Quarterly Information as of 31 March 2023

Deutsche Pfandbriefbank Group

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Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–31.3.2023	1.1.–31.3.2022
Operating performance according to IFRS			
Profit before tax	in € million	32	42
Net income	in € million	27	36
Key ratios		**1.1.–31.3.2023**	**1.1.–31.3.2022**
Earnings per share	in €	0.17	0.24
Cost-income ratio[1]	in %	52.9	38.9
Return on CET1 capital before tax[2]	in %	3.7	5.3
Return on CET1 capital after tax[2]	in %	3.0	4.5
New business volume Real Estate Finance[3]	in € billion	1.0	2.1
Balance sheet figures according to IFRS		**31.3.2023**	**31.12.2022**
Total assets	in € billion	53.7	53.0
Equity	in € billion	3.5	3.4
Financing volumes Real Estate Finance	in € billion	29.4	29.3
Key regulatory capital ratios[4]		**31.3.2023**	**31.12.2022**
CET1 ratio	in %	16.6	16.7
Own funds ratio	in %	21.4	21.8
Leverage ratio	in %	5.8	5.9
Staff		**31.3.2023**	**31.12.2022**
Employees (on full-time equivalent basis)		800	791
Long-term issuer rating/outlook[5][6]		**31.3.2023**	**31.12.2022**
Standard & Poor's		BBB+/Stable	BBB+/Stable
Moody's Pfandbrief rating[6]		**31.3.2023**	**31.12.2022**
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

[1] Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.
[2] Return on CET1 capital before tax respectively after tax is the ratio of annualised profit before tax (net income) attributable to pbb shareholders less AT1-coupon and average CET1 capital.
[3] Including prolongations with maturities of more than one year.
[4] After confirmation of the 2022 financial statements, less AT1-coupon and less proposed dividend (subject to approval by the Annual General Meeting).
[5] The ratings of unsecured liabilities may diverge from the issuer ratings.
[6] The rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by Deutsche Pfandbriefbank AG (pbb).

This notice is a quarterly report of the Deutsche Pfandbriefbank Group (pbb Group) in accordance with section 53 of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange. Unless stated otherwise, the following comments are based on (unaudited) consolidated figures in accordance with International Financial Reporting Standards (IFRS), adopted by the EU. Furthermore, also unless stated otherwise, the comments relate to comparison with the same period of the previous year (1 January to 31 March 2022, also referred to as "3m2022" below) or, in the case of details concerning the statement of financial position, comparison with figures as at the previous year's reporting date (31 December 2022).

Development in Earnings

The consequences of the geopolitical upheavals – high inflation, tighter monetary policy and increased uncertainty – continued to weigh on the global economy in the first quarter of 2023. Even though inflation in industrialised nations slowed when compared to the peak levels registered in 2022, upward pressure on prices remains high. For example, the overall rate of inflation in Germany, at 7.4% in March, was still well above the ECB's targets.

Monetary policy remained hawkish against this backdrop during the first quarter of 2023. Most recently the ECB increased the interest rate on the main refinancing operations to 3.50%, and the interest rates on the marginal lending facility and the deposit facility to 3.75% and 3.00% respectively, with effect from 22 March 2023, pushing key interest rates significantly above the levels seen before the outbreak of Russia's war in Ukraine triggered a jump in inflation.

An uncertain economic outlook and concerns about how geopolitical tensions around the globe will continue to evolve going forward add to a heightened sense of insecurity. This insecurity was further intensified in March 2023 as the banking sector was thrown into turmoil after certain regional banks in the US collapsed and Credit Suisse was taken over by UBS following a major crisis.

High inflation and associated interest rate hikes continued to put pressure on real estate markets during the first quarter of 2023: in Europe, investment volumes were down 62% year-on-year, hitting an eleven-year low. In the US a similar situation is occurring, with transaction volumes 56% below those registered in the first quarter of 2022. Prices fell across all asset classes as investment demand slowed. Investment volumes are not expected to recover until borrowing costs stabilise, providing buyers and sellers with a sounder basis for buy and hold decisions. This could be the case in the second half of 2023, and it seems likely that markets such as the United Kingdom and the US would embark on the road to recovery sooner than markets in Continental Europe.

pbb Group has done well in this environment. Including the full €22 million in bank levy for the financial year 2023, profit before tax amounted to €32 million in the first quarter of 2023 (hereinafter "3m2023") and was within the forecast range of €170 million to €200 million for the full year, published at the beginning of 2023, on a pro rata basis. The main reason for the decrease in profit before tax compared to the first quarter of the previous year was the loss of earnings from interest rate floors as a result of higher interest rate levels. Another reason was investments made in support of strategic initiatives, which had an impact on general and administrative expenses.

