Strong full-year result with PBT of EUR 204 mn - Increase of pay-out ratio for 2017-2019

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Strong full-year result with PBT of EUR 204 mn – increase of pay-out ratio for 2017-2019 and dividend proposal of EUR 1.07 per share for 2017

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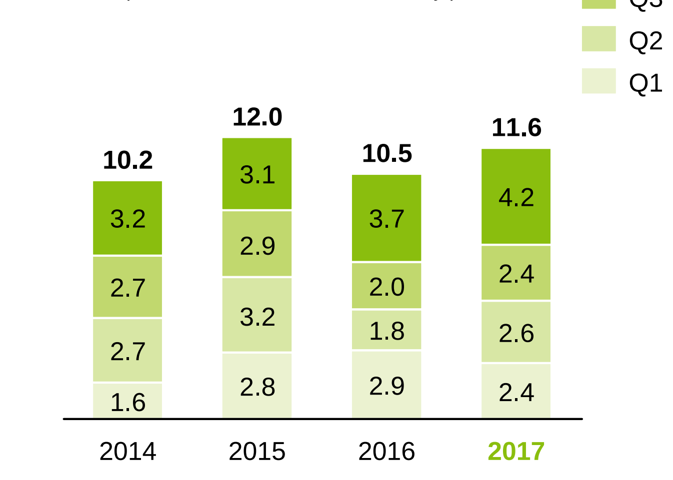
- **Strong PBT of EUR 204 mn** (Q4/17: EUR 50 mn) based on **good operating performance** and above latest guidance (Nov. 2017: EUR 195-200 mn)
  - NII up +8% y-o-y, even though less supported by prepayment fees and one-offs but benefitting from reduced funding costs
  - risk costs (net) on low level
  - operating costs in line with guidance
- **Net income** of EUR 182 mn based on lower than expected tax ratio; **EpS** of EUR 1.35 and **RoE after tax** 6.5%
- **New business of EUR 11.6 bn on good level** with strong Q4/17 (EUR 4.2 bn); total portfolio margin stable y-o-y – strategic portfolio slightly increased, Value Portfolio significantly down
- **Strong funding activities (EUR 6.1 bn)** with seven Benchmark issues – secondary unsecured market spreads significantly tightened
- Strong **capitalisation** with CET1 ratio of 17.6%[1] (Basel III, fully-loaded), providing buffer for regulatory changes, potential strategic growth and cyclical risks and/or strategic measures
- **Increase of pay-out ratio** for 2017-2019 with **dividend proposal** of EUR 1.07 per share for 2017

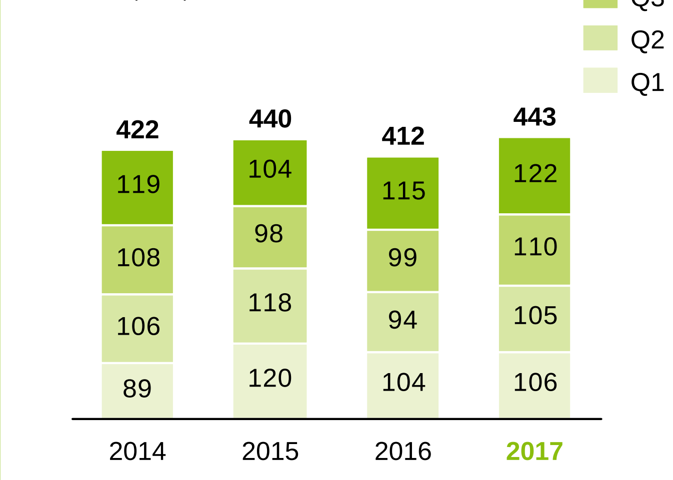
1 Incl. full-year result, post proposed dividend

