

Strong full-year 2018 results with PBT of EUR 215 mn

Annual Media Briefing
28 February 2019

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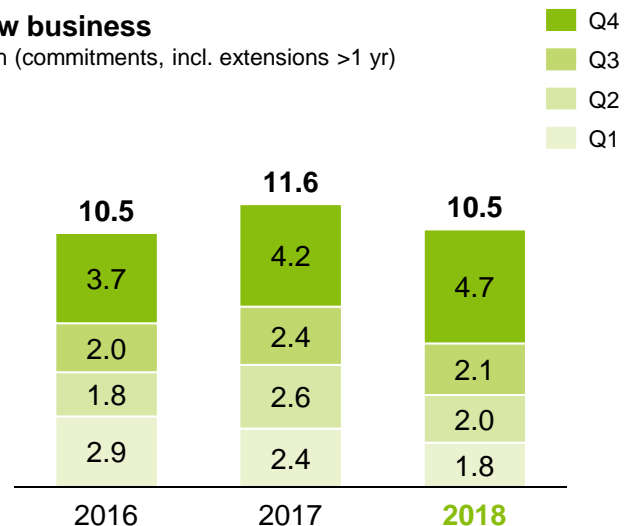
Highlights

Operating and financial overview



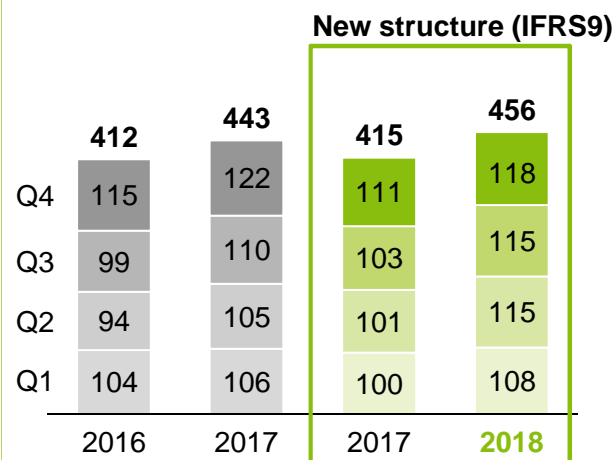
New business

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



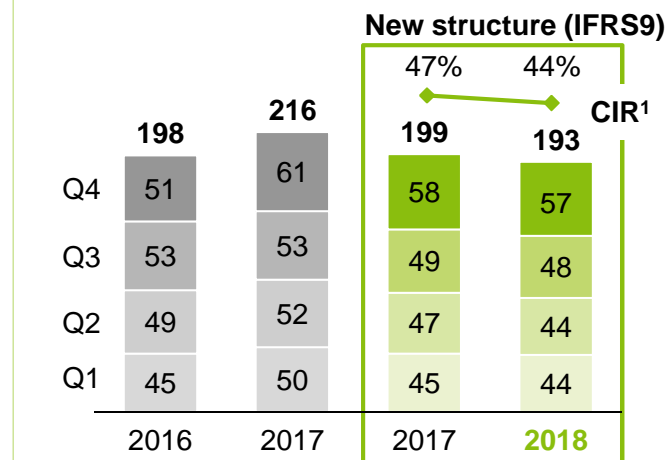
Net interest and commission income

€ mn (IFRS)



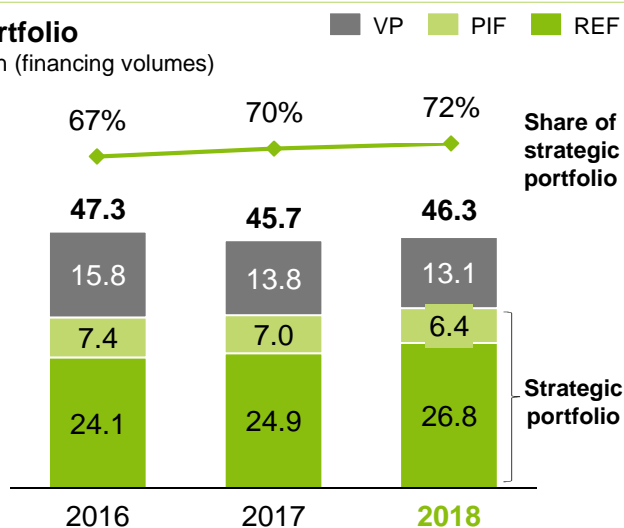
General and admin. expenses

€ mn (IFRS)



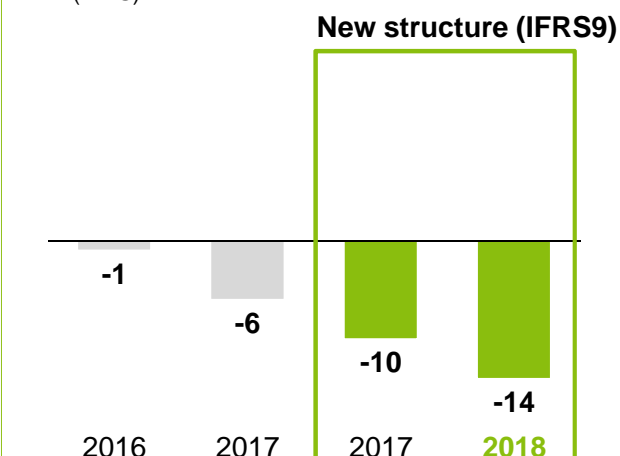
Portfolio

€ bn (financing volumes)



