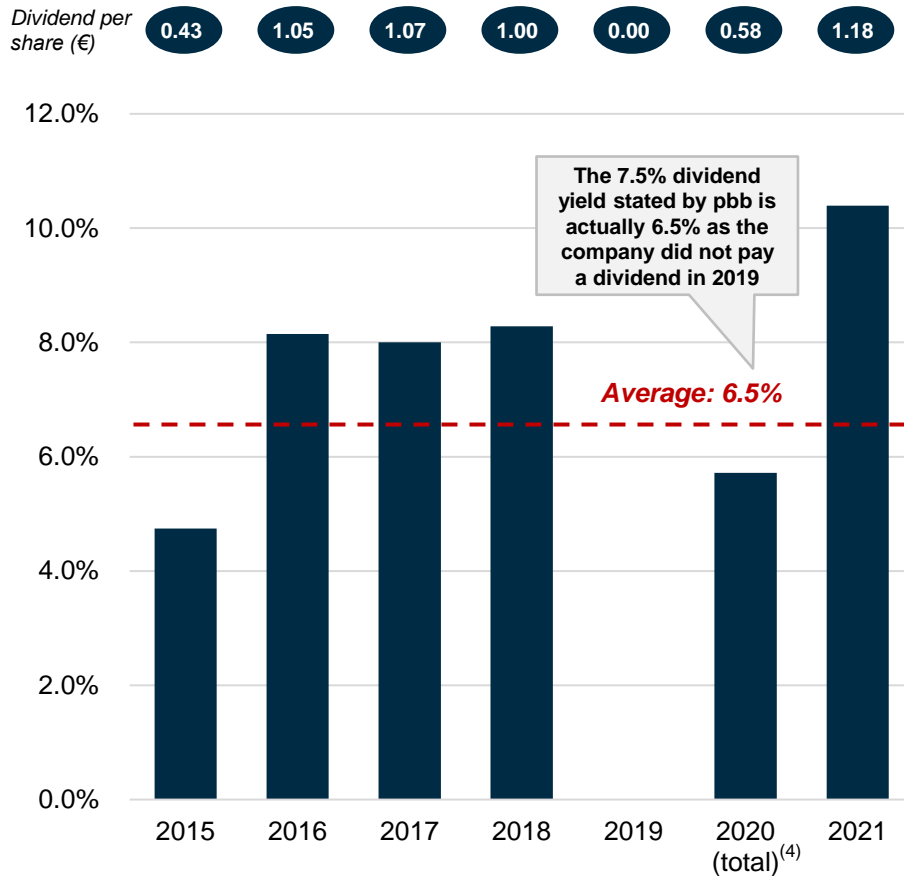
A background image showing a mix of architectural styles. On the left, a modern glass-fronted building is partially visible. On the right, a more ornate, classical-style building with a red brick facade and a dark roof with a dormer window is shown. The text is overlaid on the left side of the image.

Deutsche Pfandbriefbank (“pbb”)
*A solid yield on a disastrous and
shrinking valuation is nothing to brag
about*

