Quarterly Information as of 31 March 2024

Deutsche Pfandbriefbank Group

Contents

Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–31.3.2024	1.1.–31.3.2023
Operating performance according to IFRS			
Profit before tax	in € million	34	32
Net income	in € million	29	27
Key ratios		**1.1.–31.3.2024**	**1.1.–31.3.2023**
Earnings per share	in €	0.17	0.17
Cost-income ratio[1)]	in %	43.2	52.9
Return on equity before tax[2)]	in %	3.6	3.3
Return on equity after tax[2)]	in %	2.9	2.7
Return on CET1 capital before tax[3)]	in %	3.9	3.7
Return on CET1 capital after tax[3)]	in %	3.2	3.0
New business volume Real Estate Finance[4)]	in € billion	0.7	1.0
Balance sheet figures according to IFRS		**31.3.2024**	**31.12.2023**
Total assets	in € billion	48.9	50.9
Equity	in € billion	3.4	3.4
Financing volumes Real Estate Finance	in € billion	31.2	31.1
Key regulatory capital ratios[5)]		**31.3.2024**	**31.12.2023**
CET1 ratio	in %	15.2	15.7
Own funds ratio	in %	18.6	19.5
Leverage ratio	in %	6.4	6.2
Staff		**31.3.2024**	**31.12.2023**
Employees (on full-time equivalent basis)		808	806
Long-term issuer rating/outlook[6)7)]		**31.3.2024**	**31.12.2023**
Standard & Poor's		BBB-/Negative	BBB/Negative
Moody's Pfandbrief rating[7)]		**31.3.2024**	**31.12.2023**
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 equity before tax respectively after tax is the ratio of annualised profit before tax (net income) less AT1-coupon and average equity (excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital).
[3)] Return on CET1 capital before tax respectively after tax is the ratio of annualised profit before tax respectively net income attributable to pbb shareholders less AT1-coupon and average CET1 capital.
[4)] Including prolongations with maturities of more than one year.
[5)] Values as of 31 December 2023 after confirmation of the 2023 financial statements, less AT1-coupon. The interim profit was included in the figures as at 31 March 2024.
[6)] The ratings of unsecured liabilities may diverge from the issuer ratings.
[7)] 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 2023, also referred to as "3m2023" 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 2023).

Development in Earnings

In the first quarter of 2024, the economic situation in the markets relevant to pbb developed unevenly. Some countries, such as Germany, recorded predominantly subdued economic growth. At the same time, inflation rates declined. In other countries, such as the USA, the economy picked up significantly. However, inflation rates, as measured by the consumer price index, also rose again over the course of the quarter. Neither the European Central Bank (ECB) nor the US Federal Reserve (Fed) have lowered key interest rates yet.

The situation on the commercial real estate markets remained tense in the first quarter of 2024. Prices for commercial real estate have not yet recovered and transaction volumes remained at a low level.

Partly as a result of publications about credit loss allowances on commercial US real estate financing, particularly by US banks, there was a general concern that other banks involved in this segment could also have to make further significant write-downs.

In the course of this general market development, market confidence in pbb Group's prospects also deteriorated significantly at the beginning of 2024. As a listed bank with a business model focussing on commercial real estate finance with a US portfolio, pbb was particularly affected by the general uncertainty. As a result, corresponding sell recommendations from analysts, among other things, led to a significant widening of spreads on bonds and a significant decline in pbb's share price. On 14 February 2024, Standard & Poor's lowered pbb's ratings by one and two notches respectively, with the outlook remaining negative.

Spreads on pbb's secured and unsecured bonds have improved since March 2024. In a volatile environment, spreads as at 31 March 2024 were still above the level at the beginning of 2024. pbb Group continues to have sufficient long-term unsecured funding and is not planning any senior unsecured issues for the current year. The pbb share price had also risen as at 31 March 2024 compared with its low in February 2024.

Despite the challenging market environment, pbb Group was again profitable in the first quarter of 2024 (hereinafter referred to as "3m2024"), with profit before taxes of €34 million, in line with the first quarter of the previous year (3m2023: €32 million). A sharp increase in net interest income and the absence of the charges from the European bank levy compensated for the significantly higher risk provisioning expense.

