

Solid full-year results 2020 with PBT of € 154 mn
despite COVID-19 pandemic

Preliminary Full Year Results 2020

4 March 2021

Annual Press Briefing

Andreas Arndt

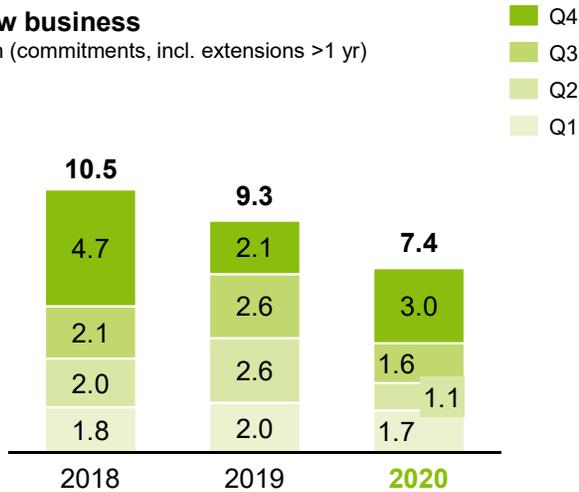
CEO/CFO

Operating and financial overview



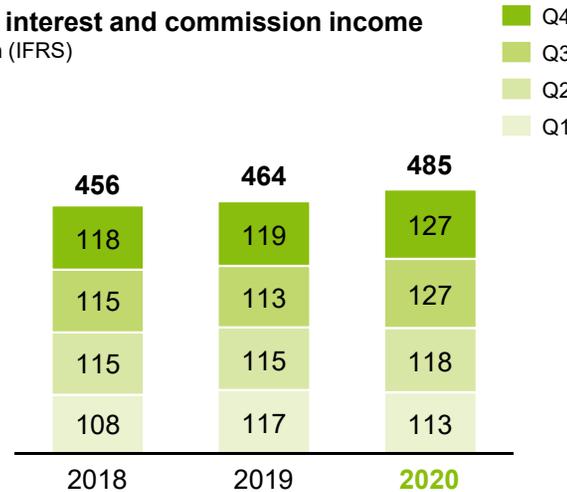
New business

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



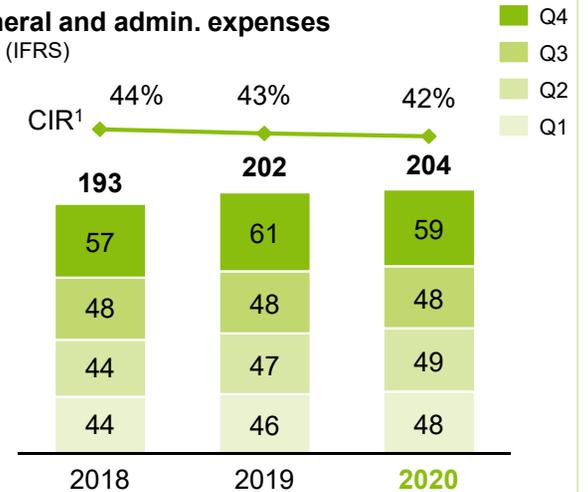
Net interest and commission income

€ mn (IFRS)



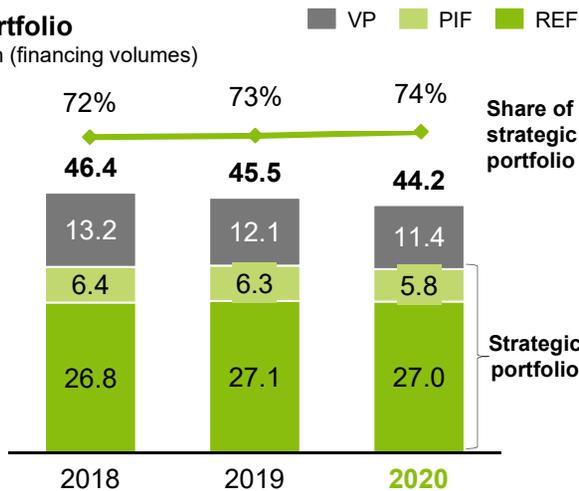
General and admin. expenses

€ mn (IFRS)



