Quarterly Information as of 30 September 2023

Deutsche Pfandbriefbank Group

Contents

Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–30.9.2023	1.1.–30.9.2022
Operating performance according to IFRS			
Profit before tax	in € million	91	159
Net income	in € million	77	135
thereof attributable to the ordinary shareholders	in € million	61	123
thereof attributable to the AT1 investors	in € million	16	13
Key ratios		**1.1.–30.9.2023**	**1.1.–30.9.2022**
Earnings per share	in €	0.45	0,91
Cost-income ratio[1)]	in %	47.2	42.8
Return on CET1 capital before tax[2)]	in %	3.5	6,3
Return on CET1 capital after tax[2)]	in %	2.9	5.3
New business volume Real Estate Finance[3)]	in € billion	4.2	6,6
Balance sheet figures according to IFRS		**30.9.2023**	**31.12.2022**
Total assets	in € billion	48,2	53.0
Equity	in € billion	3,4	3,4
Financing volumes Real Estate Finance	in € billion	30.5	29.3
Key regulatory capital ratios[4)]		**30.9.2023**	**31.12.2022**
CET1 ratio	in %	15.2	16,7
Own funds ratio	in %	19.2	21,8
Leverage ratio	in %	6.1	5.9
Staff		**30.9.2023**	**31.12.2022**
Employees (on full-time equivalent basis)		800	791
Long-term issuer rating/outlook[5)]		**30.9.2023**	**31.12.2022**
Standard & Poor's		BBB+/Stable	BBB+/Negative
Moody's Pfandbrief rating		**30.9.2023**	**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 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 dividend.
5) The ratings of unsecured liabilities may diverge from the issuer ratings.

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 30 September 2022, also referred to as "9m2022" 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

In the reporting period (1 January to 30 September 2023, hereinafter also referred to as "9m2023"), economic development was held back by persistently high inflation and tighter monetary policy, as in previous periods. In Germany and most other European Union countries, there was therefore little or no growth in gross domestic product. Inflation in the eurozone amounted to 4.3% in September 2023 due to lower energy prices. Although this marks a significant decline compared to the peak of 10.6% in October 2022, it is still significantly above the long-term average. A similar picture - a declining overall rate while the core rate remains high (not including food prices and the energy sector) - can also be seen in the UK and the US. Persistently high inflation has prompted central banks in industrialised countries to significantly tighten their monetary policy. For example, the European Central Bank (ECB) has increased its deposit rate from -0.5% to 4.0% in ten steps since July 2022. The US Federal Reserve (Fed) has raised its key interest rate from 0.25% to 5.5% in nine steps since March 2022.

Looking ahead, uncertainty about overall economic development remains very high. This is due to global geopolitical tensions as well as the uncertainty affecting the banking sector. The insolvency of individual, predominantly regionally active US banks and the crisis at the major Swiss bank Credit Suisse, which was ultimately taken over by UBS, were particularly influential in this regard.

High inflation and the associated rise in interest rates continued to weigh on the property markets. Special effects such as the impact of mobile working in the office sector and the ongoing crisis in the bricks-and-mortar retail sector provided additional negative impetus. Furthermore, the inclusion of sustainability aspects had an increasing impact on property rental and purchase decisions. In the reporting period, the investment volume was at the low level of 2011 and 2012 following the financial crisis, partly due to a high level of uncertainty about future market developments in Europe and the USA in particular. There have already been isolated salvage acquisitions on the market as a result of non-performing financing, particularly in the USA. This trend could intensify. The decline in investment demand has led to falling prices across all property types.

The real estate markets are expected to stabilise in the first half of 2024, while a market recovery is not expected until the second half of 2024. In particular, this will require a sustained stabilisation of financing costs, falling inflation rates, the foreseeable effects of mobile working and a calming of the tension between online and retail.

