

Capital Markets Day Strategy Update

10th of October 2024



- This presentation is not an offer or invitation to subscribe for or purchase any securities in any jurisdiction, including any jurisdiction of the United States. Securities may not be offered or sold in the United States absent registration or pursuant to an available exemption from registration under the U.S. Securities Act. Deutsche Pfandbriefbank AG (pbb) does not intend to conduct a public offering of securities in the United States.
- No warranty is given as to the accuracy or completeness of the information in this presentation. You must make your own independent investigation and appraisal of the business and financial condition of pbb and its direct and indirect subsidiaries and their securities. Nothing in this presentation shall form the basis of any contract or commitment whatsoever.
- This presentation may only be made available, distributed or passed on to persons in the United Kingdom in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply.
- This presentation may only be made available, distributed or passed on to persons in Australia who qualify as 'wholesale clients' as defined in section 761G of the Australian Corporations Act.
- This presentation is furnished to you solely for your information. You may not reproduce it or redistribute to any other person.
- This presentation contains forward-looking statements based on calculations, estimates and assumptions made by the company's top management and external advisors and are believed warranted. These statements may be identified by such words as 'may', 'plans', 'expects', 'believes' and similar expressions, or by their context and are made on the basis of current knowledge and assumptions. Various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include general economic conditions, the conditions of the financial markets in Germany, in Europe, in the United States and elsewhere, the performance of pbb's core markets and changes in laws and regulations. No obligation is assumed to update any forward-looking statements.
- By participating in this presentation or by accepting any copy of the slides presented, you agree to be bound by the noted limitations.

ca. 1:00 pm	Kay Wolf <i>CEO</i>	Strategy Update <i>Leveraging pbb's strengths and diversify business model</i>
ca. 1:30 pm	Thomas Koentgen <i>Deputy CEO</i>	Real Estate Finance Solutions <i>Diversify asset allocation and increase profitability</i>
	Dr. Walter Hampel <i>Head of Real Estate Finance Continental Europe</i>	
ca. 2:00 pm	Dr. Pamela Hoerr <i>Member of the Management Board, pbb invest</i>	Real Estate Investment Solutions <i>pbb invest and Originate & Cooperate aim to accelerate growth and diversify revenue mix</i>
	Andreas Wuermeling <i>Head of Loan Markets/Originate & Cooperate</i>	
ca. 2:15 pm	Marcus Schulte <i>CFO</i>	Financials <i>Increase overall profitability and build a more diversified and resilient business model</i>
ca. 2:45 pm	Kay Wolf	Synthesis
ca. 3:00 pm	BREAK	
ca. 3:30 pm	Q&A's	

LEARNINGS FROM THE PAST



Trends and developments
Spot trends and developments early and act on them



Portfolio concentration
Reduce portfolio concentration by further diversifying asset allocation



Portfolio profitability
Increase profitability by prioritizing on highly profitable asset classes



Diversification of revenues
Reduce market risk by establishing new revenue streams beyond RE Finance Solutions

+

LEVERAGING STRENGTHS



Origination capacity
Deep sourcing and structuring expertise on quality financing deals



Real estate track record
Proven track record as reliable partner in real estate



Long-term client relationships
Long-standing relationships with broad set of clients



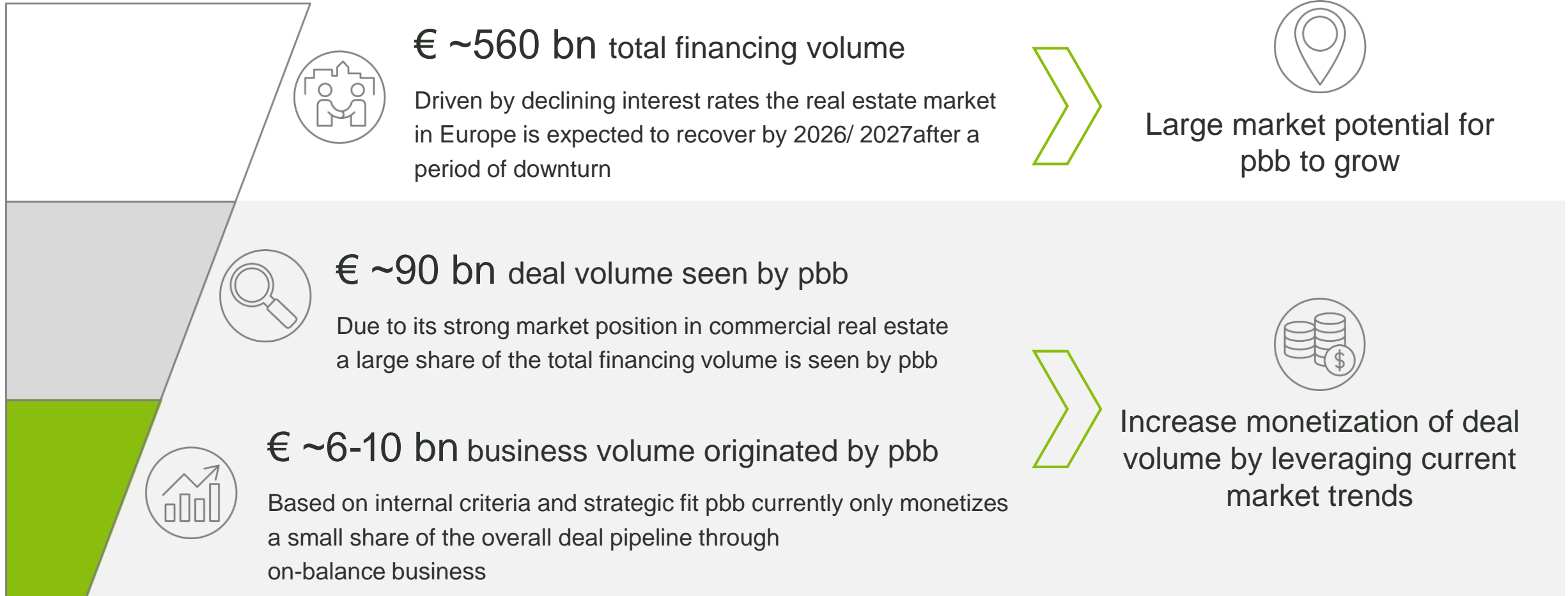
Experienced real estate platform
Well-established and efficient platform build to scale