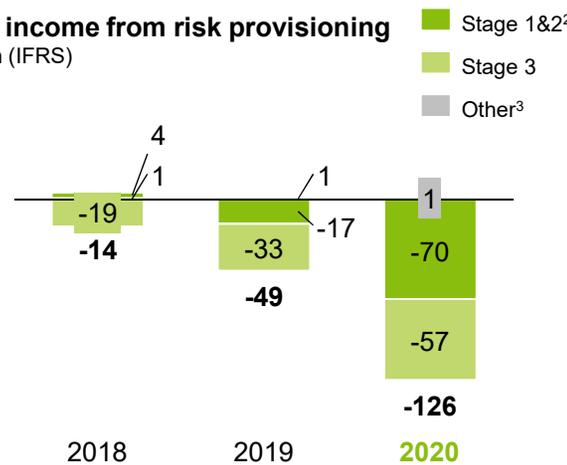
Portfolio

€ bn (financing volumes)



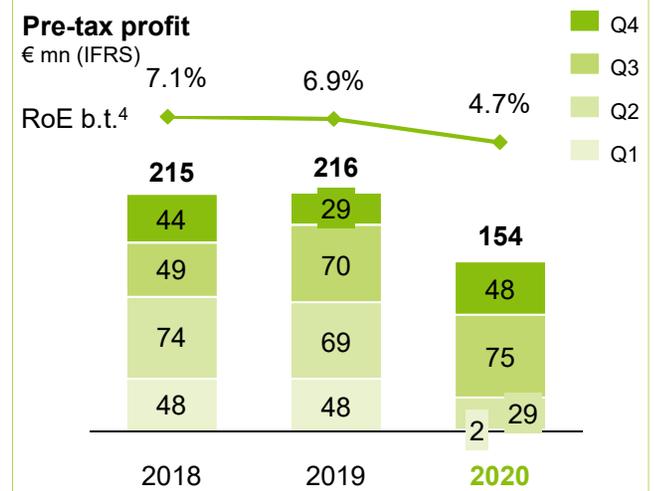
Net income from risk provisioning

€ 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. ² Incl. provisions in off balance sheet lending business. ³ Recoveries from written-off financial assets. ⁴ After AT1 coupon (2018: pro-rata € 12 mn; 2019: € 17 mn; 9M/20: pro-rata € 13 mn) assuming full payment of the discretionary coupon.

Financials

NII increased by 5% y-o-y, supported by positive effect from TLTRO and floor income

Income from lending business

€ mn

| | Q4/19 | Q4/20 | FY19 | FY20 |
|-------------------------------|-------|-------|------|------|
| Net interest income | 117 | 125 | 458 | 479 |
| Net fee and commission income | 2 | 2 | 6 | 6 |

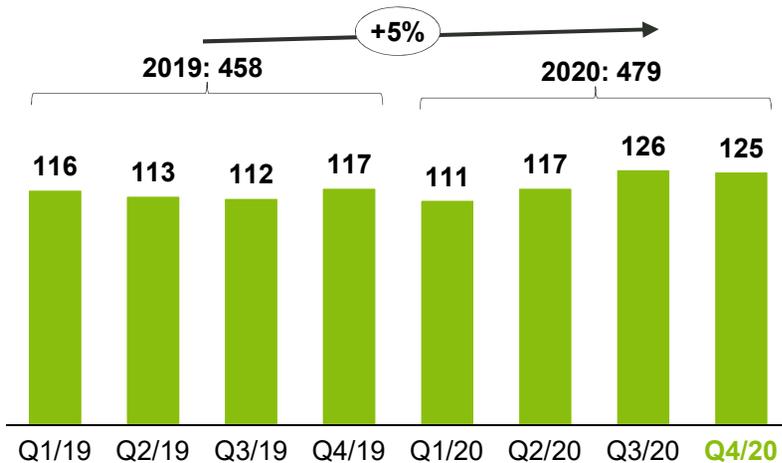
| | Q4/19 | Q4/20 | FY19 | FY20 |
|------------------------------|-------|-------|------|------|
| Net income from realisations | 17 | 6 | 48 | 26 |

Key drivers 2020:

- **NII up, supported by**
 - lower refinancing costs (e.g. USD tender of Bundesbank, maturities, pos. effect from TLTRO III since end of June)
 - improved floor income from continued low interest environment
- overcompensating for
 - slightly lower avg. strategic REF financing volume y-o-y (2020: € 26.9 bn; 2019: € 27.4 bn)
 - further run-down of the non-strategic Value Portfolio
 - lower income from equity book
- **Net income from realisations down y-o-y, reflecting lower prepayment fees**

Net interest income

€ mn



Financials

Risk provisioning: Build-up of provisions for future potential impacts from COVID-19

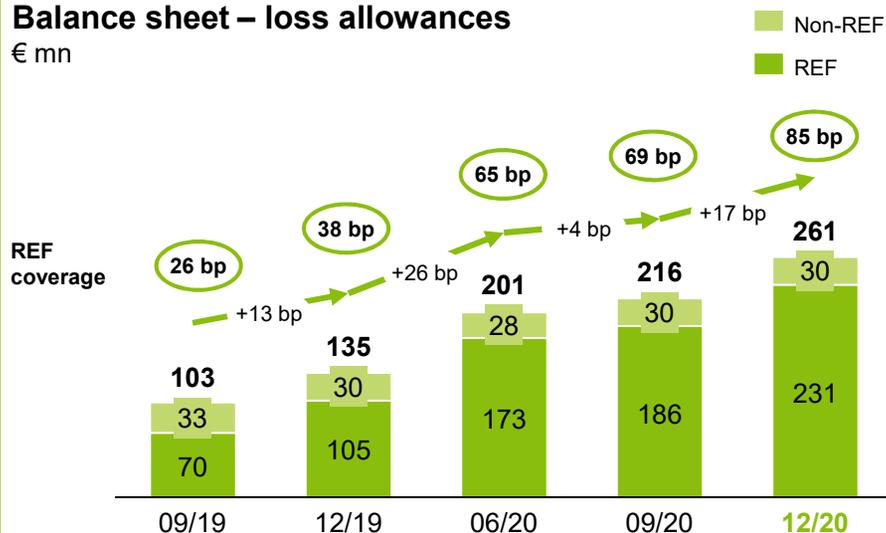
Net income from risk provisioning

€ mn

| | Q4/19 | Q4/20 | FY19 | FY20 |
|------------------------------------|-------|-------|------|------|
| Net income from risk provisioning | -39 | -42 | -49 | -126 |
| thereof | | | | |
| stage 1 | -15 | -7 | -15 | -29 |
| stage 2 | -7 | -14 | -1 | -32 |
| stage 3 | -18 | -14 | -33 | -57 |
| Off balance sheet lending business | - | -8 | 1 | -9 |
| Recoveries | 1 | 1 | -1 | 1 |

Balance sheet – loss allowances

€ mn



Key drivers 2020:

- **Net income from risk provisioning** of € -126 mn (2019: € -49 mn) driven by model-based additions in stage 1&2 and revaluation driven additions in stage 3 for already stage 3 provisioned UK shopping centres
- **Stage 1&2:** Net additions² of € 70mn (2019: € 16 mn) driven by **downward adjustments of economic and real estate forecasts – further adjustments** in Q4/20 due to current developments (e.g. 2nd lockdown)
 - **No management overlays** or other relief measures
 - **No smoothing** of development of property valuations
 - **Migration from stage 1 to 2** affects loans with a gross book value of € 7.8 bn (Q4/20: € 0.2 bn) of which € 1.9 bn were repaid by end of 2020
- **Stage 3:** Net additions of € -57 mn (2019: € -33 mn) for **UK shopping centres**; no stage 3 additions for new cases
- Significant build-up of **loss allowances** on balance sheet over the last quarters – REF coverage of 85 bp more than tripled since 09/19
- **Coverage ratio:** Stage 3 coverage ratio¹ at 25% (09/20: 20%, 12/19: 11%)

Additional collateral not taken into account – incl. these factors, REF coverage ratio at approx. 100%

¹ Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities)

