

pbb Deutsche Pfandbriefbank

Debt Investor Update based on full year 2021 results

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# Business Model & Strategy

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



## USPs

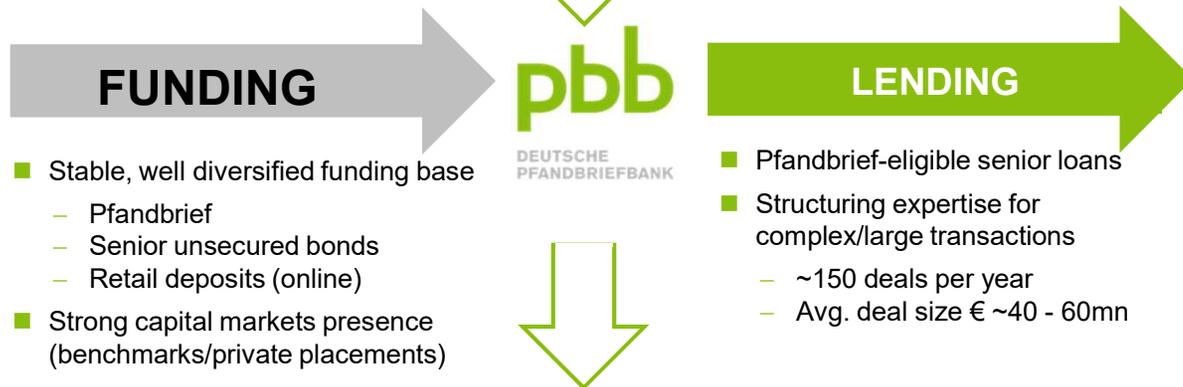
- Specialised on-balance sheet lender with extensive placement capabilities
- Strong franchise with long-standing client relationships and local presence with 10 branches/rep offices in Europe and the US
- Conservative lending standards and focus on risk management
- Pfandbrief is main funding instrument

## Key figures

(IFRS, 31/12/2021)

Total assets	€ 58.4 bn
Total equity	€ 3.8 bn
RWA	€ 16.8 bn
CET1 ratio <sup>1</sup>	17.1%
Leverage ratio <sup>1</sup>	6.0%
RoE before taxes	7.5%
FTE	784

<sup>1</sup> Excl. Interim result

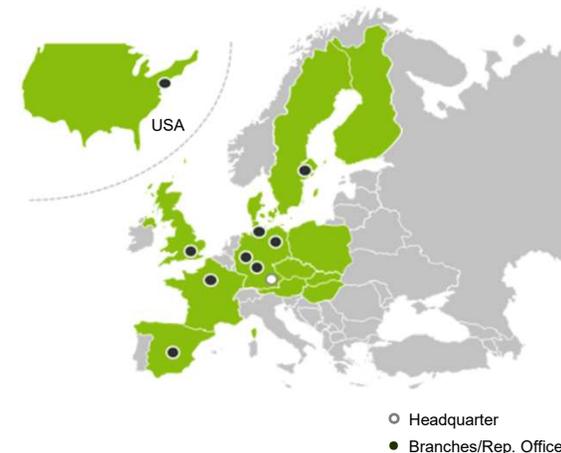


- Stable, well diversified funding base
  - Pfandbrief
  - Senior unsecured bonds
  - Retail deposits (online)
- Strong capital markets presence (benchmarks/private placements)

- Pfandbrief-eligible senior loans
- Structuring expertise for complex/large transactions
  - ~150 deals per year
  - Avg. deal size € ~40 - 60mn

## Value Proposition for Debt Investors

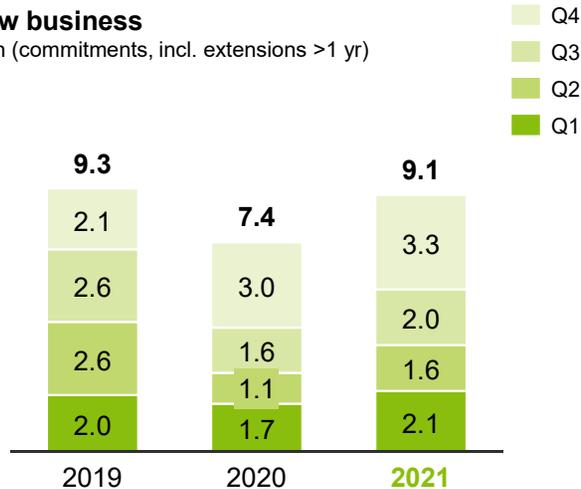
- Considerable MREL buffer
- Strong capital base
- High quality cover pools
- High portfolio quality and risk standards
- Strong operating performance



# Operating and financial overview

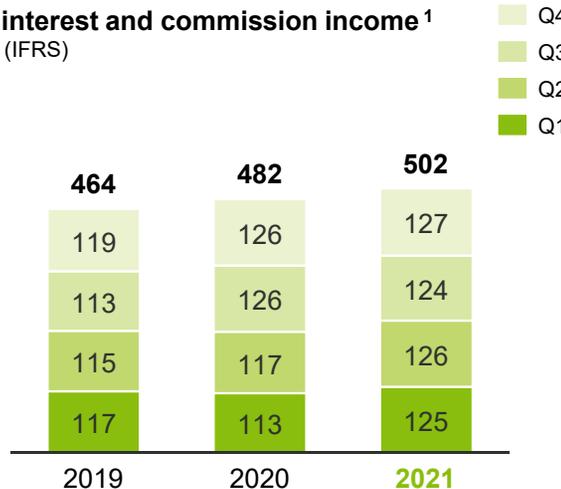
## New business

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



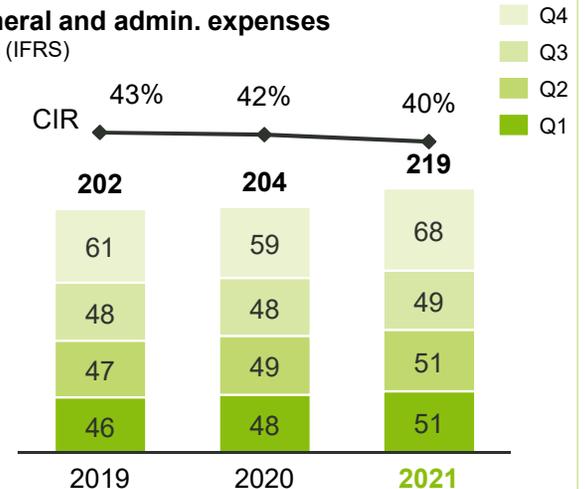
## Net interest and commission income<sup>1</sup>

€ mn (IFRS)



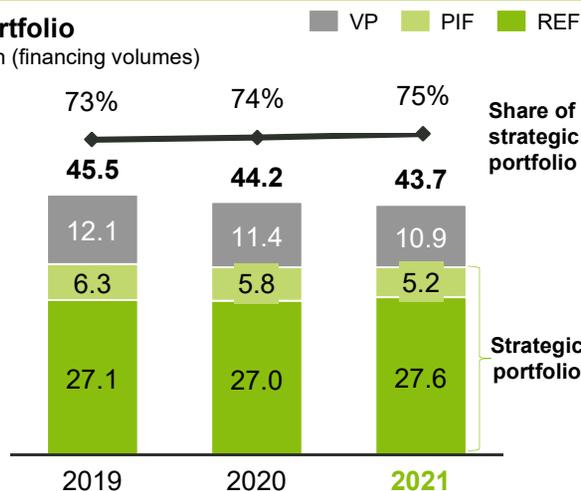
## General and admin. expenses

€ mn (IFRS)



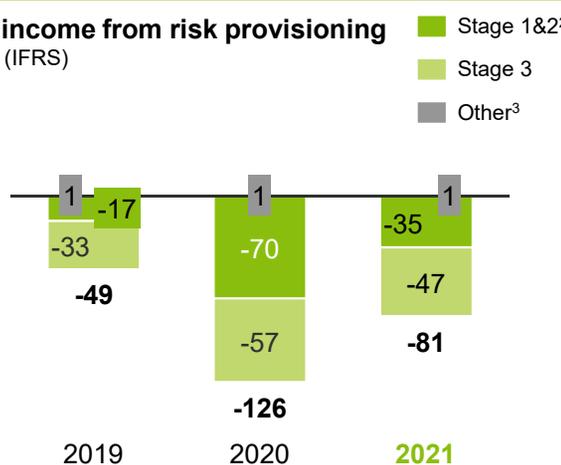
## Portfolio

€ bn (financing volumes)



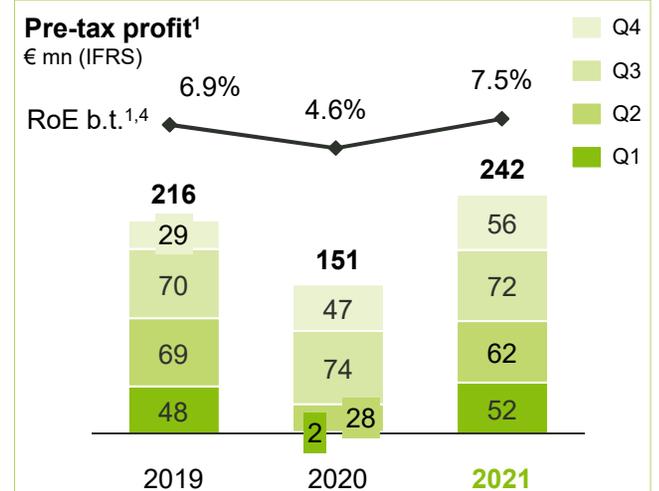
## Net income from risk provisioning

€ mn (IFRS)



## Pre-tax profit<sup>1</sup>

€ mn (IFRS)



Note: Figures may not add up due to rounding

<sup>1</sup> 2020 figures retrospectively adjusted according to IAS 8.42

<sup>2</sup> Incl. provisions in off balance sheet lending business

<sup>3</sup> Recoveries from written-off financial assets

<sup>4</sup> After AT1 coupon (2019: € -17 mn; 2020: € -17 mn; 2021: € -17 mn)

