

Alternative  
Performance Measures  
As of 31 December 2021

Deutsche Pfandbriefbank



# Content

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# Deutsche Pfandbriefbank Group

The consolidated financial statements as at 31 December 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. Please refer to the Notes to the consolidated financial statements for further information on the accounting and measurement principles.

## Definitions and Usefulness

### RETURN ON EQUITY

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

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

Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital 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 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 before tax (or net income) or average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair

value through OCI, AT1 capital and non-controlling interest. 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 31 December 2021

in € million (if not otherwise stated)	1.1.2021	31.3.2021	30.6.2021	30.9.2021	31.12.2021
Equity	3,294	3,335	3,341	3,397	3,425
Less accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest	-347	-323	-328	-320	-317
Equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1-Kapital and non-controlling interest	2,947	3,012	3,013	3,077	3,108
<b>Calculation</b>					<b>2021</b>
Annualised profit before tax attributable to shareholders less AT1-coupon					226
Annualised net income attributable to shareholders less AT1-coupon					212
Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest					3,031
Return on equity before tax (in %)					7.5
Return on equity after tax (in %)					7.0

### Return on equity reconciliation 1 January to 31 December 2020

in € million (if not otherwise stated)	1.1.2020	31.3.2020	30.6.2020	30.9.2020	31.12.2020
Equity	3,217	3,225	3,217	3,256	3,294
Less accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital	-371	-362	-361	-359	-347
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	2,897	2,947
<b>Calculation</b>					<b>2020</b>
Annualised profit before tax less AT1-coupon					134
Annualised net income less AT1-coupon					104
Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital					2,882
Return on equity before tax (in %)					4.6
Return on equity after tax (in %)					3.6

**COST-INCOME-RATIO**

Cost-income ratio calculation

in € million	2021	2020
General and administrative expenses and net income from write-downs and write-ups of non-financial assets	239	223
Operating income	591	526
Cost-income ratio (in %)	40.4	42.4

**AVERAGE FINANCING VOLUMES**

Average financing volumes reconciliation 2021

in € billion	1.1.2021	31.3.2021	30.6.2021	30.9.2021	31.12.2021	Annual average 2021
Financing volumes						
Real Estate Finance (REF)	27.0	27.5	26.8	27.0	27.6	27.2
Financing volumes Public Investment Finance (PIF)	5.8	5.7	5.5	5.4	5.2	5.5
Financing volumes REF and PIF	32.8	33.2	32.3	32.4	32.8	32.7
Financing volumes Value Portfolio (VP)	11.4	11.4	11.1	11.0	10.9	11.2
Financing volumes total	44.2	44.6	43.4	43.4	43.7	43.9

Average financing volumes reconciliation 2020

in € billion	1.1.2020	31.3.2020	30.6.2020	30.9.2020	31.12.2020	Annual average 2020
Financing volumes						
Real Estate Finance (REF)	27.1	26.8	26.7	26.8	27.0	26.9
Financing volumes Public Investment Finance (PIF)	6.2	6.3	6.0	5.9	5.8	6.0
Financing volumes REF and PIF	33.3	33.1	32.7	32.7	32.8	32.9
Financing volumes Value Portfolio (VP)	12.1	11.9	11.8	11.7	11.4	11.8
Financing volumes total	45.4	45.0	44.5	44.4	44.2	44.7

# Deutsche Pfand- briefbank AG

The financial statements as at 31 December 2021 were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – “HGB”). Please refer to the notes to the financial statements for further information on the accounting and measurement principles.

## Definitions and Usefulness

### DEVELOPMENT IN EARNINGS

#### Definition

By way of derogation from the structure provided for income statements in form 1 of the German Ordinance on the Accounting of Credit Institutions and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – “RechKredV”), Deutsche Pfandbriefbank AG (pbb) discloses aggregated income and expense items in the Development in Earnings section of the combined management report.

#### Usefulness

With the aggregation of income and expense items in the income statement, pbb intends to convey background information to the readers of the combined management report in a more transparent and comprehensible way, compared to the standardised approach provided in form 1 of the Rech- KredV. In addition, the disclosure of income statement is based on the consolidated financial statements prepared in accordance with IFRS.

Although the disclosure of development in earnings according to HGB (pbb) and IFRS (pbb Group) may look very similar for many items, any comparisons or conclusions between the single-entity financial statements and the consolidated financial statements should be made with utmost care, and may not be appropriate since they are based on entirely different accounting standards. For instance, line items disclosed in the development in earnings section of both the single-entity as well as the consolidated financial statements may differ substantially.

# Reconciliation Statements

## RECONCILIATION FROM INCOME STATEMENT (RECHKREDV) TO DEVELOPMENT IN EARNINGS IN THE MANAGEMENT REPORT

Reconciliation from income statement (RechKredV) to development in earnings in the Combined Management Report

in € million	2021	2020
Net interest income	583	523
Interest income from	2,157	2,244
a) lending and money market business	1,914	1,968
b) fixed-income and government-inscribed debt	243	276
Interest expenses	-1,574	-1,721
Net fee and commission income	6	6
Commission income	9	8
Commission expenses	-3	-2
Net other operating income	-36	-4
Other operating income	22	35
Other operating expenses	-58	-39
Net operating income	553	525
General and administrative expenses	-246	-220
Personell expenses	-135	-117
a) wages and salaries	-113	-99
b) social security contributions and expenses for pensions and other employee benefits	-22	-18
Non-personell expenses	-111	-103
a) other administrative expenses	-106	-99
b) amortisation/depreciation and write-downs of intangible and tangible assets	-5	-4
Operating results (before loan loss provisions)	307	305
Risk provisioning	-85	-153
Write-downs of claims and certain securities as well as additions to provisions in the lending business	-85	-153
Income from write-ups of claims and certain securities as well as reversals of provisions in the lending business	-	-
Net income from financial investments	-2	-4
Write-downs and impairments to participating interests, investments in associated companies and securities treated as fixed assets	-2	-
Income from write-ups of participating interests, investments in associated companies and securities treated as fixed assets	-	1
Income from profit pooling, profit transfer or partial profit transfer agreements	-	-
Expenses from assumption of losses	-	-5
Additions to the fund for general banking risks	-	-
Operating results	220	148
Extraordinary result	-	-
Extraordinary income	-	-
Extraordinary expenses	-	-
Profit or loss before tax	220	148
Taxes	-38	-36
Income taxes	-38	-35
Other tax unless reported under "other operating expenses"	-	-1
Net income	182	112



# Imprint

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