.0 bn) ■ Despite increased funding spreads y-o-y **average spread level** still below maturities in H1/19
Capital	■ Continued **strong capitalisation** with CET 1 ratio of 19.4%[3] provides buffer for challenges ahead (e.g. ECB TRIM, EBA Guidelines, Basel IV)

1 Commitments, incl. extensions >1 year   2 New commitments; avg. LTV (extensions): H1/19: 48%; H1/18: 56%   3 Excl. interim result

Highlights
Operating and financial overview

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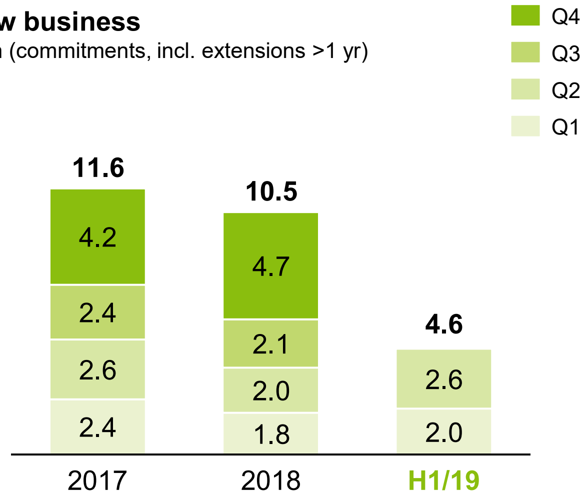
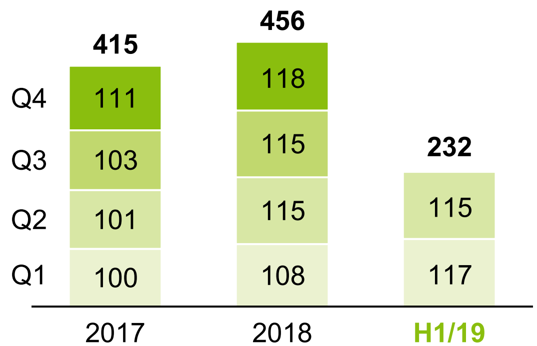
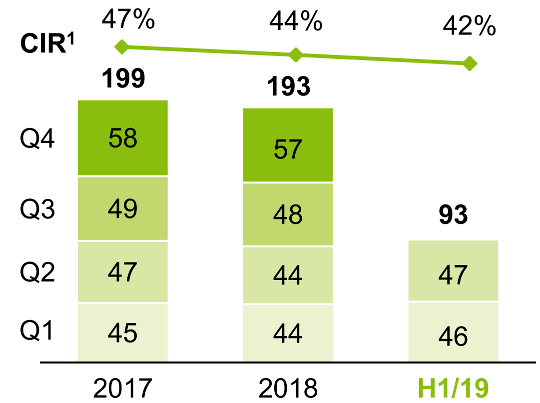
New business
€ bn (commitments, incl. extensions >1 yr)



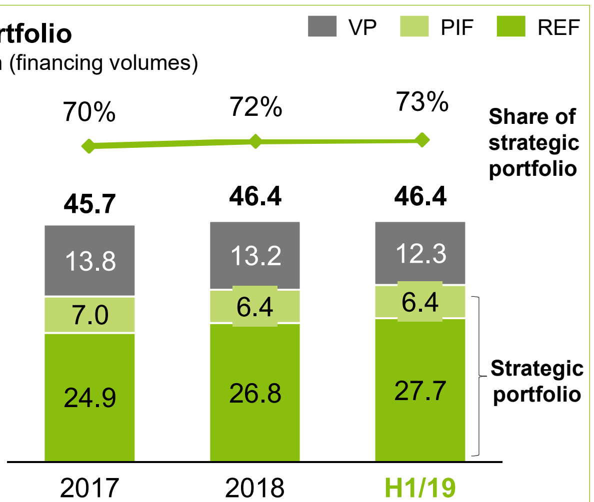
Net interest and commission income
€ mn (IFRS)