Operating and financial overview

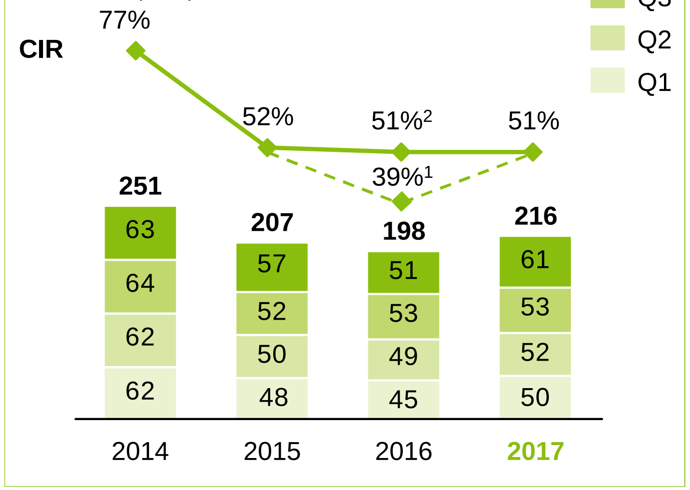
New business
EUR billions (commitments, incl. extensions >1 yr)



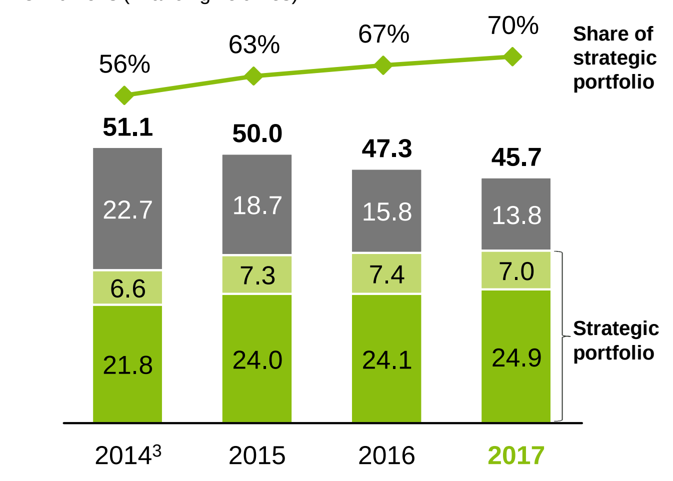
Net interest and commission income
EUR millions (IFRS)



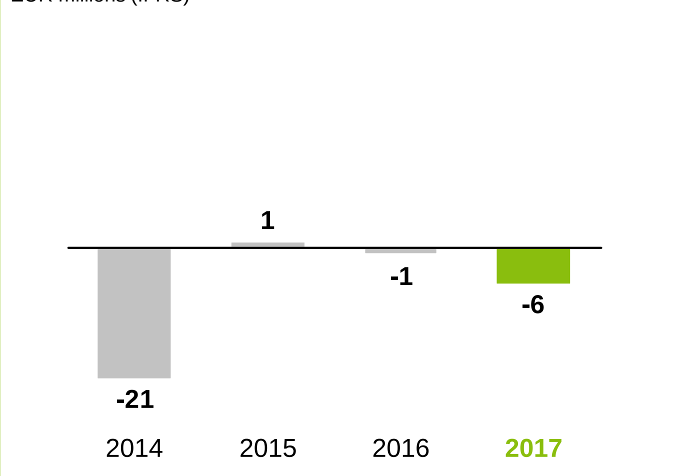
General and admin. expenses
EUR millions (IFRS)



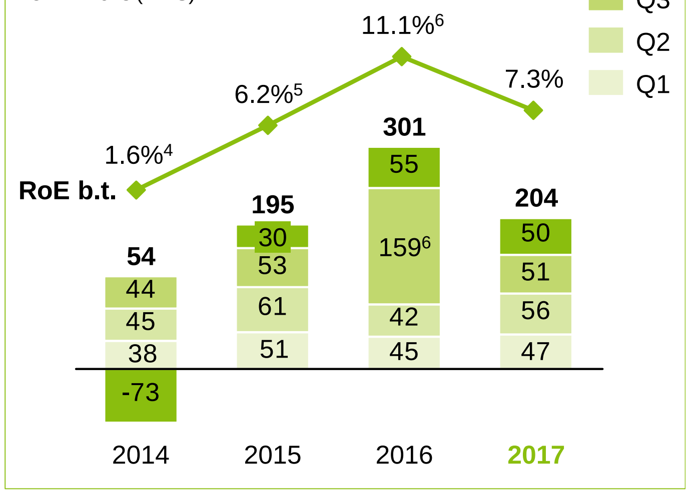
Portfolio
EUR billions (financing volumes)