In detail, the result was as follows:

Income and expenses

in € million	1.1.–31.3. 2023	1.1.–31.3. 2022
Operating income	119	149
Net interest income	106	122
Net fee and commission income	1	2
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1)]	1	9
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1)]	14	5
Net income from hedge accounting	-2	1
Net other operating income	-1	10
Net income from allowances on financial assets (Net income from risk provisioning)[1)]	-2	-18
General and administrative expenses	-58	-53
Expenses from bank levies and similar dues	-22	-31
Net income from write-downs and write-ups on non-financial assets	-5	-5
Profit before tax	**32**	**42**
Income taxes	-5	-6
Net income	**27**	**36**
attributable to: Shareholders	27	36
Non-controlling interests	-	-

[1)] Solely the condensed and parenthesised line item descriptions are used subsequently.

Net interest income of €106 million (3m2022: €122 million) was burdened by the aforementioned near-complete loss of earnings from interest rate floors. Furthermore, net interest income no longer benefited from last year's TLTRO III interest rate premium of 50 basis points. This decrease was partially compensated through the present-value effect results from the modification of TLTRO III in November 2022, whose expense – recognised in the fourth quarter of 2022 – will be amortised over the remaining term of the refinancing operation. Net interest income did however benefit from an increase in average commercial real estate finance volumes (€29.4 billion; 3m2022: €27.8 billion). The lower volume of new business (€1.0 billion; 3m2022: €2.1 billion) resulted primarily from much lower market transaction volumes, which were positively offset by a significant decline in early repayments.

As a consequence of the decrease in new business, net fee and commission income from non-accruable fees declined to €1 million (3m2022: €2 million).

Net income from fair value measurement was almost balanced at €1 million and did not contain any material individual effects. During the same period last year, net income from fair value measurement was €9 million, impacted by strong market movements due to the war in Ukraine and in particular the increase in market interest rates.

Net income from realisations (€14 million; 3m2022: €5 million) benefited from disposals and redemptions of financial instruments in the newly-formed Non-Core segment, which bundles the former Public Investment Finance and Value Portfolio segments. Income from early repayments of commercial real estate financings were down year-on-year as even more clients held on to their financings.

As hedges were largely very effective, net income from hedge accounting was €-2 million (3m2022: €1 million), mainly from temporary interest rate fixing effects in a rising market interest rate environment.

Net other operating income of the first quarter of 2023 was slightly negative at €-1 million due to increases in provisions. There were no significant individual effects. In the first quarter of the previous year, the positive other operating result of €10 million resulted from reversals of provisions outside the lending business.

Net income from risk provisioning amounted to €-2 million (3m2022: €-18 million). Financial instruments without indications for impaired credit rating (stage 1 and stage 2) recorded net reversal of loan loss allowance of €5 million (3m2022: net addition of €10 million). For financial instruments with indications for impaired credit rating (stage 3), net addition to loss allowance amounted to €7 million (3m2022: €8 million).

On the one hand, net income from stage 1 and stage 2 risk provisioning reflected the high degree of uncertainty concerning macro and sector-specific economic development. The forecasts for real estate markets that we take into account when calculating expected credit losses are becoming overall more and more pessimistic. Together with an increase in the probability of default for individual financings, this requires an increase in stage 1 and stage 2 loss allowance. On the other hand, pbb Group reversed €27 million of the €69 million management overlay recognised in the fourth quarter of 2022, because the risks associated with a significant increase in interest rates that were reflected in that management overlay have been incorporated into the valuation parameters. Following this partial reversal, management overlay now stands at €42 million. The reversal is contrasted by an addition to stage 3 loss allowance for the financing of an office property in the US, which accounted for the vast majority of stage 3 impairments in the first quarter of 2023.

In March 2023 pbb Group unveiled details of its growth initiatives, and these strategic decisions will make 2023 a year of investment. As a result, general and administrative expenses rose to €58 million (3m2022: €53 million). Investments were particularly visible in non-personnel expenses (€24 million; 3m2022: €22 million). A higher headcount and regular salary adjustments pushed personnel expenses slightly above the previous year's level (€34 million; 3m2022: €31 million).

