Quarterly Information

as of 31 March 2022

Deutsche Pfandbriefbank Group

Contents

Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–31.3.2022	1.1.–31.3.2021
Operating performance according to IFRS			
Profit before tax	in € million	42	52
Net income	in € million	36	42
Key ratios		**1.1.–31.3.2022**	**1.1.–31.3.2021**
Earnings per share	in €	0.24	0.28
Cost-income ratio[1]	in %	38.9	38.4
Return on equity before tax[2]	in %	4.8	6.4
Return on equity after tax[2]	in %	4.1	5.1
New business volume Real Estate Finance[3]	in € billion	2.1	2.1
Balance sheet figures according to IFRS		**31.3.2022**	**31.12.2021**
Total assets	in € billion	56.3	58.4
Equity	in € billion	3.4	3.4
Financing volumes Real Estate Finance	in € billion	28.0	27.6
Key regulatory capital ratios[4]		**31.3.2022**	**31.12.2021**
CET1 ratio	in %	16.9	17.1
Own funds ratio	in %	22.1	22.4
Leverage ratio	in %	6.0	6.0
Staff		**31.3.2022**	**31.12.2021**
Employees (on full-time equivalent basis)		780	784
Long-term issuer rating/outlook[5][6]		**31.3.2022**	**31.12.2021**
Standard & Poor's		BBB+/Stable	A-/Negative
Moody's Pfandbrief rating[6]		**31.3.2022**	**31.12.2021**
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, AT1 capital and non-controlling interest).

[3] Including prolongations with maturities of more than one year.

[4] After confirmation of the 2021 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 2021, also referred to as "3m2021" 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 2021).

Development in Earnings

Despite considerable economic uncertainty arising from geopolitical tensions – such as the war between Russia and Ukraine, supply chain disruptions, and the persisting coronavirus pandemic – pbb Group achieved a clearly positive profit before tax of €42 million in the first quarter of 2022. Whilst last year's result of €52 million was thus not matched, this was in particular due to lower earnings incurred by early client repayments – upon which pbb Group has only a limited influence.

In detail, the result was as follows:

Income and expenses

in € million	**1.1.–31.3. 2022**	**1.1.–31.3. 2021**
Operating income	149	146
Net interest income	122	123
Net fee and commission income	2	2
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1]	9	2
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1]	5	21
Net income from hedge accounting	1	-1
Net other operating income	10	-1
Net income from allowances on financial assets (Net income from risk provisioning)[1]	-18	-10
General and administrative expenses	-53	-51
Expenses from bank levies and similar dues	-31	-28
Net income from write-downs and write-ups on non-financial assets	-5	-5
Profit before tax	**42**	**52**
Income taxes	-6	-10
Net income	**36**	**42**
attributable to: Shareholders	36	42

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

Net interest income of €122 million was in line with the prior-year figure of €123 million. The increased average portfolio of disbursed (and hence interest-bearing) REF financings of €27.8 billion had a positive effect in the first quarter of 2022 (average volume in 3m2021: €27.3 billion). pbb Group further benefited from a higher nominal volume of liabilities under the TLTRO III programme of notional €8.4 billion compared to the first quarter of 2021 (+€0.9 billion year-on-year), for which pbb will receive an interest rate premium of 50 basis points for the period from 24 June 2021 to 23 June 2022. In accordance with IAS 20, this interest rate benefit is accrued over the term. These positive effects were offset in particular by slightly lower gross margins in the lending business. As in the previous year, net interest income was boosted by earnings from floors agreed upon with clients, albeit to a slightly lower extent given higher interest rates.

Net fee and commission income from non-accruable fees of €2 million was unchanged year-on-year (3m2021: €2 million).

Net income from fair value measurement of €9 million was impacted by strong market movements due to the war in Ukraine, induced by higher interest rate levels in all relevant currencies for medium- and longer-term maturities. Net income from fair value measurement also rose due to a credit-induced increase in the fair values of derivatives and non-derivative financial instruments recognised at fair value through profit or loss.

Net income from realisations was significantly lower than in the previous year (€5 million versus 3m2021: €21 million) – mainly because of earnings from early repayments initiated by clients. Whilst net income from realisations in the first quarter of 2021 had benefited primarily from early termination fees of €13 million incurred by an individual loan, there was no early repayment of an individual financial instrument that produced income of more than approximately €1 million during the period under review.

As hedges were largely effective, net income from hedge accounting amounted to €1 million (3m2021: €-1 million).

Net other operating income jumped to €10 million (3m2021: €-1 million); this development was especially due to the reversal of provisions outside the lending business. The reversals reflected the best estimate that future obligations, especially related to legal risks, are now less probable.