The real estate market crisis, which lasted much longer than initially assumed, also had an impact on the development in pbb Group's development in earnings. In particular, net income from risk provisioning was burdened by additions, especially for property financings in the US. Despite this burden, pbb Group generated a profit before tax of €91 million in the first nine months of 2023. Thus, pbb Group was profitable even under these difficult conditions. However, pre-tax profit was no longer within the forecast range published at the beginning of 2023, which envisaged a range of €170 million to €200 million for the full year 2023.

A detailed breakdown of the results is provided below:

Income and expenses

in € million	1.1.–30.9.2023	1.1.–30.9.2022	Change
Operating income	415	400	15
Net interest income	348	358	-10
Net fee and commission income	3	4	-1
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1]	2	21	-19
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1]	45	10	35
Net income from hedge accounting	-	7	-7
Net other operating income	17	-	17
Net income from allowances on financial assets (Net income from risk provisioning)[1]	-104	-38	-66
General and administrative expenses	-180	-157	-23
Expenses from bank levies and similar dues	-24	-32	8
Net income from write-downs and write-ups on non-financial assets	-16	-14	-2
Profit before tax	**91**	**159**	**-68**
Income taxes	-14	-24	10
Net income	**77**	**135**	**-58**
attributable to:			
Shareholders	77	136	-59
Non-controlling interests	-	-1	1

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

At €348 million, net interest income was slightly below the level of the same period of the previous year (9m2022: €358 million), but showed a clear upward trend over the course of 2023. One of the main reasons for the decline compared to the same period of the previous year was the extensive elimination of income from interest rate floors as a result of the higher market interest rate level. In addition, net interest income in the first nine months of 2023 no longer benefited from the interest premium of 50 basis points. The increase in the average portfolio volume (€29.9 billion; 9m2022: €28.4 billion) and new business margins for commercial real estate finance (REF) had a positive effect over the course of 2023 compared to the same period of the previous year. The REF portfolio volume increased due to a significantly lower volume of early repayments. This decline more than compensated for the effect of the new business volume, which also declined as a result of the significantly lower market transaction volume (€4.2 billion; 9m2022: €6.6 billion).

Due to the lower level of new business, net fee and commission income from non-accruable fees fell to €3 million (9m2022: €4 million).

Net income from fair value measurement totalled €2 million (9m2022: €21 million) and did not include any significant individual effects. In the same period of the previous year, net income from fair value measurement was influenced by strong market movements as a result of the outbreak of war in Ukraine and, in particular, by the increased market interest rate level.

Net income from realisations (€45 million; 9m2022: €10 million) benefited in particular from the redemption of financial liabilities (€23 million). This included income of €24 million (before onerous hedging costs of €2 million) from the repurchase (tender) of own liabilities offered in June 2023, which was well received in the market. Due to the current interest rate level, these liabilities were repurchased at below par. The liquidity required for the repurchase was generated by higher and more favourable retail customer deposits. Net income from realisations also benefited from the sale of financial assets in the Non-Core segment (income of €19 million). These buy-backs were in line with the new strategy, which provides for an accelerated, value-preserving wind-down compared to the regular portfolio run-off. The Non-Core segment was combined from the previous Public Investment Finance and Value Portfolio segments. The sale took advantage of opportunities arising from the rise in interest rates. By contrast, income from early repayments of commercial property financing was down on the previous year at €3 million, as customers held onto the financing to an even greater extent.

Due to largely effective hedges, the net income from hedge accounting was balanced (9m2022: €7 million). Interest rate fixing effects in a rising market interest rate environment compensated for this over the course of the year.

Net other operating income (€ 17 million; 9m2022: € 0 million) included income from net reversals of provisions outside of the lending business, in particular for legal risks and costs. The existence of a current obligation for these legal cases and the associated costs is no longer considered highly probable. Income also resulted from expected VAT receivables from the tax authorities.

The real estate market development also had an impact on net income from risk provisioning, which was significantly more negative than in the same period of the previous year at €-104 million (9m2022: €-38 million).