Expenses for bank levies and similar dues (€22 million; 3m2022: €31 million) comprised expenses for the bank levy in line with the calculation scheme provided beforehand by the EU Single Resolution Board (SRB). The charge has to be recognised in the first quarter for the entire year, in accordance with IFRIC 21. In addition to a higher collateralisation rate of 22.5% after 15% in the previous year, the lower target volume for deposits covered by EU regulations helped lower the charges. As in the first quarter of the previous year, the item included minor expenses for the German deposit guarantee scheme.

Net income from write-downs and write-ups on non-financial assets totalling €-5 million included scheduled depreciation of tangible assets and amortisation of intangible assets, and was in line with the previous year's level (3m2022: €-5 million).

Income taxes (€-5 million; 3m2022: €-6 million) were again entirely attributable to current taxes with an almost unchanged tax rate.

Net income amounted to €27 million (3m2022: €36 million), of which €23 million (3m2022: €32 million) was attributable to ordinary shareholders and €4 million (3m2022: €4 million) to AT1 investors on a pro rata basis.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	31.3.2023	31.12.2022
Cash reserve	2,164	1,044
Financial assets at fair value through profit or loss	1,021	1,075
Positive fair values of stand-alone derivatives	560	562
Debt securities	118	117
Loans and advances to customers	340	394
Shares in investment funds qualified as debt instruments	3	2
Financial assets at fair value through other comprehensive income	1,587	1,692
Debt securities	1,433	1,409
Loans and advances to customers	154	283
Financial assets at amortised cost after credit loss allowances	48,442	48,734
Financial assets at amortised cost before credit loss allowances	48,829	49,121
Debt securities	5,256	5,377
Loans and advances to other banks	5,510	5,763
Loans and advances to customers	37,923	37,839
Claims from finance lease agreements	140	142
Credit loss allowances on financial assets at amortised cost	-387	-387
Positive fair values of hedge accounting derivatives	228	262
Valuation adjustment from portfolio hedge accounting (assets)	-72	-84
Tangible assets	25	27
Intangible assets	49	49
Other assets	58	58
Current income tax assets	39	31
Deferred income tax assets	120	119
Total assets	**53,661**	**53,007**

Total assets slightly increased in the first quarter of 2023, largely thanks to the higher cash reserve resulting from an increase in customer deposits with pbb direkt, as well as a larger portfolio of repurchase agreements. Financial assets measured at fair value through profit or loss decreased slightly due to syndications, and financial assets measured at fair value through other comprehensive income declined due to effects induced by maturities in the liquidity portfolio. Within the financial assets recognised at amortised cost, drawings of new and existing real estate financing slightly exceeded regular and early repayments. Due to the lower volume of reverse repurchase agreements and the sale of a public bond, the financial assets at amortised cost declined slightly overall.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	31.3.2023	31.12.2022
Financial liabilities at fair value through profit or loss	696	686
Negative fair values of stand-alone derivatives	696	686
Financial liabilities measured at amortised cost	48,356	47,672
Liabilities to other banks	8,296	7,507
Liabilities to customers	18,840	17,889
Bearer bonds	20,597	21,641
Subordinated liabilities	623	635
Negative fair values of hedge accounting derivatives	1,016	1,125
Valuation adjustment from portfolio hedge accounting (liabilities)	-96	-112
Provisions	142	135
Other liabilities	76	57
Current income tax liabilities	20	19
Liabilities	**50,210**	**49,582**
Equity attributable to the shareholders of pbb	3,151	3,125
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,241	1,214
Accumulated other comprehensive income	-107	-106
from pension commitments	-52	-49
from cash flow hedge accounting	-23	-26
from financial assets at fair value through OCI	-32	-31
Additional equity instruments (AT1)	298	298
Non-controlling interest in equity	2	2
Equity	**3,451**	**3,425**
Total equity and liabilities	**53,661**	**53,007**

Liabilities

Total liabilities as at 31 March 2023 were slightly above the previous year-end. Financial liabilities measured at amortised cost – which represent the major liabilities item – were up slightly. The volume of bearer bonds declined as Mortgage Pfandbriefe matured; this decline exceeded new issuance. At the same time, the volume of repurchase agreements with banks increased, as did liabilities to customers due to an increase in customer deposits at pbb direkt. The fair value of hedging derivatives fell slightly due to interest rate effects.

