

Strong PBT of € 186 mn in 9M/21 – full-year result 2021 expected at upper end or slightly above guidance of € 180-220 mn

Results Q3/9M 2021

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*Please think about the environment before printing!*

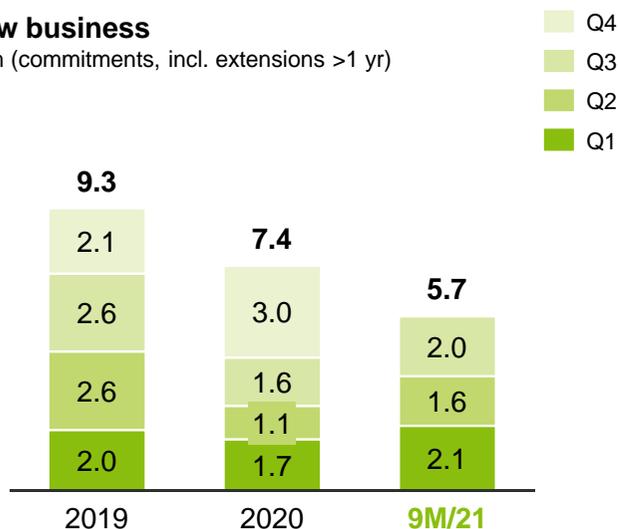
# Operating and financial overview



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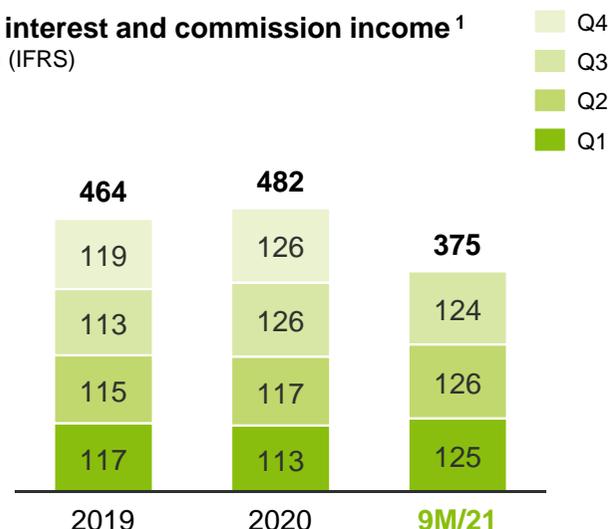
## New business

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



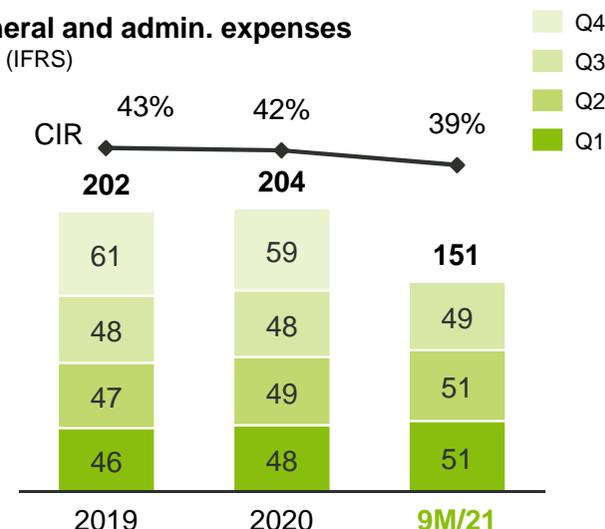
## Net interest and commission income<sup>1</sup>

€ mn (IFRS)



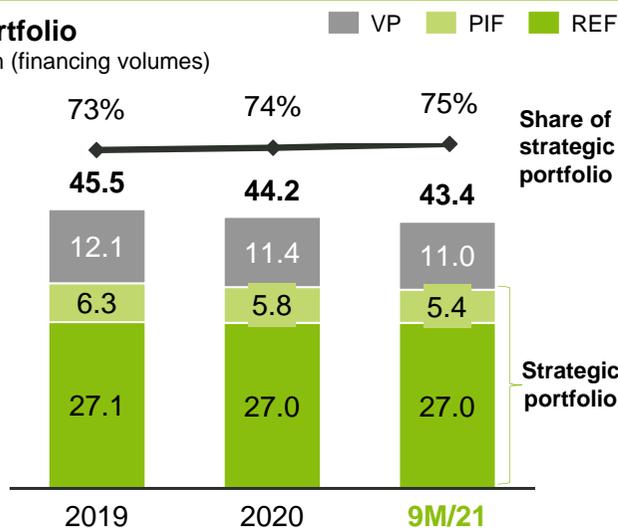
## General and admin. expenses

€ mn (IFRS)



