

Alternative
Performance Measures
As of 30 June 2022

Deutsche Pfandbriefbank Group



Contents

Deutsche Pfandbriefbank Group	3
Definitions and Usefulness	3
Reconciliation Statements	5

Deutsche Pfandbriefbank Group

The consolidated financial statements as at 30 June 2022 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	=	$\frac{\text{annualised profit before tax attributable to shareholders less AT1-coupon}}{\text{average equity excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, additional equity instruments (AT1 capital) and non-controlling interest}}$
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Return on equity after tax	=	$\frac{\text{annualised net income attributable to shareholders less AT1-coupon}}{\text{average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest}}$
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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 2022

in € million (if not otherwise stated)	1.1.2022	31.3.2022	30.6.2022
Equity	3,425	3,444	3,349
Less accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest	-317	-294	-275
Equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1-Kapital and non-controlling interest	3,108	3,150	3,074
			1.1-30.6.2022
Calculation			
Annualised profit before tax attributable to shareholders less AT1-coupon			199
Annualised net income attributable to shareholders less AT1-coupon			167
Average equity excluding accumulated OCI from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital and non-controlling interest			3,111
Return on equity before tax (in %)			6.4
Return on equity after tax (in %)			5.4

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	-323	-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	3,012	3,013
			1.1-30.6.2021
Calculation			
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			2,991
Return on equity before tax (in %)			7.1
Return on equity after tax (in %)			6.0

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

in € million	1.1.- 30.6.2022	1.1.- 30.6.2021
General and administrative expenses and net income from write-downs and write-ups of non-financial assets	115	111
Operating income	272	287
Cost-income ratio (in %)	42.3	38.7

AVERAGE FINANCING VOLUMES**Average financing volumes reconciliation 2022**

in € billion	1.1.2022	31.3.2022	30.6.2022	Semi- annual average 2022
Financing volumes Real Estate Finance (REF)	27.6	28.0	28.4	28.0
Financing volumes Public Investment Finance (PIF)	5.2	5.0	4.9	5.0
Financing volumes REF and PIF	32.8	33.0	33.3	33.0
Financing volumes Value Portfolio (VP)	10.9	10.8	10.0	10.6
Financing volumes total	43.7	43.8	43.3	43.6

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
Financing volumes total	44.2	44.6	43.4	44.1

Imprint

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