

# Results Q2/H1 2024 – Swiss Bond Congress



## ESG Ratings

MSCI <sup>1</sup>	AAA
ISS ESG <sup>2</sup>	C/Prime
Sustainalytics <sup>3</sup>	23.3/Medium Risk with 0 being the best
Moody's ESG Solutions <sup>4</sup>	50/100

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# BUSINESS MODEL, MARKETS & PRODUCTS

pbb is a leading, specialized commercial real estate lender

Core Business

## Funding

- Strong capital market presence: benchmark issuances and private placements
- Resilient **Pfandbrief** as main funding source complemented by unsecured bonds
- pbb one of most active senior unsecured **Green Bond** issuers
- EUR and foreign currencies

pbbdirekt

- Scalable **retail deposit** online-platform (pbb direkt)
- Call and term deposits (EUR, USD)

Specialized on-balance sheet lending ...



... based on stable, well diversified funding base

pbb

## CRE Lending

- Pfandbrief-eligible **senior loans**, complemented by limited non-senior loans
- **Structuring expertise** for complex/large transactions
  - ~ 150 deals per year
  - Ø deal size ~€ 50-70 mn
- **Green Loans** integral part of business model: **CRE transformation partner**

USP

- ▶ **Leading specialised CRE bank with high-risk competence**
- ▶ **Strong franchise** with long-standing client relationships
- ▶ **Local presence** in core **Europe and the US**
- ▶ **Resilient Pfandbrief** as main funding source – in addition, **scalable retail deposit platform**

New Business Lines

## RE Invest. Mgmt.

- Issuance of **open-ended real estate funds**
- **Capital-efficient** and **scalable** income source

## pbb Debt

- Provide required formats to **institutional investors** (e.g. debt funds)
- Leverage our extensive **market access**

## Green Consulting

- Advise on holistic solutions within the **green transformation of RE** (e.g. green development loans, green capex facilities)

Diversification of business model

- ▶ Diversify into **capital light business**
- ▶ **Sustainable finance** as an **important** contributor



# PFANDBRIEF COVER POOL

ISC and the effect of the Mortgage Lending Value – very simplified example!

## Interest Service Cover

(explanatory calculation for existing loans)

€ 4.0 mn rent p.a. at 4% property yield results in a market value of € 100 mn

minus

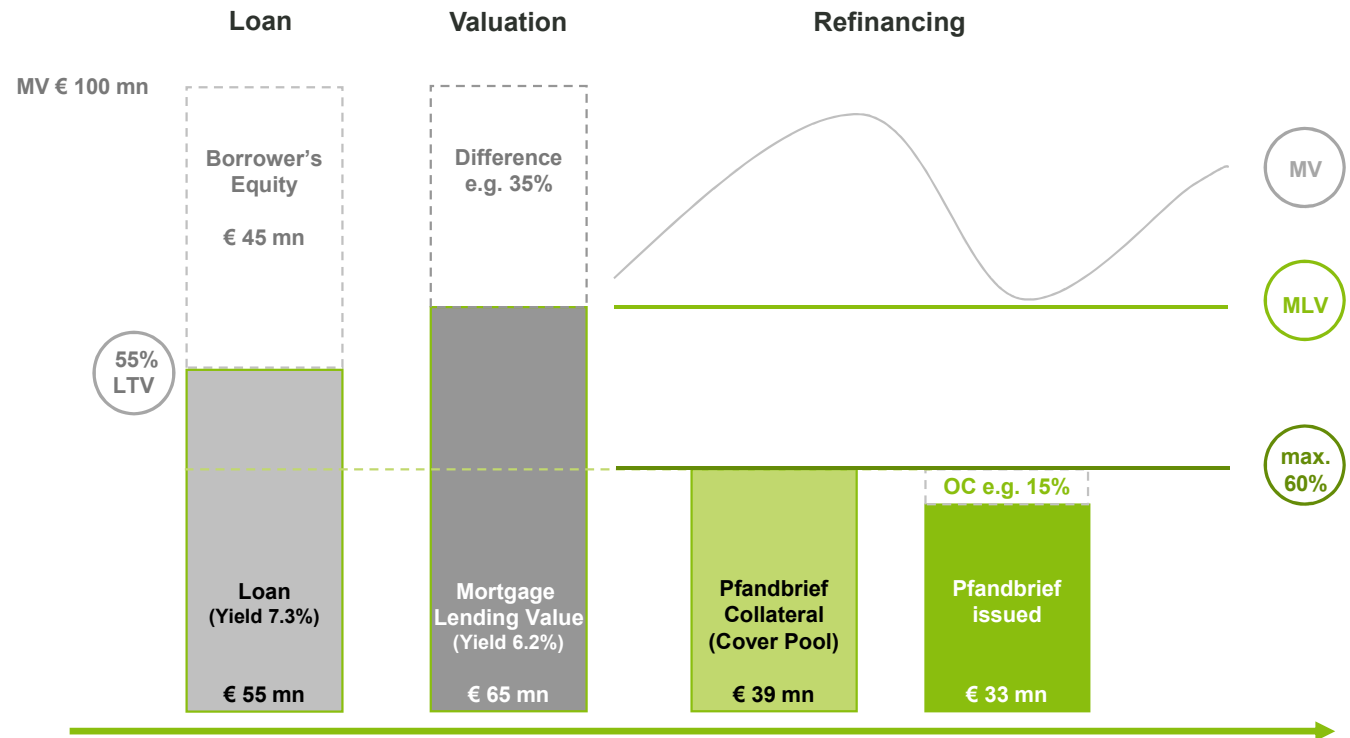
€ 1.1 mn interest payment p.a. for a € 55 mn loan at 2% interest rate