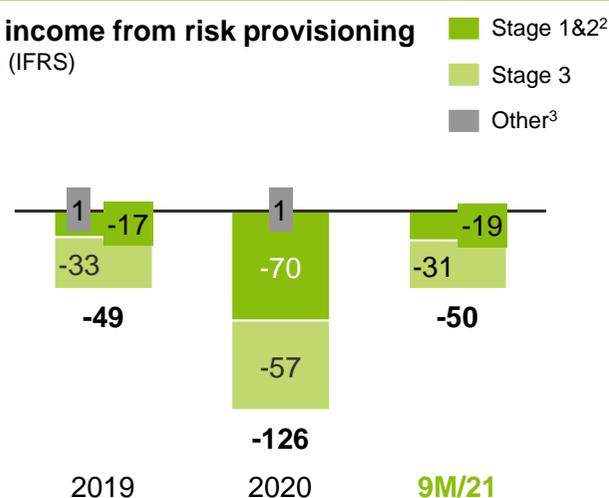
## Portfolio

€ bn (financing volumes)



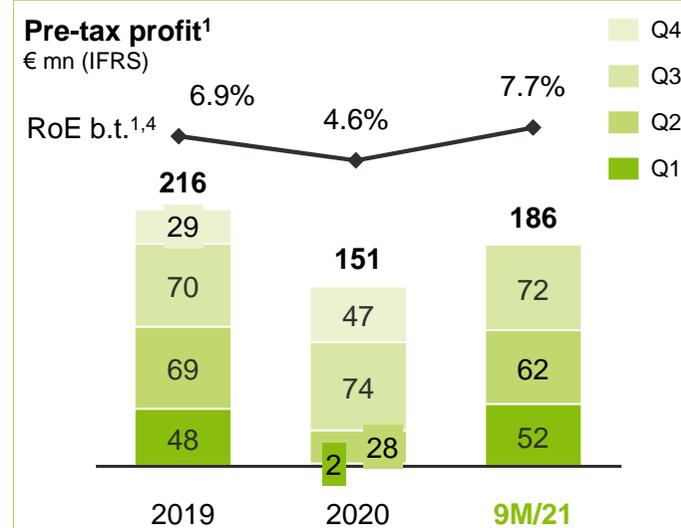
## Net income from risk provisioning

€ mn (IFRS)



## Pre-tax profit<sup>1</sup>

€ mn (IFRS)



Note: Figures may not add up due to rounding

<sup>1</sup> 2020 figures retrospectively adjusted according to IAS 8.42

<sup>2</sup> Incl. provisions in off balance sheet lending business

<sup>3</sup> Recoveries from written-off financial assets

<sup>4</sup> After AT1 coupon (2019: € -17 mn; 2020: € -17 mn; 9M/21: pro-rata € -13 mn)

# Financials

NII+NCI up by >5% y-o-y, supported by continued low refinancing costs and slight increase in avg. REF volume at increased portfolio margin

## Income from lending business

€ mn

	Q3/20	Q3/21	9M/20	9M/21
Net interest income <sup>1</sup>	125	123	352	369
Net fee and commission income	1	1	4	6

	Q3/20	Q3/21	9M/20	9M/21
Net income from realisations	4	17	20	55

## Net interest income<sup>1</sup>

€ mn



## Key drivers Q3/9M 2021

- **NII + NCI** up by >5% y-o-y, supported by
  - **continued low refinancing costs** (incl. positive effect from TLTRO III)
  - **improved floor income** from unchanged low interest environment
  - slight **increase in average REF financing volume** (9M/21: € 27.1bn; 9M/20: € 26.9 bn) at increased portfolio margin

but continued downward pressure from

- decreasing public sector portfolio (VP+PIF)
- lower returns from equity and liquidity book

