DEUTSCHE PFANDBRIEFBANK

Quarterly Information as of 30 September 2024

Deutsche Pfandbriefbank Group

Contents

Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.-30.9.2024	1.1.-30.9.2023
Operating performance according to IFRS			
Profit before tax	in € million	87	91
Net income	in € million	74	77
thereof attributable to the ordinary shareholders	in € million	55	61
thereof attributable to the AT1 investors	in € million	19	16
Key ratios		**1.1.-30.9.2024**	**1.1.-30.9.2023**
Earnings per share	in €	0.41	0.45
Cost-income ratio [1]	in %	45.6	47.2
Return on equity before tax[2]	in %	2.9	3.1
Return on equity after tax[2]	in %	2.4	2.5
Return on CET1 capital before tax[3]	in %	3.1	3.5
Return on CET1 capital after tax[3]	in %	2.5	2.9
New business volume Real Estate Finance[4]	in € billion	2.5	4.2
Balance sheet figures according to IFRS		**30.9.2024**	**31.12.2023**
Total assets	in € billion	45.2	50.9
Equity	in € billion	3.4	3.4
Financing volumes Real Estate Finance	in € billion	29.1	31.1
Key regulatory capital ratios[5]		**30.9.2024**	**31.12.2023**
CET1 ratio	in %	14.5	15.7
Own funds ratio	in %	17.4	19.5
Leverage ratio	in %	7.2	6.2
Staff		**30.9.2024**	**31.12.2023**
Employees (on full-time equivalent basis)		784	806
Long-term issuer rating/outlook[6][7]		**30.9.2024**	**31.12.2023**
Standard & Poor's		BBB-/Negative	BBB/Negative
Moody's Pfandbrief rating		**30.9.2024**	**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) attributable to pbb shareholders less AT1 coupon to 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 profit before tax (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 of the first half of 2024 was included in the figures as at 30 September 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 30 September 2023, also referred to as "9m2023" 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 reporting period (1 January to 30 September 2024; hereinafter referred to as "9m2024"), the economic situation in the markets relevant for pbb developed unevenly. The US economy proved to be significantly more robust overall and inflation more persistent than in Europe and especially in Germany. The unemployment rate in the US fell to a comparatively low 4.1% in September 2024 following a slight increase over the course of the year, while the inflation rate in the same month was 2.4%. By comparison, economic development in Europe was much more subdued, as shown by the weak development of leading economic indicators such as the purchasing managers' indices. At the same time, the decline in inflation was much more pronounced than in the USA. At 1.7%, inflation in the eurozone fell below the central bank's inflation target of 2% for the first time since 2021. This enabled the European Central Bank (ECB) to cut its key interest rates again by 25 basis points in September. The deposit rate thus stood at 3.5% on 30 September. The Fed also responded to the ongoing decline in inflation towards the target of 2% and lowered its key interest rate by half a percentage point in September for the first time since 2020. It was thus in a range of 4.75% to 5% as at 30 September 2024. Both central banks have held out the prospect of further interest rate cuts, although the pace and extent of monetary easing will depend on the further development of economic data.

The situation on the commercial real estate markets remained fundamentally tense. However, investment volumes have stabilised again this year following the sharp declines between the end of 2022 and 2023. Property yields appear to have reached their turning point.

In the course of the first quarter of 2024, the general concern grew that other banks involved in this segment might also have to recognise further significant credit loss allowances, partly as a result of publications about loss allowances on US commercial real estate financings, particularly by US banks. In the course of this general market development, market confidence in the outlook for pbb Group 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 the ratings of pbb and its unsecured liabilities by one notch and two notches respectively, with the outlook remaining negative. Since March 2024, the spreads of pbb's secured and unsecured bonds have recovered significantly. The pbb Group continues to have sufficient long-term unsecured funding and is not planning a benchmark senior unsecured issue for the current year. The pbb share price as of 30 September 2024 has also risen significantly compared to its low in February 2024.

Despite the challenging market environment, pbb Group was profitable in the period under review, with profit before tax of €87 million. The result for the same period of the previous year of €91 million was not quite matched, partly because significantly higher allowances for losses on loans and advances were recognised in the reporting period.