² Incl. provisions in off balance sheet lending business

Financials

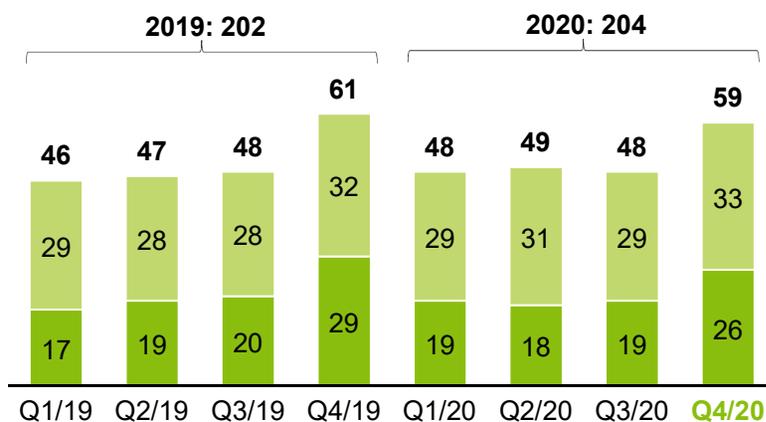
Operating costs under control

General & administrative expenses and depreciations

€ mn

| | Q4/19 | Q4/20 | FY19 | FY20 |
|---|-------|-------|------|------|
| General admin. expenses | -61 | -59 | -202 | -204 |
| <i>Personnel</i> | -32 | -33 | -117 | -122 |
| <i>Non-personnel</i> | -29 | -26 | -85 | -82 |
| Net income from write-downs and write-ups on non-financial assets | -5 | -5 | -18 | -19 |
| <i>CIR (%)</i> ¹ | 48.9 | 41.3 | 43.5 | 42.2 |

■ Personnel
■ Non-personnel



Key drivers 2020:

- **GAE** stable y-o-y with two counter-balancing effects:
 - **Personnel expenses:** Increase due to higher FTE number (12/20: 782; 09/20: 772; 12/19: 752), esp. driven by IT insourcing and ramp up of capacities for regulatory projects
 - **Non-personnel expenses** down – lower office/admin costs overcompensating increase in IT and consulting expenses
 - **Net income from write-downs and write-ups on non-financial assets** driven by scheduled depreciations
Increase y-o-y reflects recognition of lease contracts as right-of-use-assets (IFRS 16) since mid of 2019 (related to head office in Garching)

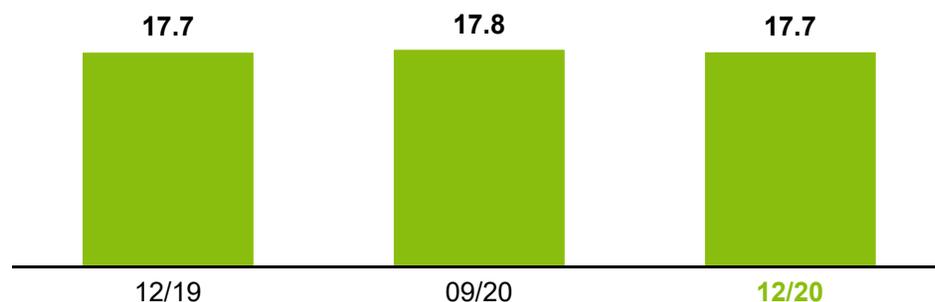
¹ CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income

Capital

Capitalisation remains strong

Basel III: RWA

€ bn (IFRS)



Basel III: Equity and capital ratios

(IFRS)

| Capital in € bn | 12/19 | | 09/20 ² | 12/20 ³ |
|---------------------|------------|------------------------------------|--------------------|--------------------|
| | reported | full profit retention ¹ | | |
| CET 1 | 2.7 | 2.8 | 2.7 | 2.9 |
| AT 1 | 0.3 | 0.3 | 0.3 | 0.3 |
| Tier 2 | 0.6 | 0.6 | 0.6 | 0.6 |
| Total Equity | 3.6 | 3.7 | 3.6 | 3.8 |

| Capital ratios in % | 12/19 | | 09/20 ² | 12/20 ³ |
|---------------------|----------|------------------------------------|--------------------|--------------------|
| | reported | full profit retention ¹ | | |
| CET 1 | 15.2 | 15.9 | 15.3 | 16.1 |
| Tier 1 | 16.9 | 17.5 | 17.0 | 17.8 |
| Own funds | 20.4 | 21.1 | 20.4 | 21.4 |
| Leverage ratio | 5.4 | 5.6 | 5.7 | 6.0 |