- **Net income from realisations up** y-o-y, mainly driven by higher prepayment fees
  - Prepayments driven by **individual considerations** of investors and are thus not predictable
  - Even though expecting a higher level also in Q4/21, elevated level in 2021 not be considered as run-rate

<sup>1</sup> 2020 figures retrospectively adjusted according to IAS 8.42

# Financials

Risk provisioning stays on moderate level – solid buffer to cope with potential further impacts from COVID-19 pandemic

## Net income from risk provisioning

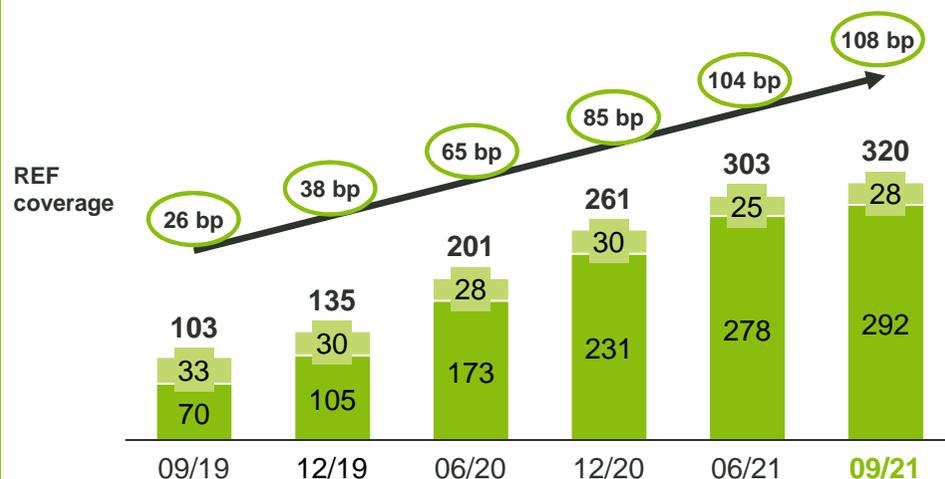
€ mn

	Q3/20	Q3/21	9M/20	9M/21
Net income from risk provisioning	-14	-17	-84	-50
thereof				
stage 1	4	1	-22	-8
stage 2	9	-2	-18	-12
stage 3	-31	-18	-43	-31
Off balance sheet lending business	4	2	-1	1
Recoveries	-	-	-	-

## Balance sheet – loss allowances

€ mn

■ Non-REF ■ REF



## Key drivers Q3/9M 2021

- **Net income from risk provisioning** of € -50 mn (9M/20: € -84 mn) – previous year strongly affected by COVID-19 pandemic
- **Stage 1&2: Net additions<sup>1</sup>** of € -19 mn (9M/20: € -41 mn) mainly driven by deteriorating PDs of selected business partners and new business, partially compensated by releases from improved parameters for a few deals (esp. LGDs), repayments and maturity effects

**Management overlay** build up slightly by € 10 mn in Q3/21 taking account for potential delayed or newly arising effects from COVID-19 pandemic

- Total management overlay now at € 48 mn
- Overlay envisaged to be maintained at least until year-end, given current sharp rise in COVID-19 infections

- **Stage 3:** Net additions of € -31 mn (9M/20: € -43 mn); € -18 mn net additions in Q3 driven by

- further increase of provisions for UK shopping centres (€ -11 mn)
- transfer of one loan from stage 2 to stage 3 in Q3/21 – Office Park, Poland (€ -7 mn)

- Significant build up of **loss allowances on balance sheet** over the last quarters – **REF coverage** now at 108 bp

- **Coverage ratio:** Stage 3 coverage ratio<sup>2</sup> at 26% (06/21: 24%; 12/20: 25%; 12/19: 11%), additional collateral not taken into account

<sup>1</sup> Incl. provisions in off balance sheet lending business

<sup>2</sup> Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities)

# Financials

Operating costs under control – only moderate increase of GAE despite ongoing investments in strategic and regulatory projects