REALISING FULL MARKET POTENTIAL

Unique access to real estate financing deals

INTRO

pbb market access funnel

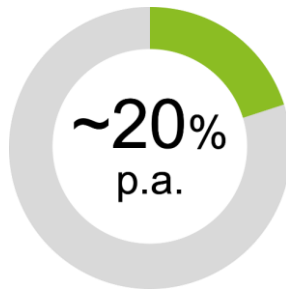


Leveraging current trends for strategic evolution

INTRO

Emergence of new asset classes

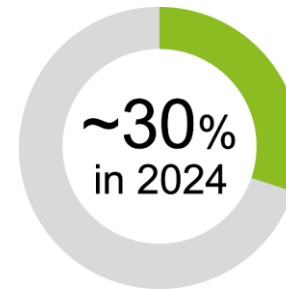
RE financing markets are in transition – trends such as demographics, hybrid working models, AI etc. drive emergence of new asset classes like data centers



Growth in data center capacity

Transformation of capital markets

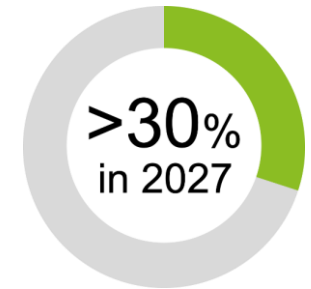
Rise in alternative investing in real estate with the surge of new ways of financing results in redistribution of market shares (e.g., larger market share by non-banks)



Market share of non-banks in RE Finance

Accelerating eco transformation

As sustainability increasingly influences real estate valuations and investment decisions, the demand for ECO-financing is growing



Share of green loans in RE Finance portfolio¹

pbb aims to exploit emerging trends and increase shareholder value

Strategy 2027 builds on three key pillars

INTRO





RE FINANCE SOLUTIONS

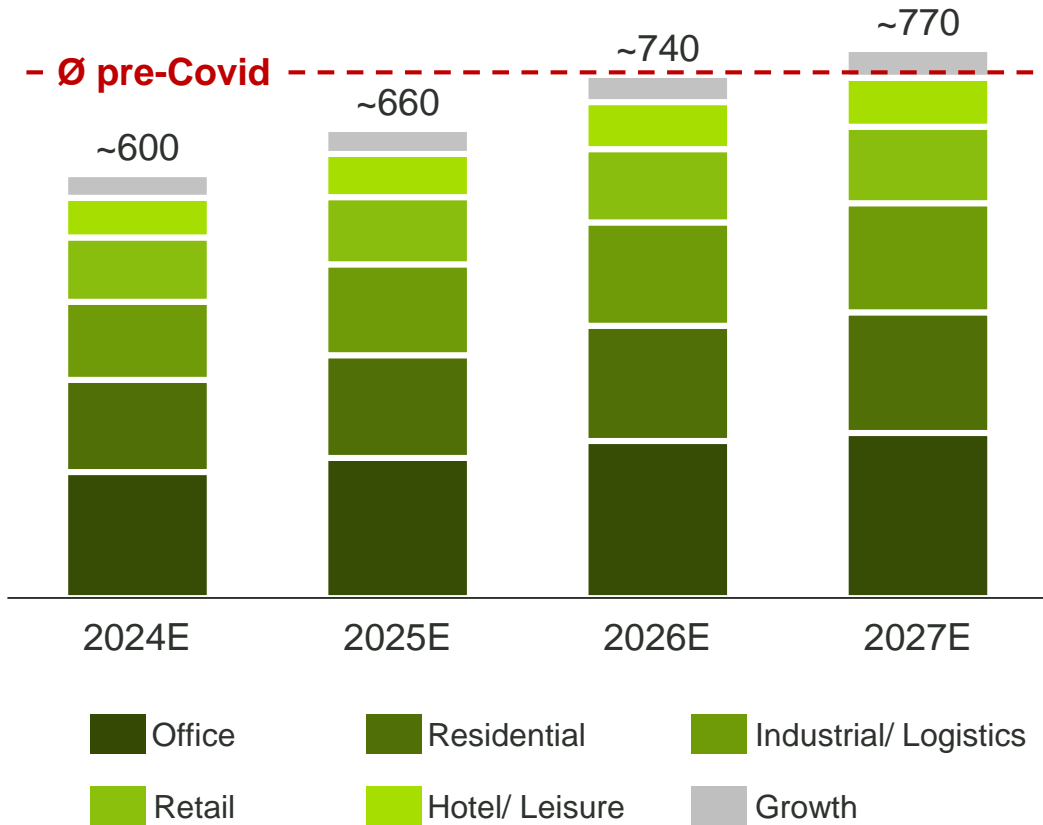
*Diversify asset allocation and
increase profitability*

Structural shift in recovering markets

RE FINANCE SOLUTIONS

Market recovery until 2026...

New RE financing volumes Europe (in € bn)



