pbb Deutsche Pfandbriefbank

Debt Investor Update based on Q2/2022 results

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Business Model & Strategy

pbb is a leading commercial real estate lender with a complementary public investment finance business

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USPs

- Specialised on-balance sheet lender with extensive placement capabilities
- Strong franchise with long-standing client relationships and local presence with 10 branches/rep offices in Europe and the US
- Conservative lending standards and focus on risk management
- Pfandbrief is main funding instrument

FUNDING

- Stable, well diversified funding base
  - Pfandbrief
  - Senior unsecured bonds
  - Retail deposits (online)
- Strong capital markets presence (benchmarks/private placements)

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LENDING

- Pfandbrief-eligible senior loans
- Structuring expertise for complex/large transactions
  - ~200 deals per year
  - Avg. deal size € ~40 - 60mn

Value Proposition for Debt Investors

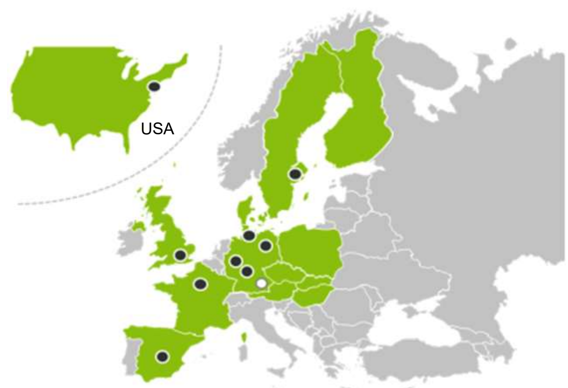
- Considerable MREL buffer
- Strong capital base
- High quality cover pools
- High portfolio quality and risk standards
- Strong operating performance

Key figures[1]

(IFRS, 30/06/2022)

Total assets	€ 55.1 bn
Total equity	€ 3.7 bn
RWA	€ 16.5 bn
CET1 ratio	17.1%
Leverage ratio[2]	5.7%
RoE before taxes	6.4%
FTE	777

[1] Excl. Interim result [2] Regulatory technical reasons (exemption for Central Bank deposits expired)



Headquarter
Branches/Rep. Offices

Operating and financial overview

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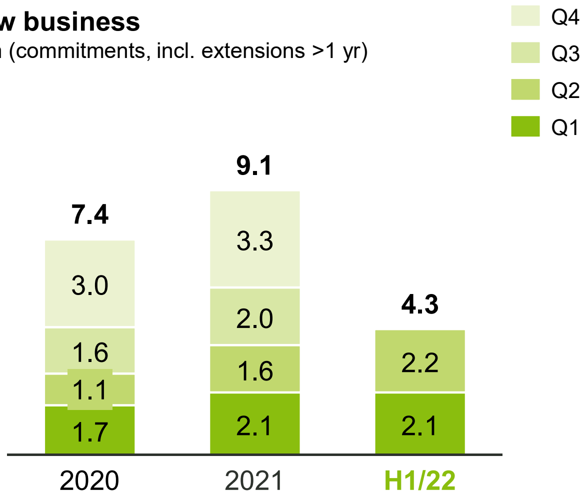
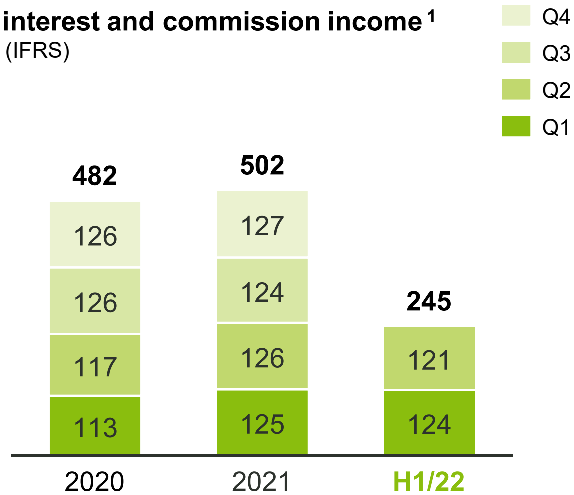
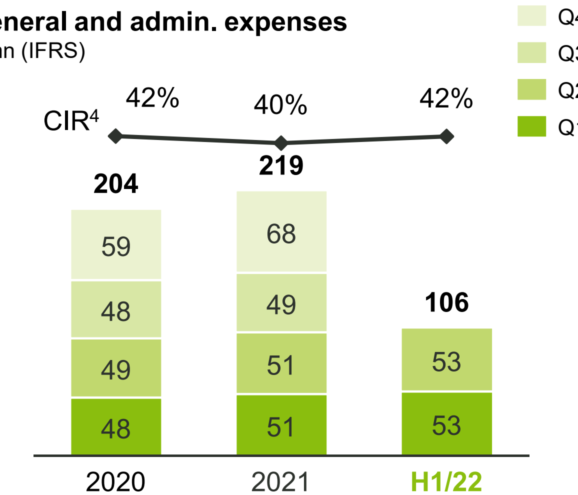
New business
€ bn (commitments, incl. extensions >1 yr)



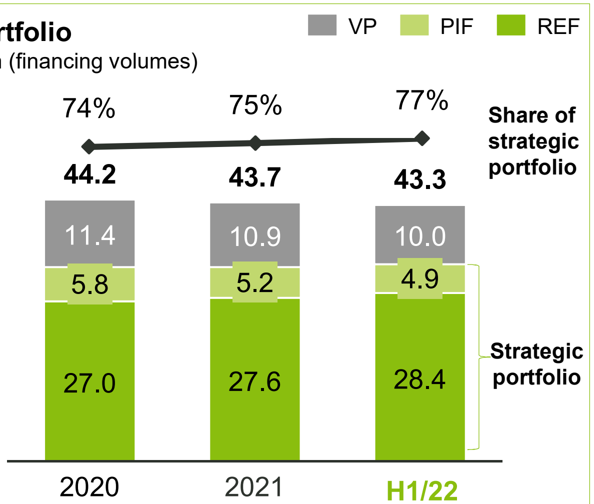
Net interest and commission income [1]
€ mn (IFRS)



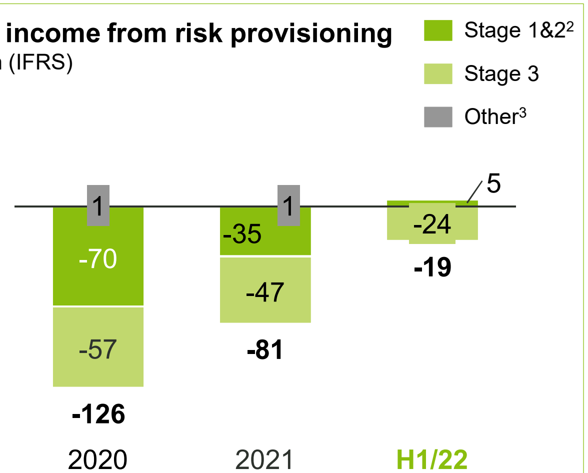
General and admin. expenses
€ mn (IFRS)



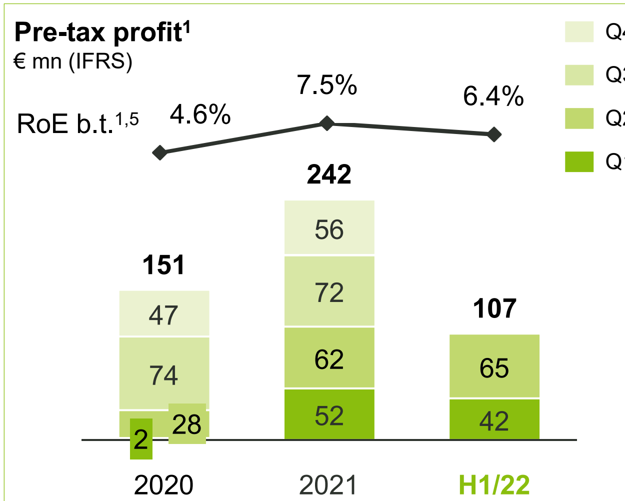
Portfolio
€ bn (financing volumes)



Net income from risk provisioning
€ mn (IFRS)



Pre-tax profit[1]
€ mn (IFRS)



Note: Figures may not add up due to rounding 1 2020 figures retrospectively adjusted according to IAS 8.42 2 Incl. provisions in off balance sheet lending business 3 Recoveries from written-off financial assets
4 CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income 5 After AT1 coupon (2020: € -17 mn; 2021: € -17 mn; H1/22: € -9 mn pro rata)

Macroeconomic Challenges

Inflation, increasing interest rates and slow down of global economic growth

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Economy

- Downside risks to the economic outlook have increased due to elevated and persistent inflation, anticipated aggressive monetary policy tightening as well as the threat of a sudden end of Russian gas imports – economic forecasts downwardly revised
  - **Inflation** likely to stay high - broadly-based inflation on record levels in Europe (06/22: 9.6%) and the US (06/22: 9.1%), esp. driven by elevated energy and commodity prices as well as increase service price inflation
  - **Interest rates** likely to increase – interest rates sharply increased in the UK by +150bp to 1.75% and in the US by +225bp to 2.50%[1], both in three steps in 2022, ECB increased on 21 July 2022 by 50bp to 0.50%[2]
  - Slow down of **economic growth** – pbb's scenario assumptions in line with ECB (reduction base case by -0.9%-pts. to +2.8% for Europe in 2022) and Bundesbank (reduction base case by -2.3%-pts. to +1.9% for Germany in 2022), but more conservative than current forecasts of economic institutes; downside scenario covers oil / gas embargo

CRE Markets

- **European property investment volume** declined by ~22% q-o-q and ~19% y-o-y in the second quarter as the emergence of a multitude of risks caused some investors to pause and reassess the outlook for commercial real estate
- **Property prices** are still stable at the moment, but on the back of relatively few representative transactions. The market appears to be slowing in response to a worsening economic outlook and rising interest rates - yields trending upwards
- **Developments** suffer from supply chain disruptions, rise in energy costs (esp. Germany) and scarcity of building materials, driving up construction costs – in addition, sector struggles with skills shortage; some relaxation recently (building material)
- **Real Estate** generally being decent **hedge on inflation** (core/prime), but
  - increasing interest rates will lower yield premium vs. gov. bonds further and increase the cost of debt – debt costs may exceed property yields (neg. leverage)
  - lower demand put property prices under pressure – higher resilience of core/prime (flight to quality)

1 Upper end of range 2 Main refinancing rate

New business

REF new business volume up by € 0.5 bn to € 4.3 bn y-o-y – average gross margin with ~170 bp back on previous year level

