

Alternative  
Performance Measures  
As of 30 June 2021

Deutsche Pfandbriefbank Group



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# Deutsche Pfandbriefbank Group

The consolidated financial statements as at 30 June 2021 are based on the International Financial Reporting Standards (IFRSs) as adopted in European law by the European Commission as part of its endorsement process.

## Definitions and Usefulness

### RETURN ON EQUITY

#### Definition

Return on equity before tax	=	annualised profit before tax attributable to shareholders less AT1-coupon
		average equity excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, additional equity instruments (AT1 capital) and non-controlling interest

Return on equity after tax	=	annualised net income attributable to shareholders less AT1-coupon
		average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest

During the course of the year, the annualised profit before tax (net income) is based on the current figure (before/after tax) as disclosed according to IFRS, divided by the number of months elapsed and multiplied by the factor 12.

Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest is the arithmetic mean based on the amount at the beginning of the year and the amounts as disclosed at the quarterly reporting dates of the current financial year. Equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest comprises the following items: subscribed capital, additional paid-in capital, retained earnings, consolidated profit and OCI from pension commitments.

### Usefulness

pbb Group uses return on equity before (after) tax as most important key performance indicator (KPI) to measure profitability. Return on equity after tax is another KPI used in the internal managementsystem. However, the informative value of the respective KPI is limited by the fact that they represent rates (quota). Therefore, they do not provide information (and cannot be used to draw conclusions) on the absolute amount of profit or loss before tax (or net income/loss) or average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest. In addition, annualised projections of profit before tax (or net income) provided during the course of the year may be inaccurate due to the linear extrapolation method. Moreover, non-recurring effects may have an influence on return on equity before and after tax without any long-term repercussions on pbb Group's profitability.

### COST-INCOME RATIO

#### Definition

$$\text{Cost-income ratio} = \frac{\text{general and administrative expenses and net income from write-downs and write-ups on non-financial assets}}{\text{operating income}}$$

Operating income comprises the sum of net interest income, net fee and commission income, net income from fair value measurement, net income from realisations, net income from hedge accounting and net other operating income.

#### Usefulness

Cost-income ratio is used within pbb Group as most important key indicator to monitor cost discipline and efficiency, and is defined as KPI in the internal management system. However, the informative value of the cost-income ratio is limited by the fact that it represents a rate (quota). Therefore, it does not provide information (and cannot be used to draw conclusions) on the absolute amount of general and administrative expenses, net income from write-downs and write-ups on non-financial assets or operating income. Non-recurring effects may have an influence on the cost-income ratio through income and expenses without any long-term repercussions on pbb Group's efficiency.

### FINANCING VOLUMES

#### Definition

Financing volume is the notional amount of the drawn parts of granted loans and the securities portfolio (customer business). The financing volume includes "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets at amortised cost after credit loss allowances".

The average financing volume is the arithmetic mean based on the value at the beginning of the year and the values at the quarterly reporting dates of the current financial year.

#### Usefulness

The financing volumes of the strategic segments Real Estate Finance is defined as financial KPIs in the internal management system. The financing volume is a significant factor influencing the future earning power of pbb Group, since it represents the interest-bearing part of active customer business. New business volume, as well as repayments, are the main drivers for the

financing volume. However, new business volume provides only a limited basis from which to draw conclusions regarding financing volume amounts, since pbb Group's influence on repayments is limited. In addition, financing volumes are subject to foreign exchange rate movements beyond pbb Group's sphere of influence.

## Reconciliation Statements

### RETURN ON EQUITY BEFORE TAX AND AFTER TAX

#### Return on equity reconciliation 1 January to 30 June 2021

in € million (if not otherwise stated)	1.1.2021	31.3.2021	30.6.2021
Equity	3,294	3,335	3,341
Less accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest	-347	-335	-328
Equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1-Kapital and non-controlling interest	2,947	3,000	3,013
			<b>1.1-30.6.2021</b>
<b>Calculation</b>			
Annualised profit before tax attributable to shareholders less AT1-coupon			213
Annualised net income attributable to shareholders less AT1-coupon			179
Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest			2,987
Return on equity before tax (in %)			7.1
Return on equity after tax (in %)			6.0

#### Return on equity reconciliation 1 January to 30 June 2020<sup>1)</sup>

in € million (if not otherwise stated)	1.1.2020	31.3.2020	30.6.2020
Equity	3,217	3,225	3,217
Less accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital	-371	-362	-361
Equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1-Kapital	2,846	2,863	2,856
			<b>1.1-30.6.2020</b>
<b>Calculation</b>			
Annualised profit before tax less AT1-coupon			43
Annualised net income less AT1-coupon			27
Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital			2,855
Return on equity before tax (in %)			1.5
Return on equity after tax (in %)			0.9

<sup>1)</sup> Adjusted due to IAS 8.42.

**COST-INCOME-RATIO****Cost-income ratio calculation**

in € million	1.1.- 30.6.2021	1.1.- 30.6.2020 <sup>1)</sup>
General and administrative expenses and net income from write-downs and write-ups of non-financial assets	111	107
Operating income	287	232
Cost-income ratio (in %)	38.7	46.1

<sup>1)</sup> Adjusted due to IAS 8.42.

**AVERAGE FINANCING VOLUMES****Average financing volumes reconciliation 2021**

in € billion	1.1.2021	31.3.2021	30.6.2021	Semi- annual average 2021
Financing volumes Real Estate Finance (REF)	27.0	27.5	26.8	27.1
Financing volumes Public Investment Finance (PIF)	5.8	5.7	5.5	5.7
Financing volumes REF and PIF	32.8	33.2	32.3	32.8
Financing volumes Value Portfolio (VP)	11.4	11.4	11.1	11.3
<b>Financing volumes total</b>	<b>44.2</b>	<b>44.6</b>	<b>43.4</b>	<b>44.1</b>

**Average financing volumes reconciliation 2020**

in € billion	1.1.2020	31.3.2020	30.6.2020	Semi- annual average 2020
Financing volumes Real Estate Finance (REF)	27.1	26.8	26.7	26.9
Financing volumes Public Investment Finance (PIF)	6.2	6.3	6.0	6.2
Financing volumes REF and PIF	33.3	33.1	32.7	33.1
Financing volumes Value Portfolio (VP)	12.1	11.9	11.8	11.9
<b>Financing volumes total</b>	<b>45.4</b>	<b>45.0</b>	<b>44.5</b>	<b>45.0</b>

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Deutsche Pfandbriefbank AG (publisher)  
 Parkring 28  
 85748 Garching  
 Germany

T +49 (0)89 2880 – 0  
 info@pfandbriefbank.com  
 www.pfandbriefbank.com