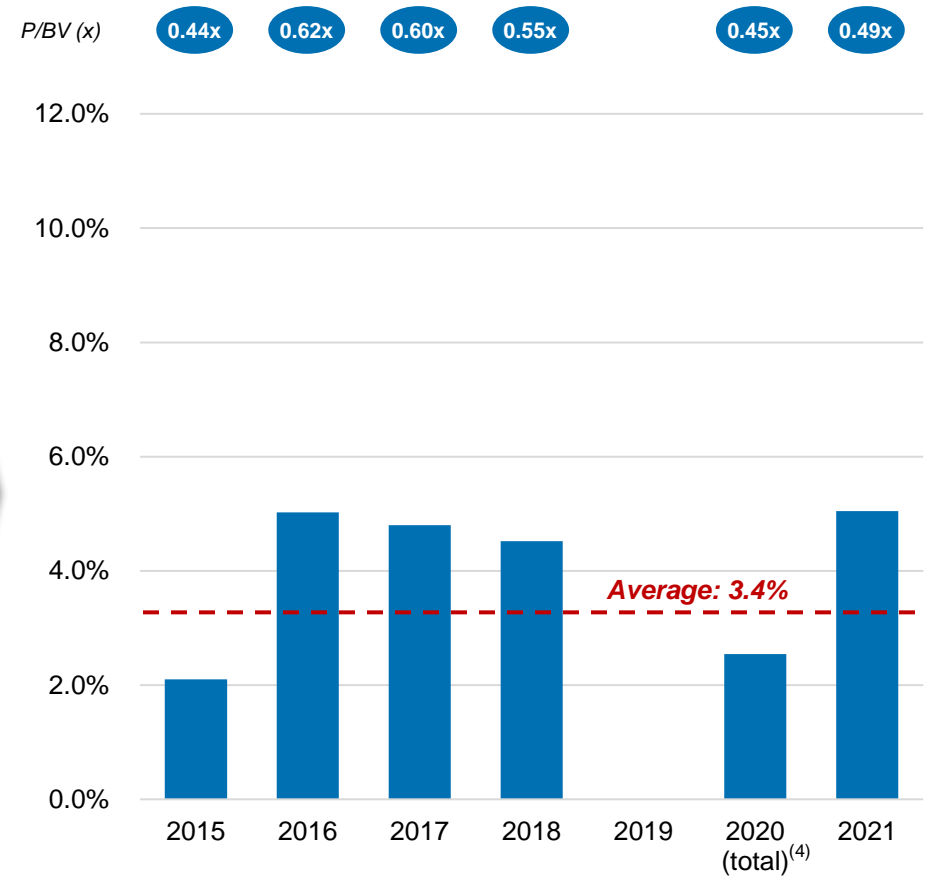
February 2023

pbb's "7.5% dividend yield" since IPO is fake news – to distract from a -27% share price performance⁽¹⁾

Dividend yield (% of market cap)⁽²⁾



Dividend yield (% of book value)⁽³⁾



Since IPO: pbb's share price is -27%⁽¹⁾, dividend yield is 6.5%, total shareholder return is 2.1%⁽¹⁾ p.a. & dividend yield on book value is 3.4%

Notes: (1) Refers to performance since closing price of IPO date; (2) Dividend yield = dividend (EUR per share) / share price on the day prior to the corresponding AGM/EGM that included a vote on the dividend distribution; (3) Dividend yield = dividend (EUR per share) / last reported book value per share prior to the corresponding AGM/EGM that included a vote on the dividend distribution; (4) Includes €0.26 dividend per share from May-21 and €0.32 dividend per share from Dec-21.