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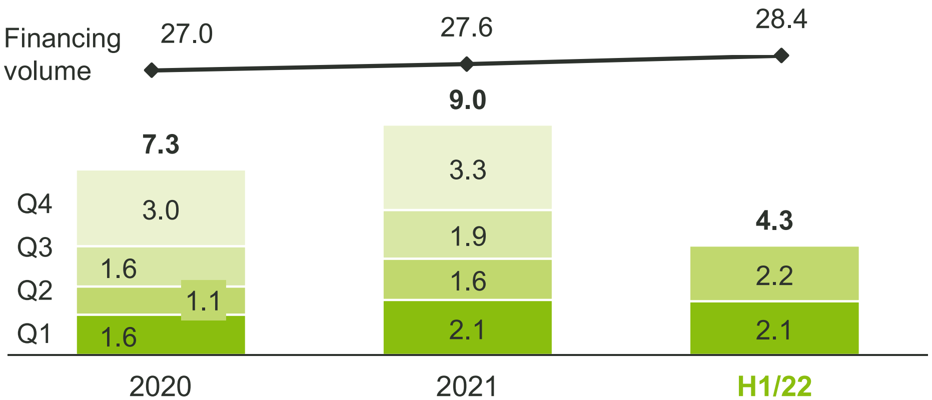
REF New business

€ bn (commitments, incl. extensions >1 yr)



Key drivers Q2/H1 2022

- **REF new business** of € 4.3 bn on solid level despite continued selective approach and increased competition
  - **Avg. gross interest margin** up on previous year level to ~170 bp in H1/22 (Q1/22: ~150 bp; 2021: ~ 170 bp), Q1/22 impacted by a few, partly large-volume low leverage lending loans
  - High share in **Germany, US** and **Office**
  - Low share in **France** and **UK**
  - Unchanged conservative risk positioning with **avg. LTV** of 56%[2]
  - **No new commitments** in property types Hotel and Retail Shopping Centres since March 2020 – only extensions at conservative conditions
  - Good **deal pipeline** supports solid new business level for Q3/22 – while CRE transaction levels decline, **new business volume** still expected at lower end of **guidance** of € 9.5-10.5 bn

ESG – Green Loans

- **Green Loan volume** further increased to more than € 1.0 bn (03/22: € 0.8 bn; 12/21: € 0.2 bn)

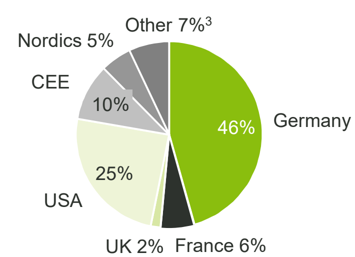
REF new business

	H1/21	FY21	H1/22
Total volume (€ bn)	3.8	9.0	4.3
thereof: Extensions >1 year	*1.1*	*2.6*	*1.1*
No. of deals	72	166	68
Avg. maturity (years)[1]	~5.2	~4.8	~4.5
Avg. LTV (%)[2]	54	56	56
Avg. gross interest margin (bp)	~170	~170	~170

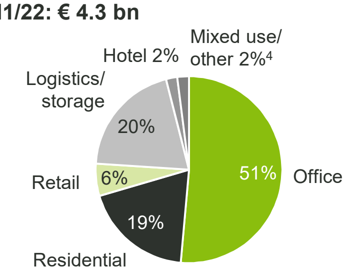
Regions	Property types

New business (Commitments, incl. extensions > 1year)

H1/22: € 4.3 bn

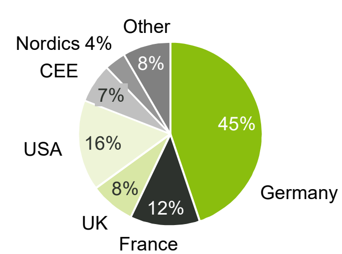


H1/22: € 4.3 bn

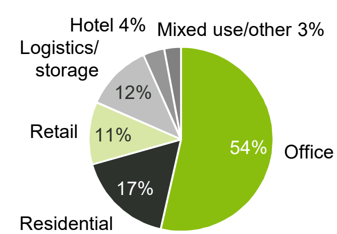


Portfolio (EaD, Basel III)

30/06/22: € 30.1 bn



30/06/22: € 30.1 bn



Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): H1/22: 61%; H1/21: 54% 3 Netherlands, Belgium, Spain, Austria 4 Land

Portfolio

Business approach reflected in stable risk parameters and low average LTV of 51%, which provides solid risk buffer – NPLs remain on low level

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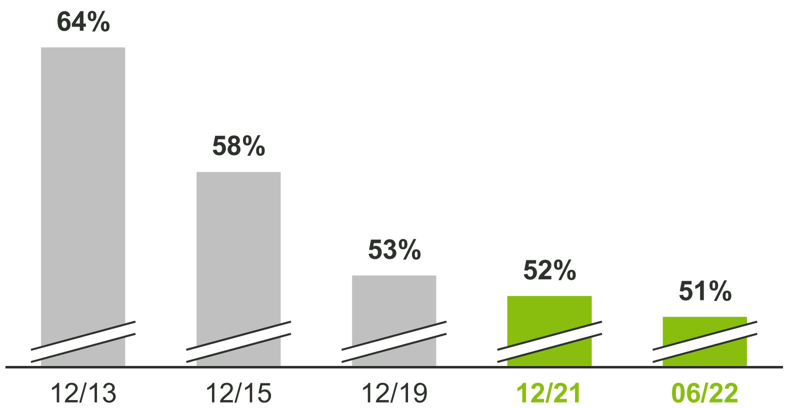
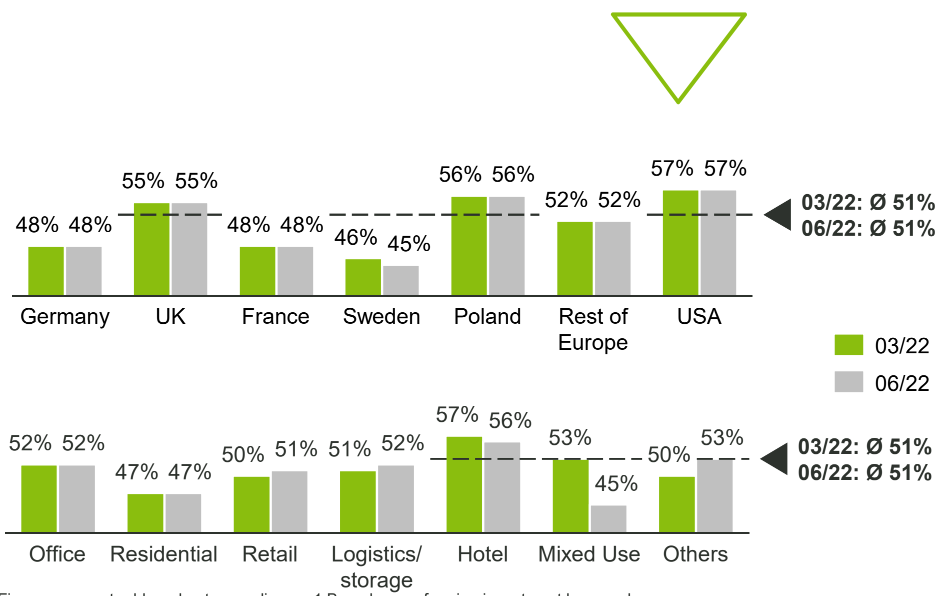
REF Portfolio: Avg. weighted LTVs

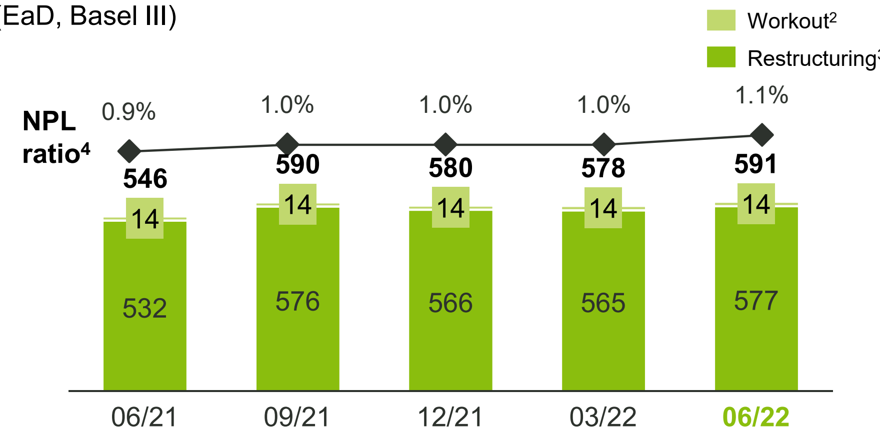
% (commitments)[1]





Non-performing loans

€ mn (EaD, Basel III)



Key drivers

- **Non-performing loans** (NPLs) remain on low level
- **NPL ratio**[4] of 1.1% remains on low level (03/22: 1.0%; 12/21: 1.0%)
- **Avg. LTV** of 51% slightly improved y-o-y, stable q-o-q, reflecting pbb's business approach – LTV changes in regions and loan types reflect structural portfolio changes due to repayments and new business
- Stable development of **internal ratings** q-o-q
- **Ukraine/Russia:**
  - **No direct exposure** in/to Ukraine and Russia
  - **Secondary risks minor**

Note: Figures may not add up due to rounding 1 Based on performing investment loans only
2 Internal PD class 30: No signs that the deal will recover soon, compulsory measures necessary 3 Internal PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply 4 NPL ratio = NPL volume / total assets