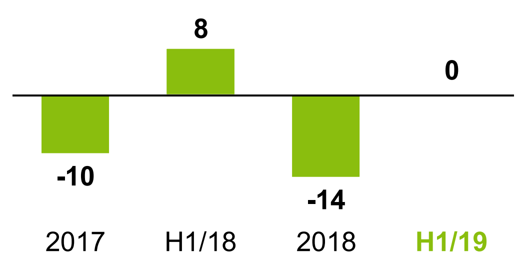
General and admin. expenses
€ mn (IFRS)



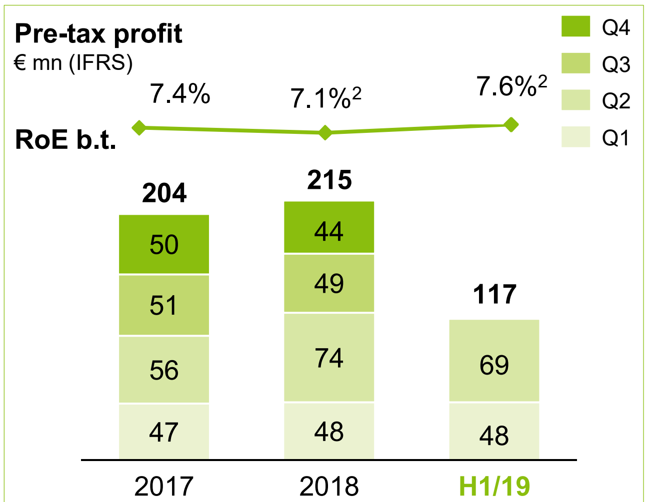
Portfolio
€ bn (financing volumes)



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 Taking into account pro-rata AT1 coupon (2018: € 12 mn; 2019: € 17 mn)

Capital

Capitalisation remains strong – however, regulatory changes expected to result in RWA increase of ~ € 4-5 bn

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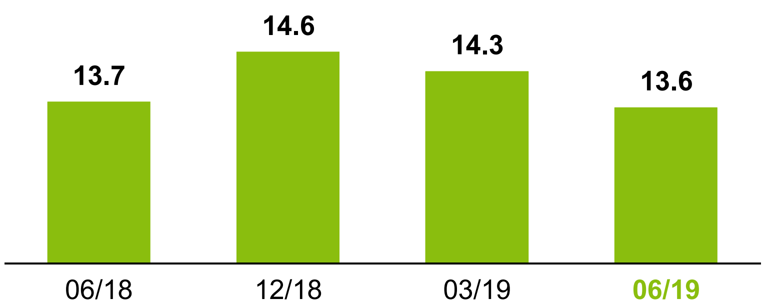
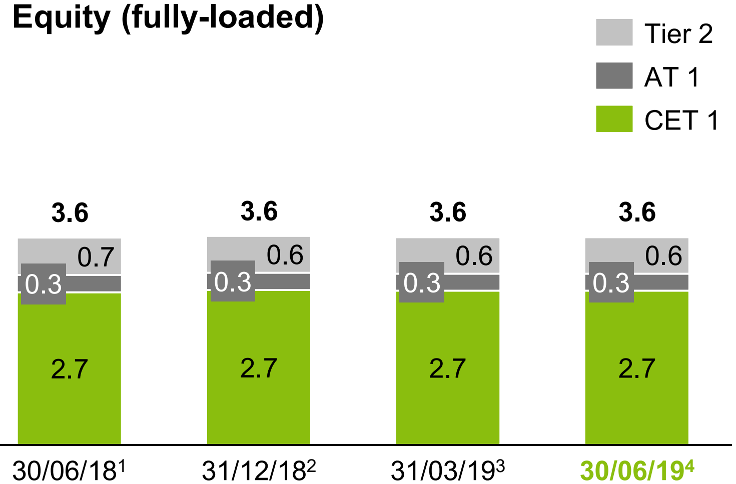
Basel III: RWA

€ bn (IFRS)



Basel III: Equity (fully-loaded)

€ bn (IFRS)