Loan-loss provisions
EUR millions (IFRS)



Pre-tax profit
EUR millions (IFRS)



Note: Figures may not add up due to rounding 1 Reported incl. extraordinary HETA-gain 2 Adjusted for HETA-effect 3 Restated; figures retrospectively adjusted for transfer of Italian PIF portfolio into VP (as of 01/01/15) 4 Incl. EUR 1 bn silent participation of Sonderfonds Finanzmarktstabilisierung (FMS) 5 Calculation based on average equity; EUR 1 bn silent participation of Sonderfonds Finanzmarktstabilisierung (FMS) included until redemption in July 2015 6 Incl. EUR +132 mn extraordinary gain from value adjustments on HETA exposure

Change of dividend strategy for 2017-2019: 50% regular dividend + 25% supplementary dividend

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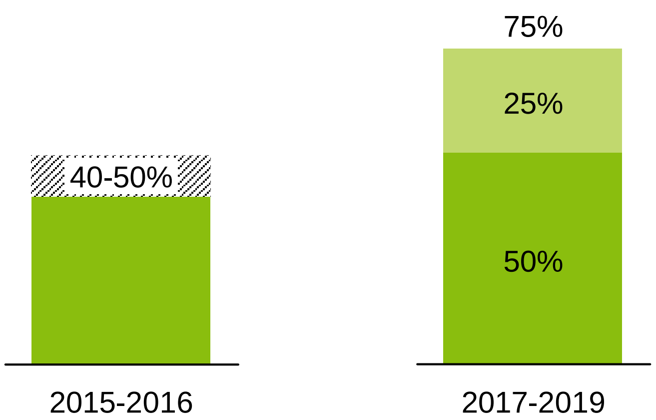
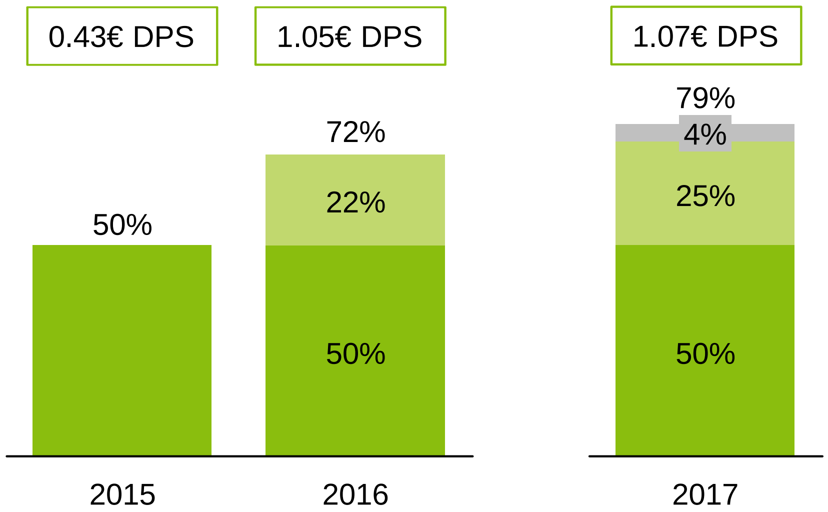
Dividend strategy



Payout



New dividend strategy

- 50% regular dividend + 25% supplementary dividend for 2017, 2018 and 2019 [1]
- New dividend strategy contains the reflection of different determinants, which includes planned strategic growth, regulation, strategic measures/cyclicality as well as requirements from rating agencies and market participants
- Dividend strategy is subject to regulatory permissibility or regulatory requirements and economic viability

Dividend proposal 2017

- In addition for 2017 payout of 100% of the earnings exceeding the upper range of our original PBT guidance 2017 of EUR 170 mn, post taxes
  - Profit after tax: EUR 182 mn
  - Earnings per share[2]: EUR 1.35
  - Dividend per share[2]: EUR 1.07
  - Payout ratio of 79%
  - Dividend yield 8.0%[3]

1 Based on IFRS group profit after tax 2 Class of shares 134,475,308 3 XETRA year-end closing price 2017 of 13.36€

Capitalisation remains strong, even after EUR +2 bn RWA increase from ECB harmonisation of risk models in Q3/17