Financials

NPLs remain on low level – solid loss allowances on balance sheet

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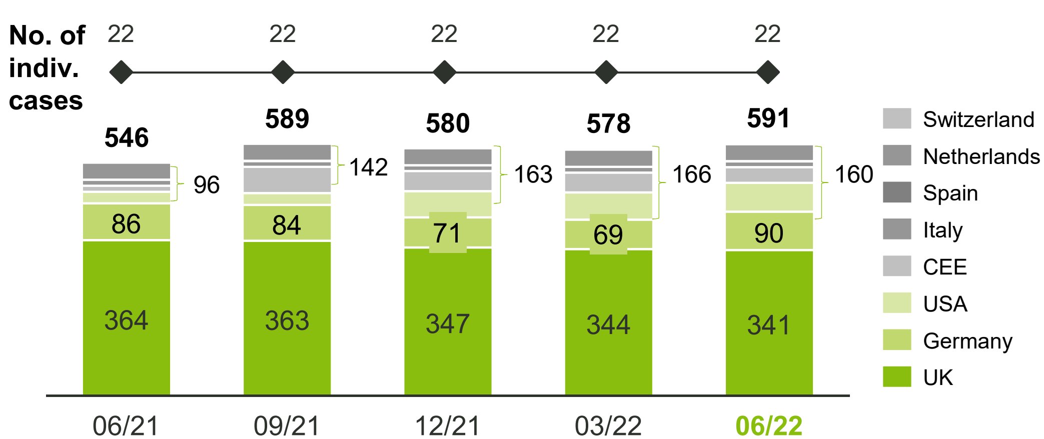
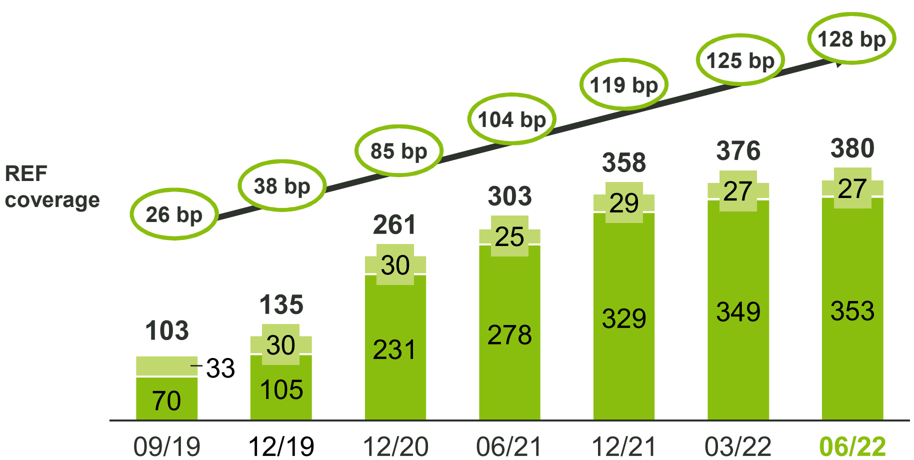
Non-performing loans – regions

€ mn (EaD, Basel III)



Balance sheet – loss allowances

€ mn



Key drivers Q2/H1 2022

- **Restructuring loans slightly up at € 577 mn (03/22: € 564 mn)**
  - newly added € 27 mn ECA-guaranteed PIF loan (100% Euler-Hermes guaranteed, no provisioning necessary)
  - € 1 mn net increase in Q2/22 mainly from FX effects

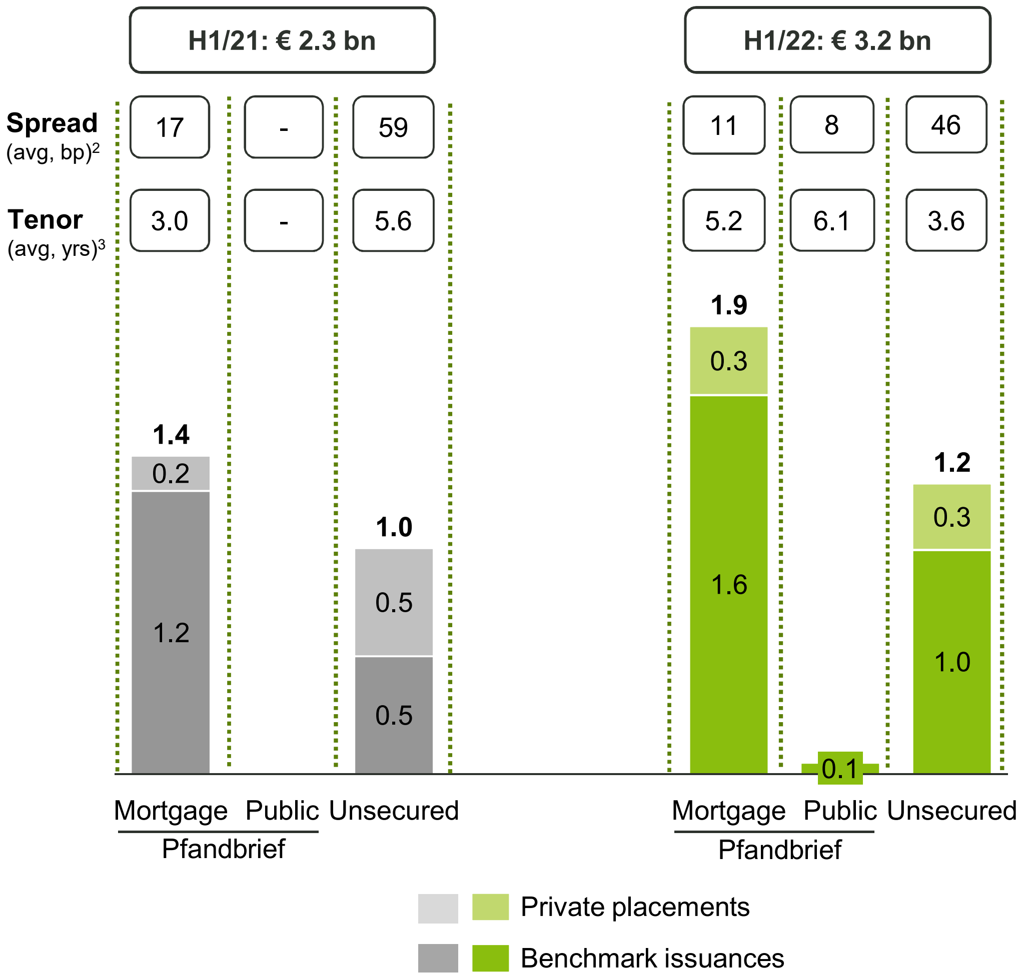
  partially compensated by incoming payments from
  - € -10 mn office loan, Poland (release of € 6 mn risk provisioning)
  - € -5 mn ECA-guaranteed PIF loan with ties to Russia
- **Workout loans** stable at only € 14 mn
- **pbb with significant build-up of loss allowances**, while loss allowances in the German banking sector were mainly reduced in 2021 (KPMG benchmarking analysis[4])
- Solid **loss allowances on balance sheet**
  - **REF coverage** of 128 bp
  - Approx. 50% **stage 1&2** allowances

Note: Figures may not add up due to rounding
1 Internal PD class 30: No signs that the deal will recover soon, compulsory measures necessary 2 Internal PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply 3 NPL ratio = NPL volume / total assets
4 Source: KPMG: Benchmarkuing Kreditrisikovorsorge – Analyse von Kreditrisiken in deutschen Bankbilanzen zum 31.12.2021

Funding

Strong funding in H1/22 – focus on Pfandbriefe, asset matching currencies and Green refinancing

New long-term funding[1]
€ bn



Funding Q2/H1 2022

- Strong **Pfandbrief** funding ytd.:
  - US$ 750 mn Pfandbrief
  - € 1.5 bn Pfandbrief Benchmarks (2 x € 750 mn in April and July)
  - € 250 mn Pfandbrief taps

  Additionally, pbb has again successfully placed SEK Pfandbriefe with Nordic investors
- € 750 mn **Green Senior Preferred** Benchmark issued in January 2022 and € 200 mn tap of a Green Senior Preferred Benchmark in April 2022
- **Retail deposit** funding increased, counterbalancing higher capital market spreads – in H1/22 pbb direkt deposits amounted to € 3.4 bn (Q/22: € 3.2 bn; H1/21: € 3.2 bn)
- **ALM profile** and **liquidity position** remain comfortable (NSFR >100%; LCR >150%)

ESG – Green Bonds

- Green Bond **volume further increased** – as of 06/22, outstanding volume at € 1.95 bn (03/22: € 1.75 bn)
- With three Green Benchmarks and one tap, pbb is **one of the most active issuers** in Green senior funding

Note: Figures may not add up due to rounding 1 Excl. retail deposit business and "own-use" Pfandbriefe 2 vs. 3M Euribor 3 Initial weighted average maturity

Funding

Own Funds and Eligible Liabilities significantly exceed 8 % TLOF

(in € bn as of 30/06/2022)[1)]

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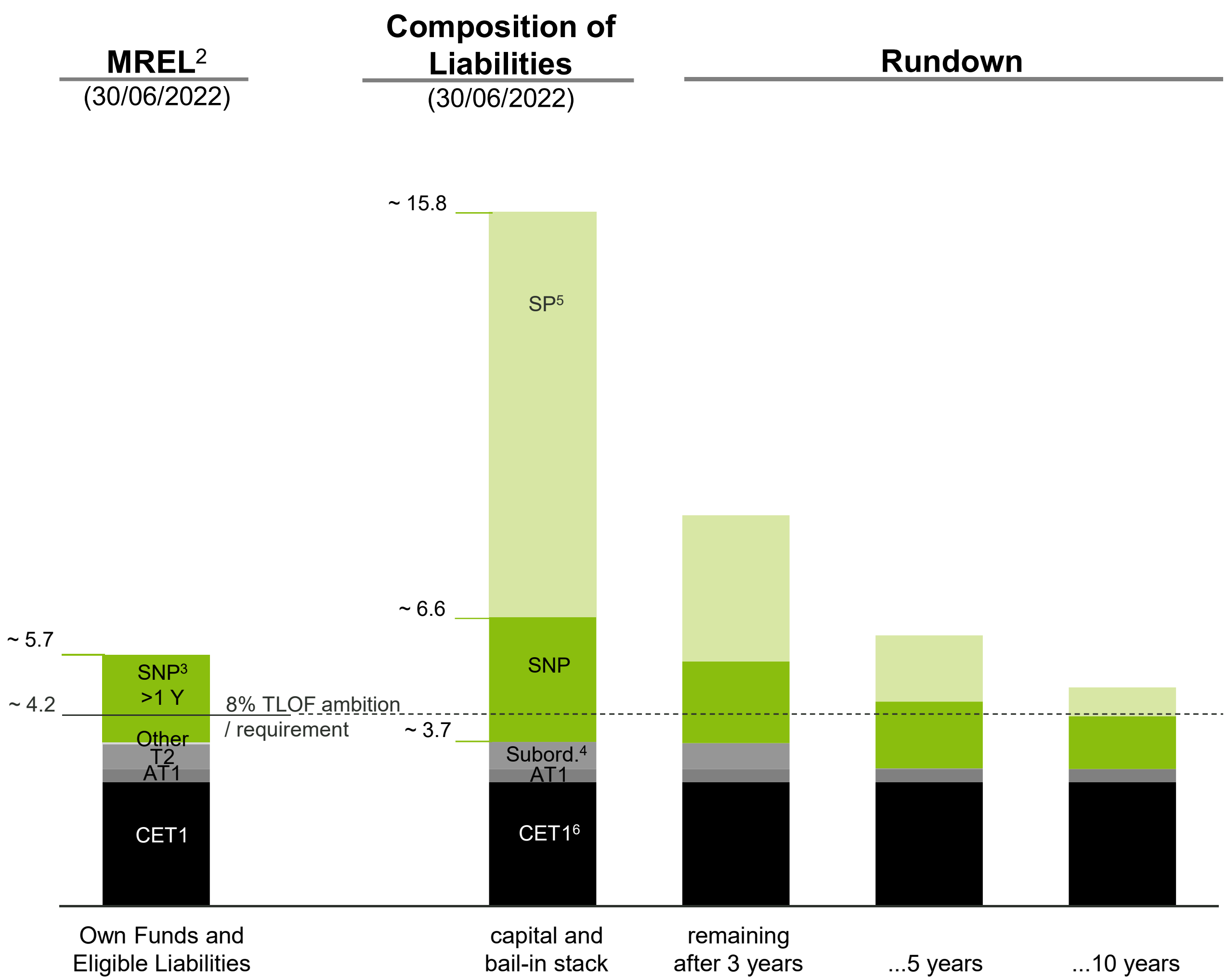