In detail, the result was as follows:

Income and expenses

in € million	1.1.–31.3.2024	1.1.–31.3.2023
Operating income	146	119
Net interest income	125	106
Net fee and commission income	1	1
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1)]	-3	1
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1)]	23	14
Net income from hedge accounting	4	-2
Net other operating income	-4	-1
Net income from allowances on financial assets (Net income from risk provisioning)[1)]	-47	-2
General and administrative expenses	-58	-58
Expenses from bank levies and similar dues	-2	-22
Net income from write-downs and write-ups on non-financial assets	-5	-5
Profit before tax	**34**	**32**
Income taxes	-5	-5
Net income	**29**	**27**
attributable to: Shareholders	29	27

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

Due to the encouraging development in operating business, net interest income rose significantly to €125 million after €106 million in the first quarter of 2023. In commercial real estate financing, the higher average volume (€31.2 billion; 3m2023: €29.4 billion) and the increased portfolio margin had a particularly positive effect. The increase in net interest income from strategic business compensated for the largely non-recurring present value effect from the modification of the TLTRO III refinancing in November 2022, which had favoured net interest income by €7 million in the same period of the previous year.

At €1 million, net fee and commission income was on a par with the first quarter of 2023 (3m2023: €1 million) and resulted from non-accruable fees.

The fair value measurement result totalled €-3 million (3m2023: €1 million). This was due in particular to the rise in interest rates, especially short and medium-term capital market interest rates, which led to an expense from financial instruments measured at fair value through profit or loss.

The largest item in the net income from realisations of €23 million (3m2023: €14 million) was income from the sale of financial assets in the non-strategic Non-Core segment (€11 million; 3m2023: €8 million). The second significant effect on net income from realisations was income from the derecognition of financial liabilities (€10 million; 3m2023: €3 million). The derecognition resulted from the redemption of liabilities and the the expiration of the limitation period of liabilities. As in the same period of the previous year, income from the early repayment of financing only played a minor role at €2 million (3m2023: €3 million).

Net income from hedge accounting totalled €4 million (3m2023: €-2 million). In the case of largely effective hedging relationships (hedges), there were minor effects from different interest rate fixing dates for underlying and hedging transactions.

Net other operating income, which resulted in particular from currency translation, totalled €-4 million (3m2023: €-1 million).

Risk provisions were increased further as a result of the challenging environment on the real estate markets. At €-47 million, net income from risk provisioning was significantly higher than in the first quarter of 2023 (3m2023: €-2 million). There was a net addition to risk provisions of €10 million (3m2023: net reversal of €5 million) for financial instruments with no indicators of impaired credit quality (stages 1 and 2). For financial instruments with indicators of impaired credit quality (stage 3), the net addition to risk provisions totalled €37 million (3m2023: €7 million).

Stage 1 and 2 risk provisions increased, mainly as a result of increased probabilities of default for individual financing arrangements, the prolongation of financing arrangements and changes in valuation parameters. In contrast, the management overlay existing as at 31 December 2023 was partially reversed by €9 million to take account of the emerging momentum on the US real estate markets and still amounted to €22 million as at 31 March 2024. The reason for the partial reversal was, on the one hand, that the risks reflected by the management overlay are increasingly materialising due to the assumption of higher probabilities of default, among other things, and are therefore taken into account in the recognition of impairment losses in all three stages. On the other hand, the reversal reflected the fundamentally positive development of the US economy. For the measurement of the management overlay, the model-based loss given default (LGD) ratios for the entire US business were increased, albeit with a lower premium than at the end of 2023. In addition, US real estate loans without indicators of impaired credit quality were collectively provided for in the amount of the expected credit losses over the term and reported in stage 2 if the last default rating was assigned before 30 June 2023.