Net income from risk provisioning amounted to €-18 million (3m2021: €-10 million). For financial instruments without indications for impaired credit quality (stage 1 and stage 2), there was a net addition to loss allowance of €10 million (3m2021: €5 million). For financial instruments with indications for impaired credit quality (stage 3), net addition to loss allowance amounted to €8 million (3m2021: €5 million).

Impairment measurements include forecasts for future economic developments. In line with current publications by, for example, the European Central Bank (ECB), pbb Group is now anticipating significantly lower economic growth for 2022 and 2023 than it did at the beginning of 2022. This is mainly a result of the macroeconomic consequences of the war between Russia and Ukraine, such as supply chain shortages and higher inflation, leading to an increase in stage 1 and stage 2 impairments of €15 million due to the structure of the model. This increase takes into account effects from the comparison of forecasts relevant for the measurement of impairments, especially the change in unemployment rates for 2022 and 2023.

Management overlay – recognised in 2021 with the aim of considering delayed defaults and bankruptcies following government support measures – was generally maintained in the first quarter of 2022. However, the aggregate overlay of €54 million as at 31 December 2021 was reduced to €44 million as at 31 March 2022, since the COVID-19-related infection waves in winter 2021/2022 triggered a less extensive, yet still palpable, economic impact than previous waves had done.

pbb Group has three Russia-related public investment financings with a gross carrying amount totalling €59 million in its portfolio, of which two financings are fully guaranteed and one financing is broadly guaranteed by Euler-Hermes, the Federal Republic of Germany’s export credit agency. The uncovered part amounted to just under €3 million, of which more than €2 million was impaired at stage 3 level in the first quarter of 2022. pbb Group has no direct exposure to borrowers domiciled in Russia, Belarus or Ukraine, nor has it financed any properties in these countries. Moreover, pbb has not extended any financings to persons included on the European Union’s sanctions list as at the reporting date. The other changes to stage 3 loss allowance mainly resulted from the lower present value of the collateral of variable-rate loans, due to higher interest rate levels.

General and administrative expenses of €53 million were slightly above the same period of the previous year (€51 million). Personnel expenses of €31 million (3m2021: €30 million) increased, amongst other things due to accrued liabilities for holiday entitlements which had to be recognised, whilst other administrative expenses went up as a result of project costs (€22 million; 3m2021: €21 million).

Expenses for bank levies and similar dues (€31 million; 3m2021: €28 million) mainly comprised expenses for the bank levy, taking into account 15 per cent pledged collateral 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 stipulations. The year-on-year increase in expenses for the SRB/bank levy was down to an increase in the fund's target volume at EU level. This line item further comprised expenses of €1 million (3m2021: €1 million) 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 (3m2021: €-5 million).

Income taxes of €-6 million (3m2021: €-10 million) were entirely due to current taxes (3m2021: €-8 million), whilst in the previous year's period €-2 million had been attributable to current taxes.

Net income amounted to €36 million (3m2021: €42 million), of which €32 million (3m2021: €38 million) was attributable to ordinary shareholders and €4 million (3m2021: €4 million) to AT1 investors on a pro rata basis.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	**31.3.2022**	**31.12.2021**
Cash reserve	5,823	6,607
Financial assets at fair value through profit or loss	998	1,180
Positive fair values of stand-alone derivatives	546	540
Debt securities	127	132
Loans and advances to customers	322	505
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,211	1,258
Debt securities	903	943
Loans and advances to customers	308	315
Financial assets at amortised cost after credit loss allowances	47,438	48,087
Financial assets at amortised cost before credit loss allowances	47,791	48,429
Debt securities	6,593	6,893
Loans and advances to other banks	2,695	2,646
Loans and advances to customers	38,336	38,710
Claims from finance lease agreements	167	180
Credit loss allowances on financial assets at amortised cost	-353	-342
Positive fair values of hedge accounting derivatives	645	1,009
Valuation adjustment from portfolio hedge accounting (assets)	-35	5
Tangible assets	31	32
Intangible assets	41	42
Other assets	52	50
Current income tax assets	10	3
Deferred income tax assets	131	129
Total assets	**56,345**	**58,402**