- Buffer for Senior Preferred (SP) investors due to high volume of capital instruments and Senior Non-Preferred (SNP) liabilities
- Existing Senior Non-Preferred liabilities have long remaining terms
- SP is the predominant senior product, but SNP will remain a key element of pbb's funding strategy
- pbb has an MREL-ambition level of 8 % TLOF in line with the binding regulatory target.
- Regulatory requirements (SREP, MREL etc.) are comfortably met

1 after confirmation of the 2021 financial statements, less the proposed dividend 2 pbb has set its ambition level at 8% TLOF with 100% subordination (i.e. Own Funds and Senior Non-Preferred), which is the currently binding regulatory target. As of 30 June 2022, MREL eligible items amounted to ~10.8% TLOF (based on the transfer to retained earnings from the 2021 annual result / TLOF as of 31.03.2022) / ~34.6% RWA / ~10.3% Leverage Exposure 3 MREL-eligible Senior Non-Preferred Debt >1Y according to legal maturities 4 Nominal amount of Tier 2 instruments; the capital stack includes € 300 mn AT1 issuance callable in 2023 and € 300 mn T2 issuance 5 Senior Preferred, structured unsecured and corporate deposits (excl. protected deposits) 6 CET1 assumed to be constant

Capital
Capitalisation remains strong

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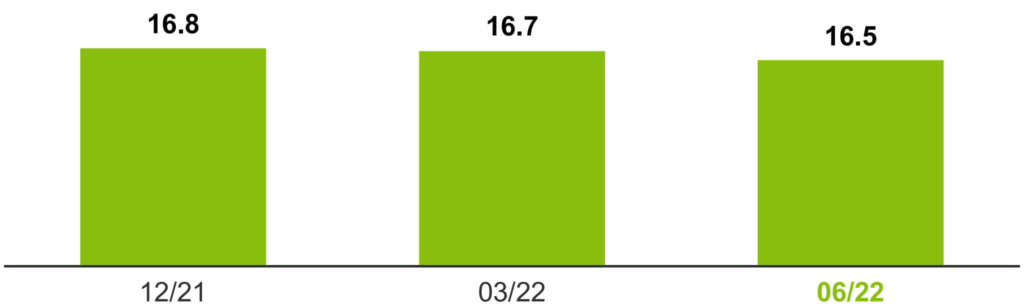
Basel III: RWA
€ bn (IFRS)



Basel III: Equity and capital ratios
(IFRS)

Capital in € bn	12/21[1]	03/22[2]	06/22[3]
CET 1	2.9	2.8	2.8
AT 1	0.3	0.3	0.3
Tier 2	0.6	0.6	0.6
Total Equity	**3.8**	**3.7**	**3.7**

Capital ratios in %	12/21[1]	03/22[2]	06/22[3]
CET 1	17.1	16.9	17.1
Tier 1	18.9	18.7	18.9
Own funds	22.4	22.1	22.4
Leverage ratio	6.0	6.0	5.7[4]

RWA development Q2/H1 2022

- RWA down mainly due to
  - Maturity, interest rate movements, reclassification and syndication effects
  - Smaller opposite effect from increase in REF portfolio and FX effects
  - No material RWA effect from individual rating deteriorations
- RWA already calibrated towards Basel IV (fully-loaded) – thus, no major further effects expected from implementation

Capital ratios

- CET 1 ratio stable y-o-y and slightly up q-o-q to 17.1%[3] (03/22: 16.9%[2], 12/21: 17.1%[1]) – decrease in regulatory CET 1 capital vs. 12/21 mainly resulting from EL shortfall; interim profit not included

Capital requirements

- Unchanged P2R of 2.5% results in the following SREP requirements (incl. anticipated countercyclical buffer):
  - CET 1 ratio: 8.86%
  - Tier 1 ratio: 10.83%
  - Own funds ratio: 13.45%
- pbb intends to account for upcoming changes of country-specific countercyclical buffers and German sectoral systemic risk buffer with increase of already anticipated countercyclical buffer from 45bp to ~75bp in 2023

Note: Figures may not add up due to rounding 1 Incl. full-year result, post proposed dividend 2021 2 Excl. interim result, post proposed dividend 2021 3 Excl. interim result 4 Regulatory technical reasons (exemption for Central Bank deposits expired)

Summary & Outlook

Initiatives – good progress achieved

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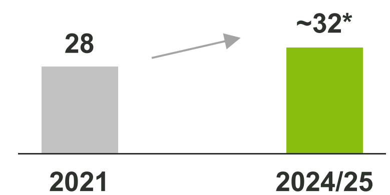
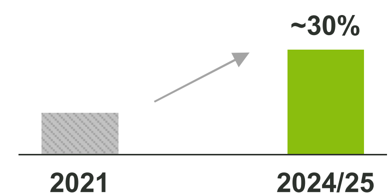
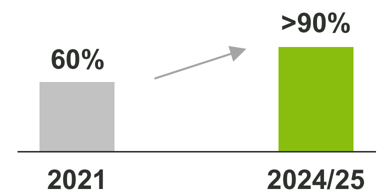
Initiatives	Key measures	Status quo H1/22
1 Organic growth	**Product expansion** (Loan-on-loan, non-senior lending) **Build-out US business** **Low-leverage lending**	**All prerequisites** for respective product lines **in place; origination started** **Strong origination focus** on the **US** – **new business share of 25%** in H1/22 (portfolio 06/22: 16%); portfolio thus increased by € 1.2 bn in H1/22 to € 4.9 bn Low-leverage lending remains core element in current market situation with **rd. 35-40% new business share** in H1/22
2 "Green" finance	**Green loans** **Green development loans** **Green capex facilities**	pbb embarking as **transition lender** for real estate industry **"Green" finance products** integral part of our loan origination and actively marketed **Green Loan** volume further increased to more than € 1.0 bn (03/22: € 0.8 bn; 12/21: € 0.2 bn)
3 Digitalization	**Value-add through digital client interface** **State of the art infrastructure and capabilities** **Scalable platform to allow further growth**	**Client Portal** well accepted – still some volatility in usage rate: new business usage rate at 61% (based on number of deals) **Efficiency measures** constantly pushed forward to cover entire primary process Significant rise in **business activity** on Capveriant platform – quadrupling of transactions placed on platform compared to H1/21



REF portfolio (in € bn)
(*incl. green finance)



Green REF portfolio share



Client portal usage
(*business supported by client portal)

Summary & Outlook

PBT remains on track despite current geopolitical and economic developments – full-year PBT guidance of € 200-220 mn confirmed

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Strong H1/22 result with PBT of € 107 mn

- **NII** remains on high level – lower floor income, largely compensated by increased average REF financing volume
- **GAE** slightly up as expected – costs under control
- **Risk provisions** on moderate level, management overlay stable at € 42 mn – underlines conservative risk profile of our portfolio
- **New business** at solid volume, stable margins and low avg. LTV – continuing our selective approach
- **Capitalisation** stays comfortable

Full-year PBT guidance of € 200-220 mn confirmed

- While CRE transaction levels decline, **new business volume** still expected at lower end of guidance of € 9.5-10.5 bn
- **NII** slightly lower y-o-y due to fading out of supportive income elements, i.e. TLTRO benefit (expiry in 06/22) and lower floor income due to rising interest rates
- **Operating costs** largely stable y-o-y
- **Risk provisioning** lower y-o-y

In case of further or even worsening market disruptions, guidance to be newly assessed by pbb

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Appendix

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Guidance 2022 and mid-term ambition

Sustainable PBT level in 2022 despite income headwinds and investments to achieve growth ambition 2024/25 – uncertainties from geopolitical situation

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Financials (€ mn)	2020	2021	Guidance 2022
PBT	151	242	**PBT of € 200-220 mn** in line with past sustainable level
NII and NCI	482	502	**Slightly lower** due to fading out of supportive income elements, i.e., TLTRO benefit (expiry in 06/22) and lower floor income due to rising interest rates; prepayment fees expected to stay above long-term average
General and administrative expenses (excl. restructuring expenses)	-204	-208[1]	**Stable,** despite investments in strategic initiatives
Risk provisioning	-126	-81	**Significantly lower level**, depending on market recovery in the light of COVID-19
REF new business volume (€ bn)	7.3	9.0	**Increase** to **€ 9.5-10.5 bn** at moderately lower **avg. gross interest margins**
REF financing volume (€ bn)	27.0	27.6	**Moderate growth** based on new business increase with add-on initiatives to gradually impact 2nd half of 2022
CET1 ratio (in %)[2]	16.1	17.1	**Slight decrease** due to growth, but still **significantly above SREP** requirements

Uncertainties remain regarding the geopolitical situation and the possible impact on macro-economic development

Ambition 2024/2025

1 Organic growth

~ € 32 bn
REF portfolio

Growing REF portfolio supported by growth initiatives and stable client relationships that continue to lead to **strong new business**

2 "Green" finance

~ 30%
Green REF portfolio share

Growing our impact as **sustainable finance bank** and **transformation partner**

3 Digitalization

Portal and digital credit workplace fully established

Moving to **full blown digitalization approach** with materialization of **significant efficiency improvements**

Strategic initiatives enhance and strengthen our business model while maintaining our conservative risk approach

1 Reported €219M, including €11M restructuring expenses 2 Basel IV calibrated, fully-loaded

ESG – Set-up & Strategy

pbb's ESG set-up and strategy provide for holistic approach (1/3)