...with structural changes in asset attractiveness

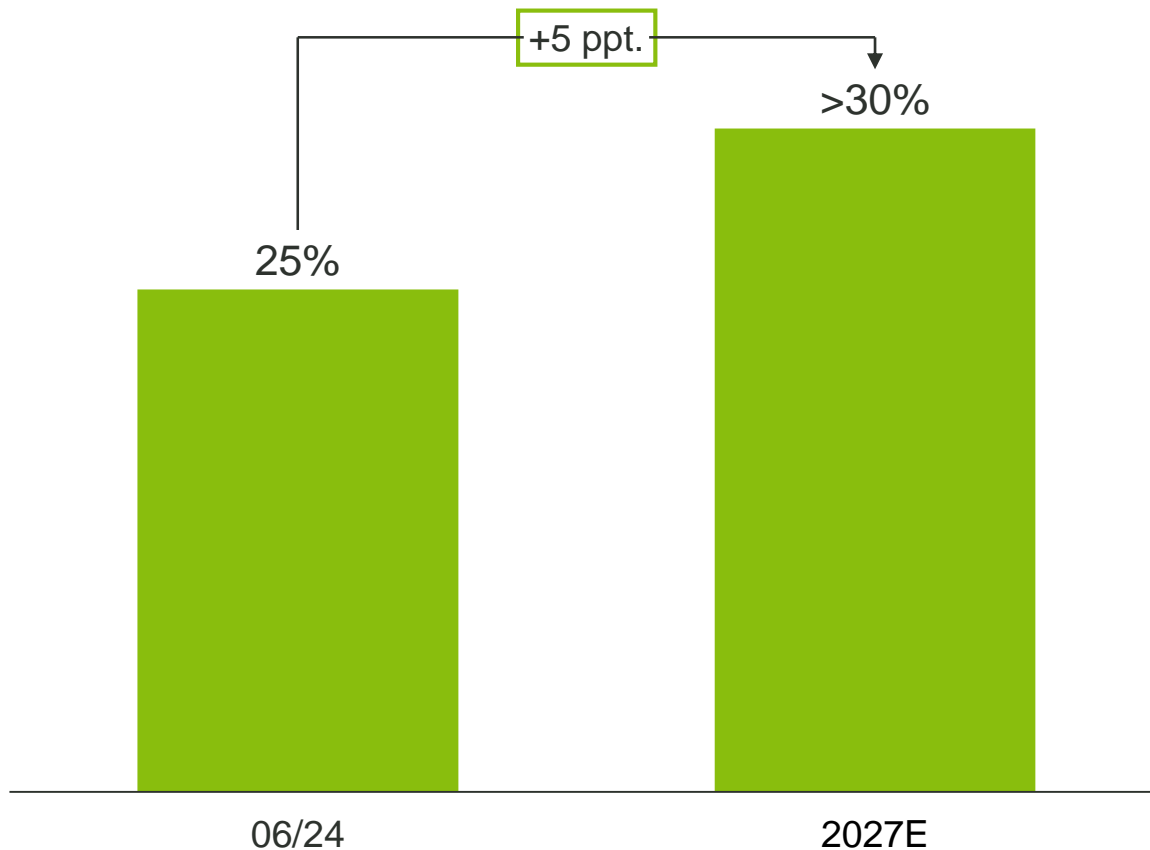
- Office**
 Decline in attractiveness due to new ways of working (e.g., hybrid)
- Retail**
 E-Com as threat, but risk premia increasingly prices in – various attractive deals
- Residential**
 Low margins, however, attractive segments (student housing)
- Hotel/ Leisure**
 Strong post-Covid recovery and struct. drivers (global income increase)
- Industrial/ Logistics**
 Strong structural tailwinds (E-Commerce, automation etc.)
- Growth**
 Strong demand for data centers, serviced living and senior living

Source: VdP, ECB, Banque de France, Bank of England, BNP, CBRE, JLL, Savills, CASS, Global Data, expert interviews

RE FINANCE SOLUTIONS

Increase share of green loans ...

Green share of RE Finance Solutions portfolio¹ (in %)



... to continued commitment



GREEN EMBEDDED IN ORGANIZATION

Dedicated green finance divisional heads to drive additional commitment towards green loans across all country-, team- and product levels



GREENER NEW BUSINESS

Increase green loan portfolio (>30% in 2027E) through focusing on greener new business across all asset classes and different financing products



CONTINUED ISSUANCE OF GREEN BONDS

Continued maximized issuance of senior preferred & non-preferred green bonds according to available collateral and market standards

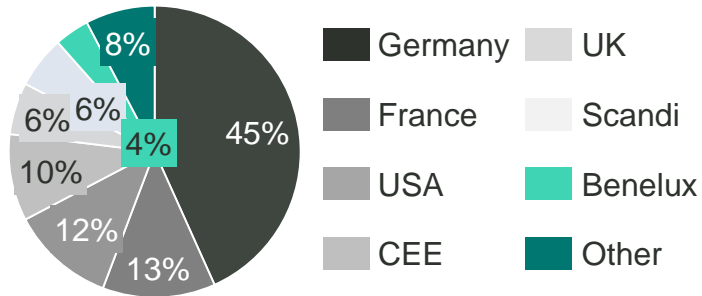
Diversifying asset allocation

RE FINANCE SOLUTIONS

pbb performing portfolio June 2024 (EAD)

Optimization levers Strategy 2027

REGIONAL VIEW

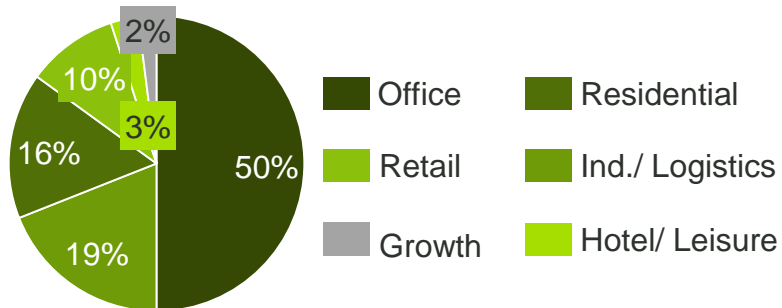


Profitability below market average



ENHANCEMENT OF PROFITABILITY

ASSET VIEW



Low (<5%) exposure to growth asset classes



DOUBLE DOWN ON GROWTH ASSETS

High share (50%) in asset class Office



DIVERSIFY RE FINANCE PORTFOLIO

Benefitting from strong macro trends

RE FINANCE SOLUTIONS

MACROTRENDS

AI and data consumption	Cloud-Migration	Edge-Computing
Growth in college student numbers (int. as well as local)	Undersupply of student accommodation	Growing need for flexible short- to mid-term stays
Ageing population	Social trend against homecare	Longevity as a social trend
E-Commerce	(Urban) space shortage	Nearshoring & supply chain management
Growing disposable incomes (esp. HNWI)	Rapid post-Covid recovery	Travel as a lifestyle
Shopping as social (media) experience	Rebalancing of capital values and rental levels completed after Covid	
ESG/ Energy efficiency	New Work (flexibility, modern & healthy real estate)	Prime/Class A Office in strong central locations