Note: Figures may not add up due to rounding

¹ Retrospectively adjusted, incl. full-year result 2019, based on resolution of AGM to allocate the distributable profit 2019 to other revenue reserves on 28 May 2020

² Excl. interim result, incl. full-year result 2019

³ After approved year-end accounts

RWA development 2020:

- RWA stable y-o-y as a result of the recalibration to expected Basel IV levels in Q4/19, which tends to enhance the stability of risk-weights
 - So far, no significant systematic deterioration in the portfolio
 - RWA increase from individual deteriorations due to COVID-19 and new business compensated by relief out of repayments, FX and maturity effects
 - However, potential future impacts on RWA due to COVID-19 driven reclassification effects

Capital ratios:

- CET 1 ratio of 16.1%³ up (09/20: 15.3%², 12/19: 15.9%¹)
- Increase in regulatory CET 1 capital y-o-y resulting from reduced EL shortfall due to build-up of risk provisions

SREP requirements:

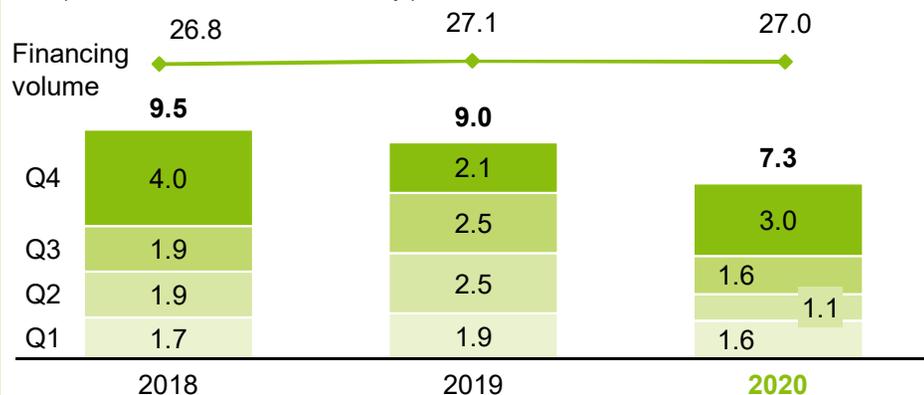
- SREP requirements (excl. anticipated countercyclical buffer of 45 bp):
 - CET 1 ratio: 9.5%
 - Tier 1 ratio: 11.0%
 - Own funds ratio: 13.0%
- ECB's Banking Supervisory Committee lowered requirements due to COVID-19 as of 12.03.2020 with 1.09%-pts CET1-relief for pbb – temporarily adjusted CET1 requirement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

New business

REF new business volume of € 7.3 bn only slightly below initial guidance despite COVID-19 related lower investment activities – avg. REF gross interest margin up to ~180 bp y-o-y

REF New business

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



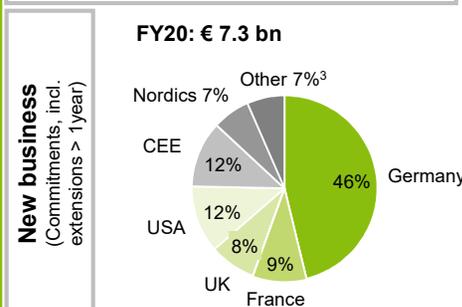
Key drivers 2020:

- REF new business of € 7.3 bn on solid level and only slightly below initial guidance of € 8-9 bn despite COVID-19 related lower investment activity
 - Avg. gross interest margin of ~180 bp significantly up y-o-y (2019: ~155 bp) with some weakening effect in Q4/20
 - Continued selective approach with focus on conservative risk positioning – avg. LTV improved y-o-y from 58% to 54%²
 - Only small **prepayments**, but higher share of **extensions** (2020: 36%; 2019: 21%) – no forced extensions
 - No **new loan commitments** in property types Hotel and Retail Shopping Centres since worldwide spread of COVID-19 in March 2020 – only extensions at conservative conditions
 - Good **deal pipeline** supports solid new business volume in Q1/21 at continued elevated margin level
- PIF new business of € 0.1 bn remains low in line with strategy