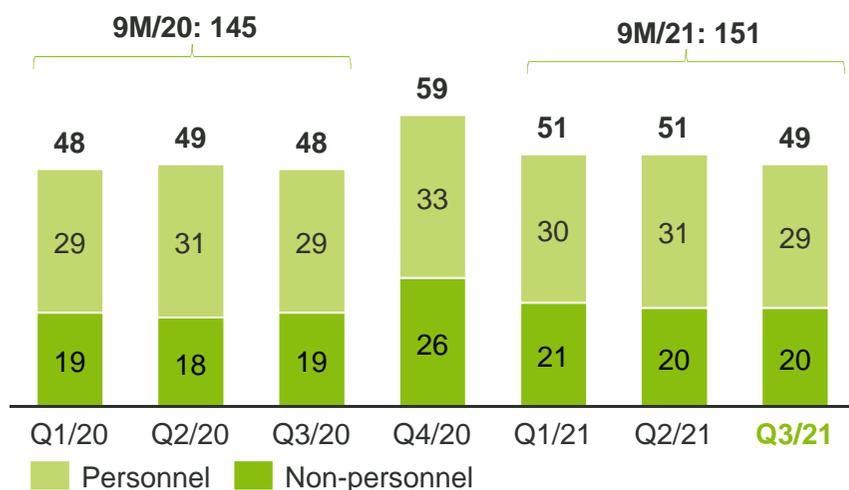
€ mn	Q3/20	Q3/21	9M/20	9M/21
General admin. expenses	-48	-49	-145	-151
Personnel	-29	-29	-89	-90
Non-personnel	-19	-20	-56	-61
Net income from write-downs and write-ups on non-financial assets	-4	-5	-14	-14
CIR (%) <sup>1</sup>	37.1	38.0	42.7	38.5

## Key drivers Q3/9M 2021

- **GAE** up y-o-y as expected – only moderate increase despite ongoing investments which are largely financed by efficiency measures:
  - **Personnel expenses:** increase of € 1 mn y-o-y reflects higher FTE number (09/21: 782; 09/20: 772), esp. driven by IT insourcing and ramp up of capacities for regulatory projects in 2020
  - **Non-personnel expenses:** up € 5 mn y-o-y due to ongoing investments in strategic, regulatory and increasingly ESG projects
- **Net income from write-downs and write-ups** on non-financial assets driven by scheduled depreciations

## General admin. expenses

€ mn



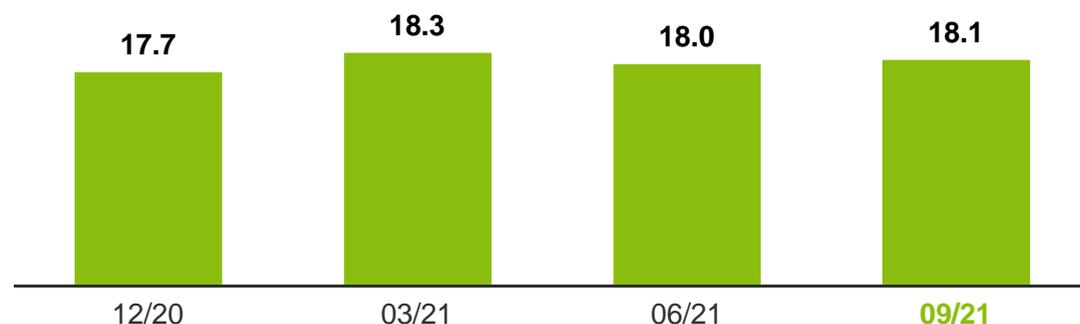
<sup>1</sup> CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income

# Capital

## Capitalisation remains strong

### Basel III: RWA

€ bn (IFRS)



### Basel III: Equity and capital ratios

(IFRS)

Capital in € bn	12/20 <sup>1</sup>	06/21 <sup>2</sup>	09/21 <sup>2</sup>
CET 1	2.9	2.8	2.7
AT 1	0.3	0.3	0.3
Tier 2	0.6	0.6	0.6
<b>Total Equity</b>	<b>3.8</b>	<b>3.7</b>	<b>3.6</b>

Capital ratios in %	12/20 <sup>1</sup>	06/21 <sup>2</sup>	09/21 <sup>2</sup>
CET 1	16.1	15.4	14.9
Tier 1	17.8	17.1	16.6
Own funds	21.4	20.5	19.8
Leverage ratio	6.0	5.9	5.7

### RWA development Q3/9M 2021

- RWA up q-o-q due to various effects
  - mainly as a result from increase in REF portfolio
  - partly compensated by maturity effects and technical adjustments
  - no material RWA effect from individual rating deteriorations in the light of COVID-19
- No significant systematic deterioration in the portfolio