PBB ASSET ALLOCATION

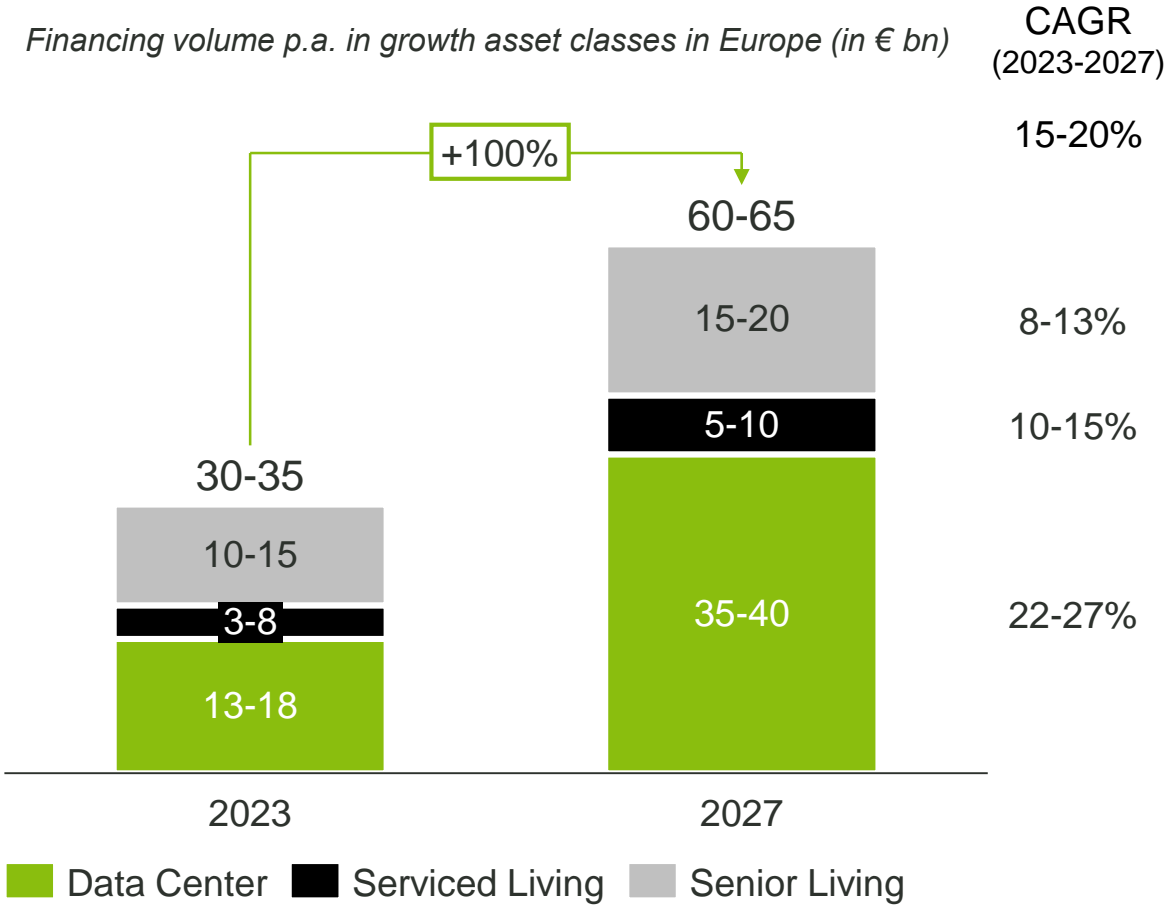
DATA CENTERS	Double down on growth assets
SERVICED LIVING	
SENIOR LIVING	
INDUSTRIAL/ LOGISTICS	Intensification of attractive asset classes that pbb already has a presence in
CITY HOTELS	
RETAIL	Reduce exposure
OFFICE	

Potential of growth assets classes

RE FINANCE SOLUTIONS

Customer demand is expected to grow ...

Financing volume p.a. in growth asset classes in Europe (in € bn)



... as structural trends persist



GROWING DATA CONSUMPTION

Major trends such as AI/automation drive data consumption, while regulatory requirements drive the need for data localization



GAP IN SERVICED LIVING OFFERING

Growth in students across European countries (esp. foreign exchange students) and accommodations supply deficit leads to rising need for new Serviced Living offerings



AGING POPULATION BOOSTS DEMAND

Demographic shift in Europe and especially core countries like Germany drive need for Senior Living offering

Source: Eurostat; United nations; IDC 2023 Datacenter Deployment and Spend Forecast 1H 2023; Cushman & Wakefield; CBRE; JLL; Savills