# Ukraine/Russia crisis – impact on pbb

No direct exposure in/to Ukraine and Russia – but uncertainties on overall economic impacts

pbb – Status quo & Challenges		Market impacts
<b>Portfolio and bank operations</b>	<b>No direct exposure</b> in/to Ukraine and Russia (country of risk)	<b>Markets</b> <ul style="list-style-type: none"> <li>▪ Length and severity of conflict highly uncertain</li> <li>▪ Second round effects complex and hard to predict</li> <li>▪ Further sanctions likely</li> <li>▪ Economic growth likely to slow down</li> <li>▪ Impact from energy prices to further force inflation</li> <li>▪ Consequences for monetary policy and interest rates unclear</li> </ul>
	<b>Indirect risks</b> from resp. countries <b>only marginal</b>	
	<b>No material tenant risk</b>	
	<b>No exposure</b> to Ukrainian and Russian banks	
	<b>SWIFT</b> – no direct effects	
	<b>No currency exposure</b> to resp. countries	
	<b>No direct service relationships</b>	
<b>No employees and offices</b> in resp. countries	<b>Commercial Real Estate</b> <ul style="list-style-type: none"> <li>▪ ‘Flight to quality’ – prime/core assets expected to benefit from increasing demand</li> <li>▪ Overall tenant risk may increase – mitigated by asset quality, low LTVs and diversification</li> <li>▪ Liquidity and strong capital supports value stability in ‘safe haven assets’</li> <li>▪ Transaction pipeline presently unaffected</li> </ul>	
<b>Moderate spread widening</b> on Senior Unsecured since beginning of Russian invasion; Pfandbrief spreads robust		
<b>Solid pre-funding since January 2022:</b> € 930 mn Senior Unsecured and € 850 mn Pfandbrief		
<b>Comfortable liquidity reserve</b>		
<b>Macro-economic challenges</b>	<b>Economic growth</b> – post-Corona recovery vs. current crisis	
	<b>Inflation</b> – increasing trend	
	<b>Interest rates</b> – upward trend vs. Reversal of policies	
	<b>Sanctions</b> – impact on overall economy (e.g. export/import, supply chain)	

**pbb well positioned**

- **Conservative approach** – focus on core Europe/US, prime locations, prime clients and prime assets
- **Proven resilience** through Corona crisis and ECB stress test
- **Strong capital base** to support profitable REF portfolio growth even in difficult times

# New business

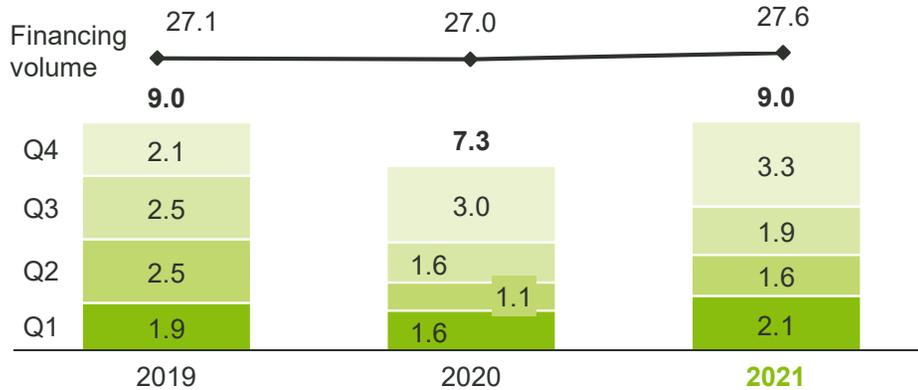
Strong REF new business volume of € 9.0 bn above full-year guidance of € 7-8 bn in further challenging environment



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## REF New business

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



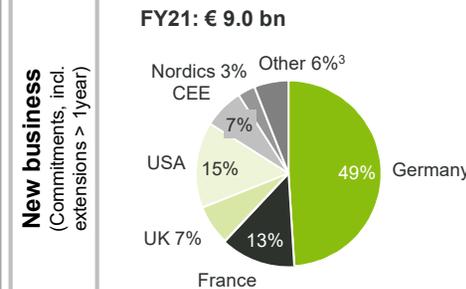
## Key drivers Q4/12 2021

- Strong REF new business of € 9.0 bn above our guidance of € 7-8 bn for 2021 despite continued selective approach and increased competition; 2020 more strongly affected by COVID-19 pandemic
  - Avg. gross interest margin stable at ~170 bp (9M/21: ~170 bp; 2020: ~180 bp; 2019: ~155 bp); however with slightly declining trend as expected
  - Unchanged conservative risk positioning with avg. LTV of 56%<sup>2</sup>
  - Focus on Germany, France, USA – share for France and USA up by 2%, Germany stable
  - Decreasing share in Retail -4% and Hotel -1% as expected given COVID-19, compensated by stronger focus on Office - share up by 5%
  - No new commitments in property types Hotel and Retail Shopping Centres since March 2020 – only extensions at conservative conditions

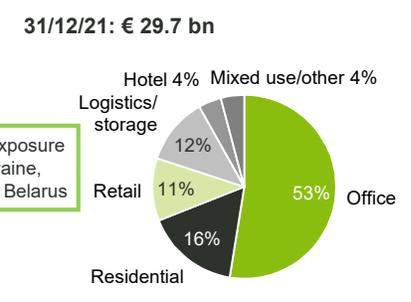
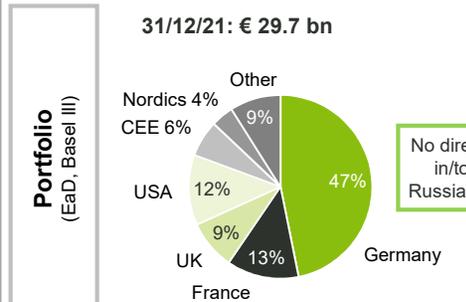
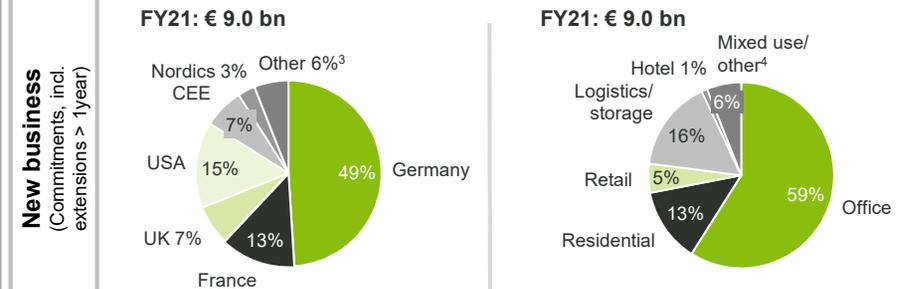
## REF new business

	FY20	9M/21	FY21
Total volume (€ bn)	7.3	5.7	9.0
thereof:			
Extensions >1 year	2.6	1.7	2.6
No. of deals	142	103	166
Avg. maturity (years) <sup>1</sup>	~4.3	~4.7	~4.8
Avg. LTV (%) <sup>2</sup>	54	55	56
Avg. gross interest margin (bp)	~180	~170	~170

## Regions



## Property types



No direct exposure in/to Ukraine, Russia and Belarus

Note: Figures may not add up due to rounding 1 Legal maturities 2 New commitments; avg. LTV (extensions): 12M/21: 54%; 12M/20: 54% 3 Netherlands, Austria, Switzerland and Spain 4 Land (58%), mixed use (24%), special property (18%)

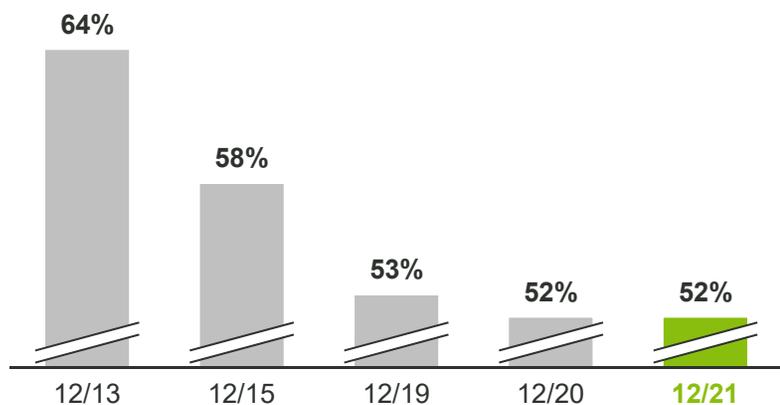
# Portfolio

Business approach reflected in stable risk parameters and low average LTV of 52%, which provides solid risk buffer – NPLs remain on low level



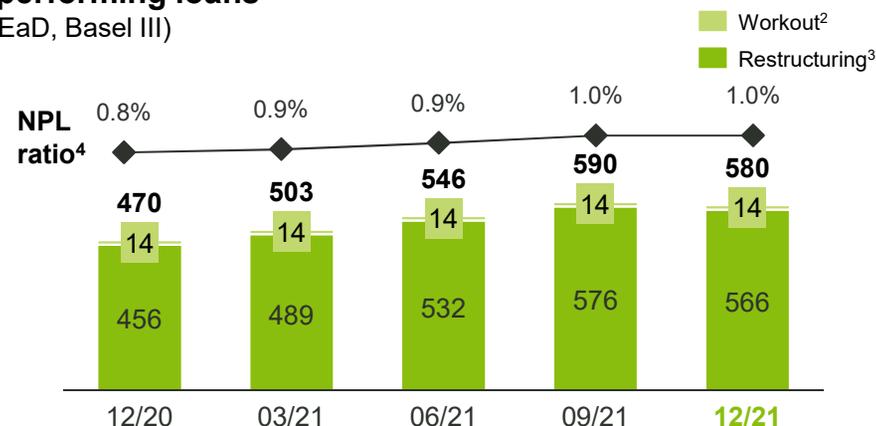
## REF Portfolio: Avg. weighted LTVs

% (commitments)<sup>1</sup>



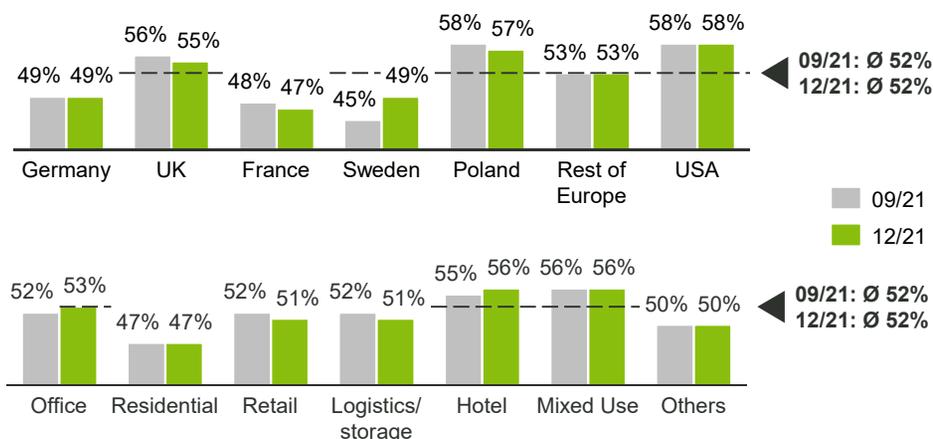
## Non-performing loans

€ mn (EaD, Basel III)