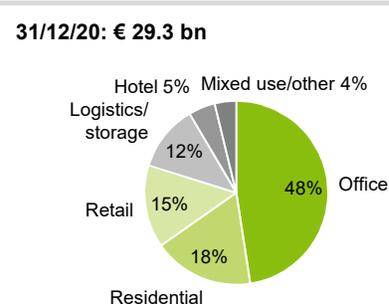
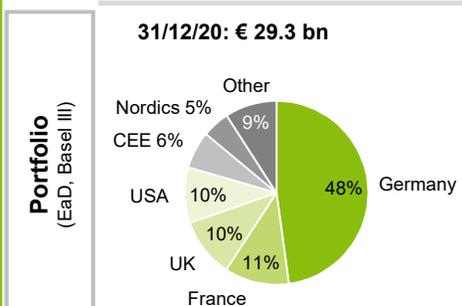
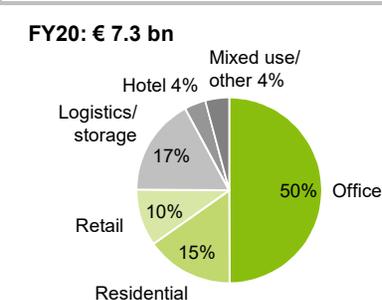
REF new business

| | FY19 | 9M/20 | FY20 |
|------------------------------------|------|-------|------|
| Total volume (€ bn) | 9.0 | 4.3 | 7.3 |
| thereof: | | | |
| Extensions >1 year | 1.9 | 1.4 | 2.6 |
| No. of deals | 155 | 94 | 142 |
| Avg. maturity (years) ¹ | ~4.6 | ~4.0 | ~4.3 |
| Avg. LTV (%) ² | 58 | 53 | 54 |
| Avg. gross interest margin (bp) | ~155 | >180 | ~180 |

Regions



Property types



Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 2020: 54%, 2019: 55% 3 Netherlands, Austria, Spain