Equity

Equity as at 31 March 2023 increased by €26 million compared to 31 December 2022, mostly reflecting current net income in the first quarter of 2023. Actuarial losses from pension obligations increased by €3 million following a slight decrease in the applied discount rate (31 March 2023: 4.05%; 31 December 2022: 4.20%). Accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income declined by €1 million compared to year-end 2021, due to effects induced by interest rate and credit-induced effects.

Funding

During the first quarter of 2023, pbb Group raised €1.4 billion in new long-term funding (3m2022: €1.8 billion). This was offset by repurchases and terminations of €0.1 billion (3m2022: €0.0 billion). The total amount of funding comprised both Pfandbrief issues and unsecured liabilities, issued both in the form of benchmark bonds and private placements. At €0.8 billion (3m2022: €0.9 billion), Pfandbrief issues accounted for just over half of the total volume. Unsecured funding accounted for €0.6 billion (3m2022: €0.9 billion), with almost all of the volume issued as senior preferred bonds. The transactions were exclusively denominated in euro. Unhedged interest rate exposures are usually hedged by swapping fixed into floating interest rates. As part of its holistic ESG strategy, pbb issued an unsecured benchmark Green Bond with a volume of €0.5 billion.

Overnight and term deposits from retail investors amounted to €5.4 billion as at 31 March 2023 (31 December 2022: €4.4 billion).

Liquidity

As at 31 March 2023, the Liquidity Coverage Ratio (LCR) was 309% (31 December 2022: 171%).

Off-balance Sheet Commitments

Irrevocable loan commitments of €2.6 billion (31 December 2022: €3.0 billion) represent the majority of off-balance sheet obligations. Contingent liabilities on guarantees and indemnity agreements amounted to €0.1 billion as at 31 March 2023 (31 December 2022: €0.1 billion).

Segment Reporting

In March 2023, pbb Group published its strategic initiatives, which have been further developed and backed by specific targets. With the new Real Estate Investment Management division, the diversification of the business model will be driven forward prospectively. Already in the first quarter of 2023, Public Investment Finance (PIF) segment was combined with Value Portfolio (VP) segment to form the non-strategic Non-Core (NC) segment. No new business has been transacted in the VP segment to date; in the PIF segment, new business has only been transacted to a very limited extent in recent years. pbb intends to focus even more strongly on the higher-margin core business of commercial real estate finance (REF). The previous year's figures were adjusted in accordance with IFRS 8.29. As there were no internal relationships between the former PIF and VP segments, the new Non-Core segment has simply been formed through a conjoining of the two.

Income/expenses

in € million		Real Estate Finance (REF)	Non-Core (NC)	Consoli-dation & Adjustments (C&A)	**pbb Group**
Operating income	1.1.-31.3.2023	99	19	1	119
	1.1.-31.3.2022	126	22	1	149
Net interest income	1.1.-31.3.2023	96	9	1	106
	1.1.-31.3.2022	104	17	1	122
Net fee and commission income	1.1.-31.3.2023	1	-	-	1
	1.1.-31.3.2022	2	-	-	2
Net income from fair value measurement	1.1.-31.3.2023	-	1	-	1
	1.1.-31.3.2022	6	3	-	9
Net income from realisations	1.1.-31.3.2023	4	10	-	14
	1.1.-31.3.2022	5	-	-	5
Net income from hedge accounting	1.1.-31.3.2023	-1	-1	-	-2
	1.1.-31.3.2022	1	-	-	1
Net other operating income	1.1.-31.3.2023	-1	-	-	-1
	1.1.-31.3.2022	8	2	-	10
Net income from risk provisioning	1.1.-31.3.2023	-2	-	-	-2
	1.1.-31.3.2022	-19	1	-	-18
General and administrative expenses	1.1.-31.3.2023	-51	-7	-	-58
	1.1.-31.3.2022	-46	-7	-	-53
Expenses from bank levies and similar dues	1.1.-31.3.2023	-15	-7	-	-22
	1.1.-31.3.2022	-20	-11	-	-31
Net income from write-downs and write-ups of non-financial assets	1.1.-31.3.2023	-4	-1	-	-5
	1.1.-31.3.2022	-4	-1	-	-5
Profit before tax	**1.1.-31.3.2023**	**27**	**4**	**1**	**32**
	1.1.-31.3.2022	**37**	**4**	**1**	**42**