Due to an increase in the probabilities of default for individual financings and the updating of the measurement parameters, allowances for losses on loans and advances for stage 1 and 2 financings increased. On the other hand, pbb Group was able to release the management overlay of €69 million existing as at 31 December 2022, as the anticipated uncertainty factors materialised during the reporting period and are therefore taken into account in the measurement of allowances for losses on loans and advances. Overall, net income from risk provisioning for stage 1 and 2 financings totalled €7 million.

As a result of the crisis on the real estate markets, the number of stage 3 financings and the related risk provisions increased. Overall, net income from risk provisioning for financing with indications of impaired credit quality totalled €-111 million. The additions primarily related to property financing in the USA.

In March 2023, pbb Group announced the concretisation of its strategic profitability initiatives. Against this background, 2023 represents an investment year. As a consequence, general and administrative expenses increased to €180 million (9m2022: €157 million). The investments were reflected in particular in operating expenses (€81 million; 9m2022: €64 million). Personnel expenses were up on the previous year (€99 million; 9m2022: €93 million) due to a slightly higher headcount and regular salary adjustments. Personnel expenses also include termination benefits for the employees of CAPVERIANT GmbH, whose business was discontinued and which was merged into pbb in the third quarter of 2023.

Expenses from bank levies and similar dues (€24 million; 9m2022: €32 million) included expenses for the bank levy totalling €22 million. In addition to a higher collateralisation rate of 22.5% compared to 15% in the previous year, the lower target volume of EU-covered deposits had a positive effect. As in the same period of the previous year, this item also included expenses for the private deposit guarantee scheme.

Net income from write-downs and write-ups of non-financial assets (€-16 million; 9m2022: €-14 million) included the scheduled depreciation and amortisation of tangible assets and intangible assets, which was roughly on a par with the previous year, as well as the non-scheduled full amortisation of the software of CAPVERIANT GmbH in a non-significant amount.

Income taxes (€-14 million; 9m2022: €-24 million) were fully attributable to current taxes with an unchanged tax rate.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	30.9.2023	31.12.2022
Cash reserve	1,324	1,044
Financial assets at fair value through profit or loss	890	1,075
Positive fair values of stand-alone derivatives	455	562
Debt securities	119	117
Loans and advances to customers	314	394
Shares in investment funds qualified as debt instruments	2	2
Financial assets at fair value through other comprehensive income	1,306	1,692
Debt securities	1,164	1,409
Loans and advances to customers	142	283
Financial assets at amortised cost after credit loss allowances	44,206	48,734
Financial assets at amortised cost before credit loss allowances	44,691	49,121
Debt securities	4,410	5,377
Loans and advances to other banks	1,689	5,763
Loans and advances to customers	38,459	37,839
Claims from financial lease agreements	133	142
Credit loss allowances on financial assets at amortised cost	-485	-387
Positive fair values of hedge accounting derivatives	214	262
Valuation adjustment from portfolio hedge accounting (assets)	-73	-84
Tangible assets	24	27
Intangible assets	51	49
Other assets	67	58
Current income tax assets	34	31
Deferred income tax assets	119	119
Total assets	**48,162**	**53,007**

Total assets declined in the reporting period. The cash reserve increased due to the maturity of reverse repurchase agreements. However, financial assets at fair value through profit or loss decreased due to syndications. In addition, financial assets at fair value through other comprehensive income declined due to maturities and sales of bonds and promissory note loans.

Within the financial assets recognised at amortised cost, the notional volume of commercial real estate financing increased, but the portfolio of reverse repurchase agreements with banks decreased significantly. In addition, the decline in debt securities, in particular due to maturities of (government) bonds, and the sale of municipal loans in line with the strategy led to a decline in the position.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	30.9.2023	31.12.2022
Financial liabilities at fair value through profit or loss	688	686
Negative fair values of stand-alone derivatives	688	686
Financial liabilities measured at amortised cost	42,968	47,672
Liabilities to other banks	3,972	7,507
Liabilities to customers	18,473	17,889
Bearer bonds	19,926	21,641
Subordinated liabilities	597	635
Negative fair values of hedge accounting derivatives	1,081	1,125
Valuation adjustment from portfolio hedge accounting (liabilities)	-102	-112
Provisions	97	135
Other liabilities	56	57
Current income tax liabilities	20	19
Liabilities	**44,808**	**49,582**
Equity attributable to the shareholders of pbb	3,056	3,125
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,148	1,214
Accumulated other comprehensive income	-109	-106
from pension commitments	-42	-49
from cash flow hedge accounting	-27	-26
from financial assets at fair value through OCI	-40	-31
Additional equity instruments (AT1)	298	298
Non-controlling interest in equity	-	2
Equity	**3,354**	**3,425**
Total equity and liabilities	**48,162**	**53,007**