A detailed breakdown of the results is provided below:

Income and expenses

in € million	1.1.-30.9.2024	1.1.-30.9.2023
Operating income	425	415
Net interest income	359	348
Net fee and commission income	3	3
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1]	4	2
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1]	57	45
Net income from hedge accounting	4	-
Net other operating income	-2	17
Net income from allowances on financial assets (Net income from risk provisioning)[1]	-140	-104
General and administrative expenses	-179	-180
Expenses from bank levies and similar dues	-4	-24
Net income from write-downs and write-ups on non-financial assets	-15	-16
Profit before tax	**87**	**91**
Income taxes	-13	-14
Net income	**74**	**77**
attributable to:		
Shareholders	74	77

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

Due to the development in commercial real estate financing, net interest income rose to €359 million after €348 million in the same period of the previous year. The slightly higher average volume (€30.3 billion; 9m2023: €29.9 billion) and the increased portfolio margin had a 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 €12 million in the same period of the previous year.

At €3 million, net fee and commission income was on a par with the previous year (9m2023: €3 million) and resulted from non-accruable fees.

Net income from fair value measurement totalled €4 million (9m2023: €2 million). The lower interest rate level in the third quarter had a positive effect on the financial instruments measured at fair value through profit or loss. Net income from fair value measurement was negatively impacted in the amount of €2 million by a portfolio transaction involving financial assets in the US and the UK.

The net income from realisations of €57 million (9m2023: €45 million) was positively impacted by pbb's active balance sheet management. In this context, net income of €20 million (9m2023: €19 million) was realised from the sale of financial assets. The liquidity released was used to redeem liabilities, among other things. This and the expiry of liabilities resulted in a gain of €34 million (9m2023: €21 million). As in the same period of the previous year, income from the prepayment of financing only played a minor role.

Net income from hedge accounting totalled €4 million (9m2023: €0 million). With largely effective hedging relationships (hedges), there were minor effects from different interest rate fixing dates for underlying and hedging transactions.

The net other operating income of €-2 million resulted primarily from net additions to provisions outside of the lending business. The previous year's result of €17 million was primarily attributable to net reversals of provisions outside of the lending business.

Risk provisioning was further increased as a result of the continued challenging environment on the real estate markets. Overall, net income from risk provisioning totalled €-140 million (9m2023: €-104 million). There was a net reversal of €19 million (9m2023: net reversal of €7 million) for financial instruments without indicators of impaired credit quality (stages 1 and 2). The net addition to risk provisions for financial instruments with indicators of impaired credit quality (stage 3) totalled €159 million (9m2023: €111 million).

The model-based risk provisioning for stages 1 and 2 decreased as a result of changes in valuation parameters, in particular the lower interest rate level and improved property market value forecasts. Due to this trend, which is reflected in stabilising transaction volumes and the first interest rate cut by the Fed in four years, the management overlay existing as at 31 December 2023 was completely reversed by €31 million to take account of the emerging momentum on the US real estate market. The model-based loss given defaults (LGD) will therefore no longer be increased and no more financing will be collectively provided for in the amount of the lifetime expected credit losses.

The additions to stage 3 were mainly due to various portfolio financing transactions in the USA and development financing in Germany. In the reporting period, a total of nine transactions were reclassified to risk provisioning level 3 due to defaults. Of these, two transactions that moved to stage 3 during the reporting period were reduced through the sale of properties or receivables. A further six transactions were reduced through the sale of properties or receivables. In addition, three existing US office financings were returned to normal credit management following stabilisation.

At €179 million, general and administrative expenses were slightly below the previous year's figure (9m2023: €180 million). Personnel expenses were slightly lower (€97 million; 9m2023: €99 million), as some of the provisions for severance payments recognised in the same period of the previous year did not have to be utilised. At €82 million, operating expenses were roughly on a par with the same period of the previous year (9m2023: €81 million).

At €4 million, expenses from bank levies and similar dues were significantly lower than the previous year's figure (9m2023: €24 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 same period of the previous year, 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.

Net income from write-downs and write-ups of non-financial assets amounted to €-15 million (9m2023: €-16 million) and included depreciation and amortisation of property and equipment and intangible assets.