The additions to risk provisions in stage 3 were attributable to individual financing transactions in the USA and a development financing transaction in Germany. Two transactions requiring impairment were transferred to stage 3 and risk provisions were increased for seven existing stage 3 transactions. At the same time, transactions with stage 3 credit loss allowances decreased by €4 million due to repayments and other measures, mainly as a result of two US office financings.

At €-58 million, general and administrative expenses remained unchanged compared to the same period of the previous year (3m2023: €-58 million). Personnel expenses rose only slightly despite regular salary increases (€35 million; 3m2023: €34 million). By contrast, operating expenses fell slightly from €24 million to €23 million due to lower project expenses.

At €-2 million, expenses from bank levies and similar dues were significantly lower than the previous year's figure (3m2023: €-22 million). This is due to the fact that, in accordance with the press release dated 15 February 2024, the Single Resolution Fund will suspend the payment of contributions to the European bank levy in 2024 once the target volume has been reached, provided that no claims are made as a result of a guarantee case in Europe. In the first quarter of 2023, an expense of €22 million was incurred for this, taking into account a 22.5% collateral provision recognised directly in equity. The remaining expenses in the expenses from bank levies and similar dues item resulted from expenses for the deposit guarantee scheme.

As in the first quarter of 2023, net income from write-downs and write-ups of non-financial assets amounted to €-5 million (3m2023: €-5 million) and included depreciation and amortisation of tangible assets and intangible assets.

Of the income taxes (€-5 million; 3m2023: €-5 million), €-4 million (3m2023: €-5 million) was attributable to current taxes and €-1 million (3m2023: €0 million) to deferred taxes.

Net income totalled €29 million (3m2023: €27 million), of which €23 million (3m2023: €23 million) was attributable to ordinary shareholders and € 6 million (3m2023: €4 million) to AT1 investors on a pro rata temporis basis.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	31.3.2024	31.12.2023
Cash reserve	1,646	2,728
Financial assets at fair value through profit or loss	1,012	944
Positive fair values of stand-alone derivatives	527	494
Debt securities	122	123
Loans and advances to customers	360	324
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,261	1,475
Debt securities	1,241	1,354
Loans and advances to customers	20	121
Financial assets at amortised cost after credit loss allowances	44,574	45,228
Financial assets at amortised cost before credit loss allowances	45,191	45,811
Debt securities	3,759	4,014
Loans and advances to other banks	2,370	2,507
Loans and advances to customers	38,930	39,155
Claims from finance lease agreements	132	135
Credit loss allowances on financial assets at amortised cost	-617	-583
Positive fair values of hedge accounting derivatives	141	251
Valuation adjustment from portfolio hedge accounting (assets)	-54	-56
Investments accounted for using the equity method	13	-
Tangible assets	27	20
Intangible assets	51	53
Other assets	69	68
Current income tax assets	50	43
Deferred income tax assets	129	129
Total assets	**48,919**	**50,883**

Total assets decreased in the first quarter of 2024. This was due in particular to the lower cash reserve as a result of the utilisation of funds on maturities and repurchases of liabilities. Financial assets at fair value through other comprehensive income decreased due to maturities of (government) bonds in the liquidity portfolio and a cash investment. Within the financial assets at amortised cost, the financing volume in the REF segment increased. However, this increase was more than offset by a decline in reverse repurchase agreements and sales and maturities of bonds from public-sector issuers.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	31.3.2024	31.12.2023
Financial liabilities at fair value through profit or loss	816	662
Negative fair values of stand-alone derivatives	816	662
Financial liabilities measured at amortised cost	44,007	45,913
Liabilities to other banks	5,500	6,079
Liabilities to customers	18,618	18,829
Bearer bonds	19,288	20,402
Subordinated liabilities	601	603
Negative fair values of hedge accounting derivatives	570	789
Valuation adjustment from portfolio hedge accounting (liabilities)	-53	-49
Provisions	117	117
Other liabilities	58	68
Current income tax liabilities	18	18
Liabilities	**45,533**	**47,518**
Equity attributable to the shareholders of pbb	3,088	3,067
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,191	1,162
Accumulated other comprehensive income	-120	-112
from pension commitments	-68	-70
from cash flow hedge accounting	-33	-30
from financial assets at fair value through OCI	-19	-12
Additional equity instruments (AT1)	298	298
Equity	**3,386**	**3,365**
Total equity and liabilities	**48,919**	**50,883**