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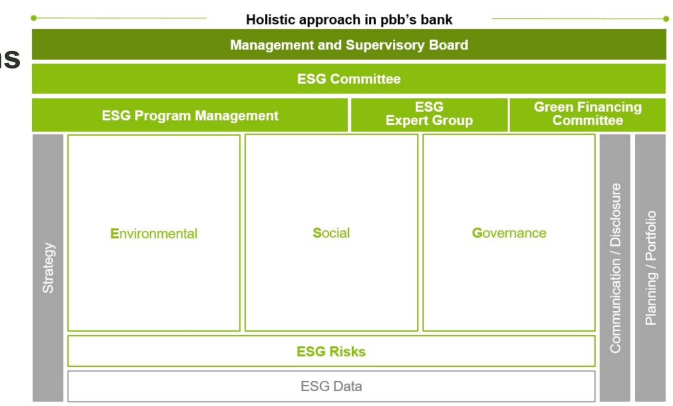
ESG Governance

General

- Overall **governance framework** with **high standards applied**
  - Law-abiding conduct, responsible corporate governance and adherence to ethical principles considered **essential prerequisites**
  - General governance framework defined by **code of conduct** and **human rights policy**, providing non-negotiable standards to comply with, complemented by **code of conduct for suppliers**
  - **Governance structure** with high standard **monitoring and control mechanisms – „Three Lines of Defence“ (3 LoD)** system implemented for ESG risk steering

ESG Program

- **Comprehensive ESG Program** in place with sound governance structure, **covering all ESG dimensions**
  - Clearly assigned **Board responsibility**
    - **Management Board** and **Supervisory Board** involvement
    - **ESG performance targets** part of variable compensation
  - **Central program management** accompanied by relevant **committees**
  - Operationally, **all ESG dimensions covered** with **clear responsibilities assigned**



ESG – Set-up & Strategy

pbb's ESG set-up and strategy provide for holistic approach (2/3)

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ESG Strategy (1/2)

Self-conception
- **Sustainability** defined as self-conception, that own actions provide an essential contribution to securing long-term future and to consider the consequences for all stakeholders and the environment

Materiality
- Material topics and aspects identified through **materiality analysis**, including stakeholder feedback

Topics	Aspects
Industry-specific aspects	Client orientation Sustainable financing solutions Risk management
Corporate governance	Compliance Human rights
Social matters	Considering social implications of business partner choices
Employee matters	Remuneration and employee benefits Working environment Training and continuing professional development

SDGs and UN Global Compact
- Sustainability strategy also aligned to UN **Sustainable Development Goals** (**SDGs)**, commitment to further relevant **initiatives** envisaged
- pbb joined **UN Global Compact (UNGC)** in 2022 and commits itself to the ten principles of the UNGC, which are derived from the 17 SDGs

Paris Climate Goals
- Clear **strategic commitment** on active contribution towards the **goals of the Paris Agreement and transition to low-carbon economy**

PARIS2015
COP21·CMP11

ESG Risk
- ESG risks **structurally integrated** in Risk Management landscape and overall Business Strategy – current focus on climate risks
- Climate-related risks include both, **physical and transitional risks** from the transformation towards a low carbon economy

ESG – Set-up & Strategy

pbb's ESG set-up and strategy provide for holistic approach (3/3)

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ESG Strategy (2/2)

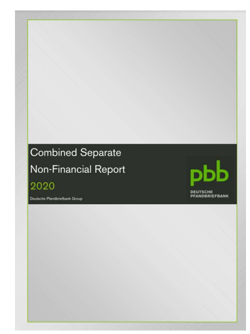
Sustainable Finance

- Given pbb's business model, inter alia strong focus on **Sustainable Finance** and contribution to a more climate-efficient real estate sector – pbb aims to be a **transformation partner** for its clients
  - Systematic **collection of sustainability criteria** of financed properties **integral part of pbb's credit process**
  - **Green Bond**: Since 2021, three Green Senior Preferred Bonds issued in benchmark format - thus, pbb is one of the most active issuers in Green Senior funding with a total outstanding Green Bond volume of € 1.95 bn; first impact reporting published in January 2022
  - **Green Loan:** Since its introduction in Q4 2021, pbb granted green loans in a total volume of more than € 1 bn
  - **"Green" asset share** of 30% in pbb's REF portfolio envisaged until 2024/25

Disclosure

Non-financial Reporting

- **Non-financial Report (NFR)** published since 2017 according to Non-Financial Reporting Directive (NFRD) / CSR Directive Implementation Act (CSR-RUG)
- Reporting obligations according to **Corporate Sustainability Reporting Directive (CSRD)** in preparation – to be applied for the first time to non-financial report on financial year 2023
- Transparency **significantly improved** in recent years, incl. reporting on CO_2 footprint acc. to scope 1-3 – **further expansion of reporting scope** envisaged



Green Loan

pbb Green Loan Framework aligned with current regulatory and market developments – specific metrics defined for each criteria

pbb
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pbb Scoring Model

MAX SCORE: 100 Points

	I. Energy Efficiency	II. Building Certification	III. Additional Sustainability Factors
Criteria	• Energy demand/-consumption [kWh/(m²·a)] **OR** • Energy Reduction in Planning [kWh/(m²·a)]	• "Green" building certification pbb Green Bond	• Surface sealing (green field vs. brown field) • Type of/distance to public transportation • Local supply • Materials recycling* • Type of heating • Consumption of green energy • Biodiversity* • Existing energy/ environmental management*
	MAX SCORE: 50 Points	**MAX SCORE: 20 Points**	**MAX SCORE: 30 Points**
	MAX SCORE: 70 Points		

Minimum score for pbb Green Loan: ≥ 60 Points

* Aligned with the EU Taxonomy
* **D**o **N**ot **S**ignificant **H**arm Principles according to EU Taxonomy

OR

Compliance with EU Taxonomy

pbb Green Loan

ESG Ratings

Continuous improvement reflected in ESG ratings – Upgrade from MSCI from “A“ to “AA“

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▶ pbb rating/score

ISS ESG	MSCI	Moody‘s ESG Solutions
LAST UPDATE: March 2022	LAST UPDATE: May 2022	LAST UPDATE: April 2022

ISS ESG (Prime: A+ to C)

A+	
A	
A-	
B+	
B	
B-	
C+	
C	▶ 50.9
C-	
D+	
D	
D-	

- “Prime” Rating since initiation in 2012

MSCI

AAA (8.571 – 10.0)	
AA (7.143 – 8.571)	▶ 7.9
A (5.714 – 7.143)	
BBB (4.286 – 5.714)	
BB (2.857 – 4.286)	
B (1.429 – 2.857)	
CCC (0.0 - 1.429)	

- Second-best rating on MSCI rating scale
- Upgrade to from “A” to „AA“ in 03/22

Moody‘s ESG Solutions

80-100	
60-80	
40-60	▶ 44
20-40	
0-20	

- Solid rating with score of 44 (scale of 100)
- „Limited“ Performance Level since 2019

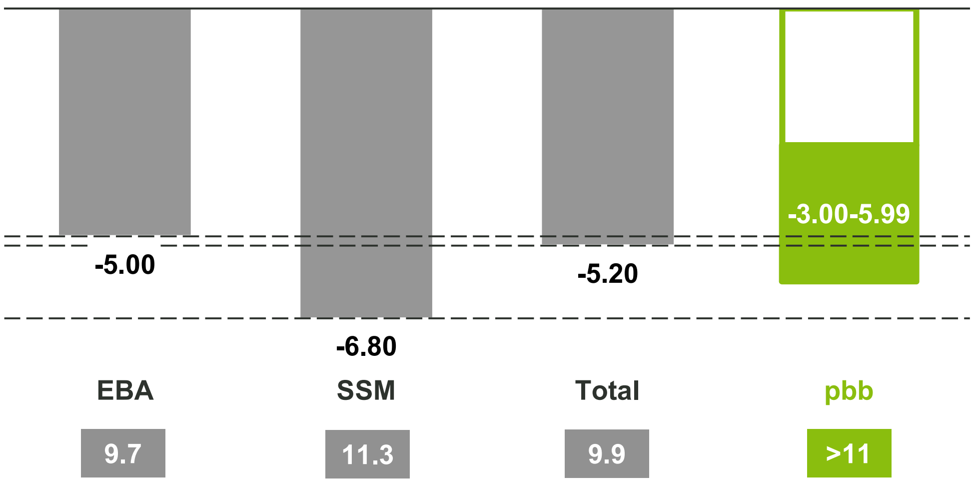
- Continuous improvement of ESG organisational set-up, governance, strategy and operative integration reflected in above average ESG ratings
- Recent upgrade from MSCI from „A“ to „AA“ mainly reflects strongly increased Environmental score
- ISS ESG confirms „Very High“ transparency level
- No involvement in controversial activities identified by agencies depicted

ECB stress test 2021

Stress test results demonstrate pbb's resilience to crisis and capital strength

Stress test result 2021

Max. CET 1 ratio depletion in adverse scenario (pp.) / Min. CET 1 ratio (%)



- ECB stress test result 2021 demonstrates pbb's resilience to crisis and capital strength
- In the adverse scenario, pbb in each case – maximum CET 1 ratio depletion, minimum CET1 ratio and minimum Tier 1 leverage ratio – ranks in the second best category
- The maximum CET 1 ratio depletion at pbb (within range of 3.00-5.99 pp.) is well below the average figure of its peers (SSM banks: avg. -6.8 pp.) and well below overall average
- With a CET 1 ratio of above 11%, pbb remains well above its regulatory requirements even in adverse stress

German SSM banks

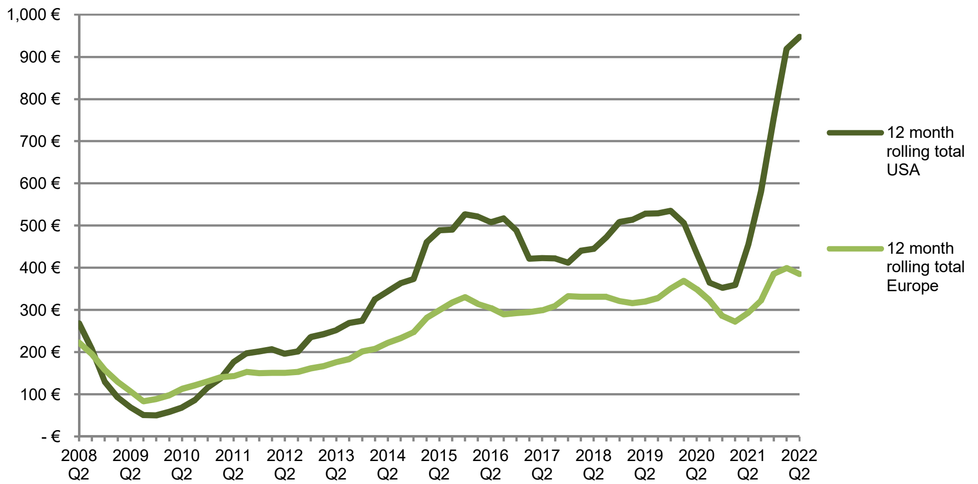
		High-level individual results by range adverse scenario, FL	
Institution	Sample	Maximum CET1 ratio (FL) depletion by ranges	Minimum CET1 ratio (FL) by ranges
Deutsche Pfandbriefbank AG	**SSM**	**300 to 599 bps**	**11% ≤ CET1R < 14%**
Bank A	SSM	300 to 599 bps	11% ≤ CET1R < 14%
Bank B	SSM	300 to 599 bps	11% ≤ CET1R < 14%
Bank C	SSM	300 to 599 bps	8% ≤ CET1R < 11%
Bank D	SSM	300 to 599 bps	8% ≤ CET1R < 11%
Bank E	SSM	600 to 899 bps	11% ≤ CET1R < 14%
Bank F	SSM	> 900bps	CET1R ≥ 14%
Bank G	SSM	> 900bps	8% ≤ CET1R < 11%