### Key drivers

- Non-performing loans (NPLs) up to € 580 mn y-o-y (12/20: € 470 mn)
  - Restructuring loans up to € 566 mn (12/20: € 456 mn)
    - Q2/21: € 70 mn transfer of 2 loans to stage 3 - € 40 mn NL Hotel (no provisioning) and € 30 mn German shopping centre (small provisioning)
    - Q3/21: € 47 mn transfer of 1 loan to stage 3 - Office Park, Poland (€ 7mn risk provisioning)
    - Q4/21: € 62 mn transfer of 1 loan to stage 3 - Office Building, USA (no provisioning) and FX effects € ~10 m - all partially compensated by
      - successful restructuring/sale of assets, thereof
      - € 23 mn UK shopping centre (small LLP release)
      - € 28 mn Office and Retail Building, USA (re-shift to stage 2)
  - Workout loans stable at only € 14 mn (12/20: € 14 mn)
- NPL ratio<sup>3</sup> of 1.0% remains on low level (12/20: 1.0%)
- Avg. LTV of 52% stable y-o-y - LTV changes in regions/loan types reflect structural portfolio changes due to repayments and new business
- Ukraine/Russia:
  - No direct exposure in/to Ukraine and Russia - Secondary risks very 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

# Risk Provision

Risk provisioning significantly down y-o-y – solid buffer to cope with potential further market risks

## Net income from risk provisioning

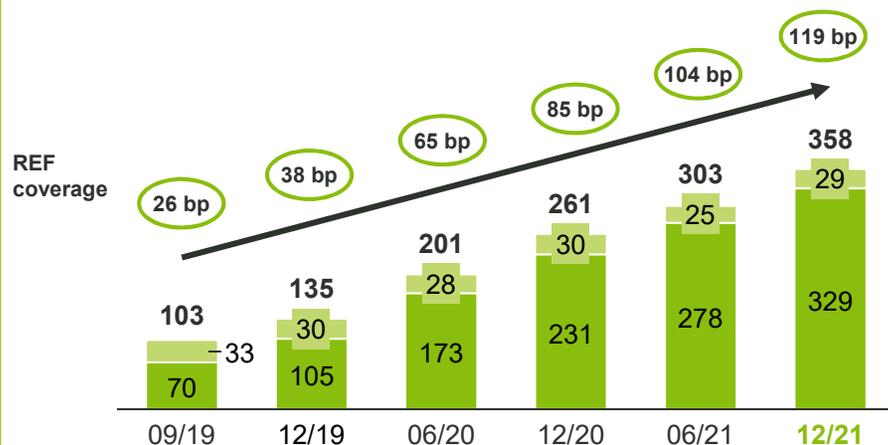
€ mn

	Q4/20	Q4/21	12M/20	12M/21
Net income from risk provisioning	-42	-31	-126	-81
thereof				
stage 1	-7	29	-29	21
stage 2	-14	-45	-32	-57
stage 3	-14	-16	-57	-47
Off balance sheet				
lending business	-8	-	-9	1
Recoveries	1	1	1	1

## Balance sheet – loss allowances

€ mn

■ Non-REF ■ REF



## Key drivers Q4/12M 2021

- **Net income from risk provisioning** of € -81 mn (FY 2020: € -126 mn) – previous year strongly affected by COVID-19 pandemic
- **Stage 1&2: Net additions<sup>1</sup>** of € -35 mn (FY 2020: € -70 mn) mainly driven by
  - changes in estimates
  - management overlay
 partially compensated by releases from
  - improved macroeconomic parameters
  - maturity effects

**Management overlay** of € -54 mn to cover risks from the expiry of state support measures by shifting stage 1 REF portfolios in a volume of € 3.1 bn from to stage 2 – stage transfer based on management measure and not caused by model trigger

- **Stage 3:** Net additions of € -47 mn (FY 2020: € -57 mn) mainly for UK shopping centres (€ -35 mn)
- Significant build up of **loss allowances on balance sheet** over the last quarters – **REF coverage** now at 119 bp
- **Coverage ratio:** Stage 3 coverage ratio<sup>2</sup> at 30% (12/20: 25%; 12/19: 11%); gap covered by collateral

<sup>1</sup> Incl. provisions in off balance sheet lending business

<sup>2</sup> Coverage ratio = credit loss allowances on financial assets in stage 3 / gross book values in stage 3 (loans and securities)

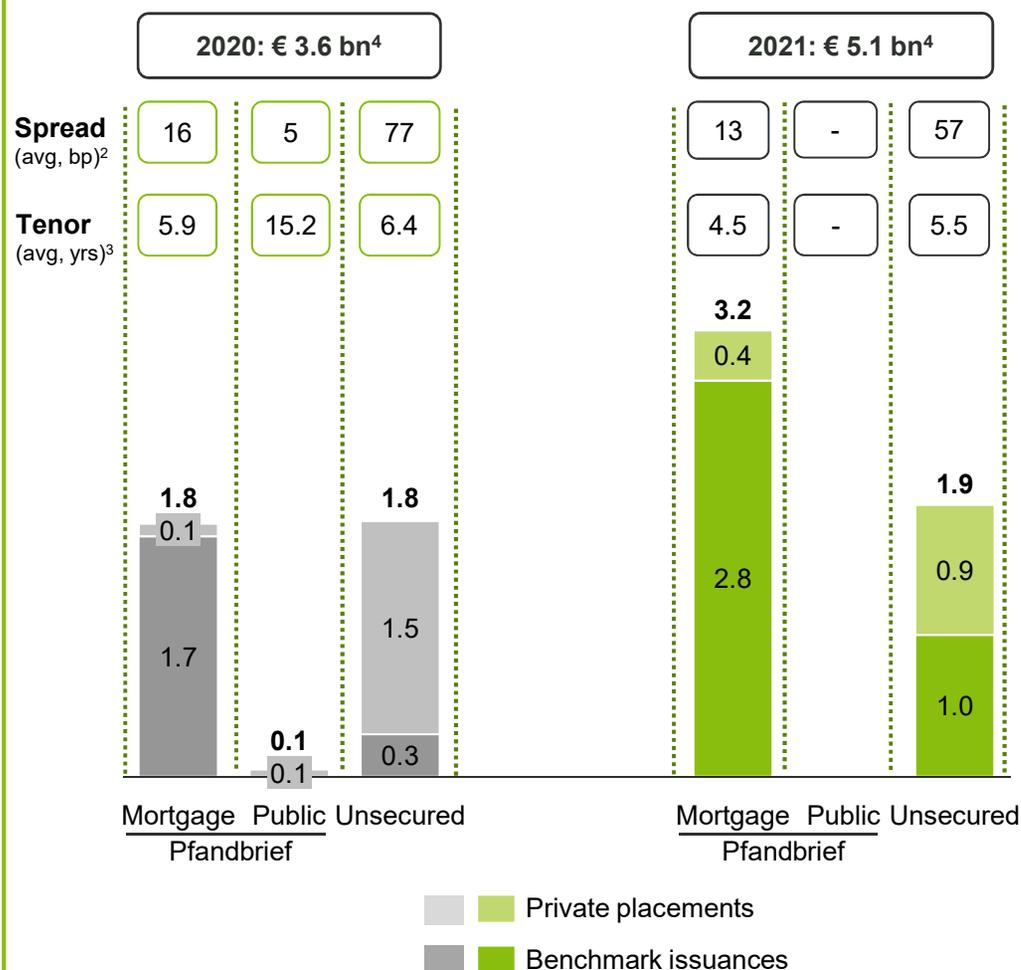
# Funding

Strong funding activities focused on non-Euro Pfandbriefe and “Green” Senior Preferred – funding optimised with TLTRO III



## New long-term funding<sup>1</sup>

€ bn



## Funding Q4/12M 2021

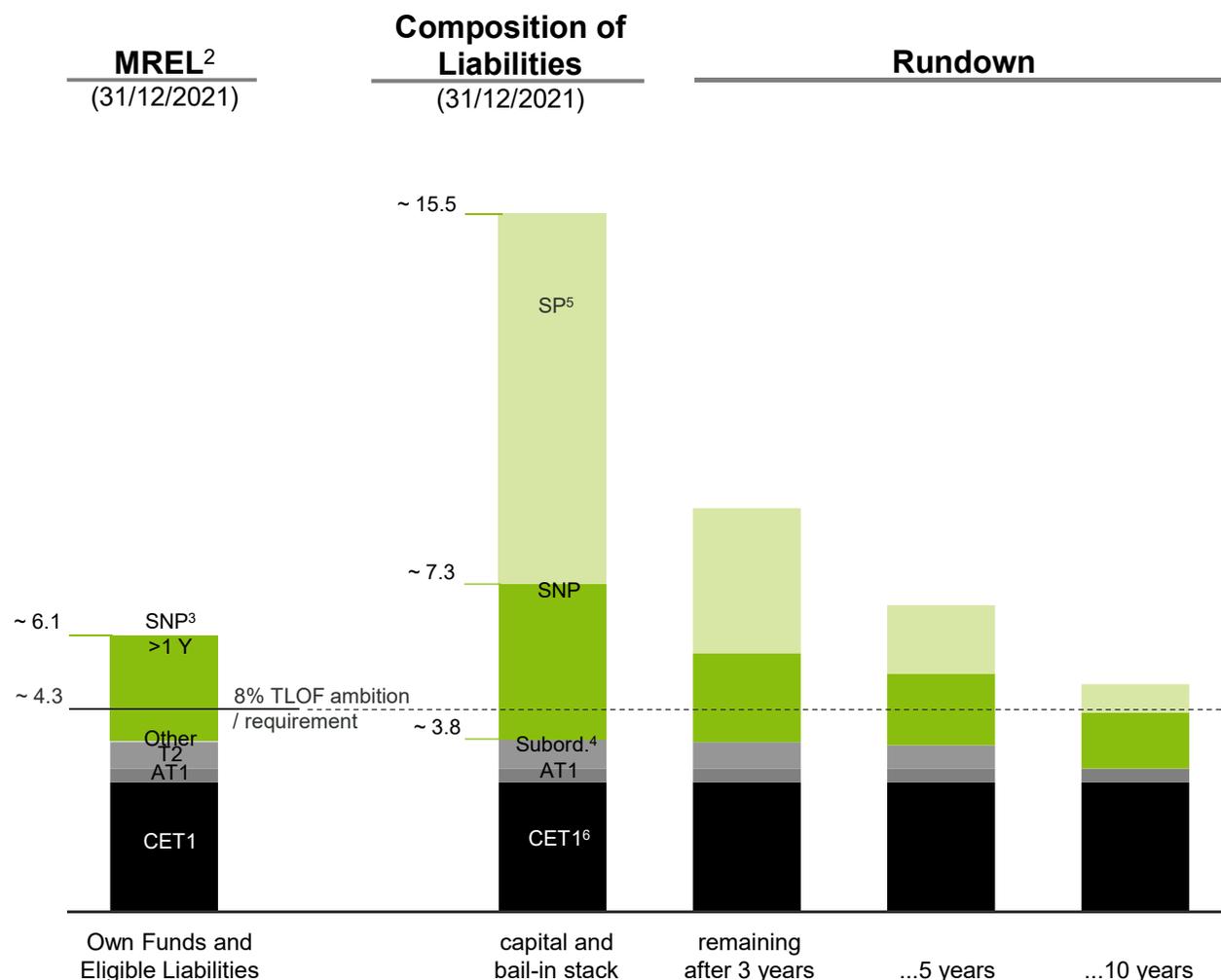
- **Solid Pfandbrief funding** with focus on foreign currencies
  - USD 750 mn Pfandbrief
  - GBP 500 mn Pfandbrief
  - € 500 mn Pfandbrief
  - Pfandbrief Private Placements in SEK
- € 500 mn **inaugural Green Senior Preferred Benchmark** in 01/21, followed by an equally successful **€ 500 mn Green Senior Preferred Benchmark** in 10/21; in 01/22 a further **€ 750 mn Green Senior Preferred Benchmark** issued. With three green Benchmarks, pbb is one of the most active issuers in Green Senior funding
- With **two USD 750 mn Pfandbrief** issued in 2021 and another USD 750 mn Pfandbrief in 02/22, pbb is the **most active USD Covered Bond issuer** in the RegS market
- **TLTRO III** participation increased by € 0.9 bn to € 8.4 bn in June 2021 to optimise funding costs – TLTRO III provides an attractive and flexible source of funding (€ 0.7 bn “own use” Pfandbriefe issued as collateral for upsizing TLTRO III)
- **Comfortable liquidity buffer** sufficient to cover internal stress tests
- **Retail deposit** funding scalable – in Q4/21 pbb direkt deposits amounted to € 3.2 bn (Q4/20: € 3.2 bn)
- **ALM profile** and **liquidity position** remain comfortable (NSFR >100%; LCR >150%)