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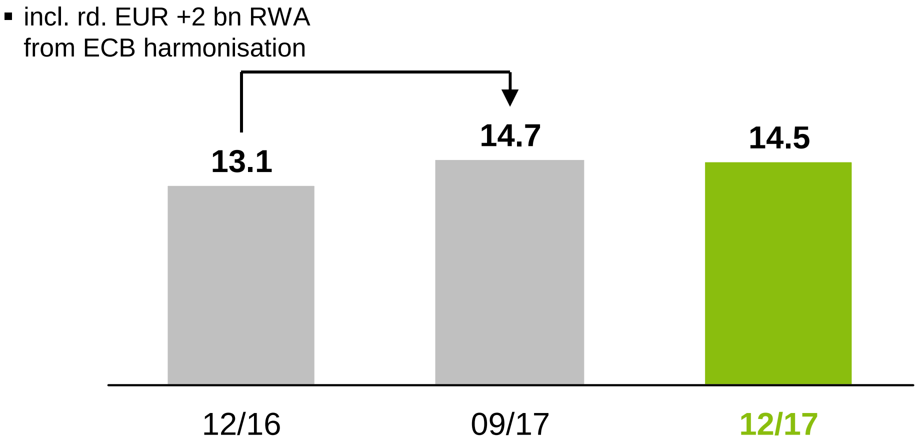
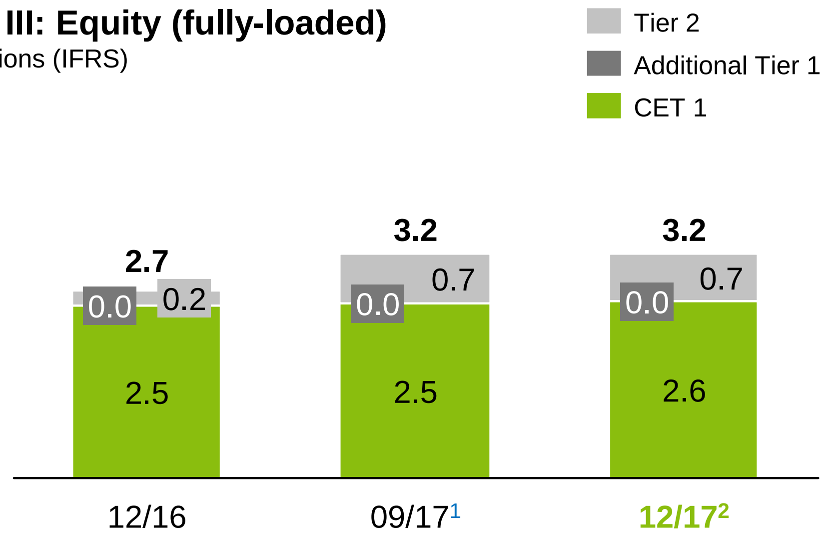
Basel III: RWA
EUR billions (IFRS)



Basel III: Capital ratios (fully-loaded)
% (IFRS)

in %	12/16	09/17[1]	12/17[2]	Ambition levels
CET 1	19.0	17.1	17.6	≥12.5
Tier 1	19.0	17.1	17.6	≥16
Own funds	20.7	21.8	22.2	16-18
Leverage ratio	4.2	4.5	4.5	≥3.5

Basel III: Equity (fully-loaded)
EUR billions (IFRS)



Key drivers 2017:

- pbb retains capital buffers for further RWA challenges: regulation (TRIM/Basel IV), potential strategic growth and cyclical risks and/or strategic measures
- RWA up y-o-y due to EUR ~2.0 bn RWA increase from ECB harmonisation of risk models in Q3/17 – RWA reduction in Q4 due to reduction of VP and LGD changes

SREP:

- SREP requirements 2018[3]:
  - CET 1 ratio phase-in: 9.325% (2017: 9.2%) / fully-loaded: 9.95% (2017: 10.45%)
  - Own funds ratio phase-in: 12.825% (2017: 12.7%) / fully loaded: 13.45% (2017: 13.95%)

Note: Figures may not add up due to rounding 1 Incl. interim result 2 Incl. full-year result, post proposed dividend 3 First draft indication; incl. capital conservation buffer (1.875%) and anticipated countercyclical buffer (0.2%; actual as of 31.12.2107: 0.11%)