€ 2.9 mn excess cash

€ 4.0 mn rent  
 € 1.1 mn interest  
 = ~ 360% ISC

[at current interest rates of approx. 5 % the ISC drops to ~ 150%]

## Loan-to-Value Ratio



## KEY MESSAGES

### ➤ Pre-tax profit of € 47 mn in H1/24 due to robust operating performance

- € 150 mn **pre-provision profit** up by ~47% supported by **NII** (+14%)
- **New business** € 1.9 bn focused on favourable risk/return profile with ~240 bp gross interest margin
- € 103 mn **risk provisioning** remains elevated, reflecting challenging H1/24

### ➤ Transition into Basel IV F-IRBA regime started

- **CET 1 ratio with standardised risk parameters at 14.0%**
- **Technical uplift of RWA** (€ ~3.6 bn) mitigated by active balance sheet and NPL management (€ -1.5 bn)
- **Pro-forma Basel IV F-IRBA CET 1 ratio at 17.2%** – increase of 90 bp (vs. Q1/24)

### ➤ Strong liquidity position of € >7 bn – funding well ahead of 2024 plan

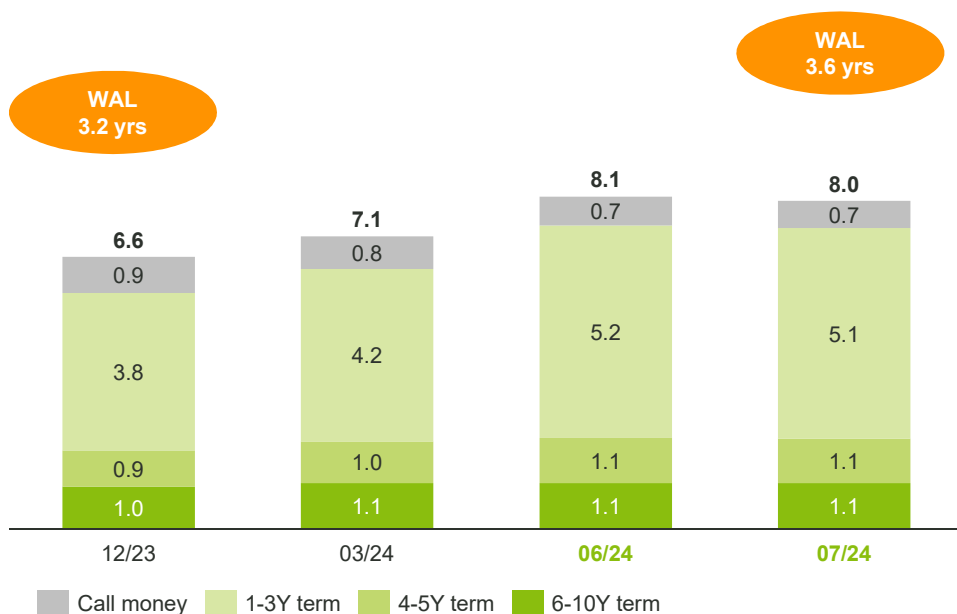
- **Pfandbrief funding** with € 2.0 bn issued year-to-date well ahead of needs
- **Retail deposits** at € 8.1 bn well above year-end target of € 7.5 bn
- No need for **Senior Unsecured funding** in 2024

1. Based on performing investment loans only

# RETAIL DEPOSITS

## Retail Deposits – development & maturity profile<sup>1</sup>

€ bn



pbb direkt <sup>3</sup>	12/23	03/24	06/24	07/24
Number of Clients	~91,900	~99,000	~107,500	~107,000
Avg. deposit amount per client (€)	~64,000	~61,000	~61,000	~60,000

Note: Figures may not add up due to rounding

1. Initial weighted average life of term deposits 3.6 years, remaining average time to maturity 2.4 years 2. Statutory deposit protection scheme in combination with the voluntary protection scheme of German Banks 3. Only pbb direkt clients without co-operations

Results H1/24 (IFRS, pbb Group, unaudited, but reviewed), 14 August 2024 / © Deutsche Pfandbriefbank AG

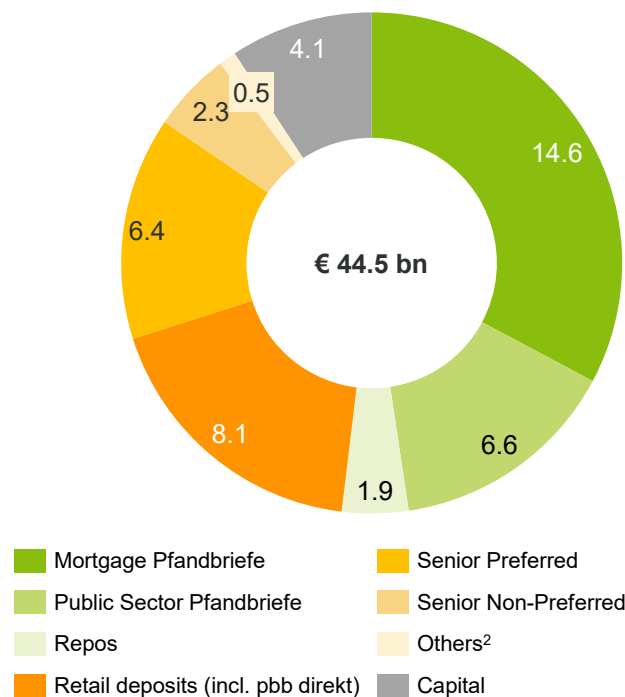
## Retail deposit growth exceeding unsecured funding needs