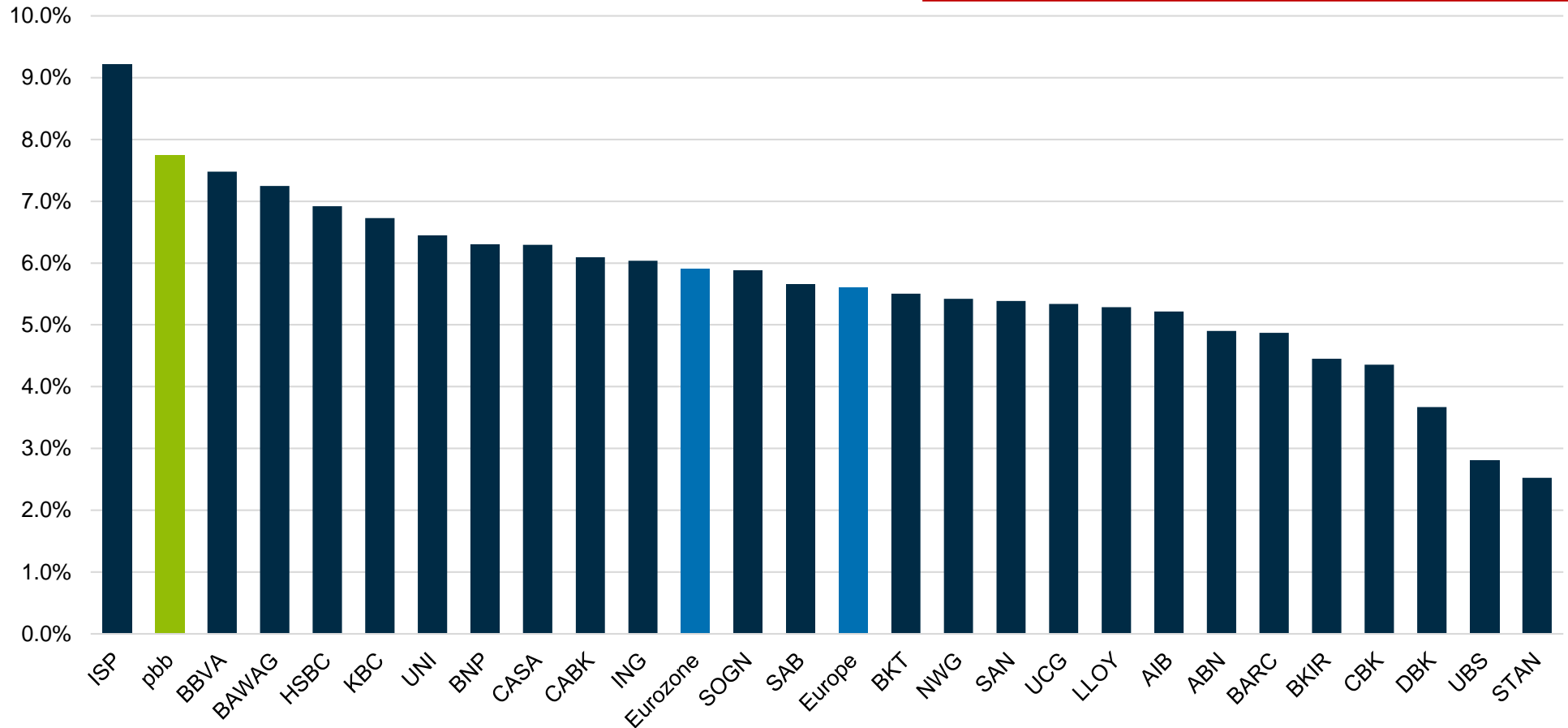
Source: Company filings, Factset as of 31-Jan-2023, Bloomberg as of 31-Jan-2023, Petrus Advisers analysis, pbb website (<https://www.pfandbriefbank.com/en/media/press/detail/deutsche-pfandbriefbank-ag-pbb-comments-on-public-letter-by-petrus-advisers.html>)

pbb claims that it is a “dividend stock” and that its dividend yield is “well above” the sector average...

Dividend (NTM) / market cap⁽¹⁾

Broker consensus

Excl. share buybacks; 76% of banks are expected to do share buybacks in addition to paying dividends⁽²⁾



Notes: (1) Selection based on Morgan Stanley Research coverage universe. Excl. Julius Baer due to its different business model; (2) Based on Morgan Stanley Research.