Of the income taxes (€-13 million; 9m2023: €-14 million), €-7 million (6m2023: €-14 million) was attributable to current taxes and €-6 million (9m2023: €0 million) to deferred taxes.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	30.9.2024	31.12.2023
Cash reserve	2,323	2,728
Financial assets at fair value through profit or loss	1,091	944
Positive fair values of stand-alone derivatives	494	494
Debt securities	127	123
Loans and advances to customers	467	324
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,002	1,475
Debt securities	1,001	1,354
Loans and advances to customers	1	121
Financial assets at amortised cost after credit loss allowances	40,354	45,228
Financial assets at amortised cost before credit loss allowances	40,918	45,811
Debt securities	3,487	4,014
Loans and advances to other banks	1,366	2,507
Loans and advances to customers	35,940	39,155
Claims from financial lease agreements	125	135
Credit loss allowances on financial assets at amortised cost	-564	-583
Positive fair values of hedge accounting derivatives	141	251
Valuation adjustment from portfolio hedge accounting (assets)	-48	-56
Investments accounted for using the equity method	13	-
Property and equipment	34	20
Intangible assets	52	53
Other assets	68	68
Current income tax assets	37	43
Deferred income tax assets	126	129
Total assets	**45,193**	**50,883**

Total assets decreased significantly in the reporting period. Financial assets at fair value through other comprehensive income declined due to maturities of (government) bonds in the liquidity portfolio and a cash investment. Within the financial assets at amortised cost, maturities and sales of bonds and loans from public-sector issuers (non-strategic portfolio) with a total carrying amount of €1.5 billion led to a decline in debt securities and loans and advances to customers. In addition, pbb Group sold a portfolio of real estate loans with a carrying amount of €0.9 billion as part of its balance sheet management. The portfolio comprised financings of office, residential and hotel properties in the USA and the United Kingdom. A €1.1 billion reduction in the portfolio of reverse repurchase agreements also led to a decrease in loans and advances to other banks.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	30.9.2024	31.12.2023
Financial liabilities at fair value through profit or loss	730	662
Negative fair values of stand-alone derivatives	730	662
Financial liabilities measured at amortised cost	40,340	45,913
Liabilities to other banks	3,033	6,079
Liabilities to customers	18,512	18,829
Bearer bonds	18,198	20,402
Subordinated liabilities	597	603
Negative fair values of hedge accounting derivatives	523	789
Valuation adjustment from portfolio hedge accounting (liabilities)	-14	-49
Provisions	112	117
Other liabilities	74	68
Current income tax liabilities	16	18
Liabilities	**41,781**	**47,518**
Equity attributable to the shareholders of pbb	3,114	3,067
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,211	1,162
Accumulated other comprehensive income	-114	-112
from pension commitments	-71	-70
from cash flow hedge accounting	-38	-30
from financial assets at fair value through OCI	-5	-12
Additional equity instruments (AT1)	298	298
Equity	**3,412**	**3,365**
Total equity and liabilities	**45,193**	**50,883**

Liabilities

The total liabilities as at 30 September 2024 were significantly lower than at the end of 2023. This was primarily due to the most material item within liabilities, the financial liabilities measured at amortised cost. Liabilities to other banks fell due to the repayment of the remaining TLTRO III tranche in the amount of €0.9 billion. In addition, the portfolio of repurchase agreements fell by €1.3 billion. Further declines were recorded in fixed-term deposits and public Pfandbriefe. Within liabilities to customers, the deposit business (pbb direct) increased. However, this was more than offset by the decline in securities repurchase transactions, fixed-term deposits and public Pfandbriefe. Bearer bonds decreased due to maturities and repurchases of own Pfandbriefe and other liabilities.

Equity

Equity increased by €47 million in the reporting period. The net income of €74 million had a positive effect. In contrast, the AT1 coupon of €25 million paid in April 2024 reduced retained earnings. The actuarial losses from pension obligations increased by €1 million as the discount rate used to measure the pension obligations fell slightly (30 September 2024: 3.45%; 31 December 2023: 3.53%). The accumulated other comprehensive income from financial assets at fair value through other comprehensive income increased by €7 million compared to the end of the previous year due to interest and credit-related effects.

Funding

During the reporting period, pbb Group placed a new long-term funding volume totalling €2.0 billion (9m2023: €2.8 billion) in the market. This was offset by repurchases and cancellations totalling €0.9 billion (9m2023: €0.6 billion), of which Public Pfandbriefe accounted for more than two-thirds of the volume. The refinancing volume consisted almost entirely of mortgage Pfandbriefe (9m2023: €2.2 billion), which were issued both in benchmark format and in the form of private placements. The transactions were predominantly denominated in euros and in Swedish krona to minimise currency risks between assets and liabilities. 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. The unsecured refinancing (9m2023: €0.6 billion) was almost completely replaced by lower-cost deposits from private customers (pbb direct).

The last tranche of the TLTRO III liability totalling €0.9 billion was repaid in June 2024. As a result, there are no more TLTRO III liabilities.