Note: Figures may not add up due to rounding 1 Excl. retail deposit business 2 vs. 3M Euribor 3 Initial weighted average maturity 4 Excl. “own use” Pfandbriefe issued as collateral for TLTRO III

# Funding

## Own Funds and Eligible Liabilities significantly exceed 8 % TLOF

(in € bn as of 31/12/2021)<sup>1)</sup>



- Substantial 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 expected to be the prevailing senior product in the near-term, but SNP will remain an 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

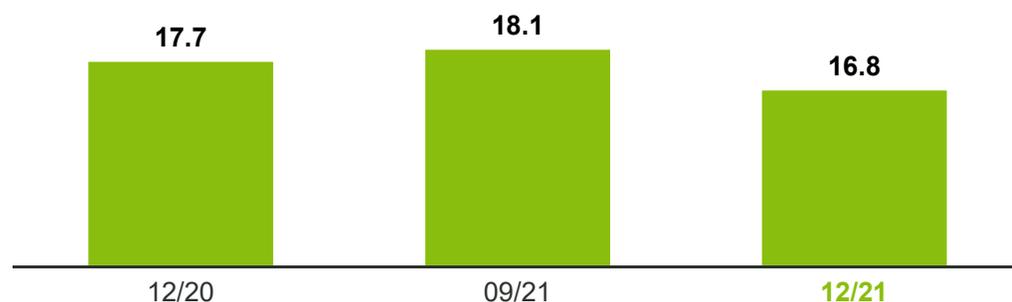
<sup>1</sup> after confirmation of the 2021 financial statements, less the proposed dividend <sup>2</sup> pbb has set its ambition level at 8% TLOF with 100% subordination (i.e. Own Funds and Senior Non-Preferred), which is the currently binding regulatory target. As of 31 December 2021, MREL eligible items amounted to ~11% TLOF (based on the transfer to retained earnings from the 2021 annual result n TLOF as of 31.12.2021) / ~36% RWA / ~12% Leverage Exposure <sup>3</sup> MREL-eligible Senior Non-Preferred Debt >1Y according to legal maturities <sup>4</sup> Nominal amount of Tier 2 instruments; the capital stack includes € 300 mn AT1 issuance callable in 2023 and € 300 mn T2 issuance callable in 2022 <sup>5</sup> Senior Preferred, structured unsecured and corporate deposits (excl. protected deposits) <sup>6</sup> CET1 assumed to be constant

# Capital

Capitalisation remains strong – RWA reduction mainly reflecting RWA relief according to CRR II (reduction of add-ons) in Q4/21

## Basel III: RWA

€ bn (IFRS)



## Basel III: Equity and capital ratios

(IFRS)

Capital in € bn	12/20 <sup>1</sup>	09/21 <sup>2</sup>	12/21 <sup>3</sup>
CET 1	2.9	2.7	2.9
AT 1	0.3	0.3	0.3
Tier 2	0.6	0.6	0.6
<b>Total Equity</b>	<b>3.8</b>	<b>3.6</b>	<b>3.8</b>

Capital ratios in %	12/20 <sup>1</sup>	09/21 <sup>2</sup>	12/21 <sup>3</sup>
CET 1	16.1	14.9	17.1
Tier 1	17.8	16.6	18.9
Own funds	21.4	19.8	22.4
Leverage ratio	6.0	5.7	6.0

## RWA development Q4/12M 2021

- RWA down y-o-y due to
  - Reduction of add-ons acc. to Art. 501 CRR II<sup>4</sup>
  - Maturity effects and technical adjustments inter alia by improvement of data quality
  - Smaller contrary effect from increase in REF portfolio
  - No material RWA effect from individual rating deteriorations in the light of COVID-19
- No significant systematic deterioration in the portfolio
- RWA already calibrated towards Basel IV (fully-loaded)– thus, no major further effects expected from implementation

## Capital ratios

- CET 1 ratio of 17.1%<sup>3</sup> up (12/20: 16.1%<sup>1</sup>; 09/21: 14.9%<sup>2</sup>) reflecting decrease in RWA
- Regulatory capital stable y-o-y – methodical reductions (e.g. income from pension commitments in Q2/21) compensated by retention of profit 2020/21 and reduced EL shortfall due to build up of risk provisions

## Capital requirements

- Unchanged P2R of 2.5% results in the following SREP requirements (excl. countercyclical buffer):
  - CET 1 ratio: 8.41%
  - Tier 1 ratio: 10.38%
  - Own funds ratio: 13.00%
- pbb currently anticipates countercyclical buffer of 45 bp, providing for solid buffer on current requirements – upcoming changes of country-specific countercyclical buffers and German sectoral systemic risk buffer expected to have only moderate effect with increase by +20-25 bp over time

Note: Figures may not add up due to rounding 1 After approved year-end accounts, 2020 result not included 2 Excl. interim result, 2020 result not included 3 Incl. full-year result, post proposed dividend 2021 4 CRR=Capital Requirements Regulation

# Initiatives

Taking advantage of pbb's strengths in building out business, based on core competencies, market reach and risk profile



Initiatives	Key measures	Impact	
1 Organic growth	Product expansion (Loan-on-loan, non-senior lending)	<p><b>Widened product portfolio</b> allows broader, diversified <b>risk-return</b> combinations</p> <p><b>US market</b> yields opportunities for <b>profitable REF portfolio growth</b> (less correlated with European portfolio)</p> <p><b>Low-leverage lending</b> uses more standardized process and <b>balances portfolio risk</b></p>	<p>28 → ~32*</p> <p>2021 → 2024/25</p> <p>REF portfolio (in € bn) (*incl. green finance)</p>
	Build-out US business		
	Low-leverage lending		
2 "Green" finance	Green loans	<p>Provides financing instruments for <b>new projects</b> as well as <b>upgrade of legacy real estate</b>. Green finance goes beyond regulatory/moral obligation and is a <b>business opportunity</b> that yields <b>attractive risk-return</b> profiles due to supported property values</p>	<p>~10% → ~30%</p> <p>2021 → 2024/25</p> <p>Green REF portfolio share</p>
	Green development loans		
	Green capex facilities		
3 Digitalization	Value-add through digital client interface	<p>Digital client interface based on universal corporate data storage with <b>holistic transparency for clients</b> and <b>faster "time to yes"</b> increases client satisfaction</p> <p>Foster <b>agile methods, new ways of working</b> and <b>progressive technologies</b> (robotics and AI) to increase scalability and efficiency</p> <p>Scalable business model to <b>materialize efficiency potential and room to grow</b></p>	<p>60% → &gt;90%</p> <p>2021 → 2024/25</p> <p>Client portal usage (*business supported by client portal)</p>
	State of the art infrastructure and capabilities		
	Scalable platform to allow further growth		

# Contact details



## Funding / Debt Investor Relations

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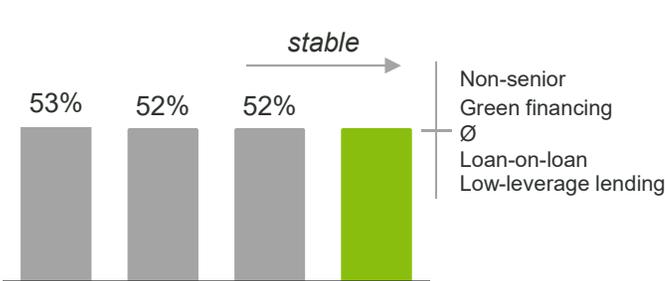
# Appendix



# Impact of initiatives

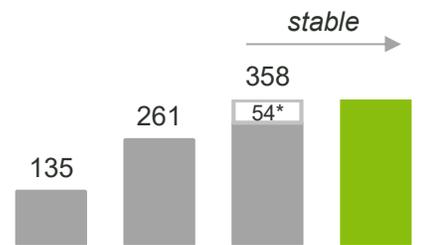
Conservative risk positioning provides room to maneuver for new strategic growth initiatives

## Outlook 2024/25



### REF portfolio LTV

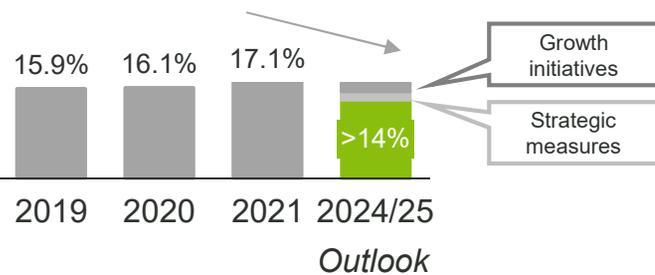
- pbb maintains a **stable risk profile**, beneficial diversification characteristics help to reduce overall risk
- **Green financing** with relatively **higher LTV** but **supported by property values/demand** and attractive margins
- Expansion of **non-senior business increases** average LTV
- **Low-leverage lending balances** LTV impact of other initiatives



