

**pbb increases H1 2021 pre-tax profit to €114 million -
Guidance 2021 raised to between €180 million and €220 million**

- Net interest and commission income increases by almost 10%, to €251 million
- Lower COVID-19 burdens – loan loss provisions halved with net additions of €33 million in the first half of the year
- New business volume grows to €3.8 billion – gross margins stable year-to-date
- CEO Andreas Arndt: Whilst future COVID-19 burdens cannot be ruled out, we are confident that we will be able to generate a pre-tax profit 2021 of between €180 million and €220 million
- Decision for further 2020 dividend distribution to be made in the fourth quarter of 2021

Munich, 11 August 2021 – As pre-released on 27 July, Deutsche Pfandbriefbank AG (pbb) has increased profit and new business in the second quarter of 2021, generating a pre-tax profit of €62 million for the second quarter and of €114 million for the first half of 2021 (consolidated figures in accordance with IFRS, reviewed by external auditors). pbb has thus exceeded not only the previous quarter and the same quarter of the previous year, but also the first half of 2020 (Q1 2021: €52 million, Q2 2020: €28 million, H1 2020: €30 million). Based on the solid business development and despite some remaining uncertainty regarding potential risk provisioning requirements, pbb had raised its full-year guidance on pre-tax profit significantly at the end of July, to a result between €180 million and €220 million.

In the second quarter of 2021, pbb increased net interest and commission income to €126 million, and to €251 million in the first half of the year (Q2 2020: €117 million, €H1 2020: €230 million). Once again, lower funding costs and income from interest rate floors in the lending business were the drivers of the increase. Due to higher prepayment fees, net income from realisations was also higher, reaching €17 million in the second quarter, or €38 million in the first half of 2021 (Q2 2020: €2 million, H1 2020: €16 million).

The lower burdens related to the COVID-19 pandemic during the course of the current financial year also showed in the measurement result, and in risk costs. Net income from fair value measurement was balanced in the second quarter; for the first half year, the figure improved to €2 million (Q2 2020: €1 million, H1 2020: €-16 million). With net additions of €23 million in the second quarter and a total of €33 million in the first six months, additions to risk provisions were significantly lower than in the respective previous year's periods (Q2 2020: €36 million net addition, H1 2020: €70 million net addition).

Thanks to the Group's strict cost management, general and administrative expenses remained largely stable in the second quarter and first half-year, at €51 million and €102 million respectively (Q2 2020: €49 million, H1 2020: €97 million). Higher expenses, incurred especially for various digitalisation initiatives and other strategic projects, were the main cost drivers.



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pbb's **new business** also continued to develop positively, with the new business volume in commercial real estate financing climbing to €3.8 billion in the first half of 2021 (H1 2020: €2.7 billion, both including extensions by more than one year). Margins were still under pressure compared to the previous year, but remained stable throughout the reporting period at approximately 170 basis points (bps; H1 2020: > 175 bps). Despite the increase in new business volume, the Real Estate Finance (REF) portfolio decreased slightly, to €26.8 billion, following €27.0 billion as at year-end 2020, as a result of undrawn loan commitments and higher early repayments.

CEO **Andreas Arndt** commented: "We continue to benefit from our stable, conservative positioning – as also shown by the positive result achieved in the current ECB stress test. Whilst we cannot rule out further burdens in the second half of 2021 due to consequences of the COVID-19 pandemic, we are confident that we will be able to generate a pre-tax profit of between €180 million and €220 million for the full year, following a sound first half-year."

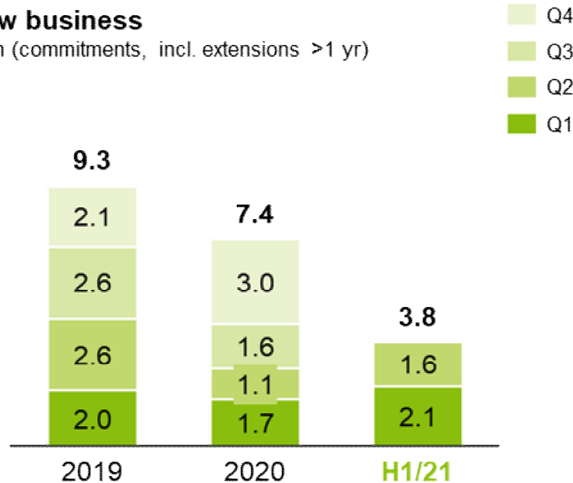
pbb has once again proven to be stress-resistant in the ECB's current **stress test**, achieving a good result within the sector and its German banking peer group. The Bank is in the second-best of four groups as regards maximum capital depletion, and minimum CET1 ratio and Tier 1 Leverage Ratio under stress scenario assumptions. In an adverse stress scenario, pbb's CET1 ratio remains solidly above the currently valid SREP minimum requirement. The impact of a stress scenario on pbb's results also remained manageable.