Basel III: Capital ratios

% (IFRS)

in %	06/18[1]	12/18[2]	03/19[3]	06/19[4]	Ambition levels
CET 1	19.4	18.5	18.8	19.4	≥12.5
Tier 1	21.5	20.5	20.9	21.6	≥16
Own funds	26.3	24.9	25.4	26.3	16-18
Leverage ratio	5.3	5.3	5.1	5.0	≥3.5

Key drivers Q2/H1 2019:

- Increase of capital ratios due to RWA decline, with capital position nearly unchanged
- New business exceeds maturities, but RWA further declined due to valuation related technical effects
  - Re-valuation and additional inclusion of collateral
  - Duration effects and FX changes
- Regulatory changes from ECB TRIM, EBA Guidelines and Basel IV expected to result in RWA increase of ~ € 4-5 bn with corresponding effect on capital ratios (current estimate)

SREP requirements 2019:

- CET 1 ratio: 9.85%[5] (2018: 9.95% fully-loaded)
- Own funds ratio: 13.35%[5] (2018: 13.45% fully-loaded)
- Changes compared to 2018 requirements (fully-loaded):
  - Reduction of P2R from 2.75% to 2.50%
  - Increase of anticipated countercyclical buffer from 0.2% to 0.35%

Note: Figures may not add up due to rounding 1 Incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology 2 Incl. full-year result, post proposed dividend 2018 3 Excl. Interim result, post proposed dividend 2018 4 Excl. Interim result
5 Incl. capital conservation buffer (2.5%) and anticipated countercyclical buffer (0.35%; actual as of 30 June 2019: 0.18%)

New business

Solid new business volume – avg. REF gross margins increased in Q2/19, returning to FY/18 levels

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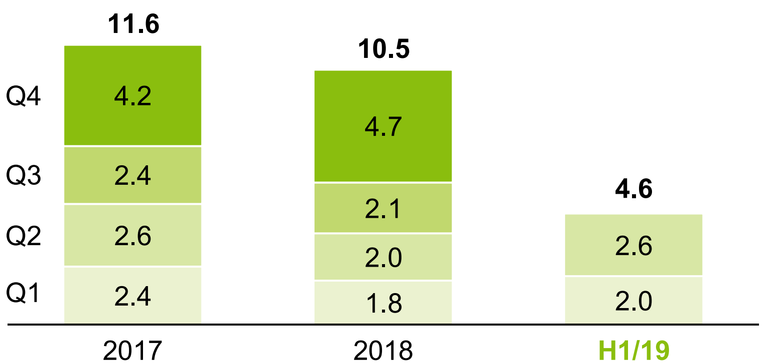
New business – REF & PIF