Liabilities

The total amount of liabilities as at 30 September 2023 was below the figure at the end of 2022. This was primarily due to the decline in the most significant item within liabilities, financial liabilities measured at amortised cost. Here, liabilities to other banks fell due to the predominant repayment of the TLTRO III refinancing in the amount of €1.8 billion as well as the decline in repo transactions. In contrast, the increase in the deposit business led to an increase in liabilities to customers. Bearer bonds decreased due to maturities and repurchases of own Pfandbriefe and other liabilities.

Equity

Equity decreased by €71 million as at 30 September 2023 compared to 31 December 2022, in particular due to the dividend payment of €128 million (€0.95 per dividend-bearing share) resolved at the Annual General Meeting on 25 May 2023 and the AT1 coupon of € 17 million. The €9 million reduction in reserves from financial assets at fair value through other comprehensive income also reduced equity. In contrast, the €7 million reduction in negative reserves from pension commitments (the discount rate used to measure pension obligations rose from 4.20% to 4.55% in the reporting period) and, above all, the current net income of €77 million had a positive effect on equity.

Funding

During the period under review, pbb Group placed a new long-term funding volume with an equivalent value of €2.8 billion (9m2022: €4.8 billion) on the market. This was offset by repurchases and cancellations totalling €0.6 billion (9m2022: €0.2 billion). The refinancing volume is made up of Pfandbriefe and unsecured liabilities, which were issued both in benchmark format and in the form of private placements. Pfandbriefe accounted for the largest share of the volume at €2.2 billion (9m2022: €2.8 billion). Unsecured refinancing accounted for €0.6 billion (9m2022: €2.0 billion), with almost all of the volume being issued as senior preferreds. The transactions were predominantly in euros and, in order to minimise currency risks between assets and liabilities, in British pounds sterling. The foreign currency was converted into euros at the exchange rate applicable at the time of issue. Open interest rate positions are generally hedged by swapping fixed interest rates for variable interest rates. As part of its holistic ESG strategy, pbb has issued an unsecured benchmark bond with a volume of €0.5 billion as a green bond.

In line with the profile of the new Non-Core segment, pbb will no longer issue public-sector Pfandbriefe on the capital markets, and will conduct early repurchases of these issues if appropriate.

pbb repaid a further €1.8 billion tranche of TLTRO III funding at the end of June 2023, leaving a residual liability of €0.9 billion due in 2024.

Overnight and fixed-term deposits from retail investors amounted to €5.9 billion as at 30 September 2023 (31 December 2022: € 4.4 billion). Through its pbb direkt offer, pbb has been cooperating with Raisin GmbH, operator of the "WeltSparen" deposits platform, since June 2023.

Liquidity

As at 30 September 2023, the liquidity coverage ratio was 218% (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 30 September 2023 (31 December 2022: €0.1 billion).

Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Non-Core (NC)	Consolida-tion & Ad-justments (C&A)	**pbb Group**
Operating income	1.1.-30.9.2023	356	57	2	415
	1.1.-30.9.2022	344	55	1	400
Net interest income	1.1.-30.9.2023	314	32	2	348
	1.1.-30.9.2022	308	49	1	358
Net fee and commission income	1.1.-30.9.2023	4	-1	-	3
	1.1.-30.9.2022	5	-1	-	4
Net income from fair value measurement	1.1.-30.9.2023	1	1	-	2
	1.1.-30.9.2022	14	7	-	21
Net income from realisations	1.1.-30.9.2023	19	26	-	45
	1.1.-30.9.2022	11	-1	-	10
Net income from hedge accounting	1.1.-30.9.2023	-	-	-	-
	1.1.-30.9.2022	4	3	-	7
Net other operating income	1.1.-30.9.2023	18	-1	-	17
	1.1.-30.9.2022	2	-2	-	-
Net income from risk provisioning	1.1.-30.9.2023	-105	1	-	-104
	1.1.-30.9.2022	-63	25	-	-38
General and administrative expenses	1.1.-30.9.2023	-157	-23	-	-180
	1.1.-30.9.2022	-138	-19	-	-157
Expenses from bank levies and similar dues	1.1.-30.9.2023	-16	-8	-	-24
	1.1.-30.9.2022	-20	-12	-	-32
Net income from write-downs and write-ups of non-financial assets	1.1.-30.9.2023	-14	-2	-	-16
	1.1.-30.9.2022	-12	-2	-	-14
Profit before tax	**1.1.-30.9.2023**	**64**	**25**	**2**	**91**
	1.1.-30.9.2022	**111**	**47**	**1**	**159**

Balance-sheet-related measures

in € billion		REF	NC	C&A	**pbb Group**
Financing volumes[1]	30.9.2023	30.5	12.9	-	**43.4**
	31.12.2022	29.3	14.4	-	**43.7**
Risik-weighted assets[2]	30.9.2023	16.7	0.6	0.5	**17.8**
	31.12.2022	15.5	0.8	0.7	**17.0**
Equity[3]	30.9.2023	2.5	0.3	0.3	**3.1**
	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
						30.9.2023
Cash reserve	1,324	-	-	-	-	1,324
Financial assets at fair value through profit or loss	2	4	5	259	165	435
Debt securities	-	-	-	81	38	119
Loans and advances to customers	-	4	5	178	127	314
Shares in investment funds qualified as debt instruments	2	-	-	-	-	2
Financial assets at fair value through other comprehensive income	-	145	521	314	326	1,306
Debt securities	-	123	403	313	325	1,164
Loans and advances to customers	-	22	118	1	1	142
Financial assets at amortised cost before credit loss allowances	1,251	3,843	5,514	21,437	12,646	44,691
Debt securities	-	161	218	2,606	1,425	4,410
Loans and advances to other banks	1,140	5	-	250	294	1,689
Loans and advances to customers	111	3,674	5,287	18,531	10,856	38,459
Claims from financial lease agreements	-	3	9	50	71	133
Total financial assets	**2,577**	**3,992**	**6,040**	**22,010**	**13,137**	**47,756**
Financial liabilities at cost	1,513	3,077	8,151	20,298	9,929	42,968
Liabilities to other banks	328	630	1,749	891	374	3,972
Thereof: Registred bonds	-	14	108	651	280	1,053
Liabilities to customers	1,147	2,097	2,435	5,325	7,469	18,473
Thereof: Registred bonds	-	618	376	2,239	6,988	10,221
Bearer bonds	38	340	3,966	13,508	2,074	19,926
Subordinated liabilities	-	10	1	574	12	597
Total financial liabilities	**1,513**	**3,077**	**8,151**	**20,298**	**9,929**	**42,968**

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 financial 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 Changes in Expected Developments

Due to the prolonged crisis on the commercial real estate market and the associated additions to allowance for credit losses, pbb Group now expects profit before tax of between €90 million and €110 million for the financial year 2023, instead of between €170 million and €200 million as communicated at the beginning of 2023. As a result, the return on CET1 capital after tax is expected to be below the range forecast at the beginning of the year (4.5% to 5.5%).

Report on Post-balance Sheet Date Events

On 10 October 2023, pbb's Supervisory Board appointed Kay Wolf as a member of the Management Board with effect from 1 February 2024. After a short familiarisation period, he will succeed Andreas Arndt as Chairman of the Management Board.

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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