The Bank is aiming to take a decision about further **dividend distributions for the year 2020** in the fourth quarter. pbb's general dividend policy targets a payout ratio of 50% regular dividend plus a special dividend of 25% (based on consolidated profit in accordance with IFRS after taxes and the AT1 coupon). On 23 July 2021, the ECB lifted the general dividend payout restrictions for banks as of 30 September while at the same time requiring banks to remain prudent. pbb had already paid out 36% of profit after taxes attributable to ordinary shareholders in May 2021, thus exhausting the scope set out by the ECB.

FACTS AND FIGURES (IFRS, consolidated)

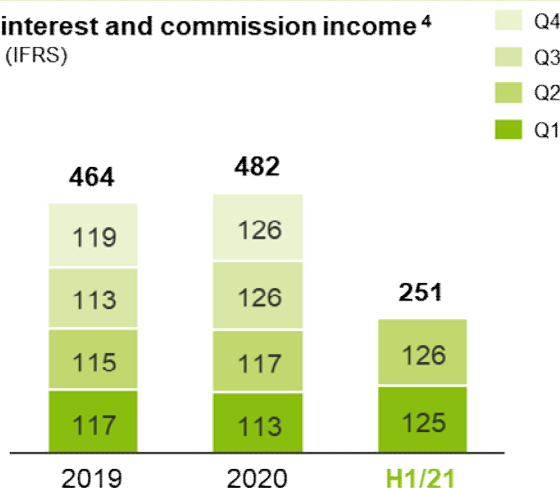
New business

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



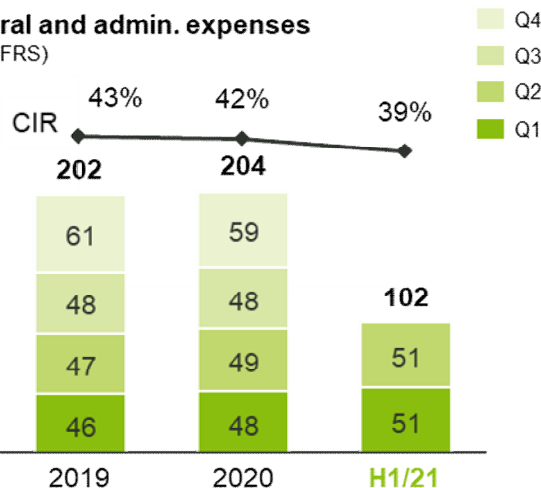
Net interest and commission income⁴

€ mn (IFRS)



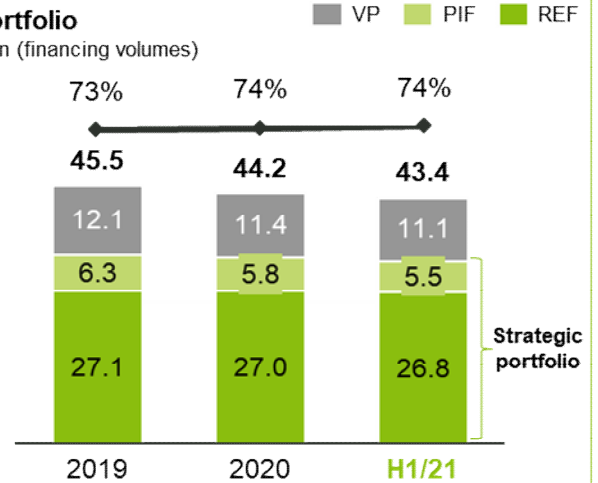
General and admin. expenses

€ mn (IFRS)