Portfolio optimization to increase profitability

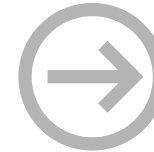
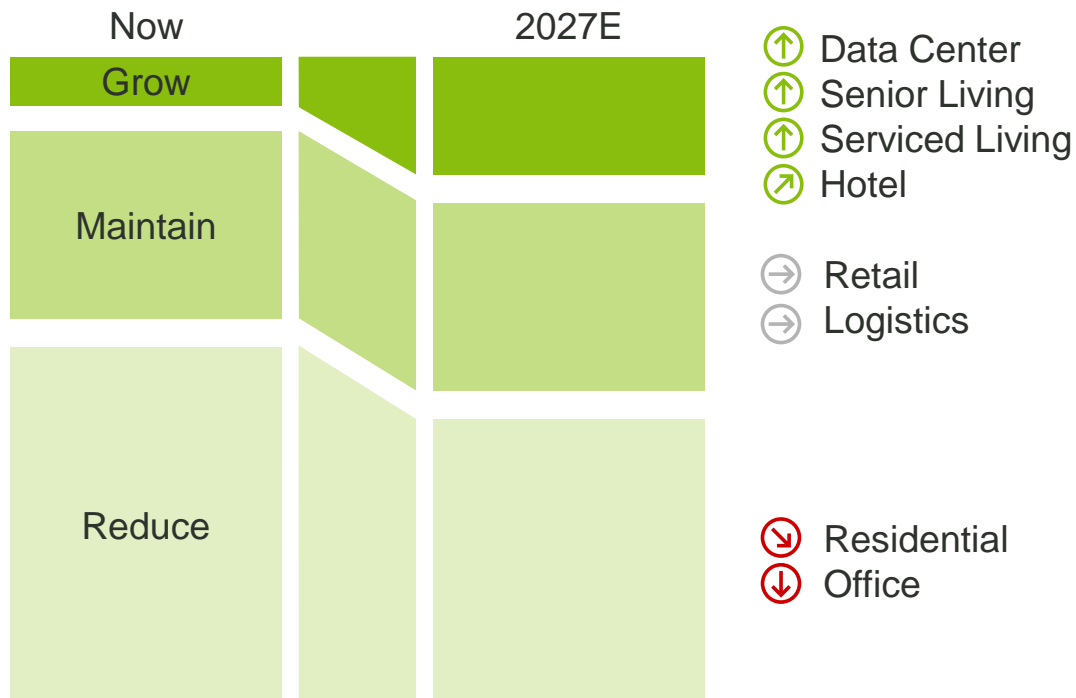
RE FINANCE SOLUTIONS



Diversify portfolio into growth asset classes...

...with size of € ~29 bn

Asset class view



GERMANY

Germany will continue to be the largest market for pbb



EUROPE

Greater degree of regional diversification across European markets. CEE and France will be key markets.



USA

Refocus and reduction of the US business, but continued service on the largest and most liquid real estate market

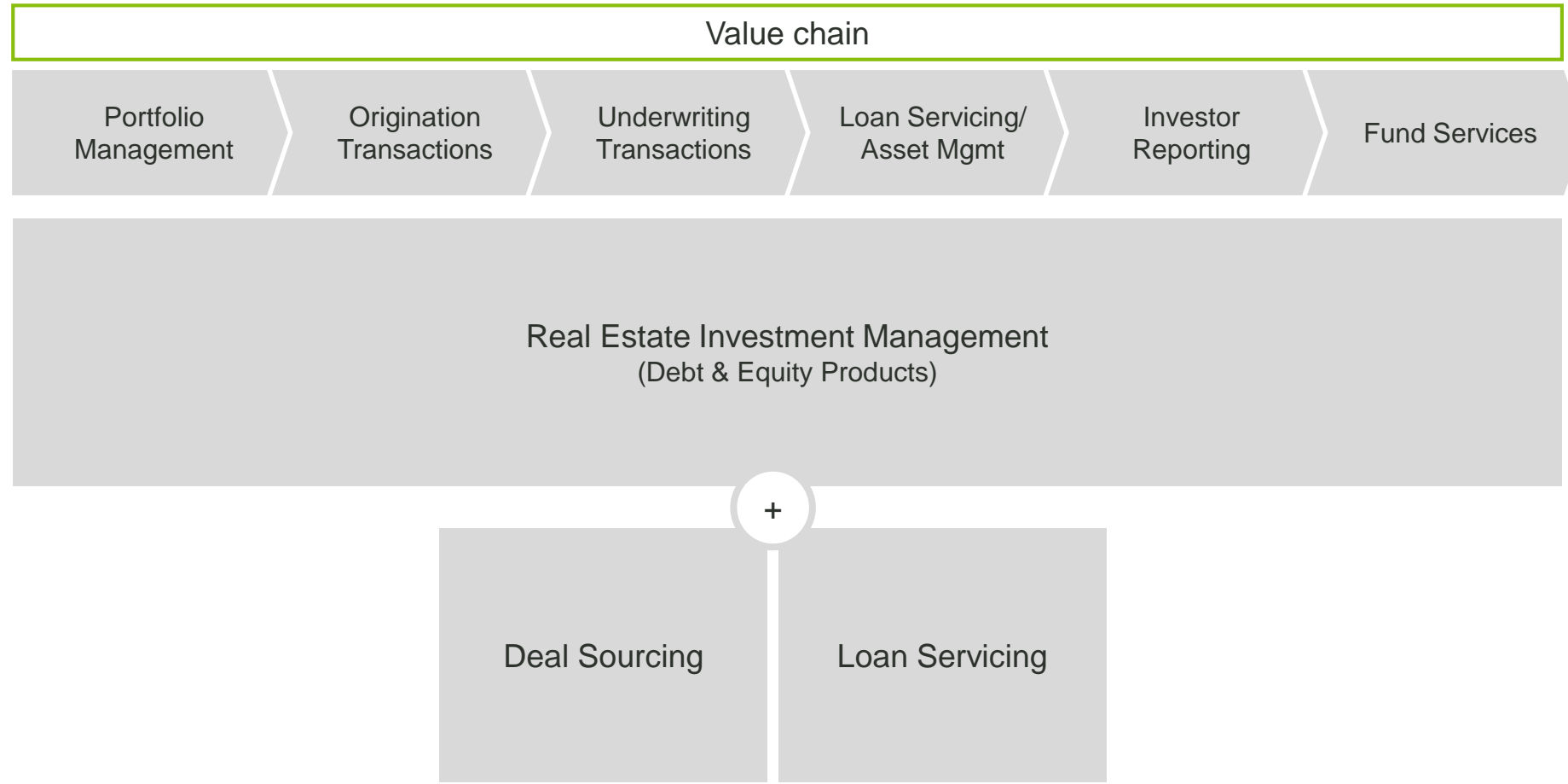


REAL ESTATE INVESTMENT SOLUTIONS

*pbb invest and Originate & Cooperate
aim to accelerate growth and diversify
revenue mix*

Comprehensive CRE product offering for institutional investors

RE INVESTMENT SOLUTIONS



Broadening the client base of pbb with a new focus on institutional investors in the bank's product offering

Fundraising environment

Fundraising (in € bn)

Global Investment Fundraising
Avg. 2018-23: € ~1,500 bn

Global RE Fundraising
Avg. 2018-23: € ~170 bn

European RE Fundraising
Avg. 2018-23: € ~42 bn
pbb invest sweet spot

Market trends



FUNDING MARKET UNDER PRESSURE

Anticipated continued lower levels of fundraising volume until 2028



BUY-SIDE OPPORTUNITIES

As banks scale back lending, opportunities for private financing and distressed asset investments are emerging



RISE OF NON-TRADITIONAL ASSETS

Growing interest in non-traditional assets such as data centers and healthcare facilities



FOCUS ON DEBT STRATEGIES

Investors are seeking improved risk-adjusted returns through debt strategies as opposed to equity investments

Leveraging our core strengths

PBB INVEST

What investors seek ...