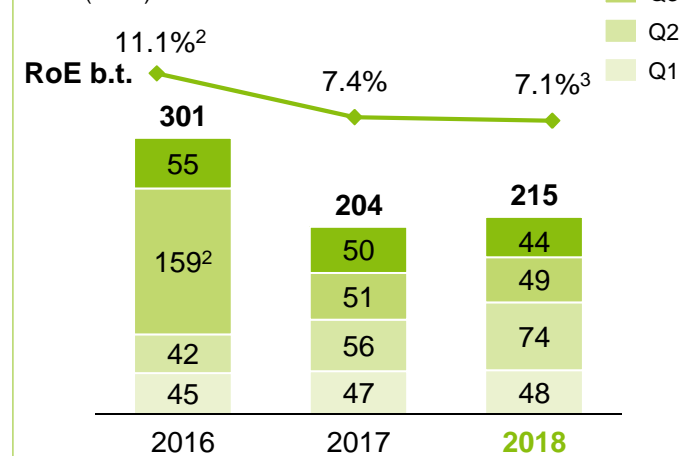
Net income from risk provisioning

€ 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. 3 Taking into account pro-rata AT1 coupon for 2018 (€ 12 mn pre-tax)

2 Incl. € +132 mn extraordinary gain from value adjustments on HETA exposure

Financials

NII up +11% y-o-y with strong Q4/18 – reduced funding costs and higher avg. strategic financing volume

Income from lending business (€ mn)

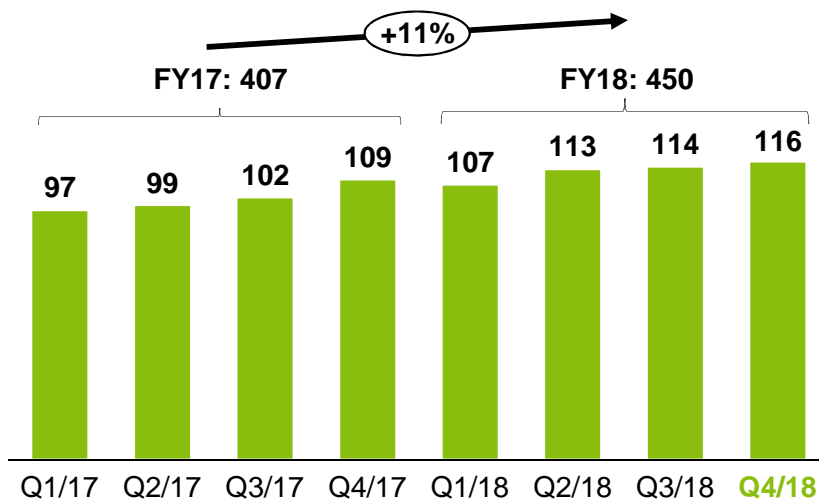
	Q4/17	Q4/18	FY17	FY18
Net interest income	109	116	407	450
Net fee and commission income	2	2	8	6

	Q4/17	Q4/18	FY17	FY18
Net income from realisations	14	9	45	32

Key drivers Q4/FY 2018:

- NII continued to benefit from solid underlying drivers
 - Funding costs reduced y-o-y due to new funding at lower spreads and maturities at legacy costs
 - Avg. strategic REF financing volume up by € 1.4 bn y-o-y to € 25.8 bn (2017: € 24.4 bn)
 - Solid new business volume with strong Q4/18
 - Lower level of prepayments (€ -1.2 bn y-o-y)
 - Avg. total portfolio margin stable y-o-y, reflecting pbb's selective new business approach and growing strategic portfolio
- Net income from realisations down y-o-y due to lower prepayment fees (FY18: € 16 mn; FY17: € 31 mn)

Net interest income (€ mn)



Financials

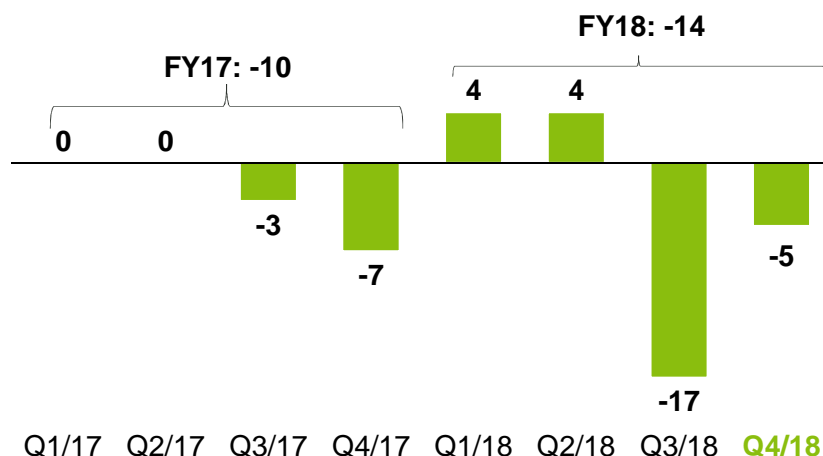
Continued low level of risk costs despite additions for sub segment UK shopping center