### Loan loss reserves (in € mn)

- **Conservative risk approach:** Over 50% of loan loss reserves in stage 1 & 2 in 2021 despite global pandemic
- **Return to normal provisioning level expected**, depending on market recovery – release of management overlay over time, against P&L or new provisioning if required
- Build-up of loan loss provisions provides a **solid basis for growth in REF new business**

\* Management Overlay



### CET1-ratio (Basel IV, calibrated, fully-loaded)<sup>1</sup>

- **Strong capitalization** (Basel IV calibrated, fully-loaded)<sup>1</sup> allowing for potential growth and strategic flexibility
- **Investment of capital** for growth initiatives and digitalization to increase RoE but **potential for further strategic growth**
- Despite investments **CET1-ratio remains significantly above SREP requirements** and in line with pbb's overall ambition level

<sup>1</sup> Exposure already calibrated acc. to Basel IV risk weights (fully-loaded), no major effects from implementation expected

# 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



Financials (€ mn)	2020	2021	Guidance 2022	Ambition 2024/2025
PBT	151	242	<b>PBT of € 200-220 mn</b> in line with past sustainable level	<b>1 Organic growth</b> <div style="border: 1px solid black; padding: 5px; display: inline-block;">~ € 32 bn REF portfolio</div> <b>Growing REF portfolio</b> supported by growth initiatives and stable client relationships that continue to lead to <b>strong new business</b>
NII and NCI	482	502	<b>Slightly lower</b> 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	<b>2 “Green” finance</b> <div style="border: 1px solid black; padding: 5px; display: inline-block;">~ 30% Green REF portfolio share</div> Growing our impact as <b>sustainable finance bank</b> and <b>transformation partner</b>
General and administrative expenses (excl. restructuring expenses)	-204	-208 <sup>1</sup>	<b>Stable</b> , despite investments in strategic initiatives	<b>3 Digitalization</b> <div style="border: 1px solid black; padding: 5px; display: inline-block;">Portal and digital credit workplace fully established</div> Moving to <b>full blown digitalization approach</b> with materialization of <b>significant efficiency improvements</b>
Risk provisioning	-126	-81	<b>Significantly lower level</b> , depending on market recovery in the light of COVID-19	<div style="border: 1px solid black; border-radius: 50%; padding: 20px; text-align: center;"> <b>Strategic initiatives enhance and strengthen our business model while maintaining our conservative risk approach</b> </div>
REF new business volume (€ bn)	7.3	9.0	<b>Increase to € 9.5-10.5 bn</b> at moderately lower <b>avg. gross interest margins</b>	
REF financing volume (€ bn)	27.0	27.6	<b>Moderate growth</b> based on new business increase with add-on initiatives to gradually impact 2 <sup>nd</sup> half of 2022	
CET1 ratio (in %) <sup>2</sup>	16.1	17.1	<b>Slight decrease</b> due to growth but still <b>significantly above SREP</b> requirements	
			<b>Uncertainties remain regarding the geopolitical situation and the possible impact on macro-economic development</b>	

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

# Key figures

## pbb Group



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Income statement (€ mn)	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	Q3/21	Q4/21	2021
Net interest income	458	111	116 <sup>9</sup>	125 <sup>9</sup>	124 <sup>9</sup>	476 <sup>9</sup>	123	123	123	125	494
Net fee and commission income	6	2	1	1	2	6	2	3	1	2	8
Net income from fair value measurement	-7	-17	1	4	4	-8	2	0	1	7	10
Net income from realisations	48	14	2	4	6	26	21	17	17	26	81
Net income from hedge accounting	-2	-1	-1	6	-	4	-1	-2	1	2	-
Net other operating income	3	1	3	-	18	22	-1	-	-1	-	-2
<b>Operating Income</b>	<b>506</b>	<b>110</b>	<b>122</b>	<b>140</b>	<b>154</b>	<b>526</b>	<b>146</b>	<b>141</b>	<b>142</b>	<b>162</b>	<b>591</b>
Net income from risk provisioning	-49	-34	-36	-14	-42	-126	-10	-23	-17	-31	-81
General and administrative expenses	-202	-48	-49	-48	-59	-204	-51	-51	-49	-68	-219
Expenses from bank levies and similar dues	-24	-21	-4	-	-1	-26	-28	-1	1	-1	-29
Net income from write-downs and write-ups on non-financial assets	-18	-5	-5	-4	-5	-19	-5	-4	-5	-6	-20
Net income from restructuring	3	-	-	-	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>216</b>	<b>2</b>	<b>28</b>	<b>74</b>	<b>47</b>	<b>151</b>	<b>52</b>	<b>62</b>	<b>72</b>	<b>56</b>	<b>242</b>
Income taxes	-37	-	-8	-23 <sup>9</sup>	1 <sup>9</sup>	-30 <sup>9</sup>	-10	-7	-11	14	-14
<b>Net income</b>	<b>179</b>	<b>2</b>	<b>20</b>	<b>51</b>	<b>48</b>	<b>121</b>	<b>42</b>	<b>55</b>	<b>61</b>	<b>70</b>	<b>228</b>
<b>Key ratios (%)</b>	<b>2019</b>	<b>Q1/20</b>	<b>Q2/20</b>	<b>Q3/20</b>	<b>Q4/20</b>	<b>2020</b>	<b>Q1/21</b>	<b>Q2/21</b>	<b>Q3/21</b>	<b>Q4/21</b>	<b>2021</b>
CIR <sup>1</sup>	43.5	48.2	44.3 <sup>9</sup>	37.1 <sup>9</sup>	41.6 <sup>9</sup>	42.4 <sup>9</sup>	38.4	39.0	38.0	45.7	40.4
RoE before tax	6.9	-0.3	3.3	9.7 <sup>9</sup>	5.9 <sup>9</sup>	4.6 <sup>9</sup>	6.4	7.8	8.9	6.7	7.5
RoE after tax	5.7	-0.3	2.2	6.5 <sup>9</sup>	6.0 <sup>9</sup>	3.6 <sup>9</sup>	5.1	6.9	7.5	8.5	7.0
<b>Balance sheet (€ bn)</b>	<b>12/19</b>	<b>03/20</b>	<b>06/20</b>	<b>09/20</b>	<b>12/20</b>	<b>12/20</b>	<b>03/21</b>	<b>06/21</b>	<b>09/21</b>	<b>12/21</b>	
Total assets	56.8	56.6	60.7	60.2	58.9	58.9	58.1	59.0	58.8	58.4	
Equity	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.4	3.4	
Financing volume	45.5	45.0	44.5	44.4	44.2	44.2	44.6	43.4	43.4	43.7	
<b>Regulatory capital ratios<sup>2</sup></b>	<b>12/19</b>	<b>03/20</b>	<b>06/20</b>	<b>09/20</b>	<b>12/20</b>	<b>12/20</b>	<b>03/21</b>	<b>06/21</b>	<b>09/21</b>	<b>12/21</b>	
RWA (€ bn)	17.7	17.3	17.4	17.8	17.7	17.7	18.3	18.0	18.1	16.8	
CET 1 ratio – phase in (%)	15.9 <sup>3</sup>	16.3 <sup>4</sup>	15.8 <sup>4</sup>	15.3 <sup>4</sup>	16.1 <sup>5</sup>	16.1 <sup>5</sup>	15.4 <sup>6</sup>	15.4 <sup>7</sup>	14.9 <sup>7</sup>	16.8 <sup>8</sup>	
<b>Personnel</b>	<b>12/19</b>	<b>03/20</b>	<b>06/20</b>	<b>09/20</b>	<b>12/20</b>	<b>12/20</b>	<b>03/21</b>	<b>06/21</b>	<b>09/21</b>	<b>12/21</b>	
Employees (FTE)	752	749	763	772	782	782	779	779	782	784	

Note: annual results audited, interim results Q1 2020/21 and Q3 2020/21 unaudited, interim results Q2 2020/21 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 Excl. interim result, incl. full-year result 2019 5 After approved year-end accounts 6 Excl. interim result, post proposed dividend 2020 7 Excl. interim result 8 Incl. full-year result, post proposed dividend 2021 9 2020 figures retrospectively adjusted according to IAS 8.42

# ESG – Set-up & Strategy

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

## ESG Governance

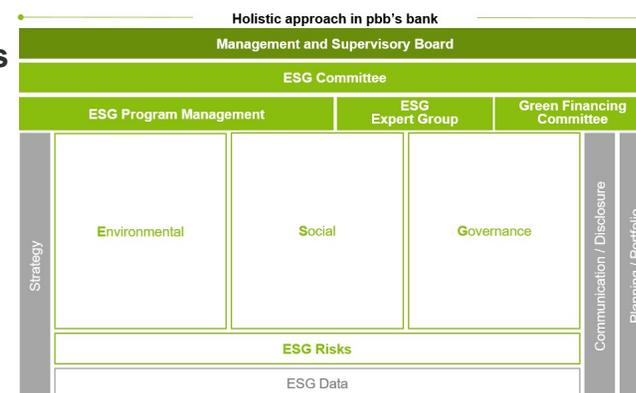
### General

- 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

Materiality

SDGs and UN Global Compact

Paris Climate Goals

ESG Risk

- **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
  - Material topics and aspects identified through **materiality analysis**, including stakeholder feedback
  - 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
  - Clear **strategic commitment** on active contribution towards the **goals of the Paris Agreement and transition to low-carbon economy**
- 
- 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

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 Remuneration and employee benefits Working environment
Employee matters	Training and continuing professional development



PARIS2015  
AGREEMENT ON CLIMATE CHANGE  
COP21-CMP11



# ESG – Set-up & Strategy

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

**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 € 1.75 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 € 685 mn
  - “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<sub>2</sub> footprint acc. to scope 1-3 – **further expansion of reporting scope** envisaged