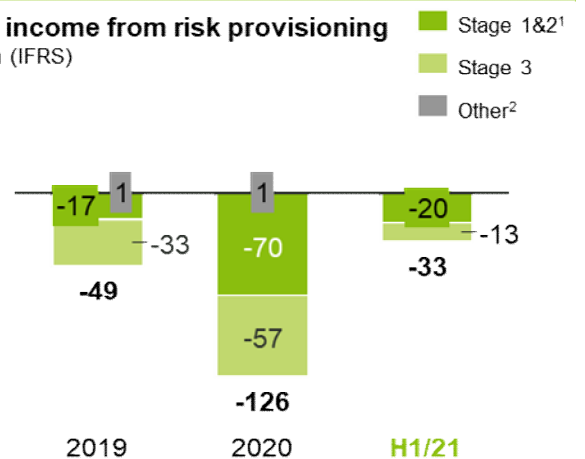
Portfolio

€ bn (financing volumes)



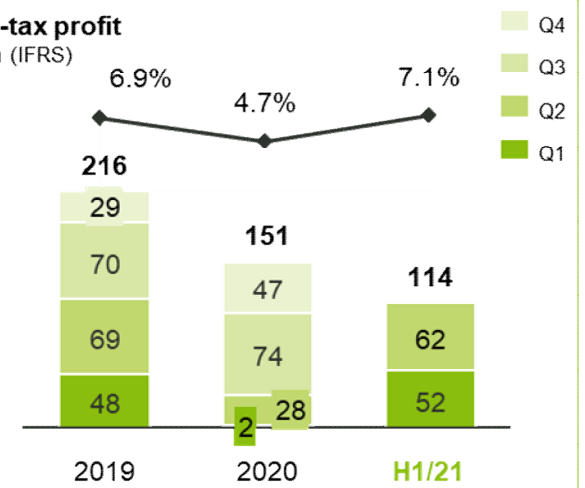
Net income from risk provisioning

€ mn (IFRS)



Pre-tax profit

€ mn (IFRS)



1 Incl. provisions in off balance sheet lending business 2 Recoveries from written-off financial assets

3 After AT1 coupon (2019: € 17 mn; 2020: € 17 mn; H1/21: pro-rata € 8 mn) assuming full payment of the discretionary coupon

4 2020 figures retrospectively adjusted according to IAS 8.42 resulting from changed timing of realization of commitment interest

1. New business

In the first half-year 2021, pbb generated new Commercial Real Estate Finance business of €3.8 billion, compared to €2.7 billion in the same period of the previous year. Average gross margins remained stable throughout the course of the year, at 170 bps, and were thus only slightly below the levels of >175 bps seen in the first half of 2020 – despite the Bank's unchanged conservative business approach and the competitive situation.

In line with pbb's strategy, the larger part of new business (54%) was originated in the German domestic market, followed by France with 15% and selected Central and Eastern European markets with 10%. Thus, only minor changes arose in the country mix compared to the first quarter. With regard to property types, the proportion of office properties increased again, to more than 40%; in the first quarter, individual, large-volume transactions had driven the share of logistics properties, which, at the end of the first half-year, was down to 19% again.

pbb continues to focus on real estate in prime locations, with stable cash flows, good tenants, and low re-letting risks. The Bank also lends to professional, crisis-experienced investors and ensures that loan agreements have low loan-to-value ratios and solid covenant structures.

2. Funding

In the first half of 2021, pbb issued new long-term funding on the capital market in the amount of €2.3 billion, which was in line with the issuance activity of the same period of the previous year (H1 2020: €2.4 billion). The funding mix was dominated by Pfandbrief issues in the amount of €1.4 billion.

During the first half of the year, pbb once again executed foreign-currency placements, issued its first green bond and a Pound Sterling Pfandbrief linked to the new SONIA reference interest rate.

The Bank's total volume of liabilities under the TLTRO III programme increased by €0.9 billion, to a nominal €8.4 billion as at 30 June 2021. In this context, in June 2021, pbb issued Pfandbriefe totalling €0.7 billion to be pledged as collateral with the ECB.