Net income from risk provisioning

€ mn

	Q4/17	Q4/18	FY17	FY18
Net income from risk provisioning	-7	-5	-10	-14
thereof				
stage 1		-2		-
stage 2	n/a	1	n/a	9
stage 3		1		-19
other loan loss provisions ²		-5		-4



Key drivers Q4/FY 2018:

- Risk provisioning well below initial planning, driven by the following effects:
 - (a) Overall portfolio provisioning still supported by benign sentiment:
 - Net release of provisions in stage 1 and 2 of € 9 mn in FY/18 (Q4/18: € 1 mn) due to improvement of PD/LGD parameters and maturity effects
 - (b) Individual adverse development in sub-segments:
 - Net additions in stage 3 of € -19 mn in FY/18 (Q4/18: € 1 mn) – thereof, € -17 mn for valuation driven provisions on UK retail shopping centers in Q3 (no payment defaults)
 - (c) Additions from parameter changes in Q4/18, especially on irrevocable loan commitments (other loan loss provisions)
- Coverage ratio:
 - Stage 3 coverage ratio¹ down to 18% y-o-y (12/17: 20%), mainly 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)

² Incl. recoveries from written-off financial assets and provision in lending business

Financials

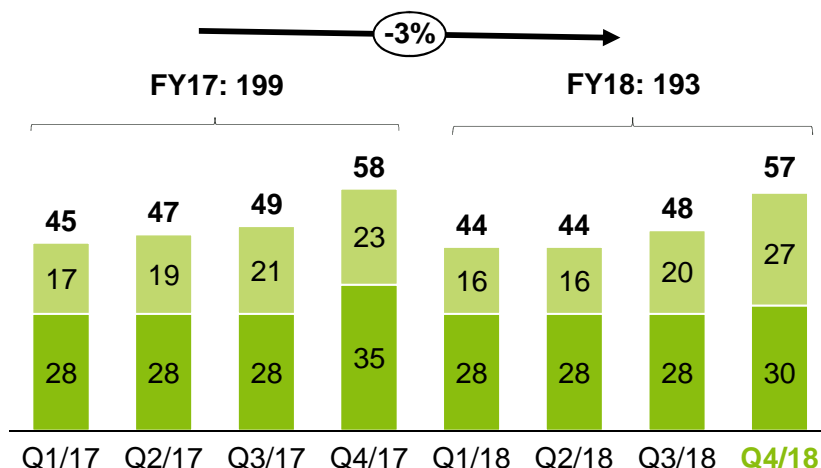
Operating costs slightly down y-o-y with expected increase in Q4/18

General & administrative expenses and depreciations

€ mn

	Q4/17	Q4/18	FY17	FY18
General admin. expenses	-58	-57	-199	-193
<i>Personnel</i>	-35	-30	-119	-114
<i>Non-personnel</i>	-23	-27	-80	-79
Net income from write-downs and write-ups on non-financial assets	-3	-4	-14	-15
<i>CIR (%)¹</i>	51.3	50.4	47.0	44.2

■ Non-personnel
■ Personnel



Key drivers Q4/FY 2018:

- GAE slightly down y-o-y (-3%) – increase in Q4/18 as expected
 - Personnel expenses slightly down y-o-y as prior year was burdened by higher provisions – FTEs slightly up to 750 y-o-y, but below plan (12/17: 744)
 - Non-personnel costs stable y-o-y
 - Project costs determined by investment expenditure, refinanced by lower expenses for regulatory and other projects
 - Increase in Q4/18 driven by project related costs (esp. IT), partly including accrued expenses for 2019 projects started in 2018
- Net income from write-downs and write-ups on non-financial assets mainly driven by scheduled depreciations

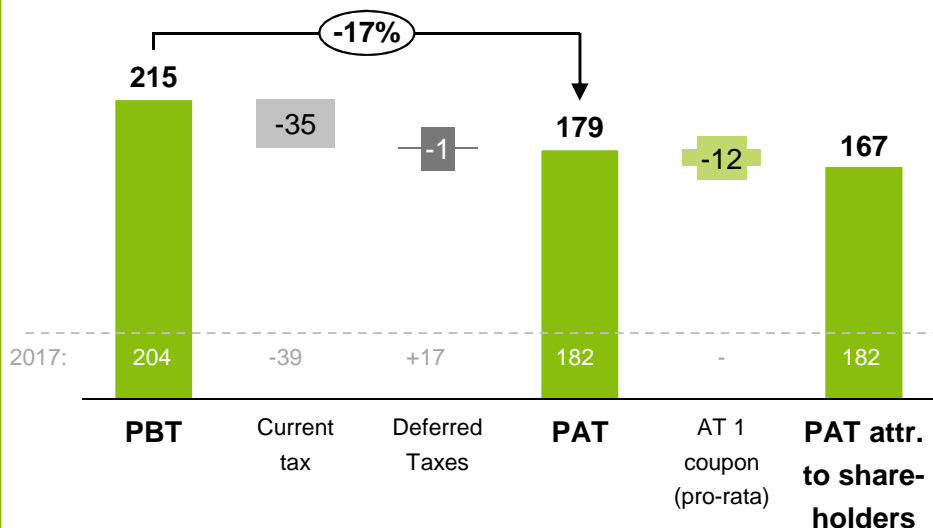
¹ CIR = (GAE + net income from write-downs and write ups on non-financial assets) / operating income