### Capital ratios

- CET 1 ratio of 14.9%<sup>2</sup> down (12/20: 16.1%<sup>1</sup>; 06/21: 15.4%<sup>2</sup>) reflecting only slight increase in RWA and decrease in regulatory capital
- Decrease in regulatory capital mainly resulting from EL shortfall and methodical reductions (e.g. income from pension commitments in Q2/21)
- Profit retention 2020 (after dividend payment) year-to-date profits 2021 and build-up of risk provisions 2021 not yet included in regulatory capital

### SREP requirements

- SREP requirements (excl. anticipated countercyclical buffer of 45 bp):
  - CET 1 ratio: 9.5%
  - Tier 1 ratio: 11.0%
  - Own funds ratio: 13.0%
- ECB's Banking Supervisory Committee lowered requirements due to COVID-19 as of 12.03.2020 with 1.09%-pts CET1-relief for pbb – temporarily adjusted CET1 requirement at 8.86% (incl. anticipated countercyclical buffer)

Note: Figures may not add up due to rounding <sup>1</sup> After approved year-end accounts, 2020 result not included

<sup>2</sup> Excl. interim result, 2020 result not included

# New business

Solid REF new business volume of € 5.7 bn with stable avg. gross interest margin of ~170 bp and avg. LTV of 55%



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## REF New business

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



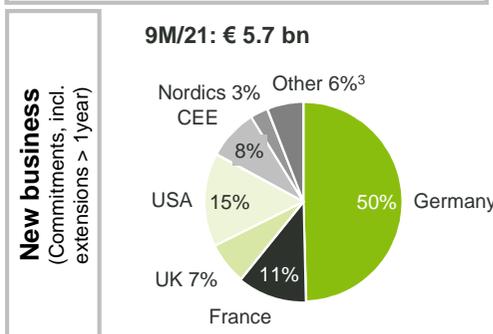
## Key drivers Q3/9M 2021

- REF new business on solid level of € 5.7 bn and stable average gross interest margin despite continued selective approach and increased competition
  - Avg. gross interest margin stable at ~170 bp q-o-q (H1/21: ~170 bp; 2020: ~180 bp; 2019: ~155 bp)
  - Unchanged conservative risk positioning with avg. LTV of 55%<sup>2</sup>
  - In Q3/21, some more opportunities taken in the US again in line with sharp rise in overall investment volumes – US share up from 7% (H1/21) to 15% (9M/21) vs. portfolio share of 12%
  - No new commitments in property types Hotel and Retail Shopping Centres since March 2020 – only extensions at conservative conditions
  - Good deal pipeline supports solid new business volume in Q4/21 at stable margin level

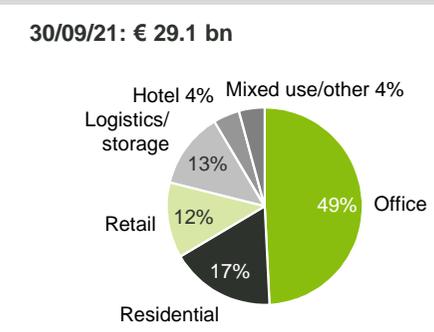
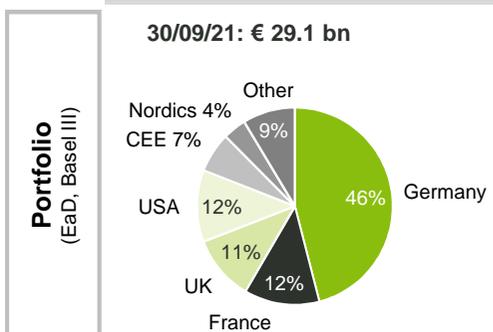
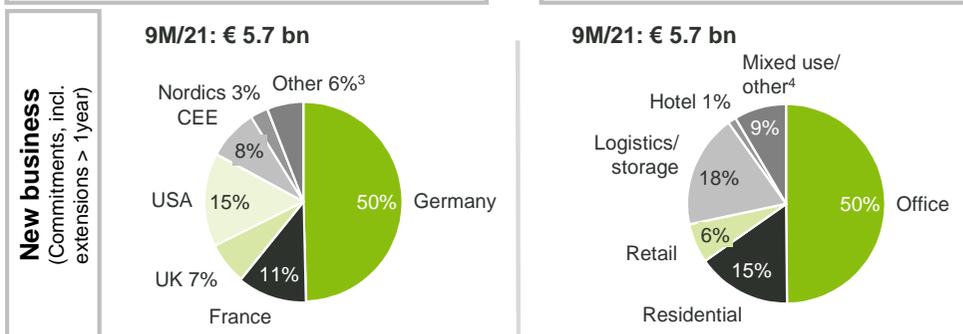
## REF new business