3. Regulatory indicators

pbb's risk-weighted assets (RWAs), calibrated to meet future Basel IV requirements, decreased to €18.0 billion at the end of the second quarter (March 2021: €18.3 billion), mainly as a result of the slightly declined Real Estate Finance portfolio. However, own funds also fell slightly, to €3.7 billion (March 2021: €3.8 billion) as a result of a corresponding decline in subordinated tier 2 capital. Hence, the capital ratios merely showed small changes; the ratios do not comprise the annual results 2020 less dividends paid and the first half-year 2021 results:

- The **CET1 ratio** stood at 15.4% (March 2021: 15.4%) and the **tier 1 ratio** at 17.1% (March 2021: 17.0%).
- The **own funds ratio** decreased slightly, to 20.5% (March 2021: 20.6%).
- The **Leverage Ratio** fell marginally, to 5.9% (March 2021: 6.0%).

4. Consolidated income statement (IFRS)

Net interest income of €246 million exceeded the €227 million achieved in the first half of 2020. Interest rate benefits from participation in the TLTRO III programme accrued over the term had a material positive effect on net interest income. pbb met the lending target required for recognition of the interest rate benefits on 31 March 2021. Excluding effects of TLTRO III, net interest income would remain at the previous year's level. Net interest income benefited from the portfolio of disbursed (and hence interest-bearing) REF financings, which despite an increase in early repayments was slightly higher on average for the first half of 2021 compared to the same period of the previous year (6m2021: €27.1 billion; 6m2020: €26.9 billion). In addition, pbb Group profited from higher net income from interest rate floors in client business. However, net interest income was burdened by maturing investments of own funds and financial assets in the liquidity portfolio, which – due to the current market environment – had to be replaced at lower interest rates.

Net fee and commission income from non-accruable fees amounted to €5 million (6m2020: €3 million).

Net income from fair value measurement was slightly positive, at €2 million. This was due to a credit-induced increase in the fair values of derivatives and financial instruments for individual securities of public-sector issuers recognised at fair value through profit or loss. In contrast, the previous year's figure (6m2020: €-16 million) was negatively influenced by the changed economic situation as a result of the COVID-19 pandemic.

Higher early repayments of financings produced a consequent increase in early termination fees received, and therefore a rise in **net income from realisations** to €38 million (6m2020: €16 million). High liquidity in the market led to a recovery in transaction volumes in commercial real estate following the pandemic-related slump of the previous year. As a result, early repayments of commercial real estate financings increased. This meant that a few high-margin individual cases

resulted in income from realisations actually exceeding the levels achieved in the years before the COVID-19 pandemic.

As hedges were largely effective, **net income from hedge accounting** in line with IAS 39 amounted to €-3 million (6m2020: €-2 million).

Currency translation effects resulted in a slightly negative **net other operating income** of €-1 million (6m2020: €4 million). This item also comprised net reversals of provisions recognised outside of the lending business. Looking at provisions, no individual item was of material significance.

Net income from risk provisioning amounted to €-33 million. For financial instruments without indications for impaired credit quality (stages 1 and 2), there was an addition to risk provisions of €20 million, which was mainly due to a deterioration in the parameters of individual financings. For financial instruments with indications for impaired credit quality (stage 3), the addition to risk provisions amounted to €13 million. The additions related to a small number of financings, mainly related to shopping centres in the UK. In the first half of 2021, three financial instruments were reclassified to stage 3. However, due to good collateralisation, the need to make loan loss provisions for these financings, which were reclassified to stage 3, was low.

In line with current publications – including those of the ECB – pbb Group expects the economy to recover in 2021 following the COVID-19-induced global economic slump in 2020. In 2022 economic recovery is expected to continue, which will bring about a reduction in the unemployment rate. The projected economic recovery – which is now closer compared to 31 December 2020 – would lead to a reversal of impairments for stage 1 and 2 financial assets (due to methodology), as forecasts of future economic developments have to be included in the measurement of loss allowance. However, the impact of the COVID-19 pandemic has not yet led to loan defaults or insolvencies on a large scale. One of the reasons for this is the persistent level of liquidity in the market, due especially to government support measures. In addition, during the first half of 2021, uncertainty about the ongoing pandemic and resulting economic development remained high, especially in the commercial real estate financing sector. This was due, in part, to an increase in infection rates in many countries as a result of more transmissible viral mutations and a decrease in vaccination willingness. The Management Board therefore decided to increase loss allowance to counteract the economic impact of developments, whilst maintaining current provisioning levels. This management overlay fully compensated the reversals of stage 1 and stage 2 impairments in the amount of €38 million, which resulted from constant application of credit risk models.

