

pbb delivers solid first-quarter earnings

- Slight increase in profit before tax, to €34 million (Q1 2023: €32 million)
- Higher operating income of €146 million (Q1 2023: €119 million)
- Higher risk provisioning level, but in line with expectations
- Ample level of capital and liquidity resources sustained
- Focus on strategic balance sheet management

Garching, 14 May 2024 – Deutsche Pfandbriefbank AG (pbb), a leading European specialist bank for commercial real estate finance, has performed in line with projections during the first quarter of the current financial year¹: profit before tax rose slightly to €34 million (Q1 2023: €32 million) and as such corresponds to the forecast for the full year. Risk provisioning, whilst remaining at a high level of €47 million (Q1 2023: €2 million), came down significantly vis-à-vis the previous quarters (Q4 2023: €108 million, Q3 2023: €83 million). Currency-adjusted growth of non-performing loans (NPLs) was moderate, benefiting from successful proactive workout steps taken.

“We have generated solid earnings in the first quarter, weathering an ongoing challenging market environment. Our performance underlines pbb’s solidity and sustainable profitability,” said Kay Wolf, Chairman of the Management Board. “Whilst the investment markets remain weak, our new business is continuing to show excellent profitability levels. In addition, we have enhanced our active balance sheet management.”

pbb increased its net interest income to €125 million in the first quarter (Q1 2023: €106 million) following a moderate expansion of the core portfolio and thanks to higher margins. Net income from realisations also rose, from €14 million in the first quarter of 2023 to €23 million in the first quarter of 2024, in part due to active disposals from the Non-Core portfolio. This led to higher operating income of €146 million (Q1 2023: €119 million).

pbb generated new business volume² of €700 million (Q1 2023: €1.0 billion) and expanded its REF portfolio to €31.2 billion (Q1 2023: €29.4 billion). Gross margins on new business climbed to 245 basis points (Q1 2023: 200 basis points). The average loan-to-value ratio (LTV) was 56% for new business and 54% in the existing portfolio, owing to market developments (year-end 2023: 53%).

pbb’s capital and liquidity resources remain at a comfortable level, and the Bank – continuing to use its broad range of funding instruments – reported a favourable funding development. Deposit volumes at pbb direkt rose to €7.1 billion during the first three months of the year (year-end 2023: €6.6 billion). Exploiting the demand recovery in April, pbb increased an existing (benchmark) Pfandbrief issue by €100 million to €600 million, with market conditions matching January’s very successful initial issue. As such, the Bank’s liquidity resources remain ample. The LCR was above 200% as at 30 April 2024. And at 15.2%, the common equity tier 1 (CET1) ratio continues to lie above the Bank’s own ambition of 14% – and significantly above regulatory requirements.

¹ Unaudited consolidated figures in accordance with IFRS
² Including extensions beyond one year

Turning to the topic of sustainability, pbb reached an important milestone in its green transformation, achieving the 75% transparency rate of the core portfolio set for year-end 2024 as early as during the first quarter. About 23% of the total portfolio is currently green loan-eligible³. The Bank expects to increase this share to more than 30% by the end of 2026.

pbb has put its focus on active balance sheet management, both on the assets and on the liabilities side. Specifically, it has accelerated the sale of assets from its Non-Core portfolio, reducing related funding accordingly. Moreover, the Bank will reduce exposures in the United Kingdom and the US through a portfolio transaction comprising financings of office, residential and hotel properties with an aggregate volume of some €900 million. The financial resources to be released will provide pbb with further scope for profitable growth, with the goal of boosting return on equity. The Bank continues to target a portfolio size for the current financial year of between €30 billion and €31 billion.

³ Based on the criteria stipulated in pbb's Green Loan Framework:
<https://www.pfandbriefbank.com/en/customers/green-loan.html>.



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Overview of the pbb Group

Consolidated Income Statement (IFRS, € mn)	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24
Net interest income	131	489	106	110	132	134	482	125
Net fee and commission income	4	8	1	1	1	0	3	1
Net income from fair value measurement	-1	20	1	-1	2	-2	0	-3
Net income from realisations	5	15	14	28	3	40	85	23
Net income from hedge accounting	-7	0	-2	-1	3	1	1	4
Net other operating income	-1	-1	-1	3	15	15	32	-4
Operating Income	131	531	119	140	156	188	603	146
Net income from risk provisioning	-6	-44	-2	-19	-83	-108	-212	-47
General and administrative expenses	-67	-224	-58	-65	-57	-69	-249	-58
Expenses from bank levies and similar dues	0	-32	-22	-2	0	-1	-25	-2
Net income from write-downs and write-ups on non-financial assets	-4	-18	-5	-5	-6	-11	-27	-5
Pre-tax profit	54	213	32	49	10	-1	90	34
Income taxes	-2	-26	-5	-7	-2	15	1	-5
Net income	52	187	27	42	8	14	91	29

Key Ratios (%)	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24
CIR	54.2	45.6	52.9	50.0	40.4	42.6	45.8	43.2
RoE before tax	6.3	6.3	3.3	5.5	0.5	-0.9	2.1	3.6
RoE after tax	6.0	5.5	2.7	4.6	0.3	1.1	2.2	2.9
RoCET1 after tax	6.7	6.0	3.0	5.2	0.3	1.2	2.4	3.2

Balance Sheet (IFRS, € bn)	12/22	03/23	06/23	09/23	12/23	03/24
Total assets	53.0	53.7	49.8	48.2	50.9	48.9
Equity	3.4	3.5	3.3	3.4	3.4	3.4
Financing volume	43.7	43.5	43.3	43.4	43.5	42.8

Please note: The following applies to the entire press release: quarterly figures are unaudited, half-year figures are unaudited, but reviewed, full-year figures audited.

Media Contact

Sebastian Zehrer, +49 89 2880-11841, sebastian.zehrer@pfandbriefbank.com