Source: ECB

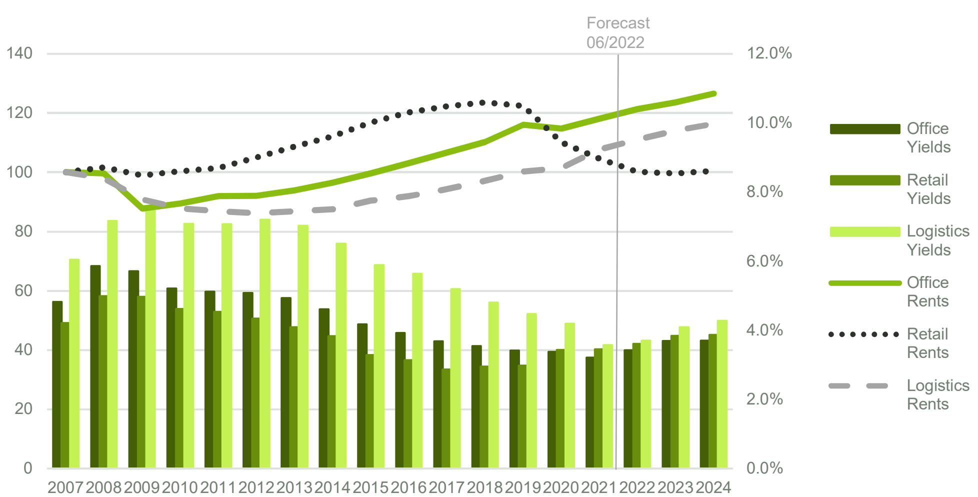
CRE Markets

Investment volumes remain solid in Q2/22, but expectations more subdued

European and US Investment volume[1]
(€ bn)



European Prime Rents (2007=100; LHS) and Prime Yields (RHS)[2]



- Despite slowing volume growth US CRE **investment volumes** still with strong performance in Q2 2022
- European property investment volume declined in the second quarter of 2022, as the emergence of a multitude of risks caused some investors to pause and reassess the outlook for commercial real estate
- Europe:
  - With the exception of **hotel and retail,** market values were in general relatively stable
  - Prime **office** yields are now expected to increase in all markets
  - **UK office** and **retail** values are expected to decline less due to relatively favourable pricing
  - **Logistic** expected to see decreasing prices while **residential** values are expected to decline less
- Germany:
  - **Office** markets are very expensive by historical standards and yields are expected to move out in the short and medium term
  - Investor sentiment deteriorates also for **logistic**, while **residential** and food-based or big box **retail** assets are expected to fare better
  - Yields for prime **high street shops** and **shopping centres** are projected to increase
- USA:
  - Overall still commercial property price growth
  - Weaker trends for the **office** sector, counteracted by strength in the **industrial** and **apartment** sectors
  - Yields for **office** properties are likely to increase slightly in the short term before stabilising again in the medium term

1All property types. Based on independent reports of properties and portfolios over € 5 million (over $ 2.5 mn for US), USD to EUR = end years FX rates Source: Real Capital Analytics (RCA) 2 Source: pbb Property Market Analysis (PMA) as of June 2022

Markets
Sub-segments

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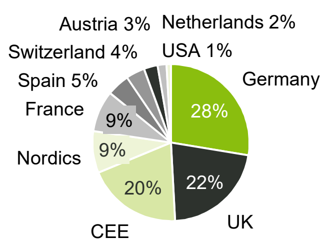
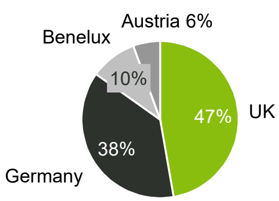
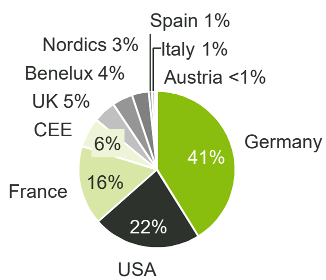
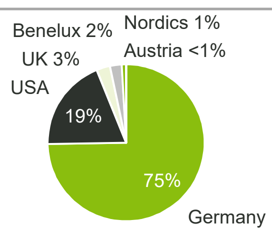
Property type	Regions	Evaluation of current situation	Challenges	Risk positioning
Retail € 3.3 bn (11%)		▪ Shopping centres: increased pressure, fashion dominated shopping centres most impacted (decline in rents, shorter lease terms, etc.). ▪ Retail-parks/discounter with strong local demand: largely positive development. ▪ High street properties: declines in rents and rise in yields. ▪ Downward trend in secondary locations and smaller cities expected to intensify. ▪ Specialized Retail (e.g. FOC) is doing good as Pre-Corona.	▪ Short Term: threads to income stability as well as decreasing consumer spending /consumer confidence (war in Ukraine leading inter alia to strong increase of energy costs) will hamper further recovery of retail markets post COVID-19 pandemic. ▪ Mid Term: structural changes (online sale, change of high street retailer structure from smaller regional chains/owner occupied shops towards national/international chains and brands) leading to continued pressure on rents and to substantial oversupply of space in particular outside A-locations	▪ Selective approach with foresighted reduction of retail portfolio by ~55% or € 3.8 bn since 2016 (03/22: € 3.2 bn; 12/16: € 7.1 bn). ▪ Only investment loans, almost no development loans ▪ Conservative risk positioning: avg. LTV of 51%[1] provides good buffer and supports commitment of investors/sponsors ▪ Well diversified portfolio ▪ Current strategy is no new commitments for shopping centres
Hotel (Business Hotels only) € 1.1 bn (4%)		▪ Rising competition leads to insolvencies for operators and licensees and rebuild secondary hotels for other uses (temporary office, longstay, etc.). ▪ Hotels dependent on international tourist and business travellers still not expected to substantially recover in short-/mid-term. ▪ Leisure hotels focused on domestic guests with good accessibility will recover faster. Nevertheless this summer a lot of tourist get back to international destinations.	▪ Recovery in progress, however to pre-Corona-levels not expected before 2024/25 ▪ Airport/Fair hotels being late in recovery cycle due to inter alia changing travel habits as well as fairs still substantially from pre-COVID-level of activity. ▪ Recovery of business hotels expected to focus first on central locations, fringe locations expected to be late in recovery, too. ▪ Shortage of qualified personnel in parts of the industry	▪ Selective approach and strict adherence to conservative underwriting standards in particular during the hot phase of hotel investment market in 2018/19 resulting in a relatively small portfolio volume of € 1.2 bn ▪ Focus on prime location secures base value of properties ▪ Conservative risk positioning: avg. LTV of 56%[1] provides good buffer and supports commitment of investors/sponsors ▪ Focus on strong sponsors with ability to inject more equity ▪ Currently, strategy is no new commitments

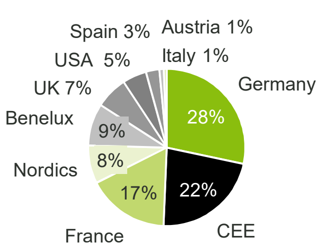
1 Based on performing investment loans only

Markets
Sub-segments

<table>
<tr><th>Property type</th><th>Regions</th><th>Evaluation of current situation</th><th>Challenges</th><th>Risk positioning</th></tr>
<tr><td>Office

€ 16.2 bn
(43%)</td><td>
</td><td>Slight rise in vacancies; but still on comparatively low levels.
Office investment volumes are now again below pre-COVID levels. Only 1a-properties with a long term lease with a good tenant are still in the purchase processes.
The expectation is that yields will increase over the next 6 month by 50 bps, this is expected to happen to prime properties with long-term leases to first-class tenants in the later stage as well.
More important criteria is the ESG aspect of the properties which is a main argument for the selling. Without a good ‘Green-’ rating or very good energy consumptions balance office properties are expected to not get a market in the future.</td><td>Financial difficulties of tenants / insolvencies expected to increase due to impact of Ukraine war on overall economy
Increased re-letting/extension risks with pressure on rental level
Good locations expected to remain stable
Structural changes
Work from home
Hygiene/social distancing standards
Focus on green buildings expected to negatively affect older buildings in weaker locations mid/long term</td><td>Focus on good locations
Conservative risk positioning: avg. LTV of 53%[1] provides good buffer and supports commitment of investors/sponsors
Well diversified portfolio with focus in Germany, main cities in the US (e.g. New York, Boston, Washington) and France (almost completely Paris/Isle de France region)
In new business transactions detailed analysis of “green profile” of properties including associated risk</td></tr>
<tr><td>Residential

€ 5.1 bn
(17%)</td><td>
</td><td>At present the multifamily market seems to be stable. Especially in countries with strong social welfare programs.
Growth in rental prices seen so far expected to soften in future, due to rising cost for the energy. Nevertheless inflation coupled rental contracts leads to rising rents.
Condo market expected to soften because of the rising prices for financing. Longer timeline in the selling process.</td><td>Call for/imposed increased rent regulation could impact value and cash flow
Increasing interest level might put pressure on value.
Stock listed residential companies have come under massive pressure since Q1/22 and often lost substantially in market capitalization.</td><td>Conservative risk positioning
Portfolio volume of € 5.1 bn with conservative avg. LTV of 47%[1] provides good buffer and supports commitment of investors/sponsors
Well diversified portfolio with strong focus on Germany</td></tr>
<tr><td>Logistics

€ 3.6 bn
(12%)</td><td>
</td><td>Logistic properties are still very popular for investors.
Prices have decoupled from overall trend and increased in last years. The expectation is now a yield widening by a minimum of 50 bps in the next half year.
The benefitting from increasing focus on e-commerce and the need of more resilient supply chains rents expected to rise.
Total return is balanced out by rising yields and rising rents.</td><td>Currently still taking advantage from strategic developments like:
Online-shopping
Need for more resilient supply chains in the industry sector
Professionalisation of entire industry
Monoline logistics centres
Limited availability of new space in some countries
Due to partially overheated prices, market correction expected.</td><td>Strategic approach; expert team since 2014; share increase since 2013 from 8% to 12%
Focus on locations: good infra-structure, connection to a variety of different transportation routes
Conservative risk positioning: avg. LTV of 51% provides good buffer and supports commitment of investors/sponsors
Well diversified portfolio
High quality of sponsors</td></tr>
</table>