Dividend 2019

Shareholders to participate from continued strong performance – management intends to propose dividend of € 1.00 (Payout ratio of 81%)

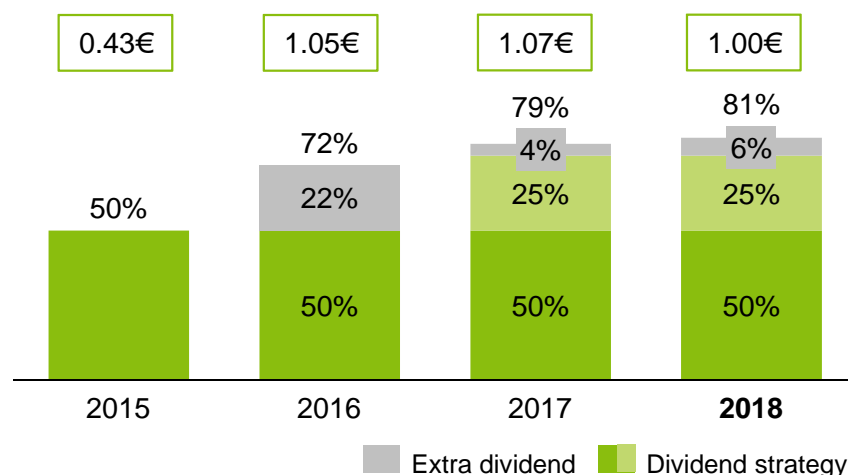
Profit attributable to shareholders

€ mn (IFRS)



Payout

DPS



Dividend proposal 2018

- Dividend strategy: 50% regular dividend + 25% supplementary dividend for 2017, 2018 and 2019¹
- In addition for 2018 payout of 100% of the earnings exceeding the upper range of our original PBT-guidance 2018 of EUR 170 mn, post taxes and AT 1-coupon
 - PAT attributable to shareholders: EUR 167 mn
 - Earnings per share²: EUR 1.24
 - Dividend per share²: EUR 1.00
 - Payout ratio of 81%
 - Dividend yield 11.4%³ / 7.9%⁴

¹ Based on IFRS group profit after tax attributable to shareholders

² Number of outstanding shares 134,475,308

³ Based on XETRA year-end closing price 2018 of 8.74€

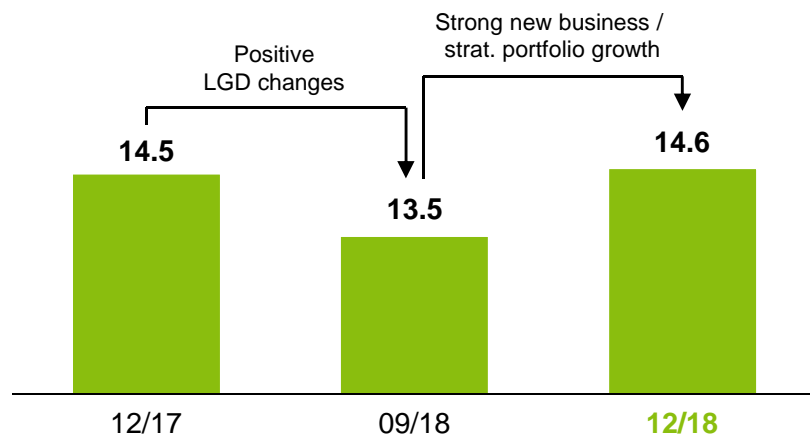
⁴ Based on annual average price 2018 (volume weighted daily XETRA closings) of 12.66€

Capital

Capitalisation remains strong – adequate buffers, essential for regulatory changes, operational stability and strategic flexibility

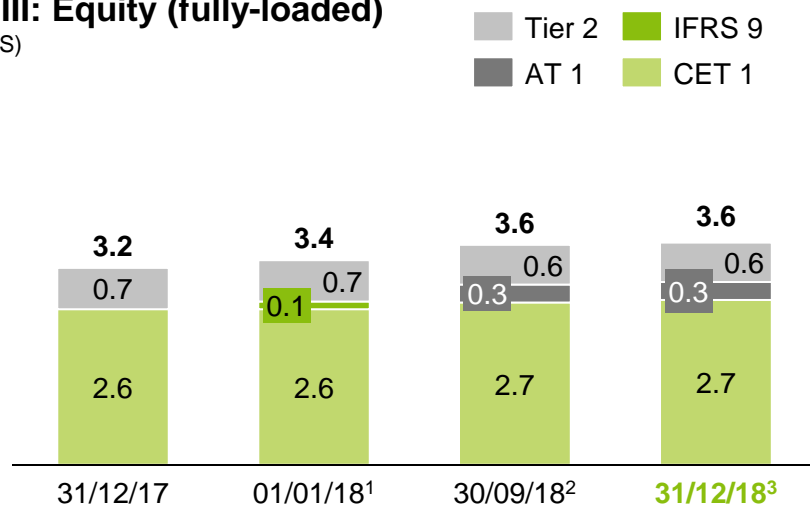
Basel III: RWA

€ bn (IFRS)