Liabilities

The total amount of liabilities as at 31 March 2024 was below the previous year's figure. The most significant item within liabilities, financial liabilities measured at amortised cost, decreased. Liabilities to other banks decreased due to a lower portfolio of repurchase agreements and fixed-term deposits as well as a lower volume of covered mortgage bonds. In addition, the volume of other debt securities decreased due to repurchases. In contrast, the volume of private customer deposits (pbb direct) increased compared to the previous year-end figure.

Equity

Equity increased by € 21 million as at 31 March 2024 compared to 31 December 2023. This increase was primarily due to the current net income for the first quarter of 2024. Actuarial losses from pension obligations fell by € 2 million, as the discount rate used to measure pension obligations rose slightly (31 March 2024: 3.62%; 31 December 2023: 3.53%). Accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income decreased by €7 million compared to the end of the previous year due to interest and credit-induced effects.

Funding

In the first quarter of 2024, pbb Group placed a new long-term funding volume of €0.8 billion (3m2023: €1.4 billion) on the market. This was offset by repurchases of €0.3 billion (3m2023: €0.1 billion), of which public sector Pfandbriefe accounted for more than half of the repurchase volume. The new refinancing volume consisted exclusively of mortgage Pfandbriefe (3m2023: € 0.8 billion), which were issued both in benchmark format and in the form of private placements. The transactions were predominantly denominated in euros. Open interest rate positions are generally hedged by swapping fixed interest rates for variable interest rates. To minimise the currency risk between assets and liabilities, bonds with an equivalent value of € 0.3 billion were issued in SEK. The foreign currency was converted into euros at the exchange rate applicable at the time of issue. The unsecured refinancing (3m2023: € 0.6 billion) was completely replaced by lower-cost deposits from private customers (pbb direct).

Overnight and term deposits from retail investors amounted to €7.1 billion as at 31 March 2024 (31 December 2023: €5.4 billion).

Liquidity

As at 31 March 2024, the Liquidity Coverage Ratio (LCR) was 175% (31 December 2023: 212%).

Off-balance Sheet Commitments

Irrevocable loan commitments represent the main part of off-balance sheet obligations and amounted to €1.9 billion as at 31 March 2024 (31 December 2023: €2.2 billion). Contingent liabilities on guarantees and indemnity agreements amounted to €0.1 billion as at 31 March 2024 (31 December 2023: €0.1 billion).

Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Non-Core (NC)	Consoli-dation & Adjustments (C&A)	**pbb Group**
Operating income	1.1.-31.3.2024	125	21	-	146
	1.1.-31.3.2023	99	19	1	119
Net interest income	1.1.-31.3.2024	116	9	-	125
	1.1.-31.3.2023	96	9	1	106
Net fee and commission income	1.1.-31.3.2024	1	-	-	1
	1.1.-31.3.2023	1	-	-	1
Net income from fair value measurement	1.1.-31.3.2024	-2	-1	-	-3
	1.1.-31.3.2023	-	1	-	1
Net income from realisations	1.1.-31.3.2024	10	13	-	23
	1.1.-31.3.2023	4	10	-	14
Net income from hedge accounting	1.1.-31.3.2024	3	1	-	4
	1.1.-31.3.2023	-1	-1	-	-2
Net other operating income	1.1.-31.3.2024	-3	-1	-	-4
	1.1.-31.3.2023	-1	-	-	-1
Net income from risk provisioning	1.1.-31.3.2024	-47	-	-	-47
	1.1.-31.3.2023	-2	-	-	-2
General and administrative expenses	1.1.-31.3.2024	-55	-3	-	-58
	1.1.-31.3.2023	-51	-7	-	-58
Expenses from bank levies and similar dues	1.1.-31.3.2024	-1	-1	-	-2
	1.1.-31.3.2023	-15	-7	-	-22
Net income from write-downs and write-ups of non-financial assets	1.1.-31.3.2024	-5	-	-	-5
	1.1.-31.3.2023	-4	-1	-	-5
Profit before tax	**1.1.-31.3.2024**	**17**	**17**	**-**	**34**
	1.1.-31.3.2023	**27**	**4**	**1**	**32**