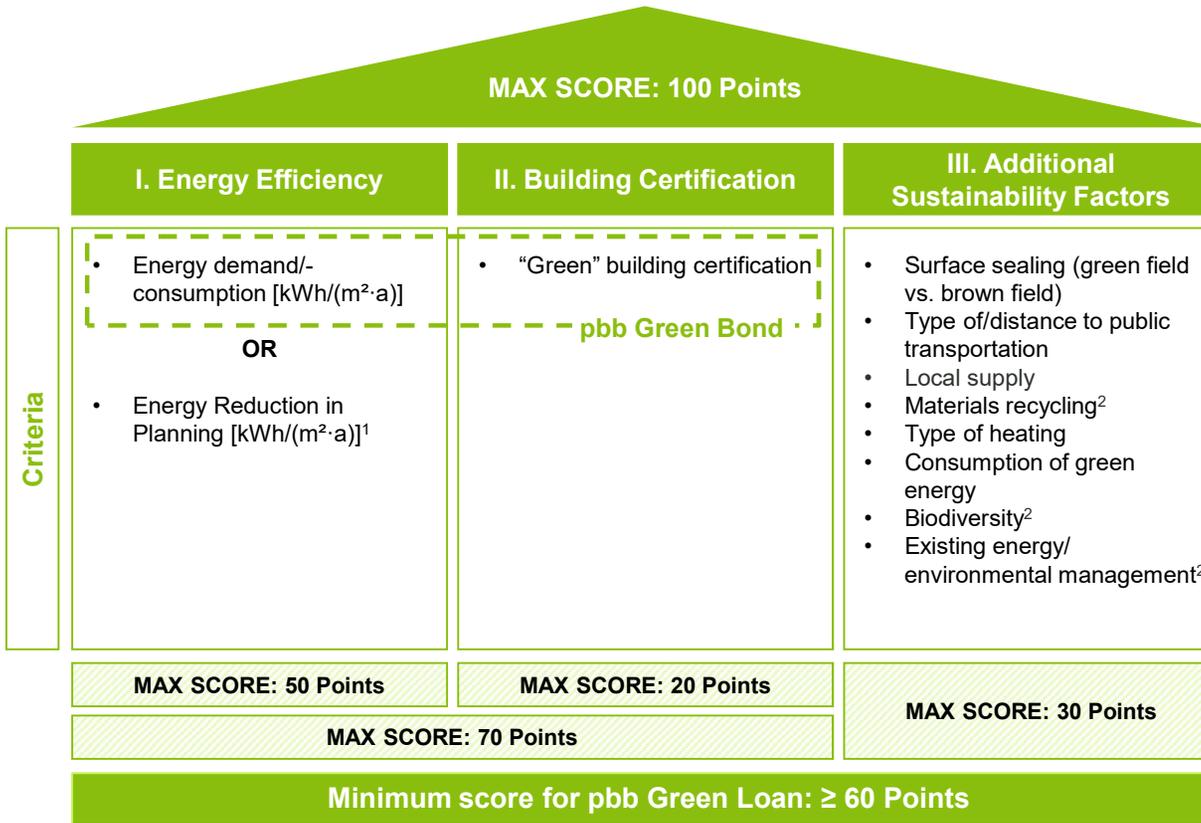


# ESG – Sustainable Finance

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

## pbb Scoring Model

MAX SCORE: 100 Points



## EU Taxonomy



**OR**

**pbb Green Loan**

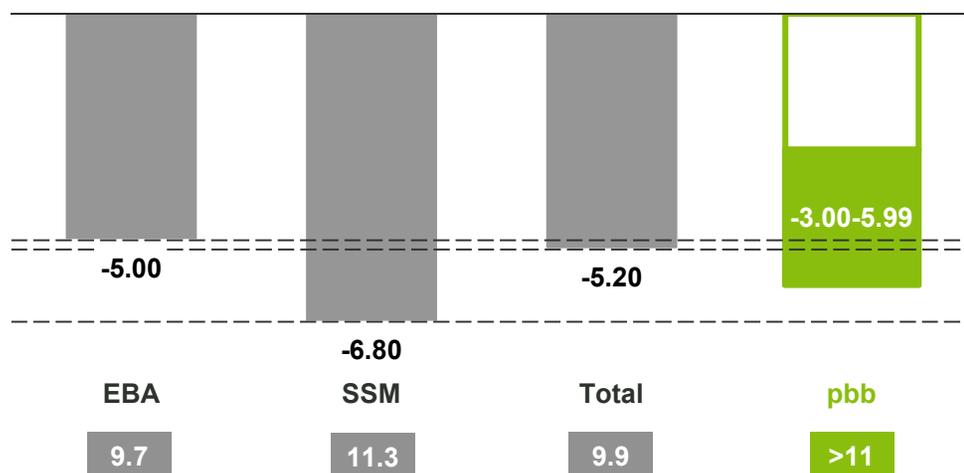
<sup>1</sup> Aligned with the EU Taxonomy  
<sup>2</sup> Do Not Significant Harm Principles according to EU Taxonomy

# 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

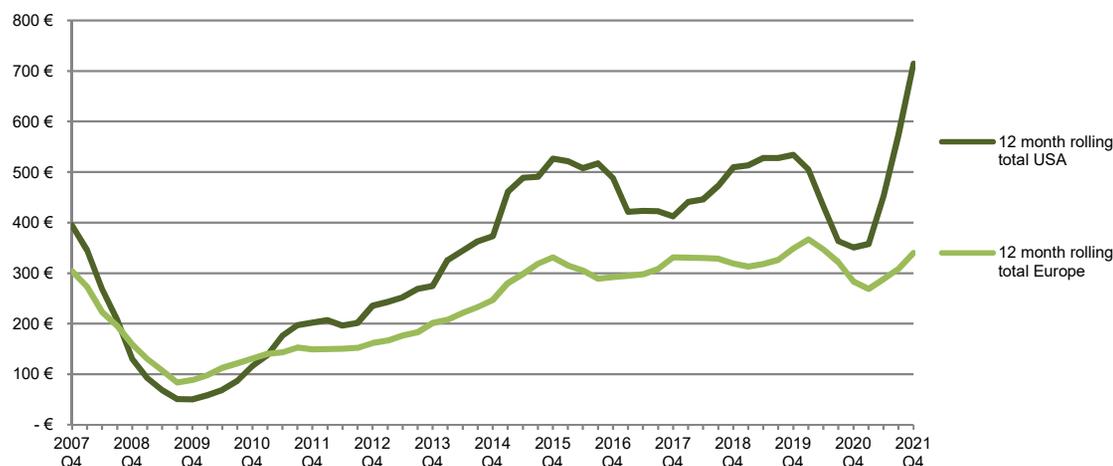
Investment volumes are on pre-Covid-19 level again in Europe

– at all-time high in the US

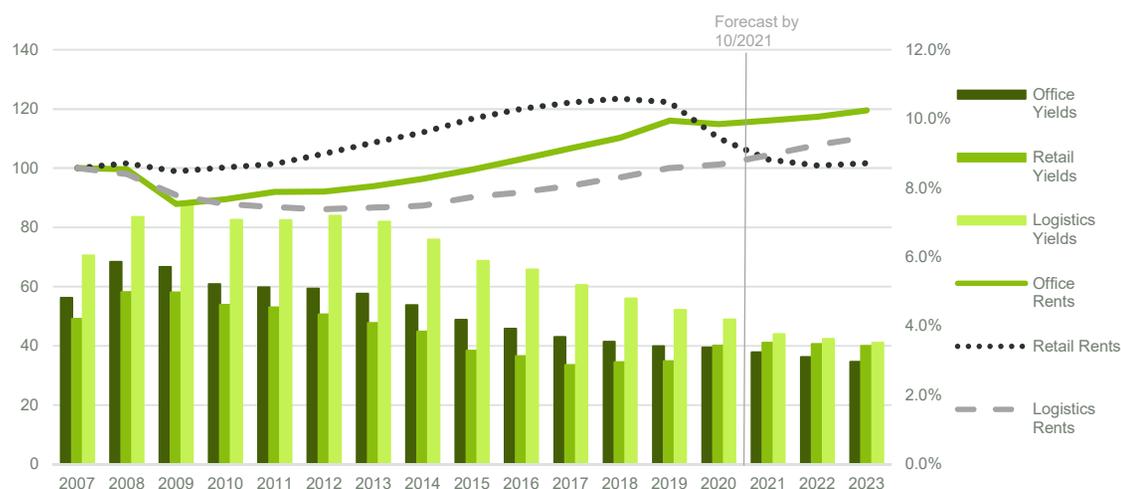


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European and US Investment volume<sup>1</sup>  
(€ bn)



European Prime Rents (2007=100; LHS) and Prime Yields (RHS)<sup>2</sup>



- European and US CRE **investment volumes** showing strong performance in Q4/21
  - Quarterly US figures were far above the pre-pandemic trend
  - European volumes are in line with the long term average again
- Europe:
  - Decreasing market values were focused on **retail and hotel** sectors; hotel values are already recovering
  - Prime **Office** yields continue to compress over the short to medium term, but on the back of relatively low volumes
  - **UK office** yields are expected to decline slightly and **retail** yields are expected to stabilize in the medium term
  - **Logistic** and **residential** assets are stable so far or see even increasing prices
- Germany:
  - **Office** prime yields are expected to see a continued but very modest inward yield shift driven by continued low interest rates despite an increase in vacancy
  - Deal activity and investor sentiment focus on **logistics, residential** and food-based or big box **retail** assets
  - Yields expected to increase, most notably for **shopping centres**
- USA:
  - Overall still commercial property price growth
  - Weaker trends for the CBD **office** and **retail** sectors, counteracted by strength in the **industrial** and **apartment** sectors
  - Yields for **office** properties are expected to stabilize again in the short term

<sup>1</sup>All 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) <sup>2</sup> Source: pbb Property Market Analysis (PMA) as of October 2021

# Markets

## Sub-segments



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Property type	Regions	Evaluation of current situation	Challenges	Risk positioning																				
<p><b>Retail</b></p> <p>€ 3.3 bn (11%)</p>	<table border="1"> <caption>Retail Regional Distribution</caption> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Germany</td> <td>29%</td> </tr> <tr> <td>UK</td> <td>23%</td> </tr> <tr> <td>CEE</td> <td>20%</td> </tr> <tr> <td>France</td> <td>8%</td> </tr> <tr> <td>Nordics</td> <td>9%</td> </tr> <tr> <td>Spain</td> <td>5%</td> </tr> <tr> <td>Austria</td> <td>3%</td> </tr> <tr> <td>Netherlands</td> <td>2%</td> </tr> <tr> <td>USA</td> <td>1%</td> </tr> </tbody> </table>	Region	Percentage	Germany	29%	UK	23%	CEE	20%	France	8%	Nordics	9%	Spain	5%	Austria	3%	Netherlands	2%	USA	1%	<ul style="list-style-type: none"> <li>Shopping centres: increased pressure, fashion dominated shopping centres most impacted (decline in rents, shorter lease terms, etc.)</li> <li>Retail-parks/discounter with strong local demand: largely positive development</li> <li>High street properties: declines in rents and slight rise in yields</li> <li>Downward trend in secondary locations and smaller cities expected to intensify</li> <li>Further development very much dependent on further development of COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Short Term: threads to income stability in some countries could hamper post COVID-19 pandemic recovery of retail markets in non-food sectors</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Selective approach with foresighted reduction of retail portfolio by ~54% or € 3.8 bn since 2016 (12/21: € 3.3 bn; 12/16: € 7.1 bn).</li> <li>Only investment loans, almost no development loans</li> <li>Conservative risk positioning: avg. LTV of 51%<sup>1</sup> provides good buffer and supports commitment of investors/sponsors</li> <li>Well diversified portfolio</li> <li>Current strategy is no new commitments for shopping centres</li> </ul>
Region	Percentage																							
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<p><b>Hotel</b> (Business Hotels only)</p> <p>€ 1.2 bn (4%)</p>	<table border="1"> <caption>Hotel Regional Distribution</caption> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>UK</td> <td>47%</td> </tr> <tr> <td>Germany</td> <td>38%</td> </tr> <tr> <td>Austria</td> <td>5%</td> </tr> <tr> <td>Benelux</td> <td>9%</td> </tr> </tbody> </table>	Region	Percentage	UK	47%	Germany	38%	Austria	5%	Benelux	9%	<ul style="list-style-type: none"> <li>Due to ongoing restrictions for travel and events only minor catch-up effect. Mainly driven by domestic leisure demand. Hotels took a hit from the Omicron variant to start the year</li> <li>Rising competition leads to insolvencies for operators and licencees and rebuild secondary hotels for other uses (temporary office, longstay, etc.)</li> <li>Hotels dependent on international tourist and business travelers not expected to substantially recover in short-/mid-term</li> <li>Leisure hotels focused on domestic guests with good accessibility will recover faster</li> </ul>	<ul style="list-style-type: none"> <li>Recovery of performance to pre-Corona-levels not before 2024/25</li> <li>Airport/Fair hotels being late in recovery cycle due to continuing travel restrictions.</li> <li>Recovery of business hotels expected to focus first on central locations, fringe locations expected to be late in recovery, too.</li> <li>Shortage of qualified personnel in parts of the industry</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Focus on prime location secures base value of properties</li> <li>Conservative risk positioning: avg. LTV of 56%<sup>1</sup> provides good buffer and supports commitment of investors/sponsors</li> <li>Focus on strong sponsors with ability to inject more equity</li> <li>Currently, strategy is no new commitments</li> </ul>										
Region	Percentage																							
UK	47%																							
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<sup>1</sup> Based on performing investment loans only