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

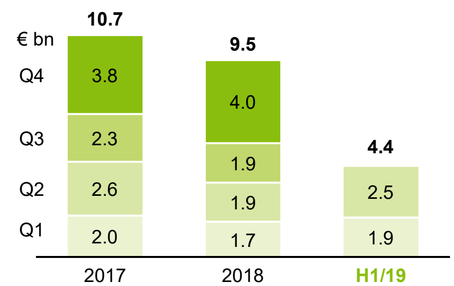


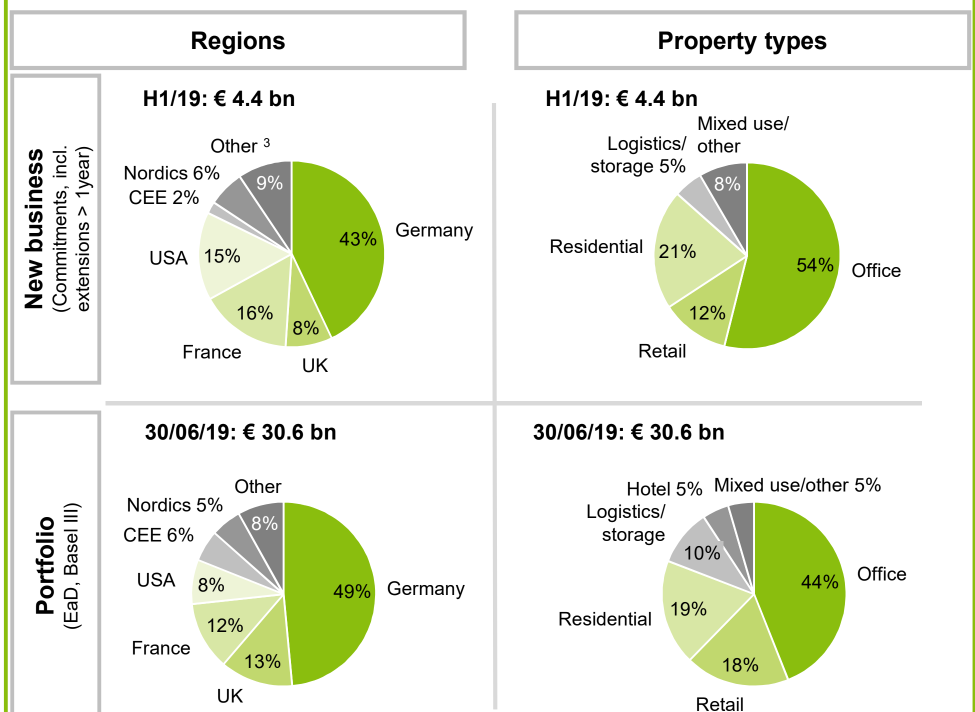
Key drivers Q2/H1 2019:

- New business volume on solid level in H1/19 (€ 4.6 bn – REF: € 4.4 bn, PIF: € 0.2 bn) despite continued selective approach and recently reduced overall transaction volumes in the market
  - US volume up as expected (H1/19: € 0.7 bn; H1/18: € 0.5 bn)
  - Higher extensions (H1/19: € 0.9 bn; H1/18: € 0.8 bn)
- REF – portfolio with moderate growth strategy
  - Regional and property mix back to previous levels
  - Average REF gross interest margin returned to >150bp in Q2/19 after ~130bp in Q1/19 (H1/19: >140bp)
  - Selective approach and conservative risk positioning, avg. LTV 57%[2]
- PIF – portfolio on hold
  - New business volume of € 0.2 bn on constant low level
  - Avg. gross interest margin slightly up

REF new business

	H1/18	2018	H1/19
Total volume (€ bn)	3.6	9.5	4.4
thereof: Extensions >1 year	*0.8*	*2.2*	*0.9*
No. of deals	73	185	76
Ø maturity (years)[1]	~4.7	~4.7	~4.9
Ø LTV (%)[2]	59	59	57
Ø gross interest margin (bp)	>160	~155	>140





Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): H1/19: 48%; H1/18: 56% 3 Austria; Netherlands