Total assets slightly declined in the first quarter of 2022. The cash reserve decreased mainly due to disbursed new business. Syndications led to a decrease of financial assets measured at fair value through profit or loss, whereas financial assets measured at fair value through other comprehensive income showed no significant changes. Despite a higher nominal value of commercial real estate financings, financial assets measured at amortised cost declined, since the portfolio volume in the other segments fell as planned. Increased interest rates led to a lower fair value of hedging derivatives.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	**31.3.2022**	**31.12.2021**
Financial liabilities at fair value through profit or loss	598	559
Negative fair values of stand-alone derivatives	598	559
Financial liabilities measured at amortised cost	50,781	52,656
Liabilities to other banks	10,685	10,633
Liabilities to customers	18,884	20,100
Bearer bonds	20,582	21,268
Subordinated liabilities	630	655
Negative fair values of hedge accounting derivatives	1,183	1,372
Valuation adjustment from portfolio hedge accounting (liabilities)	2	70
Provisions	224	231
Other liabilities	85	55
Current income tax liabilities	28	34
Liabilities	**52,901**	**54,977**
Equity attributable to the shareholders of pbb	3,143	3,124
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,238	1,202
Accumulated other comprehensive income	-112	-95
from pension commitments	-105	-111
from cash flow hedge accounting	-29	-28
from financial assets at fair value through OCI	22	44
Additional equity instruments (AT1)	298	298
Non-controlling interest in equity	3	3
Equity	**3,444**	**3,425**
Total equity and liabilities	**56,345**	**58,402**

Liabilities

Total liabilities as at 31 March 2022 were slightly below the previous year-end. Likewise, financial liabilities measured at amortised cost – which represent the major liabilities item – were down slightly. Within financial liabilities measured at amortised cost, financial liabilities to customers decreased due to maturities and lower micro hedge accounting adjustments as a result of higher interest rates. Maturities also resulted in lower holdings of bearer bonds. As with the assets side, the increase in interest rate levels led to a lower fair value of hedging derivatives.

Equity

Equity as at 31 March 2022 increased by €19 million compared to 31 December 2021, mostly reflecting current net income in the first quarter of 2022. Actuarial losses from pension liabilities went down by €6 million, with two changes to actuarial valuation parameters offsetting each other. The discount rate applied for the measurement of pension liabilities was increased in line with the development of market interest rates (31 March 2022: 2.10%; 31 December 2021: 1.31%), thus incurring lower pension provisions. The pension trend was increased in line with higher long-term inflation expectations (31 March 2022: 2.25%; 31 December 2021: 1.50%), leading to higher pension provisions. Accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income declined by €22 million compared to year-end 2021, due to effects induced by interest rate and credit developments.

Funding

During the first quarter of 2022, pbb Group raised new long-term funding in an equivalent amount of €1.8 billion (3m 2021: €1.4 billion), whilst repurchases and terminations were negligible (3m 2021: €0.4 billion). The total amount of funding comprised the same amount of Pfandbrief issues and unsecured liabilities, issued both in the form of benchmark bonds and private placements. Pfandbrief issues amounted to €0.9 billion (3m 2021: €0.6 billion). An additional €0.9 billion was attributable to unsecured funding (3m 2021: €0.8 billion), with the entire volume issued as senior preferred bonds. The transactions were denominated in euro and, in order to minimise foreign currency risks between assets and liabilities, in US dollar and Swedish krona. Unhedged interest rate exposures are usually hedged by swapping fixed against floating interest rates.

Liquidity

As at 31 March 2022, the Liquidity Coverage Ratio (LCR) was 229% (31 December 2021: 227%).

Off-balance Sheet Commitments

Irrevocable loan commitments of €3.1 billion (31 December 2021: €3.1 billion) represent the majority of off-balance sheet obligations. Contingent liabilities on guarantees and indemnity agreements amounted to €0.2 billion as at 31 March 2022 (31 December 2021: €0.2 billion).

Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Public Invest-ment Finance (PIF)	Value Portfolio (VP)	Consolida-tion & Ad-justments (C&A)	**pbb Group**
Operating income	1.1.-31.3.2022	126	10	12	1	149
	1.1.-31.3.2021	126	9	10	1	146
Net interest income	1.1.-31.3.2022	104	8	9	1	122
	1.1.-31.3.2021	104	9	9	1	123
Net fee and commission income	1.1.-31.3.2022	2	-	-	-	2
	1.1.-31.3.2021	2	-	-	-	2
Net income from fair value measurement	1.1.-31.3.2022	6	1	2	-	9
	1.1.-31.3.2021	1	-	1	-	2
Net income from realisations	1.1.-31.3.2022	5	-	-	-	5
	1.1.-31.3.2021	21	-	-	-	21
Net income from hedge accounting	1.1.-31.3.2022	1	-	-	-	1
	1.1.-31.3.2021	-1	-	-	-	-1
Net other operating income	1.1.-31.3.2022	8	1	1	-	10
	1.1.-31.3.2021	-1	-	-	-	-1
Net income from risk provisioning	1.1.-31.3.2022	-19	-2	3	-	-18
	1.1.-31.3.2021	-11	-	1	-	-10
General and administrative expenses	1.1.-31.3.2022	-46	-4	-3	-	-53
	1.1.-31.3.2021	-44	-4	-3	-	-51
Expenses from bank levies and similar dues	1.1.-31.3.2022	-20	-4	-7	-	-31
	1.1.-31.3.2021	-17	-4	-7	-	-28
Net income from write-downs and write-ups of non-financial assets	1.1.-31.3.2022	-4	-1	-	-	-5
	1.1.-31.3.2021	-4	-1	-	-	-5
Profit before tax	**1.1.-31.3.2022**	**37**	**-1**	**5**	**1**	**42**
	1.1.-31.3.2021	**50**	**-**	**1**	**1**	**52**