Real Estate Finance: Strong Q4 and solid level of new business – continued focus on conservative risk positioning

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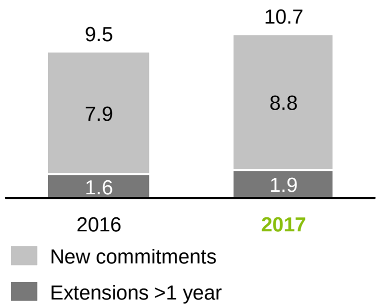
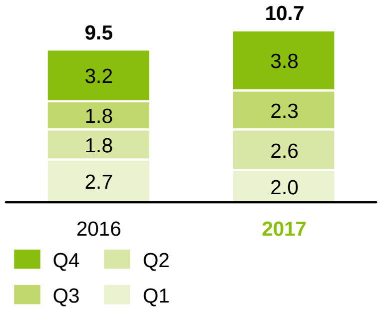
New business

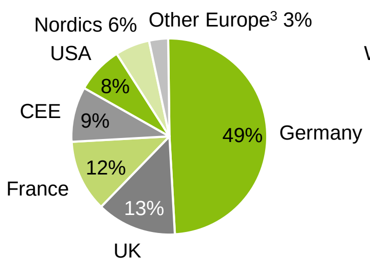
EUR billions (commitments, incl. extensions >1 yr)





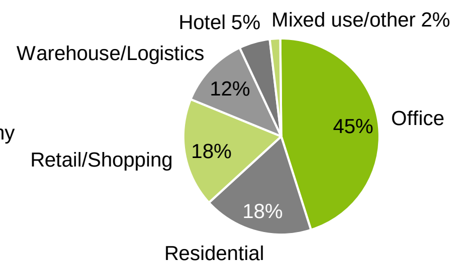
Regions

2017: EUR 10.7 bn



Property types

2017: EUR 10.7 bn



New business	**2016**	**2017**
Total volume (EUR bn)	9.5	10.7
thereof: Extensions >1 year	*1.6*	*1.9*
No. of deals	189	221
Average maturity (years)[1]	~5.1	~5.3
Average LTV (%)[2]	62	60
Average gross margin (bp)	>175	>155

Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 54% (2017), 56% (2016) 3 Netherlands, Belgium, Austria, Italy and Spain

Income statement (IFRS, EUR mn)	**2016**	**2017**
Operating income	306	337
thereof: Net interest income	*321*	*350*
Net commission income	*9*	*9*
Other operating revenues	*-24*	*-22*
Loan-loss provisions	2	-7
General administrative expenses	-156	-172
Pre-tax profit	**146**	**160**
Key indicators	**2016**	**2017**
CIR (%)	51.0	51.0
RoE before tax (%)	26.0	24.9
Equity (EUR bn, excl. revaluation reserve)	0.6	0.6
RWA (EUR bn)	6.4	8.3
Financing volume (EUR bn)	24.1	24.9

Key drivers 2017:

- New business volume on solid level with avg. gross margin down and stable risk profile in 2017
  - High competition and margin pressure, but continued focus on conservative risk positioning (avg. LTV 60%)
  - Focus on Prime business
  - Regional and product mix (e.g. Germany slightly up, UK down, high margin pressure France, Low-Leverage-Lending, higher residential, lower retail/shopping)
- Financing volume slightly up y-o-y due to strong new business
- Positive financial segment performance mainly driven by positive NII development, operating costs up in line with expectation, LLPs remain low
- RWA increase y-o-y reflects effects from ECB harmonisation of risk models