# Markets

## Sub-segments



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Property type	Regions	Evaluation of current situation	Challenges	Risk positioning
<b>Office</b> € 15.6 bn (53%)		<ul style="list-style-type: none"> <li>Slight rise in vacancies but still on comparatively low levels</li> <li>The investment market was less affected than in 2009 and has since largely recovered. Nevertheless office investment volumes are still below pre-Covid levels</li> <li>Yields remained relatively stable, while prime properties with long-term leases to first-class tenants do see even a decline in yields, despite a slight increase in vacancies</li> <li>The buildings that are selling are those which fit investors' criteria — best in class, with strong tenant covenants, and future-proofed — and those which do not fit the criteria are being left on the shelf</li> </ul>	<ul style="list-style-type: none"> <li>Financial difficulties of tenants / insolvencies expected to increase</li> <li>Increased reletting/extension risks with pressure on rental level</li> <li>Good locations expected to remain stable</li> <li>Structural changes                             <ul style="list-style-type: none"> <li>Work from home</li> <li>Hygiene/social distancing standards</li> <li>Focus on green buildings expected to negatively affect older buildings in weaker locations mid/long term</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Focus on good locations</li> <li>Conservative risk positioning: avg. LTV of 53%<sup>1</sup> provides good buffer and supports commitment of investors/sponsors</li> <li>Well diversified portfolio with focus in Germany</li> <li>In new business transactions detailed analysis of "green profile" of properties including associated risk</li> </ul>
<b>Residential</b> € 4.9 bn (16%)		<ul style="list-style-type: none"> <li>At present the market seems to be stable. Especially in countries with strong social welfare programs</li> <li>Growth in rental and sales prices seen so far expected to soften in future</li> <li>Stabilising element: investors tend to classify residential as solid asset class with partially increasing demand</li> </ul>	<ul style="list-style-type: none"> <li>Call for/imposed increased rent regulation could impact value and cash flow</li> <li>Hike in vacancy rates in UK and USA during Lock Down have lead to decreased rental levels, situation however recovering at present.</li> </ul>	<ul style="list-style-type: none"> <li>Conservative risk positioning</li> <li>Portfolio volume of € 4.9 bn with conservative avg. LTV of 47%<sup>1</sup> provides good buffer and supports commitment of investors/sponsors</li> <li>Well diversified portfolio with strong focus on Germany</li> </ul>
<b>Logistics</b> € 3.5 bn (12%)		<ul style="list-style-type: none"> <li>Logistic properties are very popular for investors</li> <li>Prices have decoupled from overall trend and increased in last years</li> <li>Benefitting from increasing focus on e-commerce and the need of more resilient supply chains</li> <li>It can come to further price increases in a short term fueled by higher rental growth and prime yield compression, especially for modern urban logistics properties</li> </ul>	<ul style="list-style-type: none"> <li>Currently taking advantage of the pandemic crisis and other developments due to strategic trends like:                             <ul style="list-style-type: none"> <li>Online-shopping</li> <li>Need for more resilient supply chains in the industry sector</li> </ul> </li> <li>Monoline logistics centres</li> <li>Limited availability of new space in some countries</li> <li>In some markets trend to overheated prices</li> </ul>	<ul style="list-style-type: none"> <li>Strategic approach; expert team since 2014; share increase since 2013 from 8% to 12%</li> <li>Focus on locations: good infrastructure, connection to a variety of different transportation routes</li> <li>Conservative risk positioning: avg. LTV of 51% provides good buffer and supports commitment of investors/sponsors</li> <li>Well diversified portfolio</li> <li>High quality of sponsors</li> </ul>

<sup>1</sup> Based on performing investment loans only

# Portfolio

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



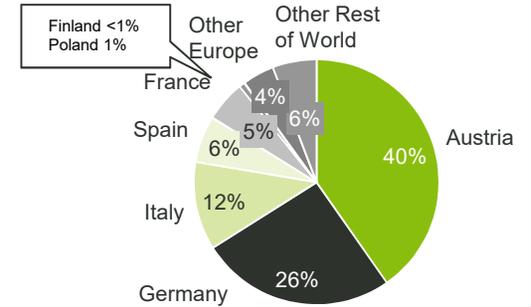
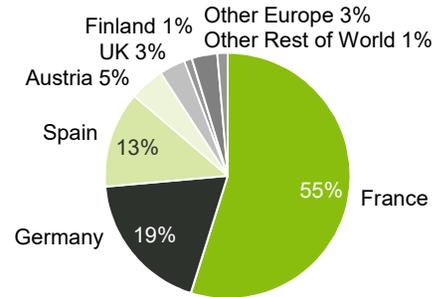
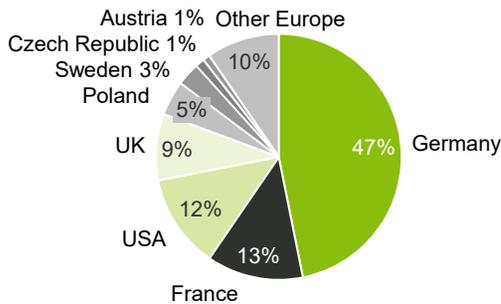
31/12/2021 (EaD, Basel III)

## Real Estate Finance

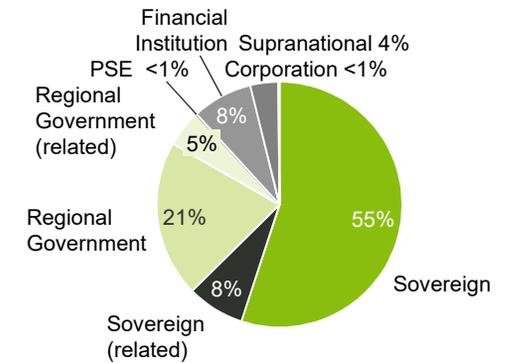
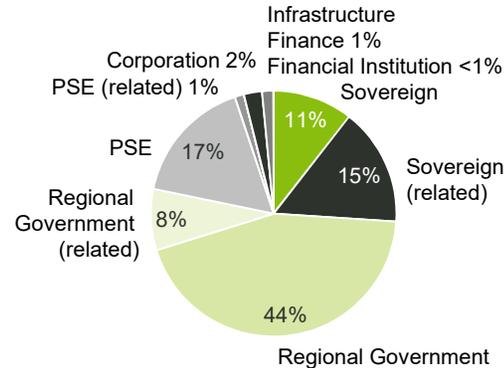
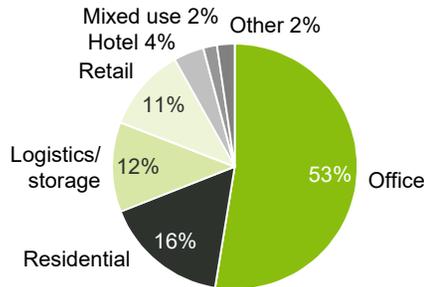
## Public Investment Finance

## Value Portfolio

by region



by property type / borrower classification<sup>1</sup>



Vol.

€ 29.7 bn

€ 5.7 bn

€ 13.8 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 <sup>1</sup> See appendix for definition of borrower classification

# REF Portfolio

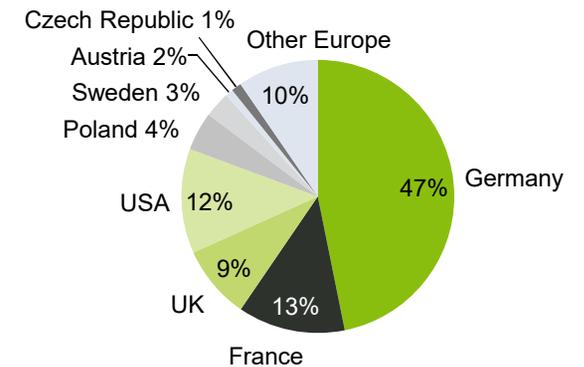
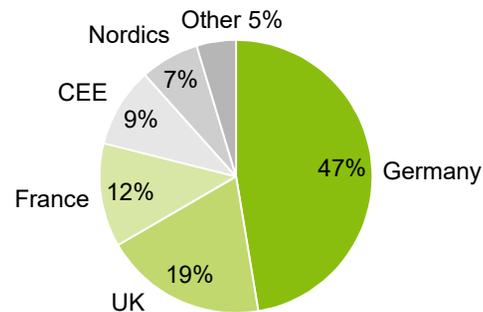
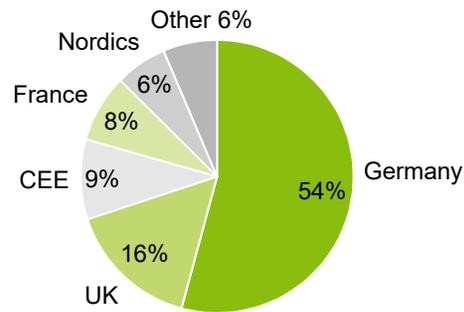
## Shift in composition