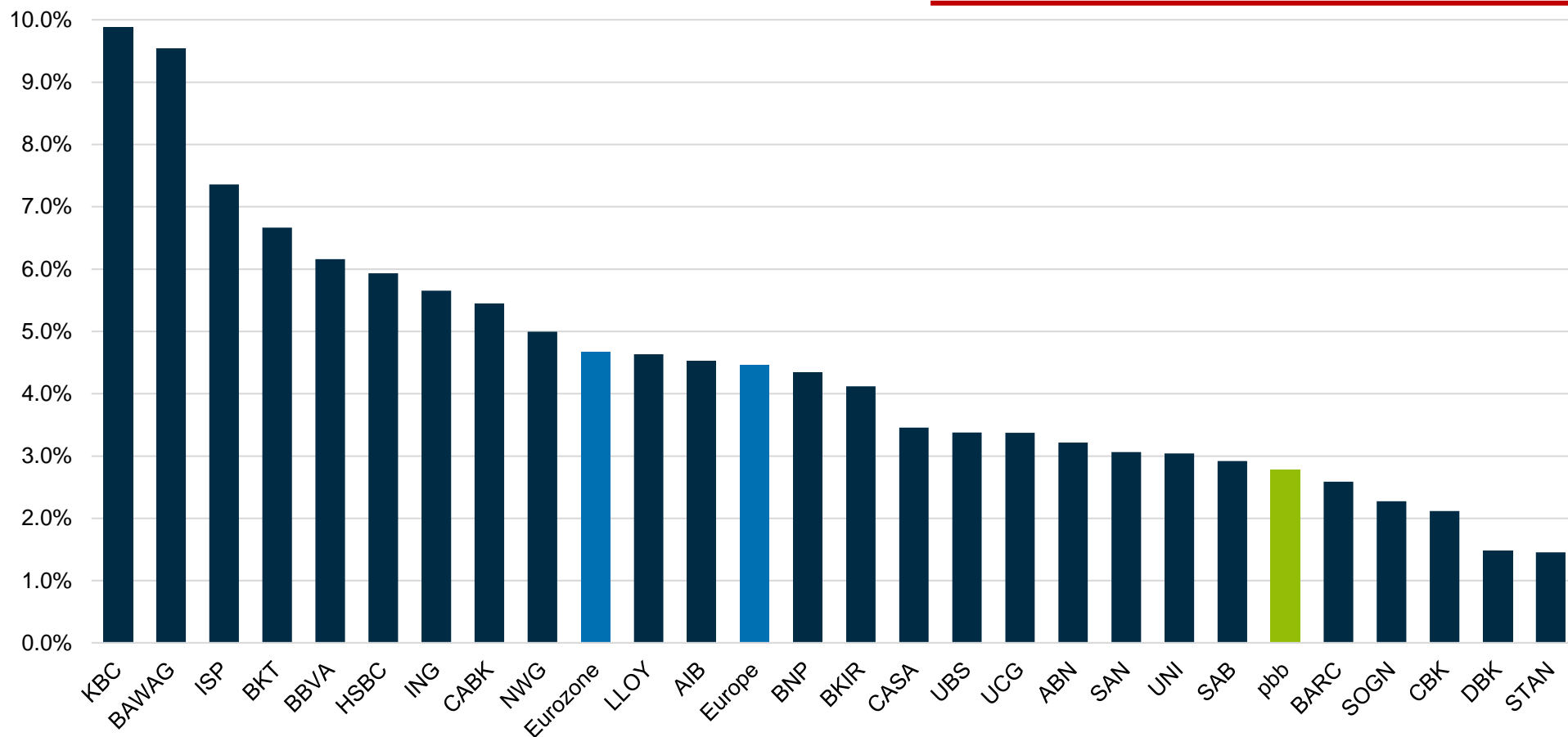
Source: Factset as of 31-Jan-2023, pbb website (<https://www.pfandbriefbank.com/en/media/press/detail/deutsche-pfandbriefbank-ag-pbb-comments-on-public-letter-by-petrus-advisers.html>)

...however, this is only because pbb's valuation/share price is so low

Dividend (NTM) / book value⁽¹⁾

Broker consensus

Excl. share buybacks; 76% of banks are expected to do share buybacks in addition to paying dividends⁽²⁾



Notes: (1) Selection based on Morgan Stanley Research coverage universe. Excl. Julius Baer due to its different business model. Book value refers to year-end 2022 broker consensus; (2) Based on Morgan Stanley Research. Source: Factset as of 31-Jan-2023

Simple logic: growing a loan book at returns below your costs destroys value

Research analysts agree with our valuation assessment: growth under the current business model destroys value

Assessment of valuation methodologies used by research

Research analysts that value pbb with Gordon Growth Model

Citi	✓
Kepler	✓
Oddo	✓
Metzler	✓
Deutsche Bank	(✓)
HSBC	✓
Pareto	(✓)
Gordon Growth Model used to determine pbb target price⁽¹⁾	86%

✓ = Target price determined with Gordon Growth Model
(✓) = Target price partially determined with Gordon Growth Model

Capital-adjusted Gordon Growth Model

Positive growth negatively affects the valuation if $RoE < CoE!$

$$P/BV = \frac{RoE - \text{growth}}{CoE - \text{growth}}$$

P = Market value
BV = Book value
RoE = Return on equity
CoE = Cost of equity
Growth = Growth in economic value added

Illustrative P/BV multiples for dif. growth rates (5.5% RoE & 10.5% CoE)

Growth rate	+2%	+1%	0%	(1%)	(2%)
Implied P/BV ⁽²⁾	0.42x	0.48x	0.53x	0.57x	0.60x

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