In the prior-year period, owing to the impact of the COVID-19 pandemic, net income from risk provisioning amounted to €-70 million, including €-59 million from stage 1 and stage 2 financial instruments and €-12 million from stage 3 financial instruments. There were also recoveries on loans and advances previously written off, of €1 million.

General and administrative expenses of €102 million were slightly above the same period of the previous year (€97 million). Personnel expenses were slightly higher (€61 million, 6m2020: €60 million), due – amongst other factors – to higher average staff numbers (e.g. in the IT and Digitalisation areas) resulting from the successful filling of vacancies, accompanied by lower staff fluctuation. Accrued liabilities for holiday entitlements also burdened personnel expenses. Other administrative expenses (€41 million; 6m2020: €37 million) increased mainly due to costs associated with strategic and digitalisation projects. One particularly important project was the successful launch of the client portal during the first half of 2021, digitalising the interface between the client and pbb.

Expenses from bank levies and similar dues (€29 million; 6m2020: €25 million) mainly comprised expenses for the bank levy, taking into account pledged collateral amounting to 15% (€27 million; 6m2020: €23 million). These levies have to be accounted for in full at the beginning of the year, in accordance with IFRIC 21. The increase in expenses for the bank levy compared to the first half of 2020 resulted, among other things, from a significant increase in the fund's target volume at EU level. Furthermore, this line item comprised expenses of €2 million (6m2020: €2 million) for the German deposit guarantee scheme. Increases in the statutory deposit guarantee scheme were offset by a suspension of contributions to the private Joint Fund for Securing Customer Deposits.

Net income from write-downs and write-ups on non-financial assets totalling €-9 million included scheduled depreciation of tangible assets and amortisation of intangible assets, and was in line with the previous year's level (6m2020: €-10 million).

Income taxes (€-17 million; 6m2020: €-8 million) were attributable to current taxes (€-21 million; 6m2020: €-8 million) and to deferred taxes (€4 million; 6m2020: €0 million). The rise in current tax expenses compared to the same period of the previous year is due in part to the increase in profit before tax from €30 million to €114 million. Taxes for previous years accounted for in 2020 were lower due to the ongoing tax audit. Deferred tax income of €4 million is almost exclusively attributable to the increase in deferred income tax assets due to the changed accounting estimate.



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pbb Group - Key Figures

Income statement (IFRS, € mn)	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	H1/21
Net interest income	116 ¹	125 ¹	124 ¹	476 ¹	123	123	246
Net fee and commission income	1	1	2	6	2	3	5
Net income from fair value measurement	1	4	4	-8	2	0	2
Net income from realisations	2	4	6	26	21	17	38
Net income from hedge accounting	-1	6	-	4	-1	-2	-3
Net other operating income	3	-	18	22	-1	-	-1
Operating Income	122	140	154	526	146	141	287
Net income from risk provisioning	-36	-14	-42	-126	-10	-23	-33
General and administrative expenses	-49	-48	-59	-204	-51	-51	-102
Expenses from bank levies and similar dues	-4	-	-1	-26	-28	-1	-29
Net income from write-downs and write-ups on non-financial assets	-5	-4	-5	-19	-5	-4	-9
Net income from restructuring	-	-	-	-	-	-	-
Pre-tax profit	28	74	47	151	52	62	114
Income taxes	-8	-23 ¹	1 ¹	-30 ¹	-10	-7	-17
Net income	20	51	48	121	42	55	97

Key ratios (%)	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21	H1/21
CIR ¹	44.3	37.1	41.6	42.4	38.4	39.0	38.7
RoE before tax	3.3	9.7	5.9	4.6	6.4	7.8	7.1
RoE after tax	2.2	6.5	6.0	3.6	5.1	6.9	6.0

Balance sheet (€ bn)	06/20	09/20	12/20	12/20	03/21	06/21	06/21
Total assets	60.7	60.2	58.9	58.9	58.1	59.0	59.0
Equity	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Financing volume	44.5	44.4	44.2	44.2	44.6	43.4	43.4

¹ 2020 figures retrospectively adjusted according to IAS 8.42 resulting from changed timing of realization of commitment interest.

Note: annual results audited; quarterly results unaudited, half year results 2021 unaudited, but reviewed.

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