- Growth of **retail deposits** peaked at € 8.1 bn in H1/24
  - Current volume of € 8.0 bn (07/24) well exceeds needs
  - Focus in H2/24 on aligning deposit volume with actual overall balance sheet funding needs, **targeting € ~7.5 bn** by year-end
- **Attractive source** of unsecured funding
  - **Long-term, granular and deposit insured**
    - 91% term deposits, WAL stable at 3.6 yrs
    - € 61,000 average deposit (pbb direkt)
    - nearly 100% insured<sup>2</sup>
  - **Call money** only ~9% / € 0.7 bn well covered by liquidity reserves
  - **Cost efficient** – attractive funding costs around Euribor

# FUNDING AND LIQUIDITY

## Diversified Funding Base

30/06/2024: € bn, nominal values

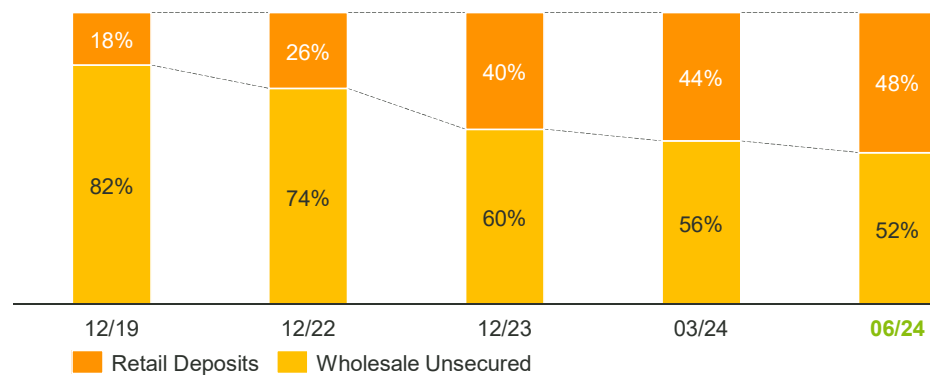


1. To be repaid in 2024 (liquidity neutral) 2. Others: e.g. institutional deposits and cash collateral 3. Pfandbriefe and Repos

Results H1/24 (IFRS, pbb Group, unaudited, but reviewed), 14 August 2024 / © Deutsche Pfandbriefbank AG

## Diversified funding base

### Unsecured Funding

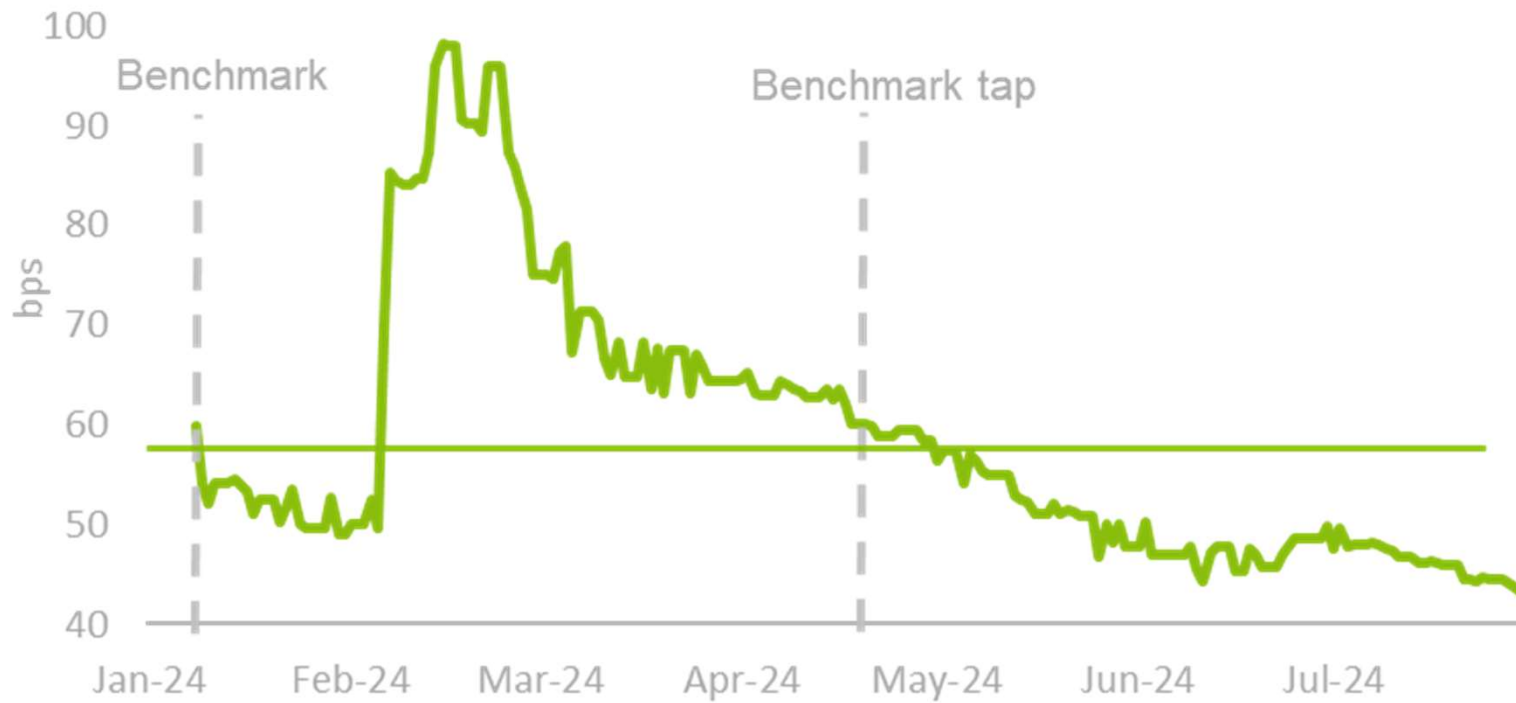


- Over 50% resilient **secured funding**<sup>3</sup>
- **Broad toolbox** for both, secured and unsecured funding
- Capital market **unsecured funding** currently **substituted with retail deposits**