Basel III: Equity (fully-loaded)

€ bn (IFRS)



Basel III: Capital ratios (fully-loaded)

% (IFRS)

in %	12/17	09/18²	12/18³	Ambition levels
CET 1	17.6	19.7	18.5	≥12.5
Tier 1	17.6	21.9	20.5	≥16
Own funds	22.2	26.7	24.9	16-18
Leverage ratio	4.5	5.3	5.3	≥3.5

Key drivers Q4/FY 2018:

- RWA € +1.1 bn up q-o-q due to strong new business in Q4, stable y-o-y – positive effects from LGD changes counterbalanced by portfolio growth
- 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 requirements 2019:

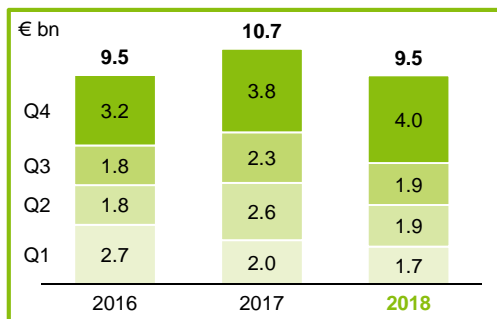
- CET 1 ratio: 9.85%⁴ (2018: 9.95% fully-loaded)
- Own funds ratio: 13.35%⁶ (2018: 13.45% fully-loaded)
- Changes compared to 2018 requirements (fully-loaded):
 - Reduction of P2R from 2.75% to 2.50%
 - Increase of countercyclical buffer from 0.2% to 0.35%

Note: Figures may not add up due to rounding 1 IFRS9 first-time application effect 2 incl. interim result Q1/18, post max. calc. dividend acc. to ECB methodology 3 Incl. full-year result, post proposed dividend 4 Incl. capital conservation buffer (2.5%) and anticipated countercyclical buffer (0.35%; actual as of 31.12.2018: 0.19%)

New business & segment reporting

REF: Strong new business origination while maintaining selective and risk conservative approach – financing volume up +8% y-o-y

REF new business	2017	2018
Total volume (€ bn)	10.7	9.5
thereof: Extensions >1 year	1.9	2.2
No. of deals	221	185
Ø maturity (years) ¹	~5.3	~4.7
Ø LTV (%) ²	60	59
Ø gross interest margin (bp)	>155	~155



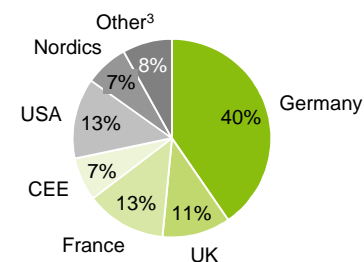
REF: Income statement (IFRS, € mn)	Q4/17 ⁵	Q4/18	FY17 ⁵	FY18
Operating income	97	101	368	391
thereof: Net interest income	87	96	334	372
Net income from realisations	15	4	45	27
Net income from risk provisioning	-4	-4	-8	-22
General administrative expenses	-46	-46	-158	-154
Net other revenues	-3	-11	-25	-33
Pre-tax profit	44	40	177	182
Key indicators	Q4/17 ⁵	Q4/18	FY17 ⁵	FY18
CIR (%) ⁴	49.5	48.5	46.2	42.5
RoE before tax (%)	14.7	10.8	15.4	12.9
Equity (€ bn)	1.2	1.4	1.2	1.4
RWA (€ bn)	8.3	8.3	8.3	8.3
Financing volume (€ bn)	24.9	26.8	24.9	26.8

Regions

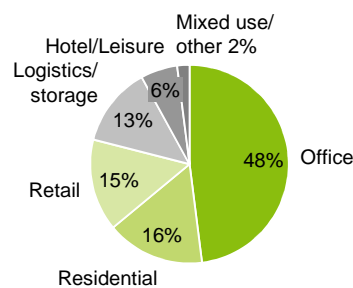
Property types

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

FY/18: € 9.5 bn

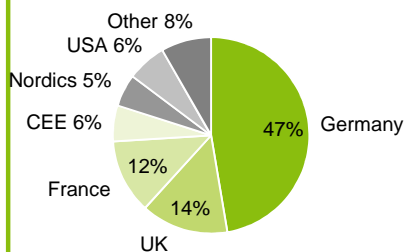


FY/18: € 9.5 bn

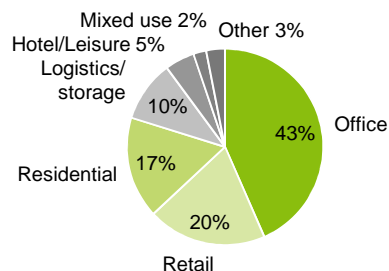


Portfolio
(EaD, Basel III)

31/12/18: € 29.9 bn



31/12/18: € 29.9 bn



Key drivers Q4/FY 2018:

- Strong new business origination in Q4/18 – however, high competition and margin pressure ongoing
 - Continued selective approach with focus on conservative risk positioning (avg. LTV 59%²)
 - Regional and product mix aligned to market developments (e.g. UK share down, US up; higher share in Office, lower Retail)
 - Avg. gross interest margin stable at ~155 bp
- Financing volume up +8% y-o-y due to strong new business and by lower prepayments
- Positive financial segment performance y-o-y mainly driven by strong NII and low level of GAE, despite lower prepayment fees and higher risk provisioning

Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 2018: 57%; 2017: 54% 3 Spain, Netherlands, Belgium, Italy, Austria, 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

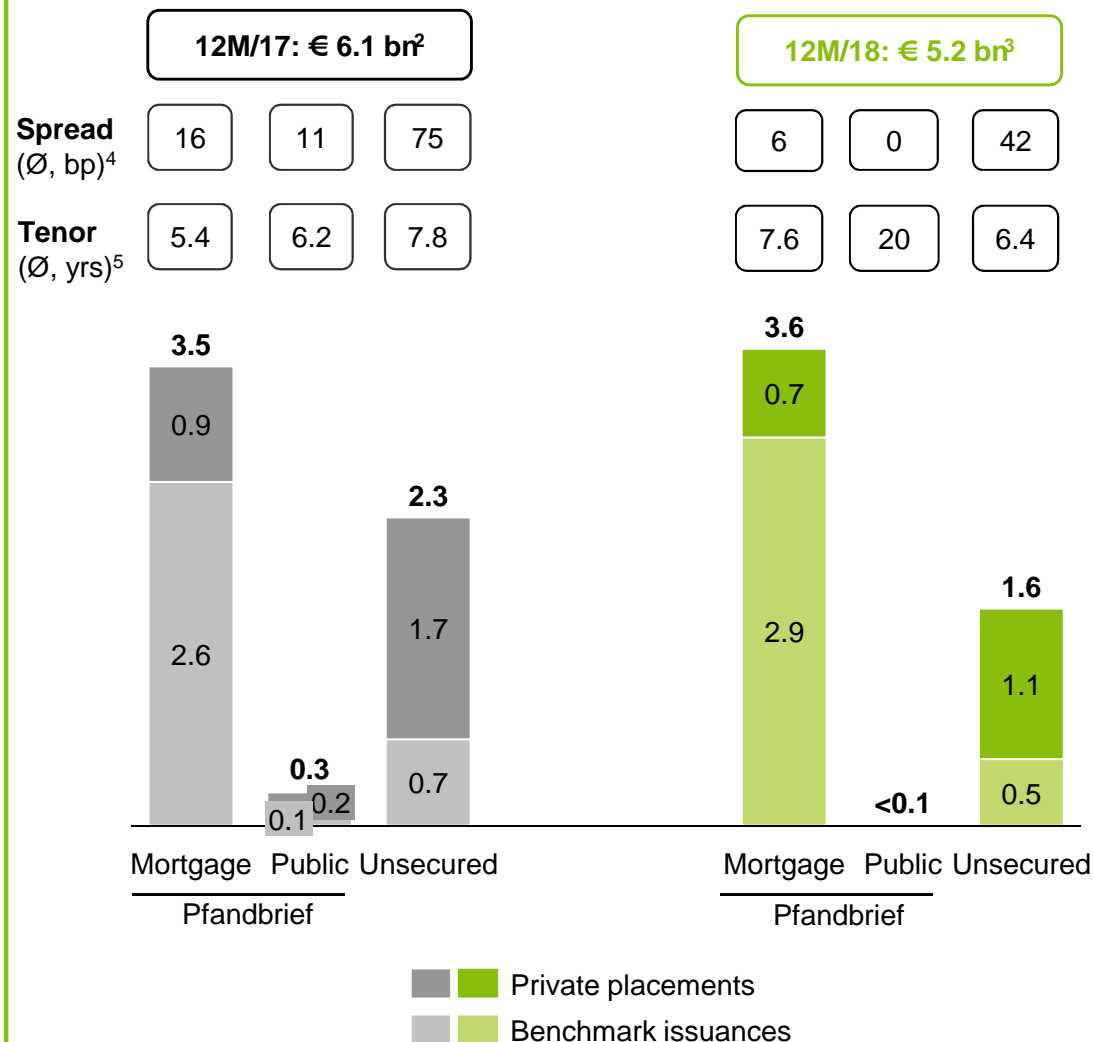
Funding

Funding costs significantly reduced y-o-y – investor base continuous to grow with FX Pfandbriefe and “new” senior preferred bonds successfully issued



New long-term funding¹

€ 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, USD 600 mn 3y and SEK 2 bn 2y)

Senior Unsecured

- € 500 mn 4y Senior Non-Preferred benchmark issued in Q1/18 and continuous private placements throughout the year
- € 780 mn senior preferred raised via private placements in bearer bonds, registered bonds and term deposits issued

pbb direkt

- Total volume with € 3.0 bn (12/17: € 3.3 bn) slightly down, reflecting optimisation of funding structure
- Average maturity⁶ increased slightly to 3.3 years (12/17: 3.1 yrs)

AT1

- € 300 mn Tier 1 (AT1) issuance in April 2018 optimises 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 € 520mn 3 Excl. AT1 issuance 4 vs. 3M Euribor 5 Initial weighted average maturity 6 Initial weighted average maturity of term deposits

Regulatory requirements

Challenges for banks and capital

TRIM

- Ongoing process
- Finalisation in 2019 expected

EBA - Guidelines

- Calibration of risk parameters
- Consideration of every defaulted loans, not just the completed ones
- New discounting policies
- Increase of LGD/PD and therefore RWAs expected