Balance-sheet-related measures

in € billion		REF	NC	C&A	**pbb Group**
Financing volumes[1)]	31.3.2024	31.2	11.6	-	**42.8**
	31.12.2023	31.1	12.4	-	**43.5**
Risik-weighted assets[2)]	31.3.2024	18.0	0.5	0.3	**18.8**
	31.12.2023	17.5	0.6	0.5	**18.6**
Equity[3)]	31.3.2024	3.0	0.1	-	**3.1**
	31.12.2023	2.9	0.1	0.1	**3.1**

[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 and AT1 capital. Values as of 31 December 2023 were adjusted due to IFRS 8.29.

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
						31.3.2024
Cash reserve	1,646	-	-	-	-	1,646
Financial assets at fair value through profit or loss	3	8	5	398	71	485
Debt securities	-	-	-	122	-	122
Loans and advances to customers	-	8	5	276	71	360
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	300	175	397	389	1,261
Debt securities	-	299	157	396	389	1,241
Loans and advances to customers	-	1	18	1	-	20
Financial assets at amortised cost before credit loss allowances	971	3,968	6,944	22,620	10,688	45,191
Debt securities	-	162	111	2,517	969	3,759
Loans and advances to other banks	884	608	334	250	294	2,370
Loans and advances to customers	87	3,195	6,490	19,798	9,360	38,930
Claims from finance lease agreements	-	3	9	55	65	132
Total financial assets	**2,620**	**4,276**	**7,124**	**23,415**	**11,148**	**48,583**
Financial liabilities at cost	1,325	5,137	7,710	19,465	10,370	44,007
Liabilities to other banks	299	2,175	1,369	1,072	585	5,500
Thereof: Registred bonds	-	61	75	728	496	1,360
Liabilities to customers	1,017	1,381	3,005	4,997	8,218	18,618
Thereof: Registred bonds	-	409	402	1,901	7,245	9,957
Bearer bonds	9	1,566	3,335	12,823	1,555	19,288
Subordinated liabilities	-	15	1	573	12	601
Total financial liabilities	**1,325**	**5,137**	**7,710**	**19,465**	**10,370**	**44,007**

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
						31.12.2023
Cash reserve	2,728	-	-	-	-	2,728
Financial assets at fair value through profit or loss	3	5	5	266	171	450
Debt securities	-	-	-	84	39	123
Loans and advances to customers	-	5	5	182	132	324
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	224	401	369	481	1,475
Debt securities	-	123	383	368	480	1,354
Loans and advances to customers	-	101	18	1	1	121
Financial assets at amortised cost before credit loss allowances	841	3,988	5,792	23,122	12,068	45,811
Debt securities	-	157	159	2,566	1,132	4,014
Loans and advances to other banks	812	1,150	-	250	295	2,507
Loans and advances to customers	29	2,678	5,624	20,252	10,572	39,155
Claims from finance lease agreements	-	3	9	54	69	135
Total financial assets	**3,572**	**4,217**	**6,198**	**23,757**	**12,720**	**50,464**
Financial liabilities at cost	1,465	4,938	8,310	20,403	10,797	45,913
Liabilities to other banks	321	1,152	2,881	1,137	588	6,079
Thereof: Registred bonds	-	49	100	793	497	1,439
Liabilities to customers	1,131	1,803	2,265	5,491	8,139	18,829
Thereof: Registred bonds	-	204	524	2,137	7,276	10,141
Bearer bonds	13	1,966	3,164	13,201	2,058	20,402
Subordinated liabilities	-	17	-	574	12	603
Total financial liabilities	**1,465**	**4,938**	**8,310**	**20,403**	**10,797**	**45,913**

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 2024.

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.

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