# Volatility.....

The Capital Market shows: „better than in January“

### 3Y Pfandbrief vs. Midswaps

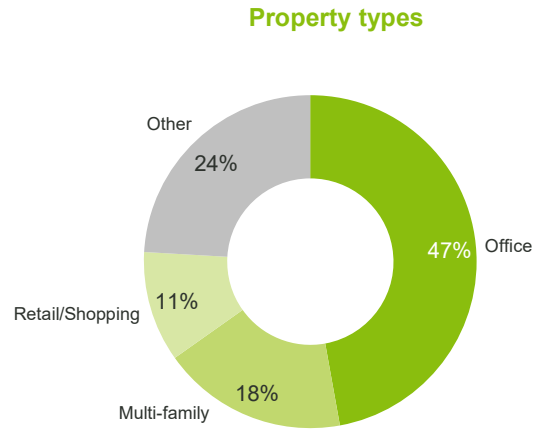
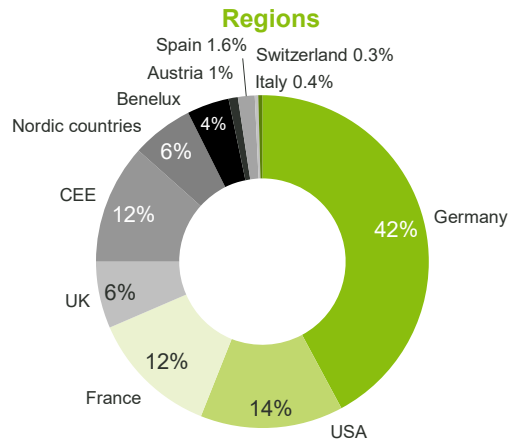




# MORTGAGE COVER POOL

## Diversification by countries and property types

### Mortgage Cover Pool

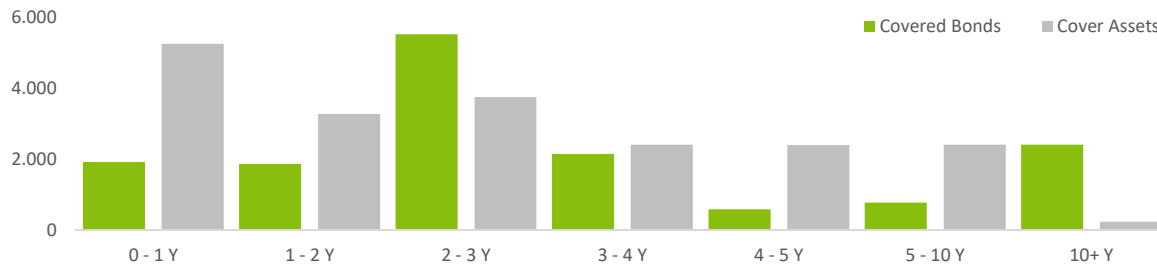


### Key metrics

Mortgage cover pool (nominal)	30/06/2024
Pfandbriefe outstanding	€ 15.2 bn
Cover funds	€ 19.8 bn
Over-collateralisation (Nominal/NPV)	29.7% / 31.9%
No. of loans	1,408
No. of properties	3,271
Payments ≥ 90 days overdue	€ 0.7mn
Weighted average LTV (based on market value)	35.8%

### Maturity Profile

(nominal values, € mn)

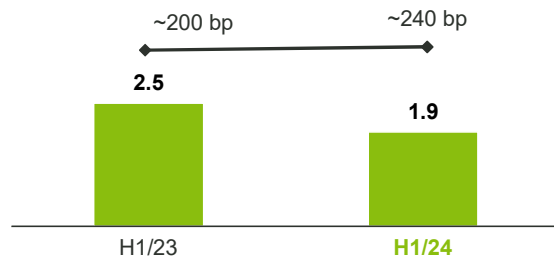


# OPERATING & FINANCIAL OVERVIEW

New business with strong margins and focus on risk/return profile

## REF new business

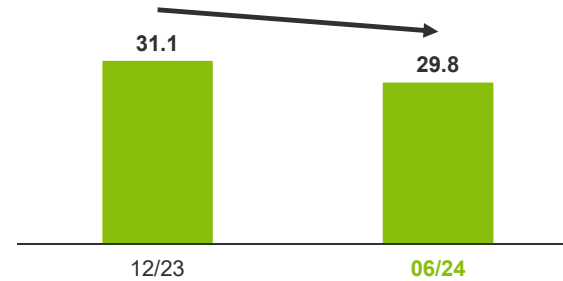
€ bn (commitments, incl. extensions > 1 yr.)