Balance-sheet-related measures

in € billion		REF	PIF	VP	C&A	**pbb Group**
Financing volumes[1)]	31.3.2022	28.0	5.0	10.8	-	**43.8**
	31.12.2021	27.6	5.2	10.9	-	**43.7**
Risik-weighted assets[2)]	31.3.2022	15.1	0.7	0.3	0.6	**16.7**
	31.12.2021	15.1	0.7	0.3	0.7	**16.8**
Equity[3)]	31.3.2022	2.0	0.2	0.5	0.5	**3.2**
	31.12.2021	2.1	0.2	0.4	0.4	**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, AT1 capital and non-controlling interest. Values as of 31 December 2021 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
						31.3.2022
Cash reserve	5,823	-	-	-	-	5,823
Financial assets at fair value through profit or loss	3	6	4	157	282	452
Debt securities	-	-	-	86	41	127
Loans and advances to customers	-	6	4	71	241	322
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	20	118	550	523	1,211
Debt securities	-	18	8	387	490	903
Loans and advances to customers	-	2	110	163	33	308
Financial assets at amortised cost before credit loss allowances	1,005	3,989	4,729	19,204	18,864	47,791
Debt securities	-	854	160	1,758	3,821	6,593
Loans and advances to other banks	994	1,093	50	249	309	2,695
Loans and advances to customers	11	2,039	4,509	17,141	14,636	38,336
Claims from finance lease agreements	-	3	10	56	98	167
Total financial assets	**6,831**	**4,015**	**4,851**	**19,911**	**19,669**	**55,277**
Financial liabilities at cost	1,632	1,997	6,335	25,623	15,194	50,781
Liabilities to other banks	480	274	185	9,130	616	10,685
Thereof: Registred bonds	-	46	51	638	444	1,179
Liabilities to customers	1,114	1,049	2,318	4,467	9,936	18,884
Thereof: Registred bonds	-	417	339	2,527	9,542	12,825
Bearer bonds	38	662	3,821	11,789	4,272	20,582
Subordinated liabilities	-	12	11	237	370	630
Total financial liabilities	**1,632**	**1,997**	**6,335**	**25,623**	**15,194**	**50,781**

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
						31.12.2021
Cash reserve	6,607	-	-	-	-	6,607
Financial assets at fair value through profit or loss	3	5	6	288	338	640
Debt securities	-	-	-	88	44	132
Loans and advances to customers	-	5	6	200	294	505
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	22	16	665	555	1,258
Debt securities	-	16	10	397	520	943
Loans and advances to customers	-	6	6	268	35	315
Financial assets at amortised cost before credit loss allowances	1,121	2,986	5,756	18,633	19,933	48,429
Debt securities	-	182	813	1,696	4,202	6,893
Loans and advances to other banks	1,061	1,034	-	249	302	2,646
Loans and advances to customers	60	1,766	4,934	16,632	15,318	38,710
Claims from finance lease agreements	-	4	9	56	111	180
Total financial assets	**7,731**	**3,013**	**5,778**	**19,586**	**20,826**	**56,934**
Financial liabilities at cost	1,785	3,278	5,089	26,187	16,317	52,656
Liabilities to other banks	649	23	345	8,962	654	10,633
Thereof: Registred bonds	-	12	79	490	439	1,020
Liabilities to customers	1,097	1,024	2,711	4,529	10,739	20,100
Thereof: Registred bonds	-	383	502	2,621	10,337	13,843
Bearer bonds	39	2,194	2,033	12,597	4,405	21,268
Subordinated liabilities	-	37	-	99	519	655
Total financial liabilities	**1,785**	**3,278**	**5,089**	**26,187**	**16,317**	**52,656**

Report on Post-balance Sheet Date Events

There were no material events after 31 March 2022.

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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