Exposure to diversifying,
risk-adjusted returns



Access to high-quality
real estate assets



Long-standing client
relationships



Increasing focus on
ESG criteria



Proven track record
in asset management



... and what pbb is offering

Strengths



Offering specialized RE investment opportunities (to enhance investors' diversification across asset classes)



Multi-national sourcing network
across RE assets



Extensive RE experience across
assets



Company culture focused on sustained partnerships with clients



In-depth ESG expertise



Extensive RE debt track record



Limited history in Asset Mgmt.

Growth levers Strategy 2027

ORGANIC



Acceleration via dedicated debt and equity funds and individual mandates/ club deals

Growth of AuM until 2027 aggregated across all funds based upon an improving market environment

INORGANIC



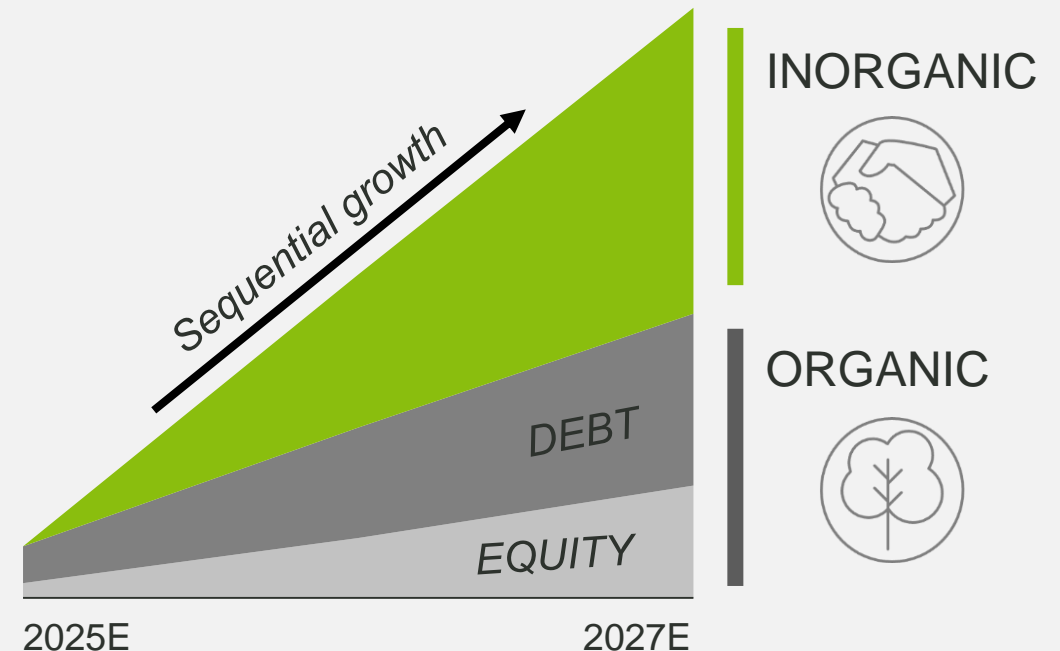
Focused acquisition within core markets with high attractiveness and pbb fit

Tangible steps towards addition of a significant amount of Assets under Management starting in 2025