- New business with focus on risk/return profile
- Strong uplift of gross interest margin
- Full-year expected at € ~6 bn

## REF portfolio

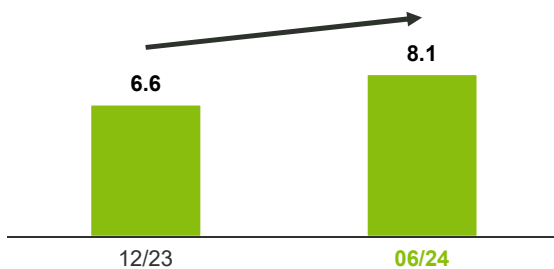
€ bn (financing volume)



- REF portfolio decreased, mainly due to portfolio transaction (€ -0.9 bn)
- Gross portfolio margin up
- Portfolio volume expected at € ~30 bn by year-end

## Funding – retail deposits

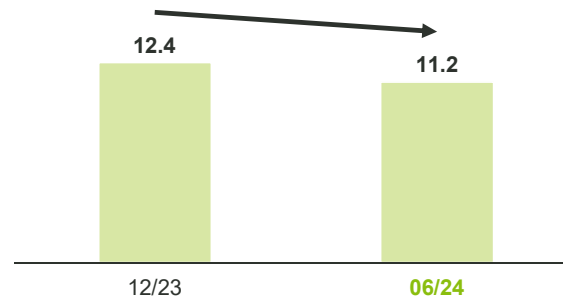
€ bn



- Strong growth of retail deposits, ahead of plan
- Expected to be at € ~7.5 bn by year-end due to balancing of funding needs

## Non-Core portfolio

€ bn (financing volume)



- Optimisation of non-core portfolio ongoing
- Accelerated asset reduction through asset sales at attractive price levels

Note: Figures may not add up due to rounding

# BALANCE SHEET MANAGEMENT

## Pro-active management of pbb's balance sheet

### Active REF Portfolio Management

- Portfolio transaction in May 2024 – sale of € 0.9 bn performing loan portfolio, RWA relief of € 0.7 bn
- Transaction targets to improve REF portfolio RoE and to support capital trajectory
- Further sales of performing/non-performing loans in consideration

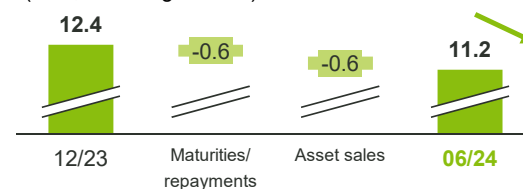
#### Portfolio transaction (€ bn, financing volume)



### Management of Non-Core Portfolio

- Non-strategic portfolio in run-down – acceleration through sale of assets
- € 0.6 bn asset sales in H1/24 (Q1/24: € 0.4 bn) – mainly public sector bonds from Austria, Japan and Germany

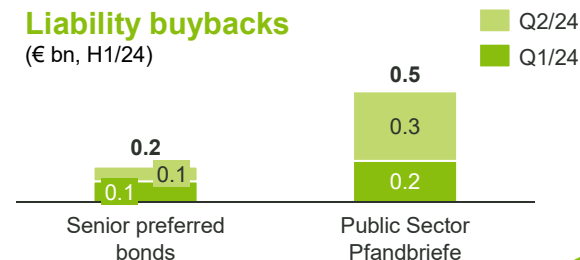
#### Non-core Portfolio (€ bn, financing volume)



### Liability Management

- Pro-active liability management aims to optimise asset/liability profile
- Buybacks common instrument of pbb's tool box
- € 0.7 bn buybacks in H1/24 (Q1/24: 0.3 bn)

#### Liability buybacks (€ bn, H1/24)

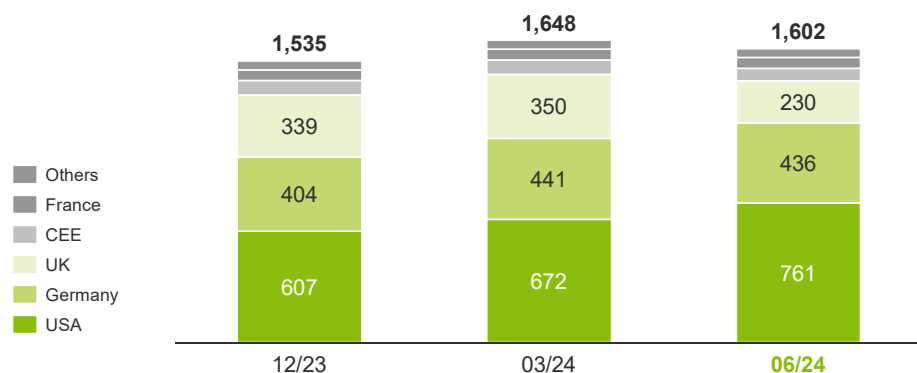


Note: Figures may not add up due to rounding

# NPL PORTFOLIO

## Geographical breakdown

€ mn (EaD, Basel III)



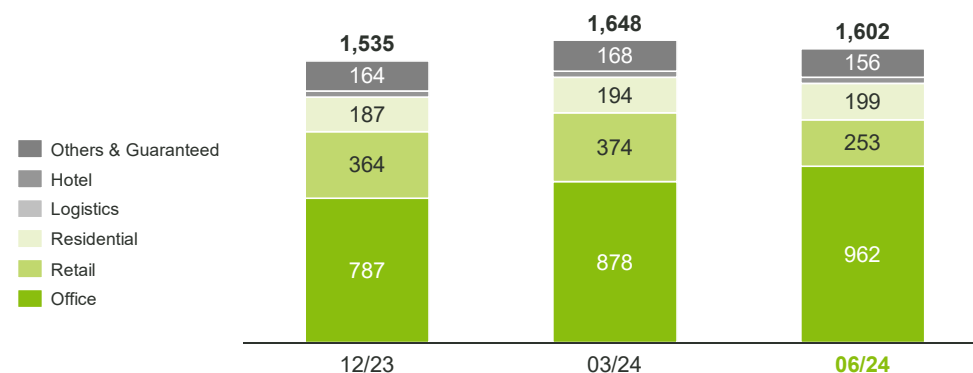
### Development q-o-q

- **USA:** Ongoing active management of NPLs with 3 loans (€ -162 mn) successfully restructured/worked out – addition of 4 new office loans (€ 243 mn), EaD/FX changes (€ 9 mn)
- **Germany:** Only development loans, small decrease by repayments
- **UK:** Sale of 2 shopping center loans (€ -125 mn)