1 Based on performing investment loans only

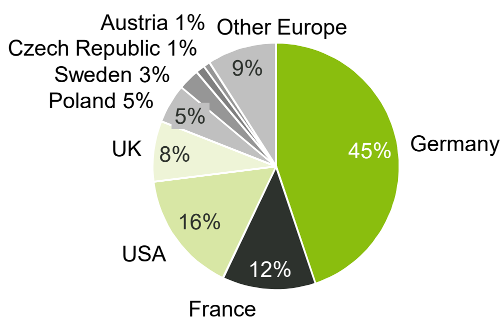
Portfolio

Stable and well diversified portfolio with continued focus on European markets, particularly on Germany

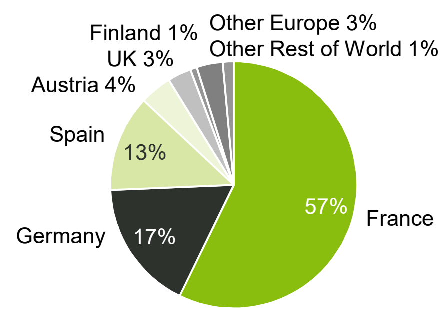
30/06/2022 (EaD, Basel III)

by region

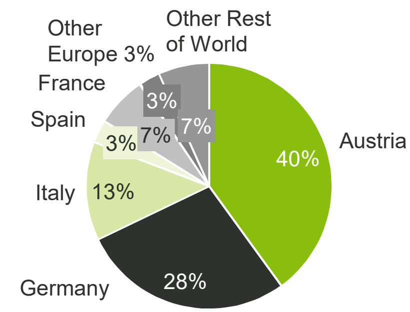
Real Estate Finance



Public Investment Finance

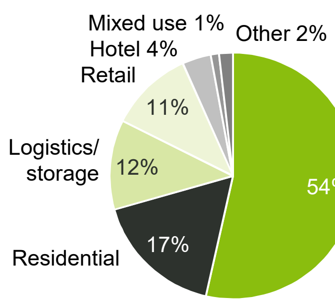


Value Portfolio

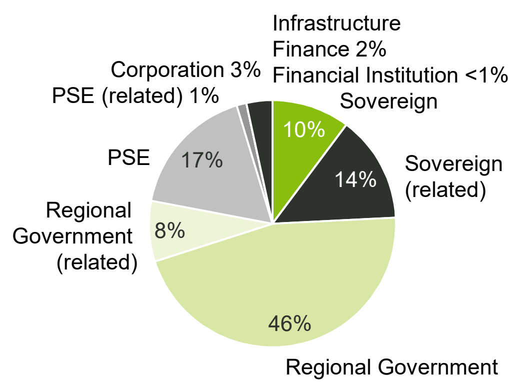


by property type / borrower classification[1]

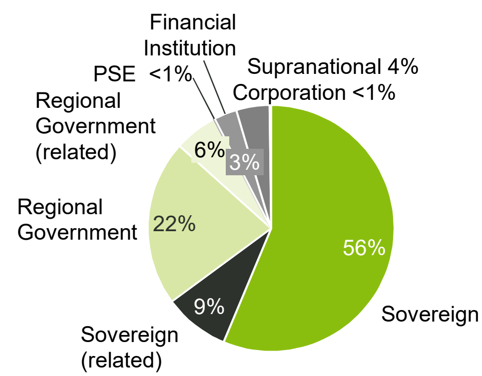
Real Estate Finance



Public Investment Finance



Value Portfolio



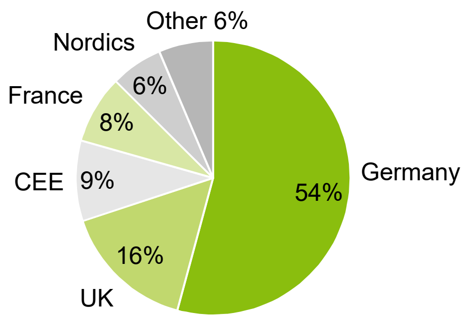
	Real Estate Finance	Public Investment Finance	Value Portfolio
Vol.	**€ 30.2 bn**	**€ 5.1 bn**	**€ 11.3 bn**
Strategy	**Strategic portfolio – moderate growth targeted**	**Strategic portfolio – in “hold” mode**	**Non-strategic portfolio – in run-down mode**

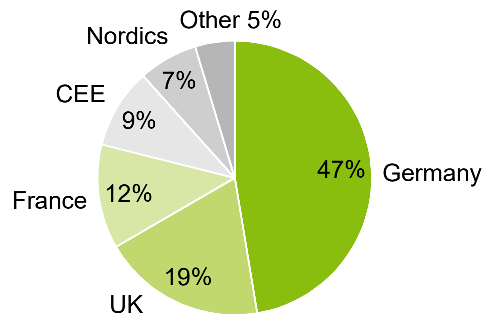
Note: Figures may not add up due to rounding   1 See appendix for definition of borrower classification

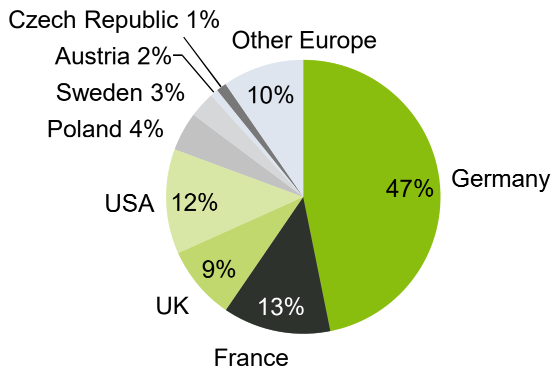
REF Portfolio
Shift in composition

31/12/2013 / Total: € 22.2 bn[1]	31/12/2015[2] / Total: € 25.8 bn[1]	31/12/2021 / Total: € 29.7 bn[1]

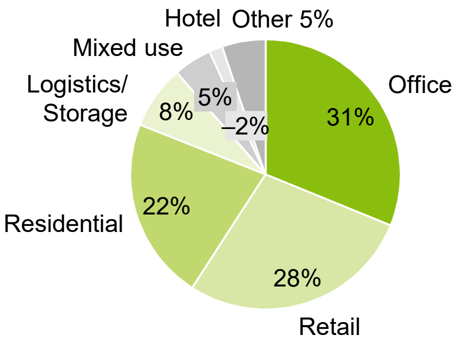
Regions

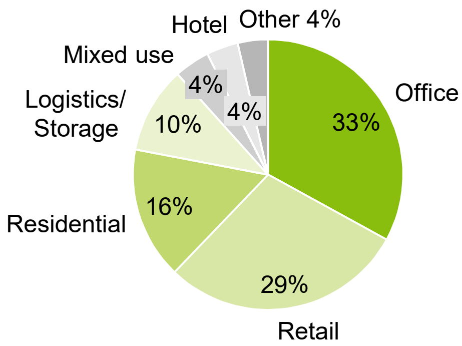


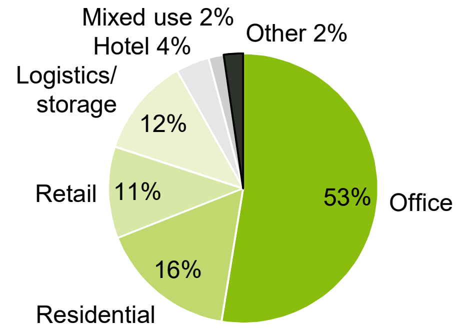




Property types







Note: Figures may not add up due to rounding 1 EaD, Basel III 2 prior to the Brexit referendum in 2016

Cover Pools

ISCR and the effect of the Mortgage Lending Value – very simplified example!

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Interest Service Cover Ratio

€ 4.0 mn rent p.a. at 4% property yield results in a market value of € 100 mn

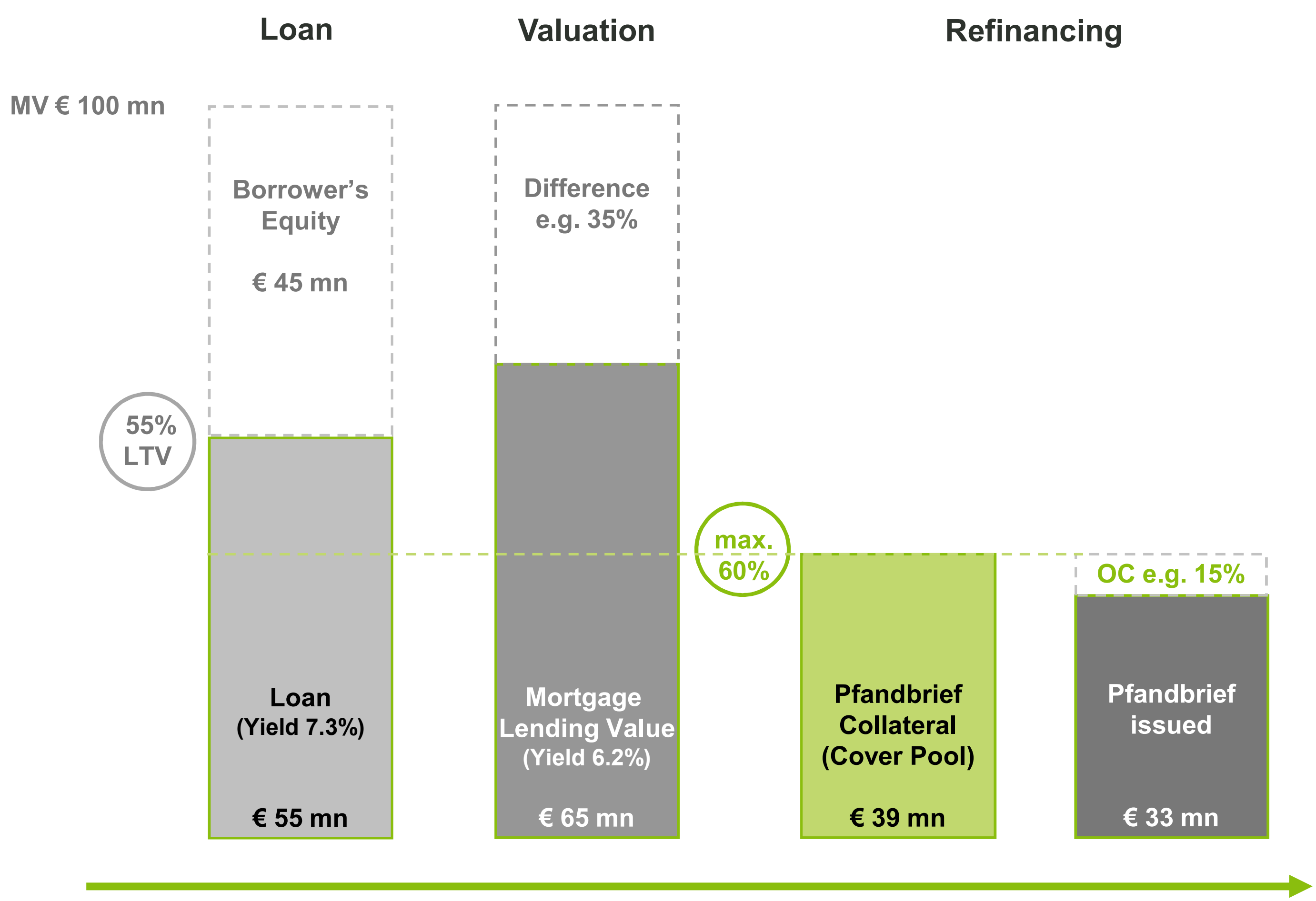
minus

€ 1.1 mn interest payment p.a. for a € 55 mn loan at 2% interest rate

€ 2.9 mn excess cash

$$\frac{\text{€ 4.0 mn rent}}{\text{€ 1.1 mn interest}} = \sim 360\%\ \text{ISCR}$$