Basel IV

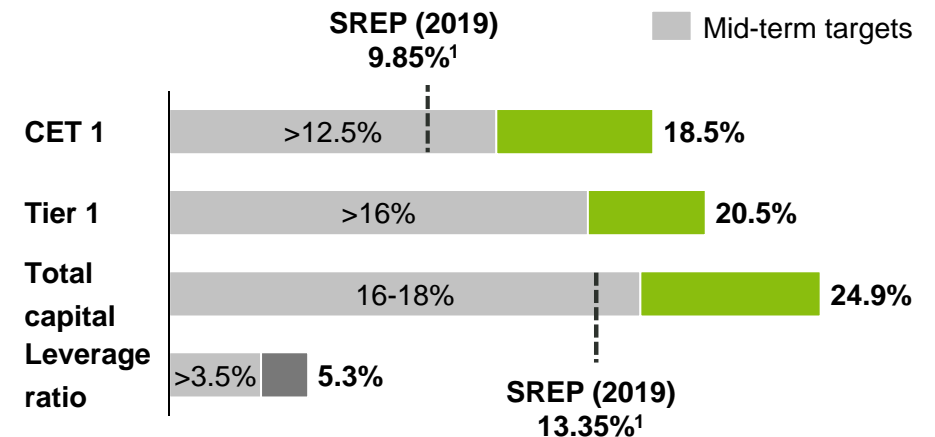
- Output-floor of 72.5% (max. output of IRBA-models versus SA)
- Phase-in period 2022-2027
- Sufficient capital buffer to be adequately capitalised under Basel IV

ECB new NPL recommendation

- ECB intends to strengthen European bank's balance sheets, stressing the importance of timely provisioning and write-off practices related to NPLs
- Establish risk provisioning for defaulted secured loans in steps up to 40% after 3 years and 100% after 7 years

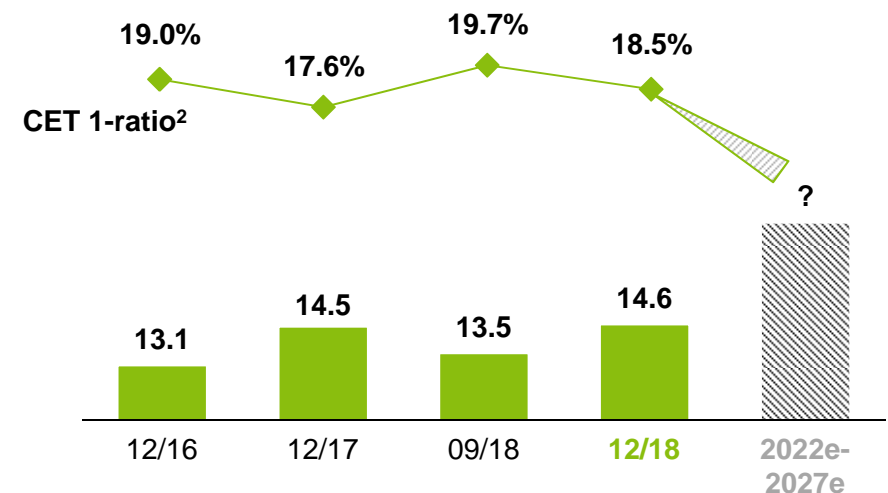
Basel III: Capital ratios

% (IFRS)



Basel III: RWA

€ bn (IFRS)