	9M/20	FY20	9M/21
Total volume (€ bn)	4.3	7.3	5.7
thereof:			
Extensions >1 year	1.4	2.6	1.7
No. of deals	94	142	103
Avg. maturity (years) <sup>1</sup>	~4.0	~4.3	~4.7
Avg. LTV (%) <sup>2</sup>	53	54	55
Avg. gross interest margin (bp)	>180	~180	~170

## Regions



## Property types



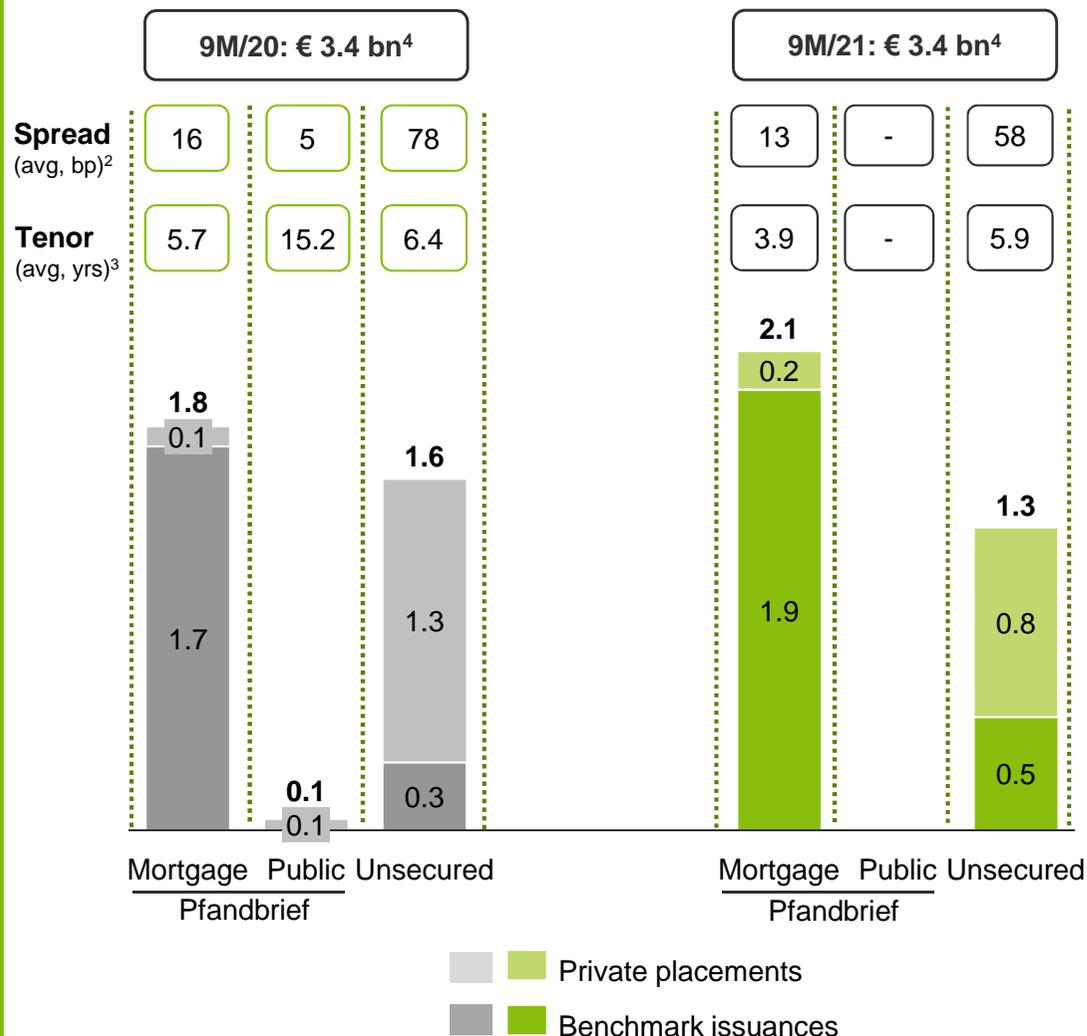
Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 9M/21: 55%; 9M/20: 53% 3 Netherlands, Austria, Switzerland and Spain 4 Land (53%), mixed use (27%), special property (21%)