Public Investment Finance: Strong competition weighs on new business volume

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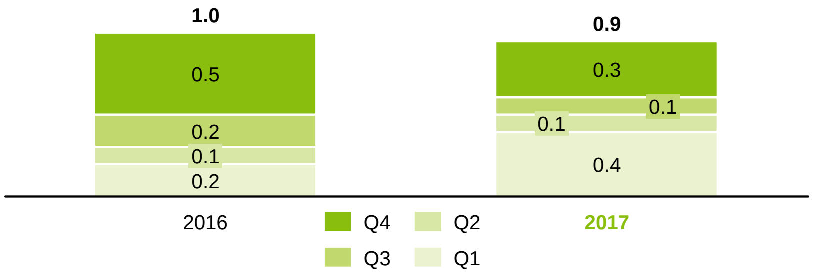
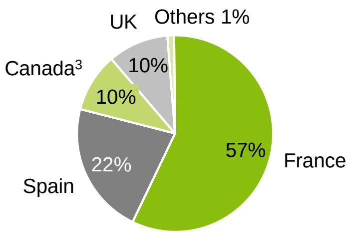
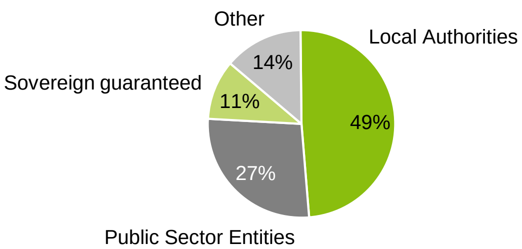
New business
EUR billions (commitments)



Regions
2017: EUR 0.9 bn



Counterparty Types
2017: EUR 0.9 bn



New business	**2016**	**2017**
Total volume (EUR bn)	1.0	0.9
No. of deals	28	30
Average maturity (years)[1]	~8.8	~8.7
Average gross margin (bp)	~85	>100

Income statement (IFRS, EUR mn)	**2016**	**2017**
Operating income	30	24
thereof: Net interest income	*35*	*36*
Other operating revenues	*-5*	*-12*
Loan-loss provisions	-	-
General administrative expenses	-26	-29
Pre-tax profit	**3**	**-5**
Key indicators	**2016**	**2017**
CIR (%)	86.7	>100
RoE before tax (%)	0.9	-1.7
Equity (EUR bn, excl. revaluation reserve)	0.3	0.3
RWA (EUR bn)	1.4	1.6
Financing volume (EUR bn, nominal)	7.4	7.0

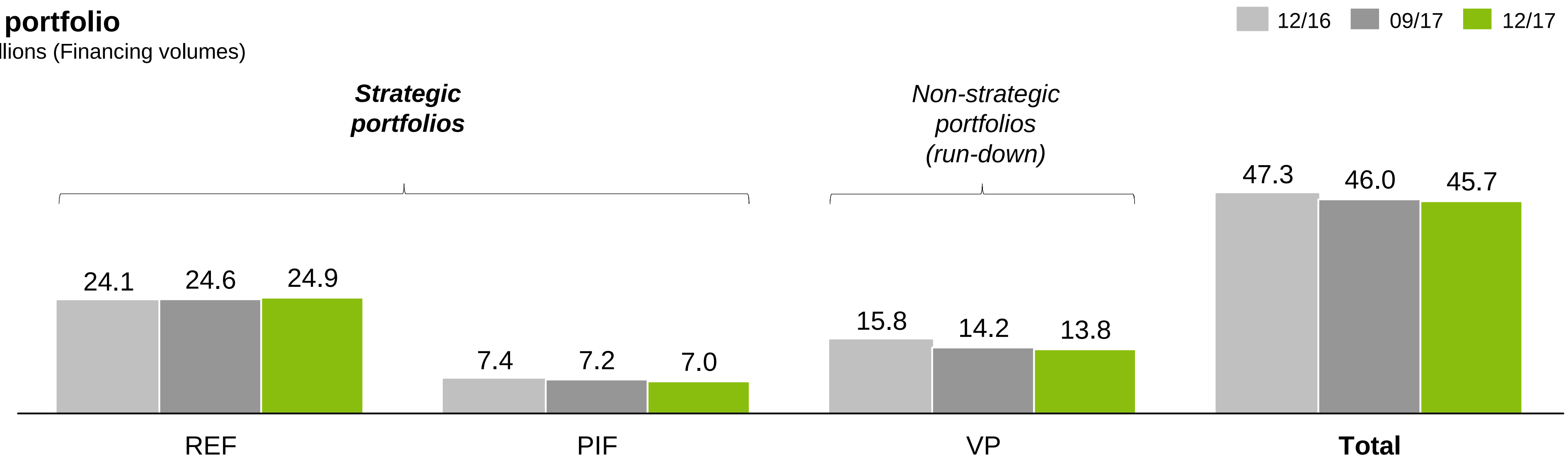
Key drivers 2017:

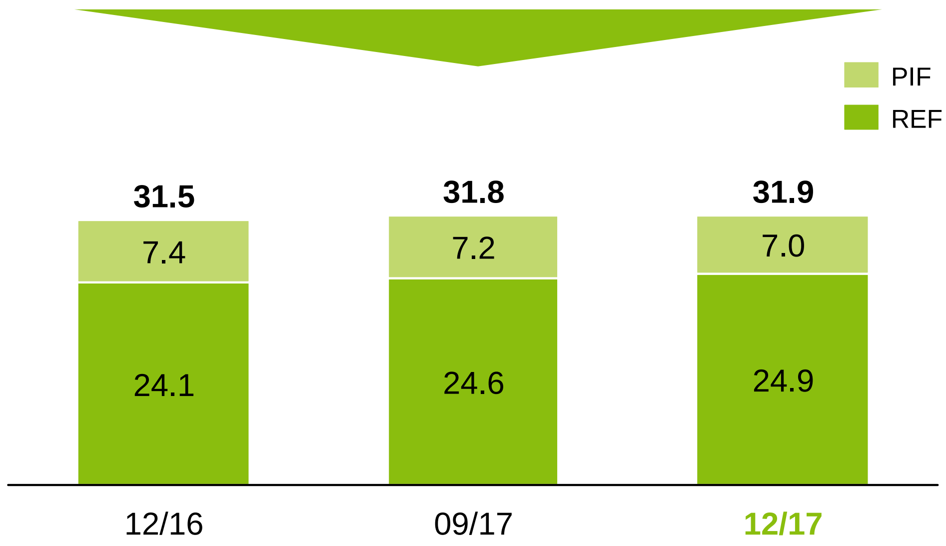
- PIF remains strong contribution business with EUR ~6 mn direct costs vs. EUR ~23 mn allocated overhead (allocation based on financing volume)
- New business stable at higher avg. gross margin but financing volume down y-o-y due to maturities
- Financial segment performance down y-o-y, mainly due to portfolio based LLPs on Southern European region (other operating revenues) and higher allocated GAE - otherwise positive pre-tax profit
- RWA increase mainly related to internal rating downgrade of a Southern European region

Note: Figures may not add up due to rounding 1 Weighted average lifetime 3 Two ECA transactions with Canada as guarantor

Slight increase of strategic portfolio

Total portfolio
EUR billions (Financing volumes)





Key drivers 2017

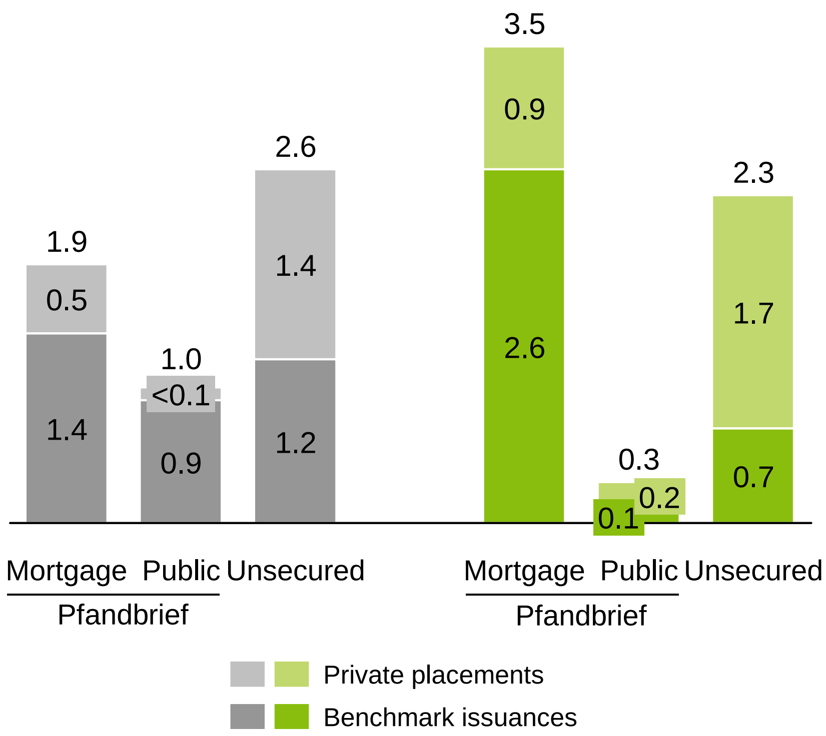
- Strategic portfolio up; based on good new business level and despite early repayments still on relatively high level
  - REF EUR +0.8 bn reflecting strong new business
  - PIF EUR -0.4 bn due to high repayments
- Non-strategic Value Portfolio continued to run down in line with strategy