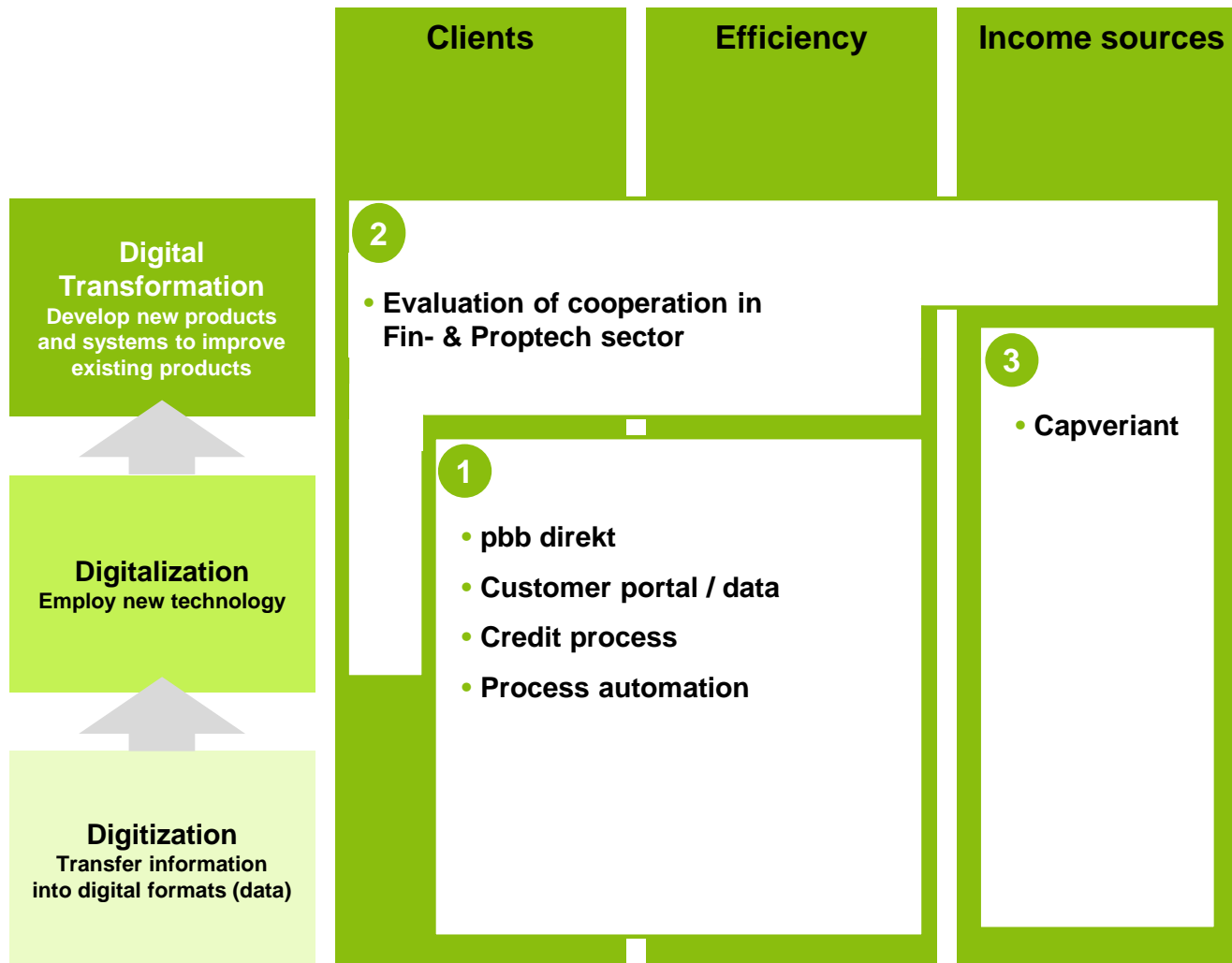


¹ Incl. capital conservation buffer (2.5%) and anticipated countercyclical buffer (0.35%; actual as of 31.12.2018: 0.19%)

² Fully-loaded

Digital transformation strategy

Digitalisation as an integral concept in pbb



- 1** Short to mid- term value added in core process
Focus on clients and efficiency
- 2** Develop business model and integrate digital ecosystem
Focus on clients, efficiency and income sources
- 3** Develop / enhance Capveriant business model
Focus on income sources

Focus & Invest

Pushing forward strategic initiatives to strengthen market position and support profitability



Focus

Reorganisation of PIF business

- Change of PIF strategy from „Growth“ to „Hold“ as consequence of high competition, few opportunities and low margins
- Focus on business in France (operated from Paris) and ECA-business (operated from London) only; in addition, portfolio steering measures

Refocus of pbb resources

- Centralisation of functions at the head-office to optimise internal processes, relocating from London, Paris, Madrid and Eschborn

Re-investment of freed-up resources

Invest

US business

- Lean setup Representative Office since mid 2018
 - Expanding into primary business in established East Coast locations, while maintaining syndication business
 - Carefully expanding into new regions (Chicago, Los Angeles, San Francisco and Seattle) – initially syndication only
- Additional personnel resources will be made available by internal reallocation in support units outside US

Digitalisation

- New business area „Digitalisation“ established
- Redesign client interface, improve efficiency of processes, define and implement new business models

Outlook 2019



Operating trends	2017	2018	Guidance 2019
Real Estate Finance (REF)			
New business volume ¹ (EUR bn)	10.7	9.5	EUR 8.5-9.5 bn
Avg. gross margin (bp)	>155	~155	Slightly lower
Financing volume (EUR bn)	24.9	26.8	Moderate increase (strategic portfolio)
Public Investment Finance (PIF)			
Avg. gross margin (bp)	>100	>60	Slightly higher
Financing volume (EUR bn)	7.0	6.4	Stable (strategic portfolio in “hold” mode)
Value Portfolio (VP)			
Financing volume (EUR bn)	13.8	13.1	EUR ~12 bn (non-strategic portfolio in run-down mode)
Income statement (IFRS, EUR mn)	2017	2018	Guidance 2019
Net interest and commission income	415	456	Slightly lower
Loan-loss provisions	-10	-14	10-15 bp EL on REF financing volume
General administrative expenses	-199	-193	Slightly higher
Pre-tax profit	204	215	EUR 170-190 mn
Key ratios (%)	2017	2018	Guidance 2019
RoE before taxes ²	7.4	7.1	5.5-6.5%
RoE after taxes ²	6.0	5.9	4.0-5.0%
CIR	47.0	44.2	Slightly higher
CET1 ratio (fully loaded)	17.6	18.5 ²	Significantly above SREP requirement of 9.5% + countercyclical buffer of 0.35% (2018 ³ : 9.75% + 0.2%)

Note: Figures may not add up due to rounding 1 Incl. extensions > 1 year 2 Taking into account the AT1 coupon for 2019 2 Incl. full-year result, post proposed dividend 3 Fully-loaded

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