Decrease in Q2/24 – active restructuring/work-out ongoing

## Breakdown by property type

€ mn (EaD, Basel III)



### Development q-o-q

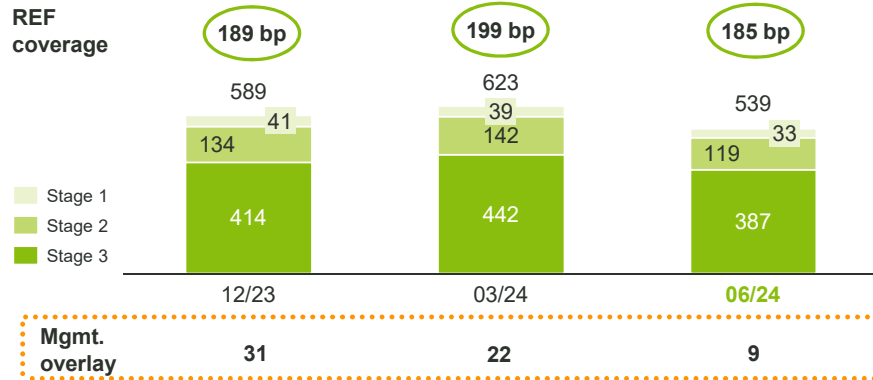
- **Office:** Increase in NPLs from US loans
- **Retail:** Decrease from sale of 2 UK shopping centres
- **Residential:** Increase from EaD changes
- **Others:** Decrease resulting from EaD changes

Note: Figures may not add up due to rounding 1. Based on investment loans only

# RISK COSTS

## Balance sheet – loss allowances

€ mn



- Reduction of **loss allowances** due to active NPL management
  - Main effect from sale of 2 UK shopping centre loans in Q2/24 with consumption of € 79 mn stage 3 risk provisions
  - **REF coverage** of 185 bp
- **Stage 1&2:** Net decrease mainly due to release/consumption of **management overlay** for US loans (€ 22 mn)
- **Stage 3:** Net decrease mainly due to consumption of risk provisions (incl. sale of 2 UK NPL loans in Q2/24)

Note: Figures may not add up due to rounding

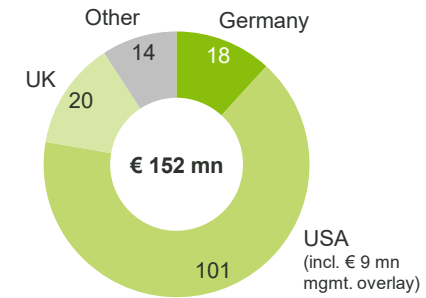
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## Active NPL management leads to reduction in loss allowances

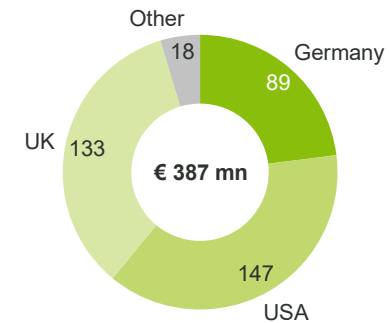
### H1/24

€ mn (IFRS)

#### Stage 1&2



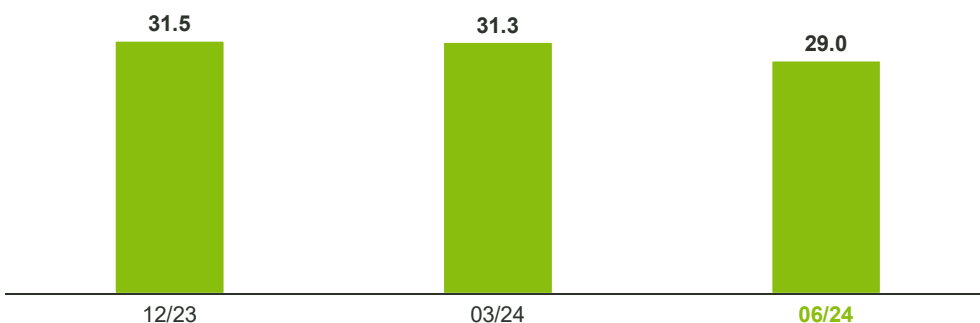
#### Stage 3



# REF PORTFOLIO PERFORMING

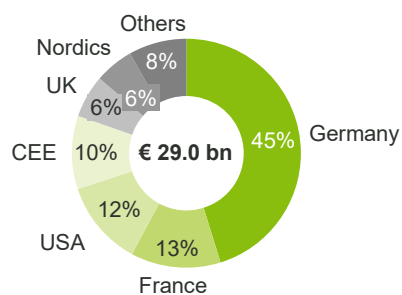
## Performing Portfolio

€ bn (EaD, Basel III)