Loan - to - Value Ratio



[at current interest rates of approx. 3 % the ICR drops to ~ 240%]

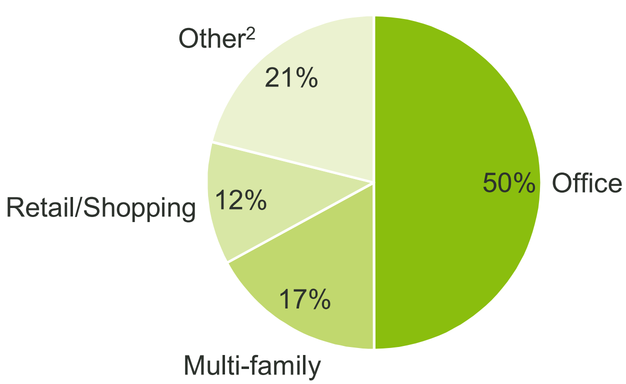
Cover Pools

Mortgage Pfandbrief Cover Pool

Mortgage cover pool (nominal)	31/03/2022	30/06/2022
Pfandbriefe outstanding	€ 15.6 bn	€ 16.1 bn
Cover funds	€ 18.5 bn	€ 18.6 bn
Over-collateralisation (Nominal/NPV)	18.4% / 20.0%	16.1% / 18.7%
No. of loans	1,620	1,567
No. of properties	3,047	2,940
Payments ≥ 90 days overdue	€ 0 mn	€ 0 mn
Weighted average LTV (based on market value)	32.57%	32.34%

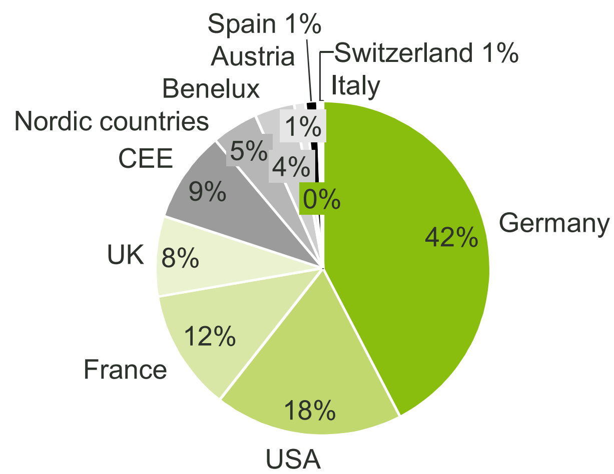
Cover funds by property type

(as of 30/06/2022)



Cover funds by region

(as of 30/06/2022)



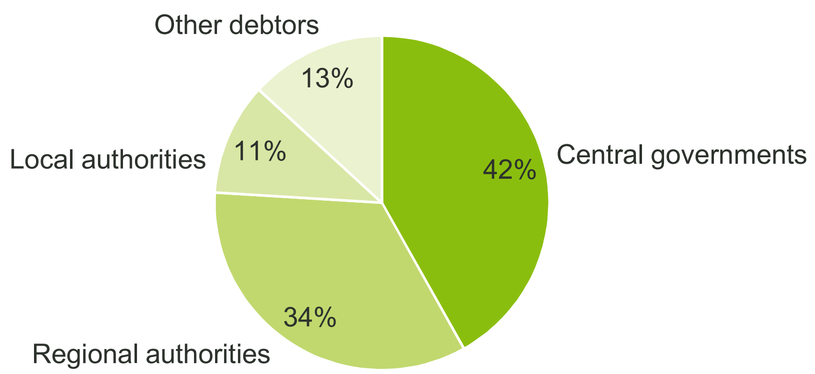
Cover Pools

Public Sector Pfandbrief Cover Pool

Public Sector cover pool (nominal)	31/03/2022	30/06/2022
Pfandbriefe outstanding	€ 10.1 bn	€ 9.8 bn
Cover funds	€ 11.2 bn	€ 11.0 bn
Over-collateralisation (Nominal/NPV)	10.6 % / 11.7 %	12.3 % / 12.2 %
No. of loans	507	495
Payments ≥ 90 days overdue	-	-

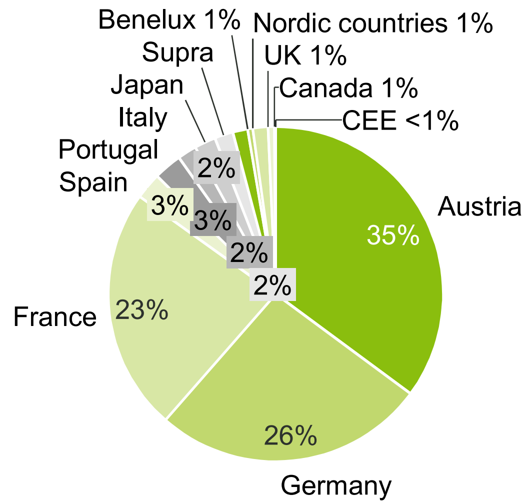
Cover funds by counterparty type

(as of 30/06/2022)



Cover funds by region

(as of 30/06/2022)



Note: Figures may not add up due to rounding

Mandated Ratings

Bank ratings	S&P	
Long-term	**BBB+**	
Outlook/Trend	Stable	
Short-term	A-2	
Stand-alone rating[1]	bbb	
Long Term Debt Ratings		
“Preferred” senior unsecured Debt[2]	BBB+	
“Non-preferred” senior unsecured Debt[3]	BBB-	
Subordinated Debt	BB+	

Pfandbrief ratings		Moody’s
Public Sector Pfandbrief		Aa1
Mortgage Pfandbrief		Aa1

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1 S&P: Stand-alone credit profile 2 S&P: "Senior Unsecured Debt" 3 S&P: "Senior Subordinated Debt"

Key figures
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Income statement (€ mn)	2019	2020	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	H1/22
Net interest income	458	476[8]	123	123	123	125	494	122	120	242
Net fee and commission income	6	6	2	3	1	2	8	2	1	3
Net income from fair value measurement	-7	-8	2	-	1	7	10	9	5	14
Net income from realisations	48	26	21	17	17	26	81	5	5	10
Net income from hedge accounting	-2	4	-1	-2	1	2	-	1	-2	-1
Net other operating income	3	22	-1	-	-1	-	-2	10	-6	4
Operating Income	**506**	**526**	**146**	**141**	**142**	**162**	**591**	**149**	**123**	**272**
Net income from risk provisioning	-49	-126	-10	-23	-17	-31	-81	-18	-1	-19
General and administrative expenses	-202	-204	-51	-51	-49	-68	-219	-53	-53	-106
Expenses from bank levies and similar dues	-24	-26	-28	-1	1	-1	-29	-31	-	-31
Net income from write-downs and write-ups on non-financial assets	-18	-19	-5	-4	-5	-6	-20	-5	-4	-9
Net income from restructuring	3	-	-	-	-	-	-	-	-	-
Pre-tax profit	**216**	**151**	**52**	**62**	**72**	**56**	**242**	**42**	**65**	**107**
Income taxes	-37	-30[8]	-10	-7	-11	14	-14	-6	-10	-16
Net income	**179**	**121**	**42**	**55**	**61**	**70**	**228**	**36**	**55**	**91**

Key ratios (%)	2019	2020	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	H1/22
CIR[1]	43.5	42.4[8]	38.4	39.0	38.0	45.7	40.4	38.9	46.3	42.3
RoE before tax	6.9	4.6[8]	6.4	7.8	8.9	6.7	7.5	4.8	7.9	6.4
RoE after tax	5.7	3.6[8]	5.1	6.9	7.5	8.5	7.0	4.1	6.7	5.4

Balance sheet (€ bn)	12/19	12/20	03/21	06/21	09/21	12/21	03/22	06/22
Total assets	56.8	58.9	58.1	59.0	58.8	58.4	56.3	55.1
Equity	3.2	3.3	3.3	3.3	3.4	3.4	3.4	3.3
Financing volume	45.5	44.2	44.6	43.4	43.4	43.7	43.8	43.3

Regulatory capital ratios[2]	12/19	12/20	03/21	06/21	09/21	12/21	03/22	06/22
RWA (€ bn)	17.7	17.7	18.3	18.0	18.1	16.8	16.7	16.5
CET 1 ratio – phase in (%)	15.9[3]	16.1[4]	15.4[5]	15.4[6]	14.9[6]	17.1[7]	16.9[9]	17.1[10]

Personnel	12/19	12/20	03/21	06/21	09/21	12/21	03/22	06/22
Employees (FTE)	752	782	779	779	782	784	780	777

Note: annual results audited, interim results Q1 2021/22 and Q3 2021 unaudited, interim results Q2 2021/22 unaudited, but reviewed 1 CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2 Basel III transition rules 3 Adjusted, incl. full-year result 2019, based on resolution of AGM to allocate the distributable profit 2019 to other revenue reserves on 28 May 2020 4 After approved year-end accounts 5 Excl. Interim result, post proposed dividend 2020 6 Excl. Interim result 7 Incl. full-year result, post proposed dividend 2021 8 2020 figures retrospectively adjusted according to IAS 8.42 9 Excl. Interim result, post proposed dividend 2021 10 Excl. Interim result