Note: Figures may not add up due to rounding

Stable, diversified funding profile – strong year for currency matched Pfandbrief funding - further reduction of funding costs in 2017

New long-term funding[1]
EUR billions

	2016: EUR 5.5 bn[2]			2017: EUR 6.1 bn[2]		
	Mortgage Pfandbrief	Public Pfandbrief	Unsecured	Mortgage Pfandbrief	Public Pfandbrief	Unsecured
Spread (Ø, bp)[3]	22	28	111	16	11	75
Tenor (Ø, yrs)[4]	9.8	11.8	6.5	5.4	6.2	7.4



Pfandbriefe

- Currency matched funding:
  - Mortgage Pfandbriefe: GBP 750 mn, SEK 3.6 bn; first USD benchmark USD 600 mn, tapped by USD 100 mn in August 2017
  - Public Pfandbriefe: USD 100 mn
- EUR Pfandbriefe: Two EUR 500 mn benchmarks and one EUR 100 mn tap

Senior Unsecured

- EUR 500 mn + EUR 150 mn benchmarks issued in January and February 2017 and strong private placements throughout 2017
- EUR 190 mn senior preferred issued
- Started 2018 with a EUR 500mn 4y benchmark at MS +40bp

HT1/Tier 2

- EUR 350 mn Hybrid Tier 1 (HT1) redeemed in June 2017
- New Tier 2 issuances of EUR 0.5 bn, incl. inaugural EUR 300 mn benchmark issued in June 2017; improving pbb´s capital efficiency by replacing maturing Tier 2 and redeemed HT1

pbb direkt

- Total volume stable at EUR 3.3 bn (12/16: EUR 3.4 bn); average maturity[5] 3.7 years (12/16: 3.4 yrs)

MREL

- Comfortable volume of MREL eligible items (EUR ~11 bn, thereof EUR ~8 bn senior unsecured)[6] allows for primary focus on preferred issuances going forward

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. money market and deposit business 2 Excl. Tier 2 issuances 3 vs. 3M Euribor 4 Initial weighted average maturity 5 Initial weighted average maturity of term deposits 6 Based on pbb preliminary calculation

Outlook 2018

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Operating trends (EUR bn)	2016	2016 (excl. HETA)	2017	Guidance 2018
New business volume	10.5		11.6	EUR 10.0-11.0 bn
New business avg. gross margin (bp): REF PIF	 >175 ~85		 >155 >100	Margins slightly below 2017 levels
Strategic portfolio	31.5		31.9	Moderate increase
Value Portfolio	15.8		13.8	< EUR 13.5 bn - continued systematic run-down

Income statement (IFRS, EUR mn)	2016	2016 (excl. HETA)	2017	Guidance 2018	
Net interest and commission income	412	412	443	Slightly lower	Limited comparabilty due to IFRS 9 shifts in 2018
Loan-loss provisions *thereof HETA*	-1 *(9)*	-10	-6	10-15 bp EL on REF financing volume	
General administrative expenses	-198	-198	-216	< EUR 220 mn	
Pre-tax profit *thereof HETA*	**301** *(132)*	**169**	**204**	EUR 150-170 mn	

Key ratios (%)	2016	2016 (excl. HETA)	2017	Guidance 2018
RoE after tax	7.3	3.3	6.5	4.0% to 5.0%
CIR	39.0	51.4	50.9	Slightly higher
CET1 ratio (fully loaded)	19.0	19.0	17.6[1]	Significantly above SREP requirement of 9.125% plus countercyclical buffer

Note: Figures may not add up due to rounding 1 Incl. full-year result, post proposed dividend

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