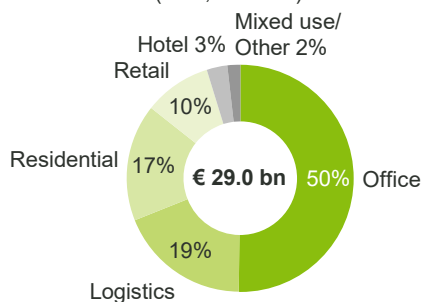
## Regions

30/06/2024 (EaD, Basel III)



## Property types

30/06/2024 (EaD, Basel III)



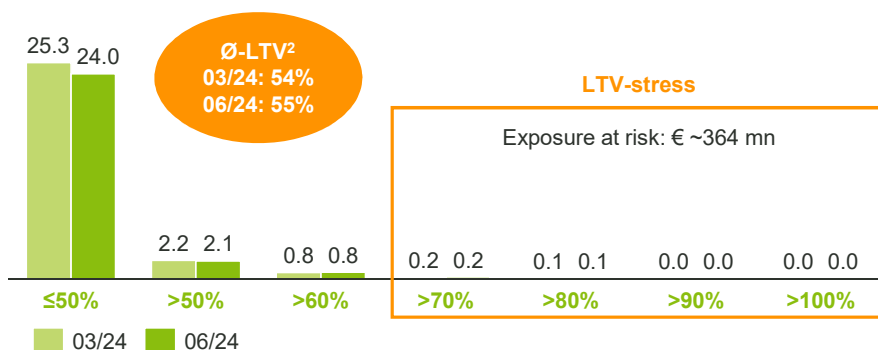
Note: Figures may not add up due to rounding. 1. On the part, where a revaluation was necessary 2. performing investment loans, based on commitments

## Portfolio reduced, mainly by portfolio transaction

- **Performing REF portfolio** reduced by € ~2.3 bn in Q2/24 through
  - Portfolio transaction (€ 0.9 bn)
  - Transfer to NPL (€ 0.2 bn)
  - Repayments & others (€ 1.2 bn)
- **Portfolio quality** remains solid – focus on senior lending only
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -10%<sup>1</sup>
- **Strong senior lending profile** – ~88% of loans collateralised at LTV ≤50%
- **LTV-stress:**
  - **Exposure at risk:** ~1.3% of portfolio<sup>2</sup>
  - **Coverage ratio:** ~41% via existing stage 1&2 LLPs of € 151 mn

## Layered LTV – based on performing investment loans only

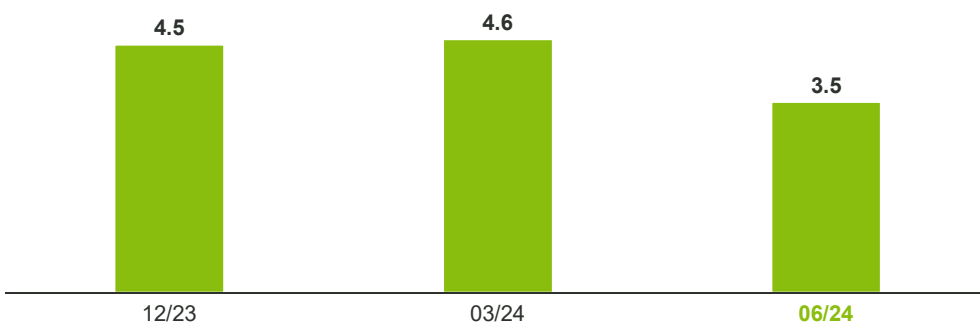
(€ bn, commitments, Basel III)



# FOCUS: USA PERFORMING

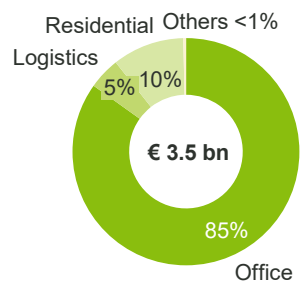
## Performing Portfolio

€ bn (EaD, Basel III)



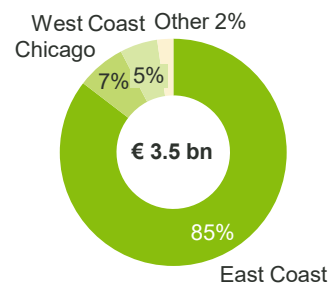
## Property types

30/06/2024: (EaD, Basel III)



## US Office – Regions

30/06/2024: (EaD, Basel III)

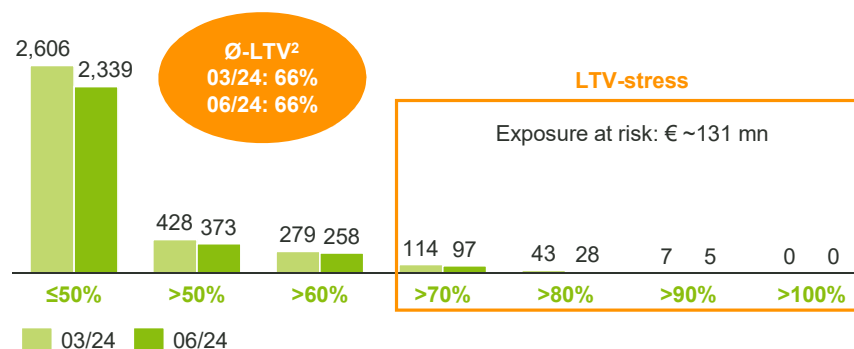


## Portfolio de-risked by € 1.1 bn (-24%)

- **Performing US portfolio** reduced by € ~1.1 bn in Q2/24 through
  - Portfolio transaction (€ 0.5 bn)
  - Transfer to NPL (€ 0.2 bn)
  - Repayments & others (€ 0.4 bn)
- Full focus on **risk mitigation** in existing portfolio
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -15%<sup>1</sup>
- **LTV-stress:**
  - **Exposure at risk:** ~4.2% of portfolio<sup>2</sup>
  - **Coverage ratio:** ~77% via existing stage 1&2 LLPs of € 101 mn