Overnight and fixed-term deposits from retail investors amounted to €7.8 billion as at 30 September 2024 (31 December 2023: €6.6 billion).

Liquidity

As at 30 September 2024, the liquidity coverage ratio was 215% (31 December 2023: 212%).

Off-balance Sheet Commitments

Irrevocable loan commitments of €1.4 billion (31 December 2023: €2.2 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 2024 (31 December 2023: €0.1 billion).

Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Non-Core (NC)	Consolidation & Adjustments (C&A)	pbb Group
Operating income	1.1.-30.9.2024	350	75	-	425
	1.1.-30.9.2023	358	57	-	415
Net interest income[1]	1.1.-30.9.2024	336	23	-	359
	1.1.-30.9.2023	316	32	-	348
Net fee and commission income	1.1.-30.9.2024	4	-1	-	3
	1.1.-30.9.2023	4	-1	-	3
Net income from fair value measurement	1.1.-30.9.2024	2	2	-	4
	1.1.-30.9.2023	1	1	-	2
Net income from realisations	1.1.-30.9.2024	6	51	-	57
	1.1.-30.9.2023	19	26	-	45
Net income from hedge accounting	1.1.-30.9.2024	3	1	-	4
	1.1.-30.9.2023	-	-	-	-
Net other operating income	1.1.-30.9.2024	-1	-1	-	-2
	1.1.-30.9.2023	18	-1	-	17
Net income from risk provisioning	1.1.-30.9.2024	-140	-	-	-140
	1.1.-30.9.2023	-105	1	-	-104
General and administrative expenses	1.1.-30.9.2024	-169	-10	-	-179
	1.1.-30.9.2023	-157	-23	-	-180
Expenses from bank levies and similar dues	1.1.-30.9.2024	-3	-1	-	-4
	1.1.-30.9.2023	-16	-8	-	-24
Net income from write-downs and write-ups of non-financial assets	1.1.-30.9.2024	-14	-1	-	-15
	1.1.-30.9.2023	-14	-2	-	-16
Profit before tax	**1.1.-30.9.2024**	**24**	**63**	**-**	**87**
	1.1.-30.9.2023	**66**	**25**	**-**	**91**

[1] Figures for the same period of the previous year adjusted in accordance with IFRS 8.29.

Balance-sheet-related measures

in € billion		REF	NC	C&A	pbb Group
Financing volumes [1]	30.9.2024	29.1	10.8	-	**39.9**
	31.12.2023	31.1	12.4	-	**43.5**
Risik-weighted assets [2]	30.9.2024	20.0	0.2	0.2	**20.4**
	31.12.2023	17.5	0.6	0.4	**18.5**
Equity [3]	30.9.2024	3.1	-	0.1	**3.2**
	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. Figures as at 31 December 2023 adjusted in accordance with 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
						30.9.2024
Cash reserve	2,323	-	-	-	-	2,323
Financial assets at fair value through profit or loss	3	3	64	527	-	597
Debt securities	-	-	2	125	-	127
Loans and advances to customers	-	3	62	402	-	467
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	13	107	283	599	1,002
Debt securities	-	13	107	282	599	1,001
Loans and advances to customers	-	-	-	1	-	1
Financial assets at amortised cost before credit loss allowances	845	3,796	5,595	21,038	9,644	40,918
Debt securities	-	89	195	2,354	849	3,487
Loans and advances to other banks	812	5	-	250	299	1,366
Loans and advances to customers	33	3,699	5,391	18,378	8,439	35,940
Claims from financial lease agreements	-	3	9	56	57	125
Total financial assets	**3,171**	**3,812**	**5,766**	**21,848**	**10,243**	**44,840**
Financial liabilities at cost	1,169	2,940	5,787	20,566	9,878	40,340
Liabilities to other banks	286	580	973	873	321	3,033
Thereof: Registred bonds	-	31	82	591	238	942
Liabilities to customers	874	1,114	3,020	5,368	8,136	18,512
Thereof: Registred bonds	-	318	370	1,868	7,171	9,727
Bearer bonds	9	1,236	1,794	13,750	1,409	18,198
Subordinated liabilities	-	10	-	575	12	597
Total financial liabilities	**1,169**	**2,940**	**5,787**	**20,566**	**9,878**	**40,340**

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 financial 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 events after 30 September 2024 with a material impact on the development in assets, financial position and earnings of the pbb Group.

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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