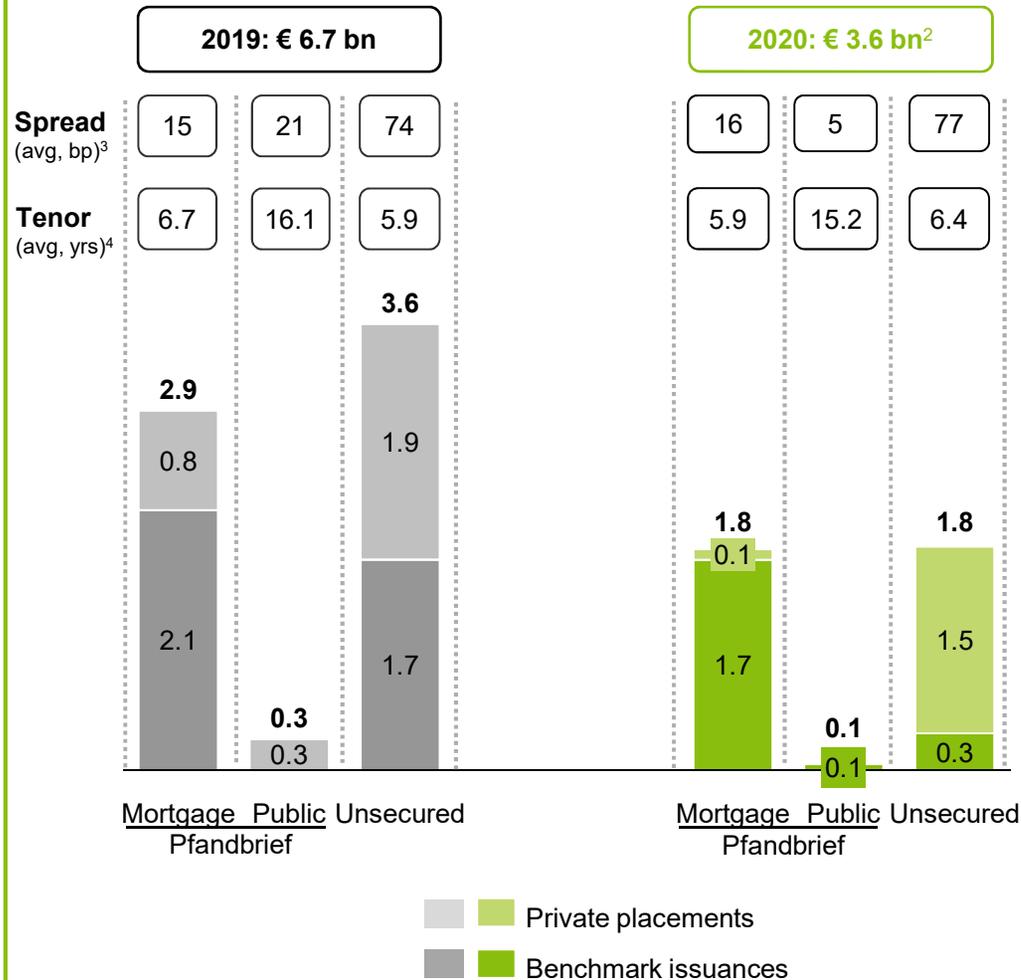
Funding

Good funding activities in 2020 at relatively stable avg. funding spreads compared to 2019, supported by TLTRO III – strong start into 2021