2027 GOAL PBB INVEST € 4-6 bn AUM

Assets under Management

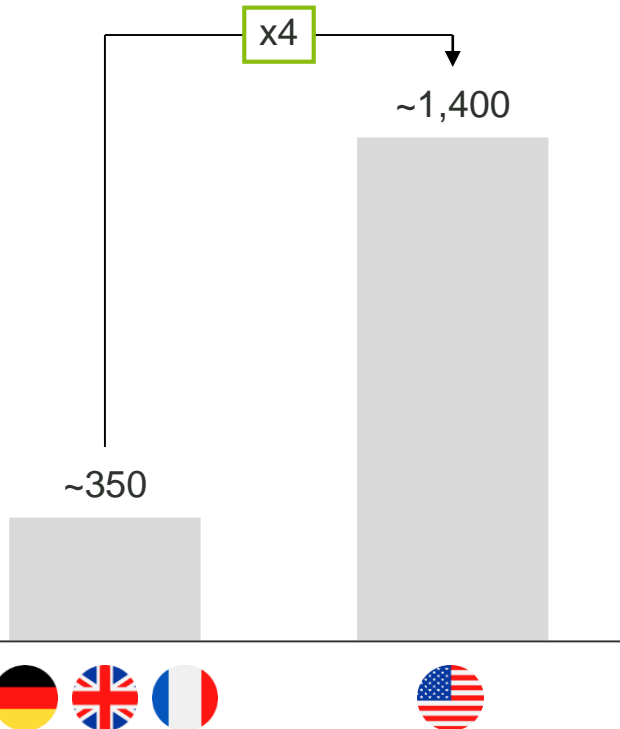


Structural growth and large potential in Europe

ORIGINATE & COOPERATE

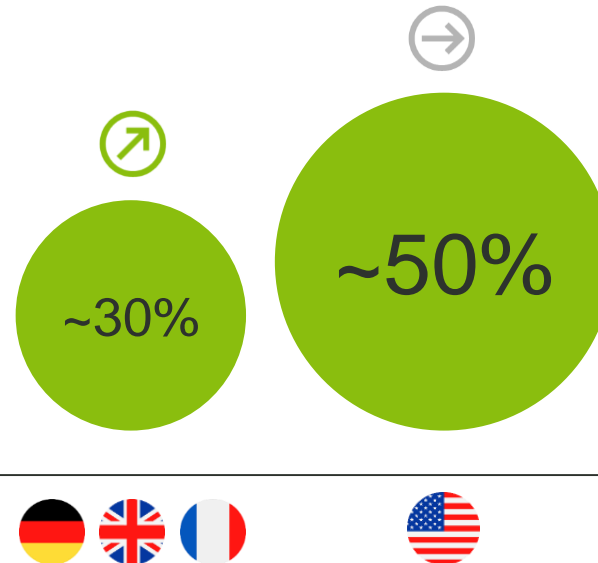
US revenue pool in third-party credit allocation 4x larger...

Revenue pool third-party credit allocation excl. servicing 2024 (in € mn)



...due to higher non-bank share of real estate financing

Share of non-bank real estate new business financing volumes 2024 (arrows indicate future projection)



pbb positioning

Market expectation for growing non-bank RE financing sector in pbb core markets in Europe

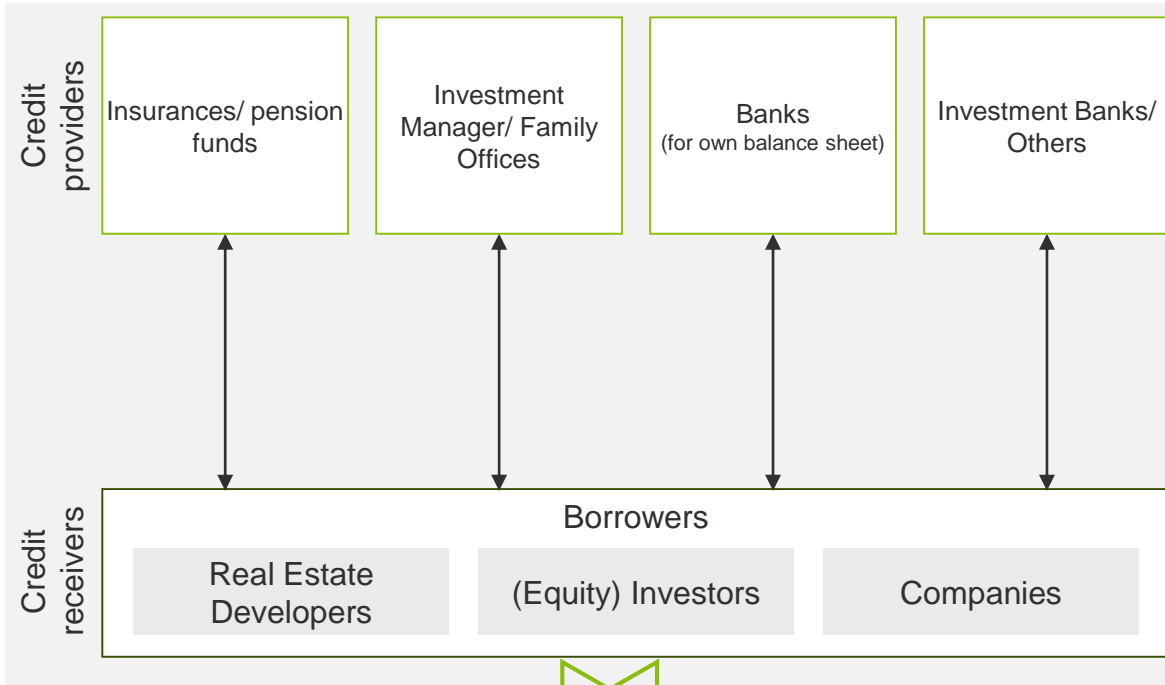
pbb can use market development and leverage its origination and structuring expertise combined with proven real estate track record

Future positioning key complement to financing capabilities of RE Finance platform and pbb invest

Leveraging pbb's existing client base

ORIGINATE & COOPERATE

Direct credit allocation

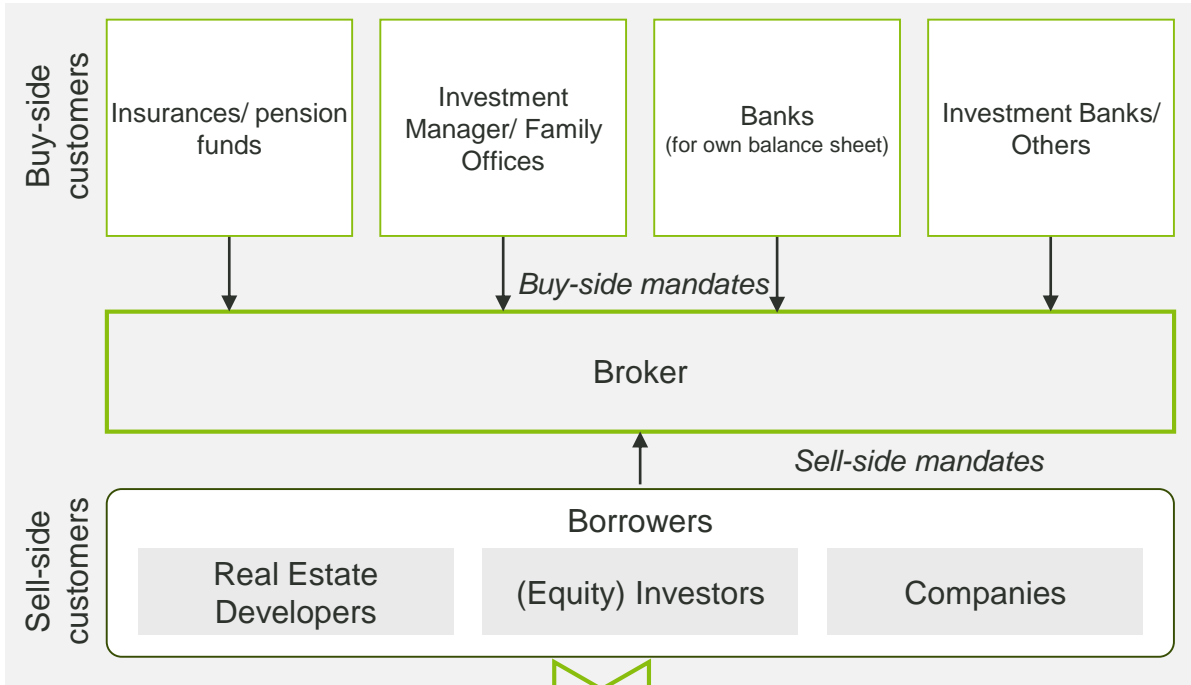


Lending process takes place directly, with borrowers and lenders actively approaching each other, often based on existing relationships