# Funding

Solid funding activities focused on non-Euro Pfandbriefe and “Green” Senior Preferred – funding optimised with TLTRO III

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

€ bn



## Funding Q3/9M 2021

- **Solid Pfandbrief funding** with focus on foreign currencies
  - USD 750 mn Pfandbrief
  - GBP 500 mn Pfandbrief
  - EUR 500 mn Pfandbrief
  - Pfandbrief Private Placements in SEK
- € 500 mn **inaugural Green Senior Preferred Benchmark** in 01/21, followed by an equally successful **second € 500mn Green Senior Preferred Benchmark** in 10/21. With two green Benchmarks, pbb is one of the most active issuers in Green Senior funding
- With a **second USD 750 mn Pfandbrief** issued in 10/21, pbb became the **largest USD Covered Bond issuer** in the RegS market.
- **TLTRO III** participation increased by € 0.9 bn to € 8.4 bn in June 2021 to optimise funding costs – TLTRO III provides an attractive and flexible source of funding (€ 0.7 bn “own use” Pfandbriefe issued as collateral for upsizing TLTRO III).
- **Comfortable liquidity buffer** sufficient to cover internal stress tests.
- **Retail deposit** funding scalable – in Q3/21 pbb direkt deposits amounted to € 3.2 bn (Q3/20: € 3.1 bn).
- **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 vs. 3M Euribor 3 Initial weighted average maturity 4 Excl. “own use” Pfandbriefe issued as collateral for TLTRO III

# Summary & Outlook

pbb well on track – full-year result 2021 expected at upper end or slightly above guidance of € 180-220 mn



<b>Strategic Initiatives</b>	<ul style="list-style-type: none"><li>➤ <b>Digitalisation</b> initiatives on track with current focus on client interfaces and processes</li><li>➤ Comprehensive <b>ESG program</b> in place: Sound governance structure with Board responsibility, covering all ESG dimensions</li><li>➤ <b>Sustainable finance</b> as one key element of pbb's ESG strategy<ul style="list-style-type: none"><li>– 2nd <b>Green Bond</b> in unsecured benchmark format successfully issued in October 2021</li><li>– <b>Green Loan</b> as new credit product in place since October 2021</li></ul></li><li>➤ <b>ESG risks</b> structurally integrated in Risk Management landscape and overall business strategy – current focus on climate risk (physical/transitional risks)</li></ul>
<b>9M/21</b>	<ul style="list-style-type: none"><li>➤ <b>Strong 9M/21 result with PBT of € 186 mn</b><ul style="list-style-type: none"><li>– <b>NII</b> remains on high level plus some support from prepayment fees – stable REF portfolio margin</li><li>– <b>GAE</b> slightly up as expected – costs under control</li><li>– <b>Risk provisions</b> on moderate level – underlines conservative risk profile of our portfolio</li><li>– <b>New business</b> at solid volume, stable margins and low avg. LTV – continuing our selective approach</li><li>– <b>Liquidity and capitalisation</b> stay comfortable</li></ul></li></ul>
<b>Outlook</b>	<ul style="list-style-type: none"><li>➤ <b>pbb expects full-year result 2021 at upper end or slightly above guidance of € 180-220 mn</b><ul style="list-style-type: none"><li>– NII is expected to stay stable, higher level of prepayment fees also expected in Q4/21</li><li>– GAE up in Q4/21 as usual</li><li>– Risk provisioning expected to stay on moderate level while maintaining solid buffers for remaining potential COVID-19 risks</li></ul></li><li>➤ <b>Optimistic outlook for 2022</b> – concrete guidance will be provided with publication of preliminary full-year results 2021 on 9 March 2022</li></ul>

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