31/12/2013 / Total: € 22.2 bn<sup>1</sup>

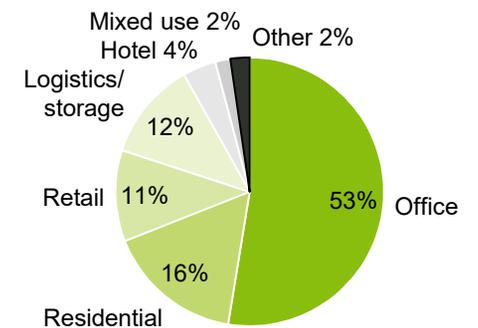
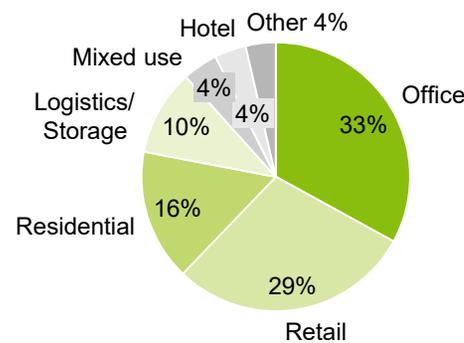
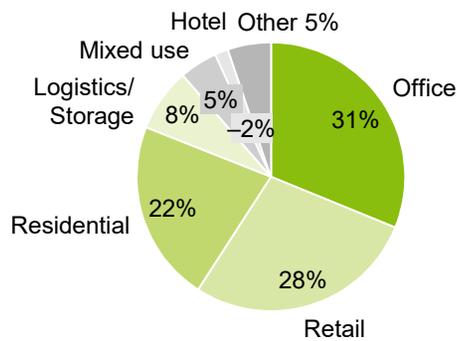
31/12/2015<sup>2</sup> / Total: € 25.8 bn<sup>1</sup>

31/12/2021 / Total: € 29.7 bn<sup>1</sup>

### Regions



### Property types



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

# Cover Pools

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

### 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

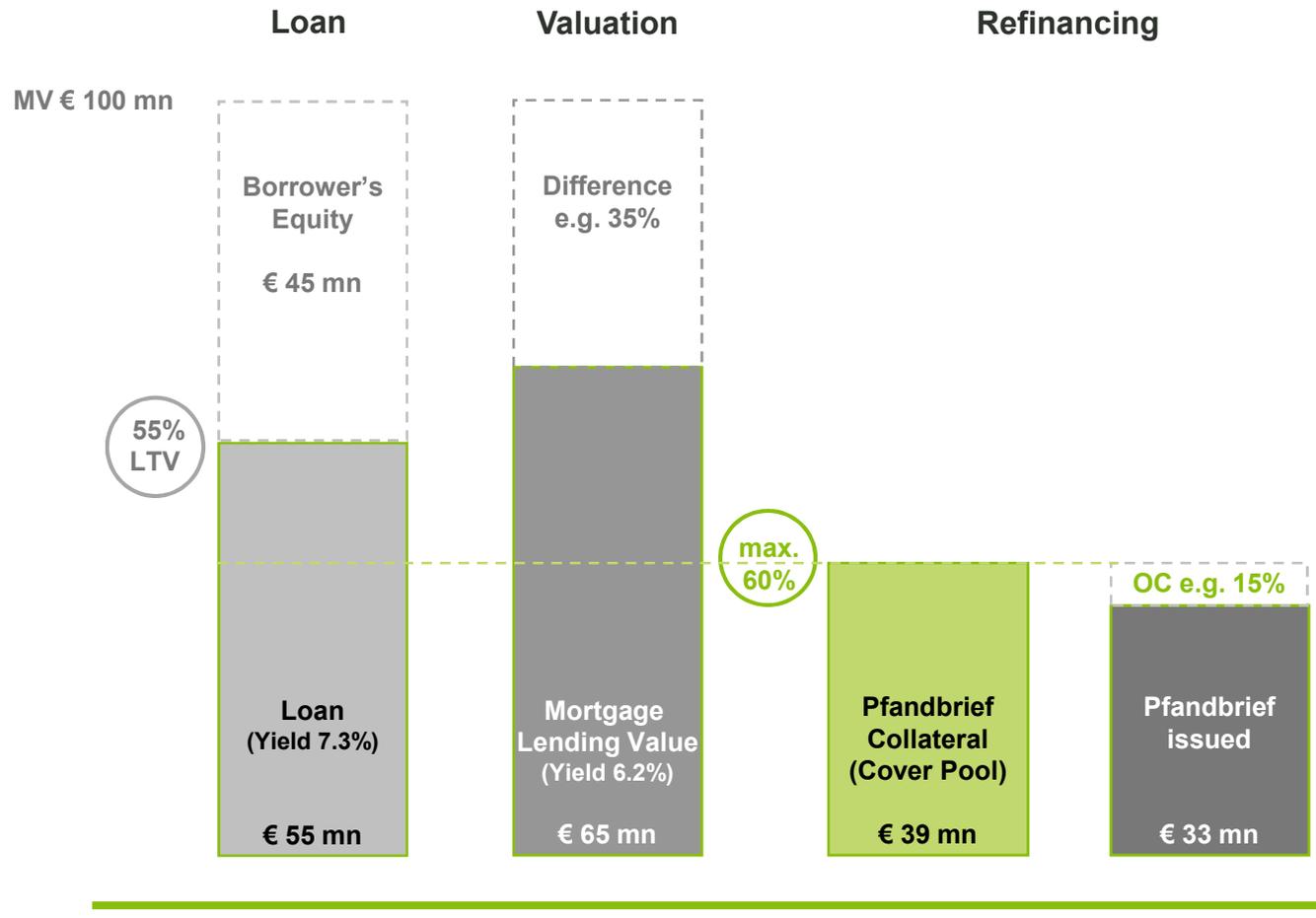
€ 2.9 mn excess cash

€ 4.0 mn rent

= ~ 360% ISCR

€ 1.1 mn interest

### Loan - to - Value Ratio



# Cover Pools

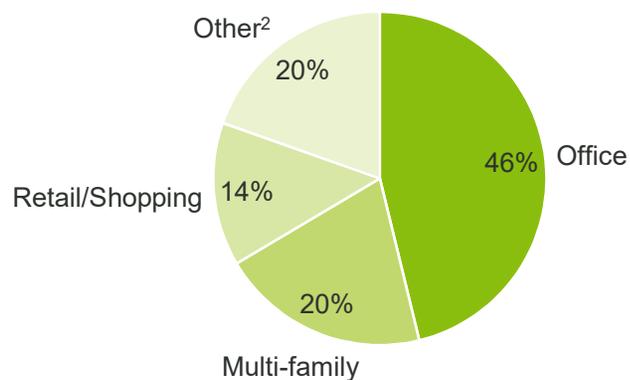
## Mortgage Pfandbrief Cover Pool



Mortgage cover pool (nominal)	30/09/2021	31/12/2021
Pfandbriefe outstanding	€ 16.3 bn	€ 16.4 bn
Cover funds	€ 19.7 bn	€ 19.3 bn
Over-collateralisation (Nominal/NPV)	20.8% / 21.2%	17.1% / 17.5%
No. of loans	1,733	1,661
No. of properties	3,180	3,038
Payments ≥ 90 days overdue	€ 0.2 mn	€ 0.1 mn
Weighted average LTV (based on market value)	32.09%	31.36%

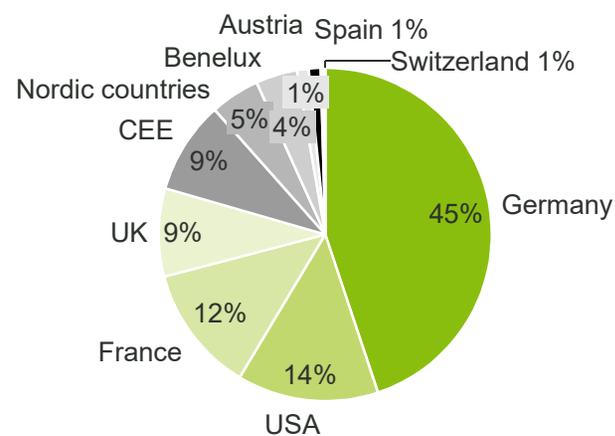
### Cover funds by property type

(as of 31/12/2021)



### Cover funds by region

(as of 31/12/2021)



# Cover Pools

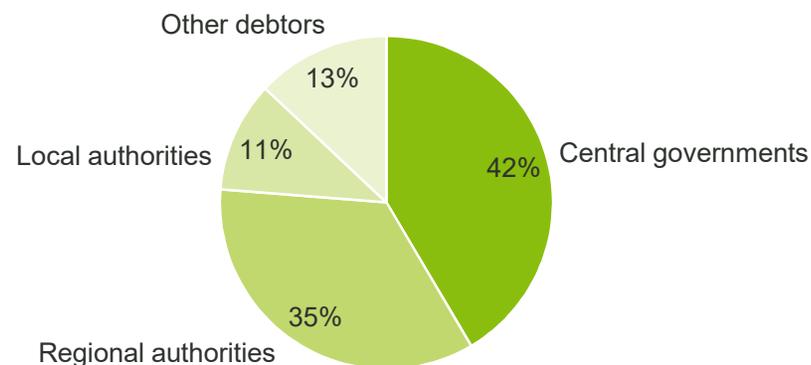
## Public Sector Pfandbrief Cover Pool



Public Sector cover pool (nominal)	30/09/2021	31/12/2021
Pfandbriefe outstanding	€ 10.5 bn	€ 10.2 bn
Cover funds	€ 11.7 bn	€ 11.4 bn
Over-collateralisation (Nominal/NPV)	10.7 % / 11.6 %	12.2 % / 13.5 %
No. of loans	533	523
Payments ≥ 90 days overdue	-	-

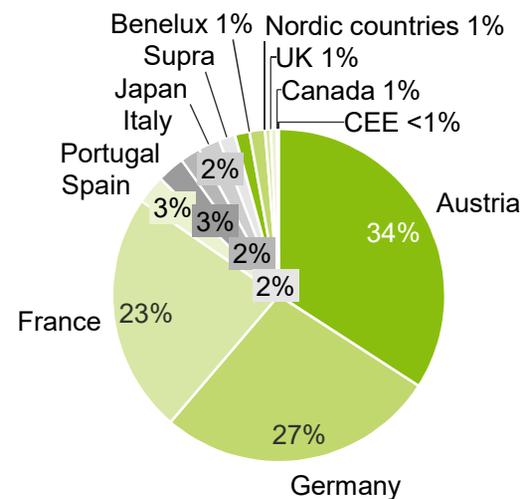
### Cover funds by counterparty type

(as of 31/12/2021)



### Cover funds by region

(as of 31/12/2021)



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 <sup>1</sup>	bbb-	
Long Term Debt Ratings		
“Preferred” senior unsecured Debt <sup>2</sup>	BBB+	
“Non-preferred” senior unsecured Debt <sup>3</sup>	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”