## US Office – Layered LTV – based on performing investment loans only

(€ mn, commitments, Basel III)

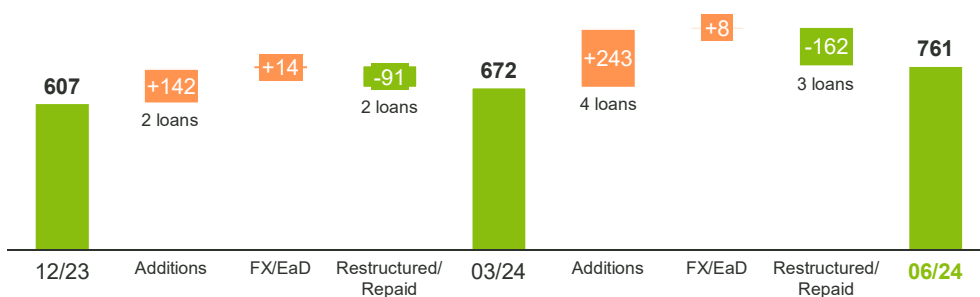


Note: Figures may not add up due to rounding 1. On the portfolio part, where a revaluation was necessary 2. performing investment loans, based on commitments, 03/24 corrected from 68% to 66%

## FOCUS: USA NPL

### Non-Performing Portfolio

€ mn (EaD, Basel III)

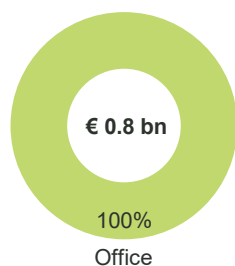


Ongoing pressure on valuations resulted in 4 new NPLs – partially compensated by 3 restructured/repaid loans

- 4 new office NPLs (€ 243 mn) in Q2/24, largely West Coast and Chicago
- Additions mitigated by ongoing active **NPL management** in Q2/24
  - 1 loan (€ 45 mn) restructured
  - 2 loans (€ 117 mn) repaid
  - Repayments and restructuring at internal valuation marks
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -46%<sup>1</sup>
- **US NPE<sup>2</sup> ratio 18%**
- **NPL coverage ratio** of ~19% via existing stage 3 LLPs of € 147 mn

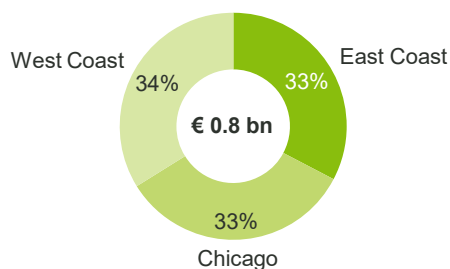
### Property types

30/06/2024: (EaD, Basel III)



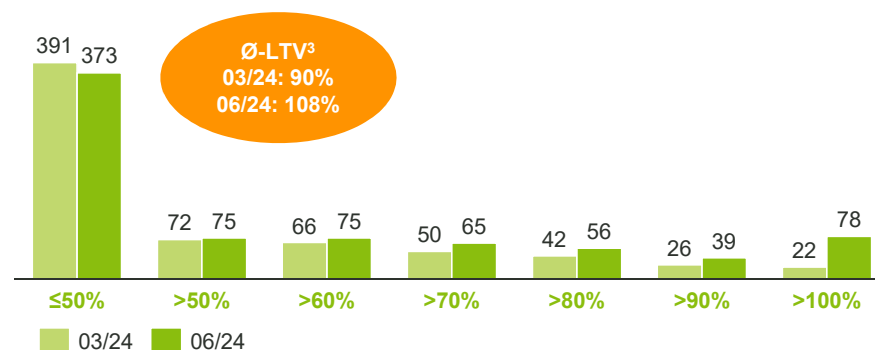
### Office – Regions

30/06/2024: (EaD, Basel III)



### Layered LTV – based on investment loans only

(€ mn, commitments, Basel III)



Note: Figures may not add up due to rounding. 1. On the portfolio part, where a revaluation was necessary

2. Non-Performing Exposure ratio = Non-performing loans and bonds / total US portfolio (EaD)

3. Non-performing investment loans, based on commitments

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## FUNDING AND LIQUIDITY

### Funding well ahead of 2024 plan

- € 2 bn **Pfandbrief** funding year-to-date well ahead of 2024 needs
- Growth of **retail deposits** peaked at € 8.1 bn in H1/24
  - Current volume of € 8.0 bn (07/24) well exceeds needs
  - Focus in H2/24 on aligning deposit volume with actual overall balance sheet funding needs, targeting € 7.5 bn by year-end
- No need for **Senior Unsecured funding** in 2024

### Strong liquidity position - focus shifting to cost optimisation

- **€ >7 bn liquidity position** further increased in light of balance sheet management transactions
- Strong regulatory ratios with both **LCR and NSFR** significantly above minimum requirements of 100%

Strong liquidity position to be actively managed going forward

LCR

>300%

(06/24)

NSFR

115%

(06/24)

Retail deposits

€ 8 bn

(07/24)

Liquidity

€ >7 bn

(07/24)

# ANSPRECHPARTNER



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