Portfolio

Non-performing loans further reduced – remain at historically low level

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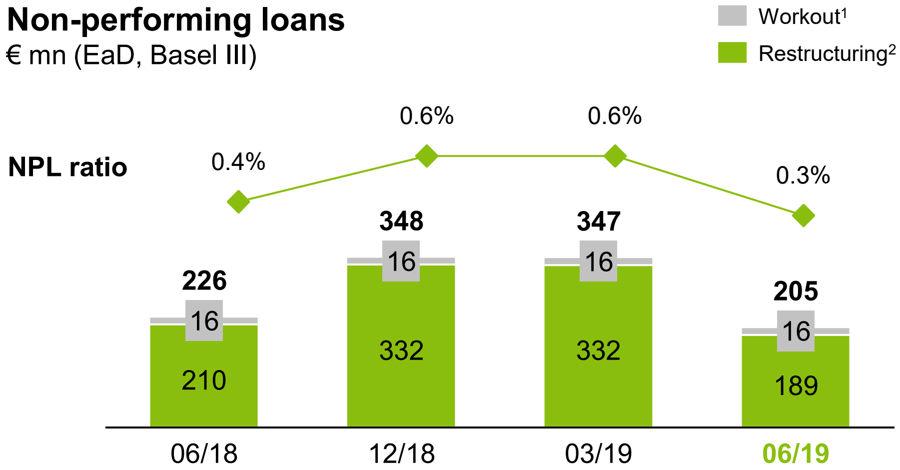
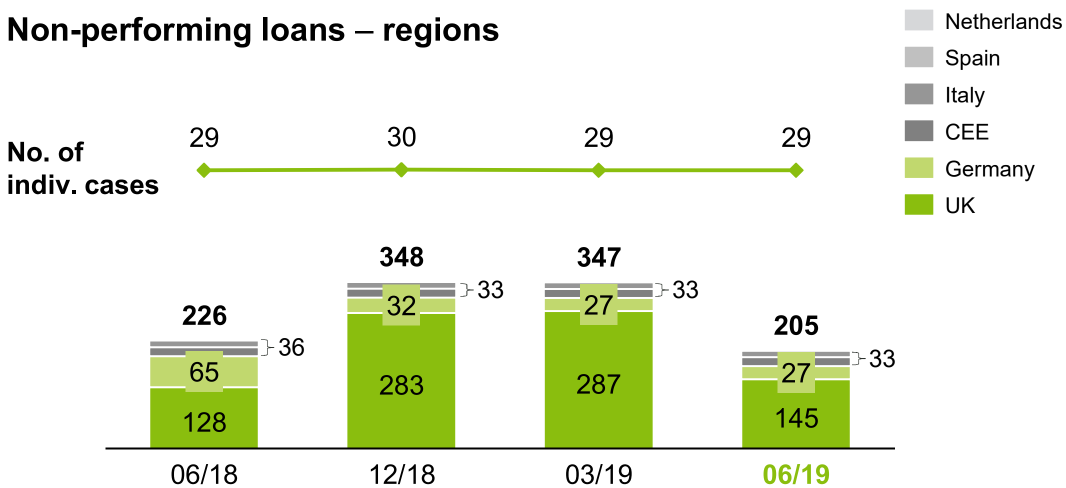
Non-performing loans

€ mn (EaD, Basel III)



Non-performing loans – regions



Key drivers Q2/H1 2019:

- Only small portfolio of non-performing loans (NPL) with NPL ratio[3] of 0.3%
  - UK problem loans related to two shopping centres
  - Estate UK-3 removed from NPL portfolio
    - Expert finds loss allocation permissible
    - Loss allocation to note holders in 09/2019
  - No NPLs in PIF and VP
  - Only € 16 mn workout loans

Note: Figures may not add up due to rounding
1 Internal PD class 30: No signs that the deal will recover soon, compulsory measures necessary 2 Internal PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply 3 NPL ratio = NPL volume / total assets

Summary & Outlook

Strong H1/19 despite ongoing competitive environment

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➔ **Continued good performance in Q2/19 with solid underlying trends – PBT of € 117 mn in H1/19**

- Net interest income supported by higher than expected REF financing volume and lower refinancing costs
- No net risk provisioning required

➔ **Full-year guidance 2019 increased end of June –** PBT guidance now at upper end or slightly above the ~~initial~~ guidance of € 170-190 mn

- Ongoing demand for CRE expected to continue due to low interest rate environment; competitive market environment to remain
- Support for NII from reduced funding costs expected to diminish throughout 2019
- Guidance includes full-year plan figure for risk provisioning
- Operating costs to increase from regulatory projects and digitalisation initiatives

➔ **Focus & Invest**

- Focus:
  - Centralisation of functions finalised, including relocations from London, Paris, Madrid and Eschborn
  - Reorganisation PIF completed
- Invest:
  - US business expanded carefully – New York office fully staffed
    - Covering the 7 big gateway cities (New York, Boston, Washington, Chicago, Seattle, L.A. and San Francisco)
    - First primary market deal on East Coast closed
  - Digitalisation initiatives ongoing
    - Capveriant with progress in Germany and start in France in Q1/19
    - Current focus on build-up of customer portal and intensifying of digital connectivity with our customers

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