Balance-sheet-related measures

in € billion		REF	NC	C&A	**pbb Group**
Financing volumes[1]	31.3.2023	29.4	14.1	-	**43.5**
	31.12.2022	29.3	14.4	-	**43.7**
Risik-weighted assets[2]	31.3.2023	15.5	0.8	0.8	**17.1**
	31.12.2022	15.5	0.8	0.7	**17.0**
Equity[3]	31.3.2023	2.5	0.3	0.4	**3.2**
	31.12.2022	2.4	0.4	0.4	**3.2**

[1] Notional amounts of the drawn parts of granted loans and parts of the securities portfolio.
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[3] Excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest.

Breakdown of Maturities by Remaining Term

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						31.3.2023
Cash reserve	2,164	-	-	-	-	2,164
Financial assets at fair value through profit or loss	3	8	5	144	301	461
Debt securities	-	-	-	81	37	118
Loans and advances to customers	-	8	5	63	264	340
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	133	489	633	332	1,587
Debt securities	-	121	367	614	331	1,433
Loans and advances to customers	-	12	122	19	1	154
Financial assets at amortised cost before credit loss allowances	973	5,014	8,088	20,140	14,614	48,829
Debt securities	-	821	197	1,892	2,346	5,256
Loans and advances to other banks	938	1,698	2,330	250	294	5,510
Loans and advances to customers	35	2,491	5,551	17,940	11,906	37,923
Claims from finance lease agreements	-	4	10	58	68	140
Total financial assets	**3,140**	**5,155**	**8,582**	**20,917**	**15,247**	**53,041**
Financial liabilities at cost	1,831	7,189	6,380	21,216	11,740	48,356
Liabilities to other banks	372	5,329	293	1,745	557	8,296
Thereof: Registred bonds	-	50	39	568	426	1,083
Liabilities to customers	1,422	1,096	3,028	5,006	8,288	18,840
Thereof: Registred bonds	-	221	289	2,318	7,918	10,746
Bearer bonds	37	738	3,048	13,892	2,882	20,597
Subordinated liabilities	-	26	11	573	13	623
Total financial liabilities	**1,831**	**7,189**	**6,380**	**21,216**	**11,740**	**48,356**

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						31.12.2022
Cash reserve	1,044	-	-	-	-	1,044
Financial assets at fair value through profit or loss	2	6	4	178	323	513
Debt securities	-	-	-	80	37	117
Loans and advances to customers	-	6	4	98	286	394
Shares in investment funds qualified as debt instruments	2	-	-	-	-	2
Financial assets at fair value through other comprehensive income	-	122	394	840	336	1,692
Debt securities	-	20	362	720	307	1,409
Loans and advances to customers	-	102	32	120	29	283
Financial assets at amortised cost before credit loss allowances	1,013	2,422	10,516	20,268	14,902	49,121
Debt securities	-	175	825	1,979	2,398	5,377
Loans and advances to other banks	976	248	3,996	250	293	5,763
Loans and advances to customers	37	1,996	5,685	17,981	12,140	37,839
Claims from finance lease agreements	-	3	10	58	71	142
Total financial assets	**2,059**	**2,550**	**10,914**	**21,286**	**15,561**	**52,370**
Financial liabilities at cost	1,928	6,175	6,701	20,956	11,912	47,672
Liabilities to other banks	355	2,875	1,940	1,780	557	7,507
Thereof: Registred bonds	-	15	52	594	428	1,089
Liabilities to customers	1,536	803	2,847	4,439	8,264	17,889
Thereof: Registred bonds	-	267	310	2,238	7,920	10,735
Bearer bonds	37	2,469	1,894	14,163	3,078	21,641
Subordinated liabilities	-	28	20	574	13	635
Total financial liabilities	**1,928**	**6,175**	**6,701**	**20,956**	**11,912**	**47,672**

Report on Post-balance Sheet Date Events

There were no material events with an impact on pbb Group’s development in assets, financial position and earnings after 31 March 2023.

Additional Information

Future-oriented Statements

This report contains future-oriented statements inter alia in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates and predictions currently available to the management board of pbb. Future-oriented statements therefore only apply on the day on which they are made. pbb Group does not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include geopolitical crises, the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading activities, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.

Imprint

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