Media Release

DEUTSCHE PFANDBRIEFBANK

pbb generates profit before tax of €47 million in the first half of 2024

- Operating income edges up to €278 million
- Gross interest margins on new business rise to ~240 basis points
- Net income from risk provisioning of €-103 million at elevated levels, in line with expectations
- Strategy update on 10 October 2024

Garching, 14 August 2024 – Deutsche Pfandbriefbank AG (pbb), a leading European specialist bank for commercial real estate finance, generated profit before tax of €47 million in the first half of the year (consolidated figures in accordance with IFRS, unaudited, but reviewed; H1 2023: €81 million) and is in line with expectations for the full year.

Net interest and commission income increased to €249 million, beating last year's result of €218 million, and net income from realisations of €35 million (H1 2023: €42 million) once again made a positive contribution, mainly due to strategic disposals in the REF and the Non-Core portfolio and the redemption of liabilities. Operating income reached €278 million (H1 2023: €259 million), while net income from risk provisioning at €-103 million remained significantly above the previous year's level of €-21 million as expected, but also markedly below the €-191 million reported in the second half of 2023. Overall, the Bank continues to anticipate full-year profit before tax materially above the result achieved in the previous year.

CEO Kay Wolf stated that "operating income remains solid, allowing us to manage excessive risk provisioning. However, it goes without saying that strengthening our profitability is key. We aim to focus not only on active balance sheet management, but also on leveraging our real estate platform. Our strategy review is on track, and we want to present the result at our Capital Markets Day on 10 October."

pbb's new business volume amounted to €1.9 billion in the first six months of the year (H1 2023: €2.5 billion, in each case including extensions by more than one year). For the full year, the Bank expects to meet its new business guidance (€6.0 billion to €7.0 billion) with a volume of around €6 billion. The financing volume of our REF portfolio has decreased slightly, to €29.8 billion, compared to €30.2 billion in the first half of 2023. Gross interest margins on new business rose to ~240 basis points (H1 2023: ~200 basis points) and the average loan-to-value ratio (LTV) was 56% for new business (H1 2023: 53%).

Stage 1 and stage 2 loss allowance amounted to €-3 million in the first half of the year, following €-5 million in the first six months of 2023. This comprises the partial reversal of the €22 million management overlay that had been recognised to account for risks in the US and which have materialised in stage 3. The remaining management overlay as at 30 June 2024 was €9 million. Stage 3 loss allowance increased to €-100 million in the first half of the year (H1 2023: €-16 million), once again due to factors affecting the US portfolio, but also German project development financings.

In general, pbb expects the market for commercial property to enter calmer waters in the second half of the year, with transaction volumes picking up again moderately. This should then also be gradually reflected in the Bank's REF portfolio.

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Communications

General and administrative expenses amounted to €115 million in the first half of the year (H1 2023: €123 million), resulting in a cost-income ratio of 45.0%. Due to ongoing investments, pbb's cost-income ratio forecast of approx. 50% for the full year remains valid.

Funding activities developed significantly better than expected. pbb was active on the Pfandbrief market, issuing a total volume of €1.2 billion (H1 2023: €0.8 billion) at solid refinancing costs in the first half of the year. The Bank has since issued another €750 million. Around €2.0 billion in Pfandbriefe have been issued so far – more than will be required to cover the Bank's planned funding needs in the full year of 2024. Hence, the overall liquidity situation improved further and is at a high level, allowing for a potential reduction in deposits from €8.1 billion as at 30 June 2024 to around €7.5 billion at the end of the year.

As announced, as from the end of June pbb has changed its risk model approach and implemented the Foundation Internal Ratings-Based approach (F-IRBA) as the measurement and risk standard applicable to the bulk of the REF portfolio. The remainder of the portfolio is subject to the standardised approach. Until Basel IV finally comes into force, and until the supervisory authorities grant their approval, pbb will continue to calibrate its risk weights in line with standardised model parameters even within the scope of the F-IRBA: as expected, this will lead to a temporary, technical reduction of the CET1 ratio to 14.0% as at 30 June 2024. Using F-IRBA under Basel IV, i.e. without calibration in line with standardised model parameters, the ratio would amount to 17.2%.

Turning to the topic of sustainability, pbb reached an important milestone in its green transformation in the first quarter, achieving the 75% transparency rate set for year-end 2024. The rate increased further, to 80% as at 30 June 2024. More than 25% of the total portfolio is currently green loan-eligible[1]. The Bank expects to increase this share to more than 30% by the end of 2026.

[1] Loans granted by pbb are classified as "green loans" if they comply with the pbb Green Loan Framework criteria (cf. https://www.pfandbriefbank.com/en/customers/green-loan.html).

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Overview of the pbb Group

Consolidated Income Statement (IFRS, € mn)	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24	Q2/24	H1/24
Net interest income	106	110	132	134	482	125	121	246
Net fee and commission income	1	1	1	0	3	1	2	3
Net income from fair value measurement	1	-1	2	-2	0	-3	-1	-4
Net income from realisations	14	28	3	40	85	23	12	35
Net income from hedge accounting	-2	-1	3	1	1	4	2	6
Net other operating income	-1	3	15	15	32	-4	-4	-8
Operating income	**119**	**140**	**156**	**188**	**603**	**146**	**132**	**278**
Net income from risk provisioning	-2	-19	-83	-108	-212	-47	-56	-103
General and administrative expenses	-58	-65	-57	-69	-249	-58	-57	-115
Expenses from bank levies and similar dues	-22	-2	0	-1	-25	-2	-1	-3
Net income from write-downs on non-financial assets	-5	-5	-6	-11	-27	-5	-5	-10
Pre-tax profit	**32**	**49**	**10**	**-1**	**90**	**34**	**13**	**47**
Income taxes	-5	-7	-2	15	1	-5	-2	-7
Net income	**27**	**42**	**8**	**14**	**91**	**29**	**11**	**40**

Key ratios (in %)	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24	Q2/24	H1/24
Cost/income ratio	52.9	50.0	40.4	42.6	45.8	43.2	47.0	45.0
Return on equity before tax	3.3	5.5	0.5	-0.9	2.1	3.6	0.9	2.2
Return on equity after tax	2.7	4.6	0.3	1.1	2.2	2.9	0.6	1.8
RoCET1 after tax	3.0	5.2	0.3	1.2	2.4	3.2	0.7	1.9

Balance sheet figures (IFRS, € bn)	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
Total assets	53.7	49.8	48.2	50.9	48.9	46.0
Equity	3.5	3.3	3.4	3.4	3.4	3.4
Financing volumes	43.5	43.3	43.4	43.5	42.8	41.0

Please note: The following applies to the entire press release: quarterly figures are unaudited; half-year figures were reviewed by external auditors; full-year figures are audited.

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