New long-term funding¹

€ bn



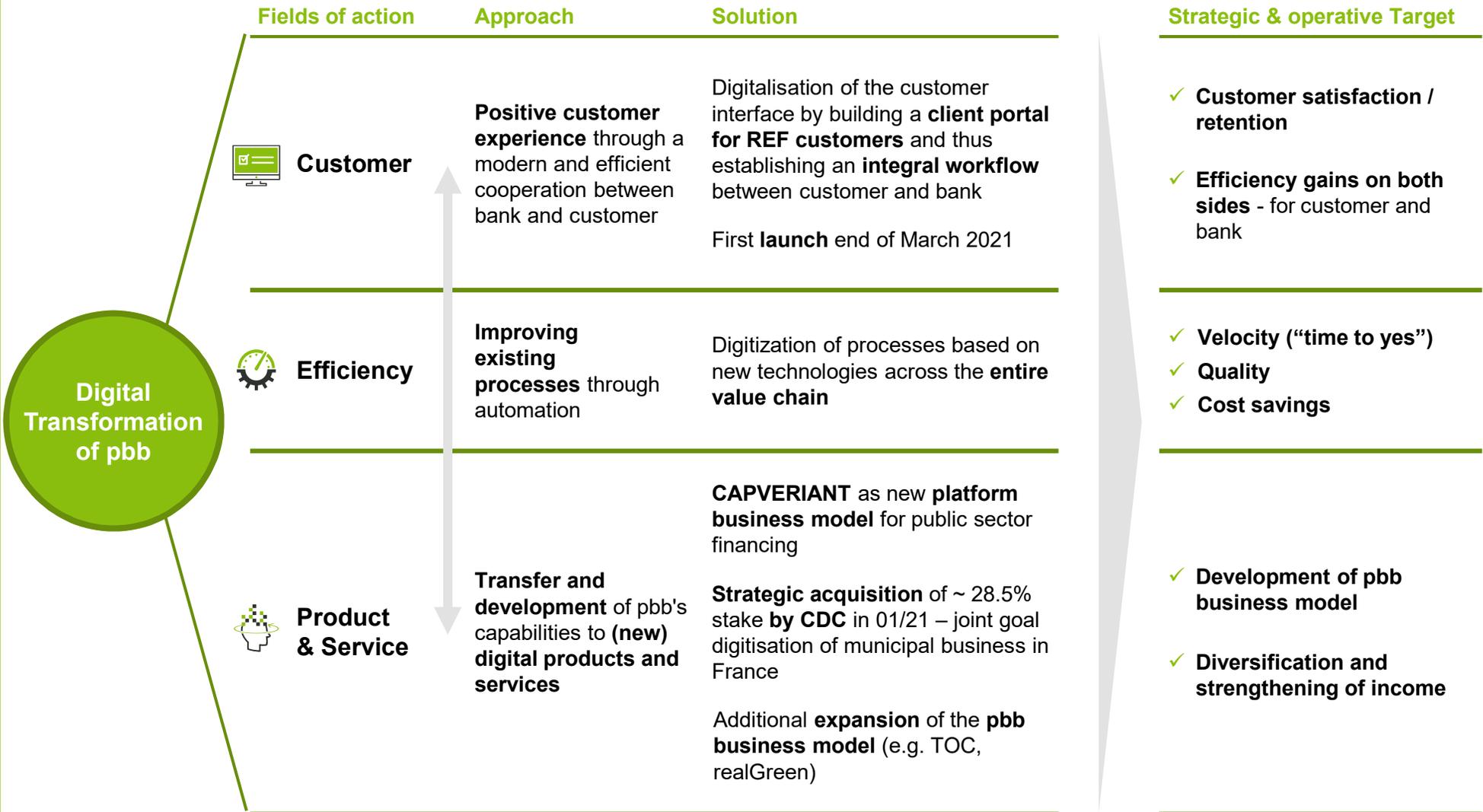
Funding 2020

- **Good funding activities** in 2020 at relatively stable avg. funding spreads compared to 2019
 - **Good access and timing** in capital markets despite market disruption due to pandemic
 - **Funding targets** fully met with funding largely collected prior to COVID-19 outbreak
- **Broadening of investor base**, with Benchmark Pfandbriefe in SEK and GBP (incl. first SONIA Benchmark)
- Strong demand for **Private Placements** (focus on senior preferred) supported by strong markets
- **Retail deposit** funding channels established and scalable – in 2020, wholesale funding need has been reduced by increasing deposit base (12/20: € 3.2 bn, 12/19: € 2.8 bn)
- € 7.5 bn participation in **TLTRO III** to optimise funding costs – TLTRO III provides an attractive and flexible source of funding
- **Frontloading of funding** resulting in reduced need for capital market funding in 2021 and **comfortable liquidity buffer**, sufficient to cover even internal stress test well beyond 6 months
- **ALM profile** and **liquidity position** remain comfortable (NSFR >100%; LCR >150%)
- **Strong start into 2021** with a USD 750 mn 3Y Pfandbrief Benchmark and an inaugural € 500 mn Green Senior Preferred 5Y Benchmark, both issued in January

Note: Figures may not add up due to rounding 1 Excl. retail deposit business 2 Excl. "own use" Pfandbriefe issued as collateral for TLTRO III 3 vs. 3M Euribor 4 Initial weighted average maturity 5 Initial weighted average maturity of term deposits

Strategic Initiatives

Digitalisation: pbb's digital transformation follows 3 strategic directions – strong focus on process efficiency and customer interaction



Summary & Outlook

pbb well positioned to manage challenges ahead



Summary 2020

- **Solid performance** with PBT of € 154 mn
- **NII** remains robust, supported by positive effects from market funding and TLTRO III
- **Operating costs** are under control
- **Risk provisioning** with strong build-up of provisions against future pandemic impact on loans
- Solid **REF new business volume** with strong increase in **avg. gross interest margin**
- Strategic **REF** financing volume largely stable, high risk standards retained
- Strong **CET1 ratio** with 16.1%
- **Dividend** proposal of € 0.26 per share based on upper ceiling of ECB recommendation

Guidance 2021

- **Better PBT** compared to 2020, based on **solid operating performance** but **depending on COVID-19** developments and subsequent impact on loan-loss provisions
- **NII** stable to slightly higher, supported by continued low funding costs (incl. TLTRO) and floor income
- **Operating costs** stable
- **Risk provisioning** lower, depending on future potential impacts from COVID-19 pandemic; economic impacts expected to become more visible in H2/21
- **REF new business volume** of € 7.0-8.0 bn relatively stable, but moderate decrease of **avg. gross interest margins**
- Moderate growth in strategic **REF** financing portfolio
- Significantly **above SREP requirements**
- **Reassessment of dividend payment** in Q4/21; **dividend policy** of 50% regular dividend plus 25% supplementary dividend¹ remains valid

¹ Based on PAT and after AT1 coupon payment

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