Credit allocation through third-party (Broker)

Deep Dive



Loan brokerage is carried out through Brokers, who search for suitable deals on behalf of (existing) buy-side or sell-side clients



Leveraging existing expertise

ORIGINATE & COOPERATE

Originate & Cooperate: pbb product offering



Investor with limited market access in search for RE deal



pbb leverages existing expertise to serve broad spectrum of client demands



2027 GOAL
ORIGINATE & COOPERATE

€ ~2 bn
Volume

What clients are telling us

93%

include ESG criteria in their investment decisions

83%

have experienced an increase in investor demand for sustainability disclosure

76%

want to improve the ESG performance of their existing assets through refurbishing and repurposing

22%

want to dispose poor ESG performing assets

Why they seek ECO related offerings



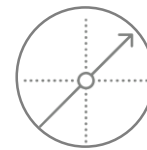
REGULATORY PUSH

Increasing regulations are requiring clients to ensure ECO compliance, manage risks, and future-proof operations



DEMAND FOR TRANSPARENCY

Rising stakeholder expectations drive businesses to improve reporting, strengthening trust and reputation



OPERATIONAL EFFICIENCY

ECO analytics helping to streamline the use of resources, cut energy consumption, and boost operational performance



VALUE CREATION

ECO advisory are helping firms in improving real estate marketability, reduce costs, and enhance asset resilience



FINANCIALS

*Increase overall profitability and build a
more diversified and resilient business model*

Key Performance Indicators for 2027

FINANCIALS

OPERATING INCOME

€ ~600 mn

FEE INCOME

~10%

CIR

<45%

RoTE¹

8%

CAPITAL DISTRIBUTION

≥50%
(incl. share buybacks)²

CET-1 RATIO³

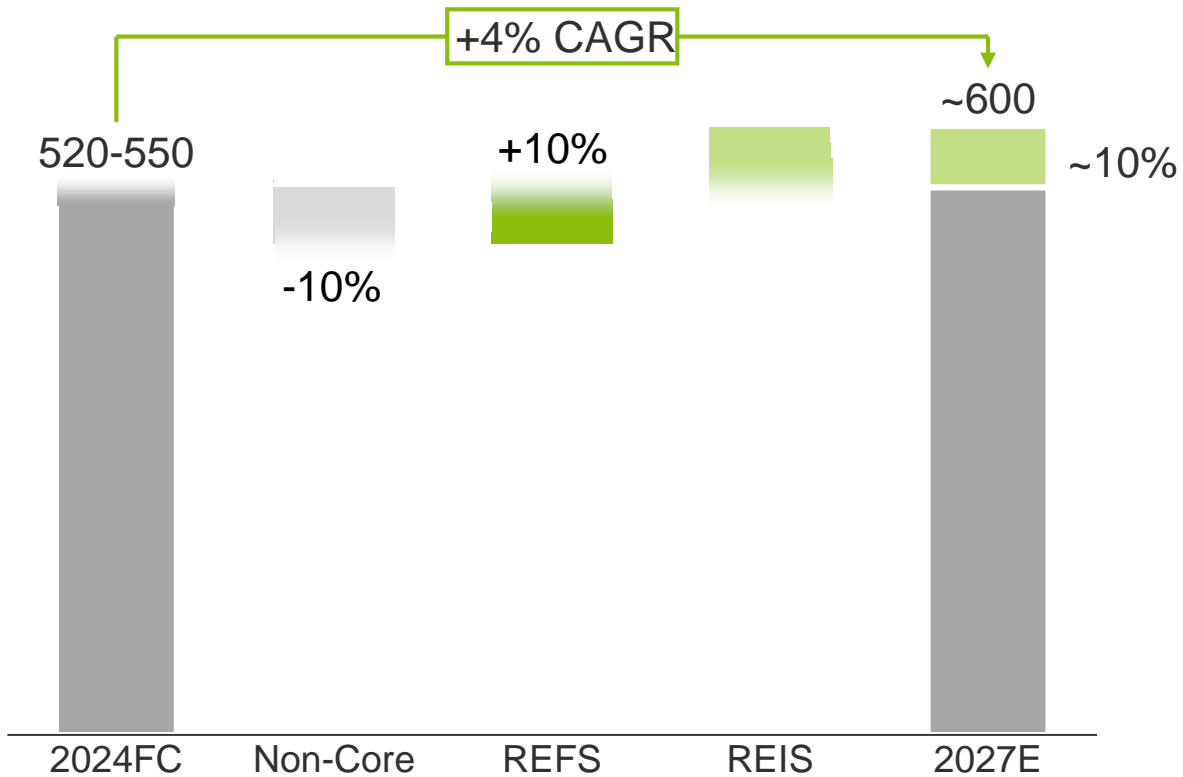
>15.5%

Grow operating income in and beyond the core

FINANCIALS

Operating income development

Operating Income (in € mn)



Optimization and diversification



BALANCE SHEET FOCUS ON RE FINANCE

Ongoing economic re-allocation from Non-Core into higher margin RE Finance business through value preserving run-down



INCREASE RE PORTFOLIO PROFITABILITY

Stringent risk-return focus including diversification into new asset classes facilitates higher topline income and profitability of optimized RE Finance portfolio



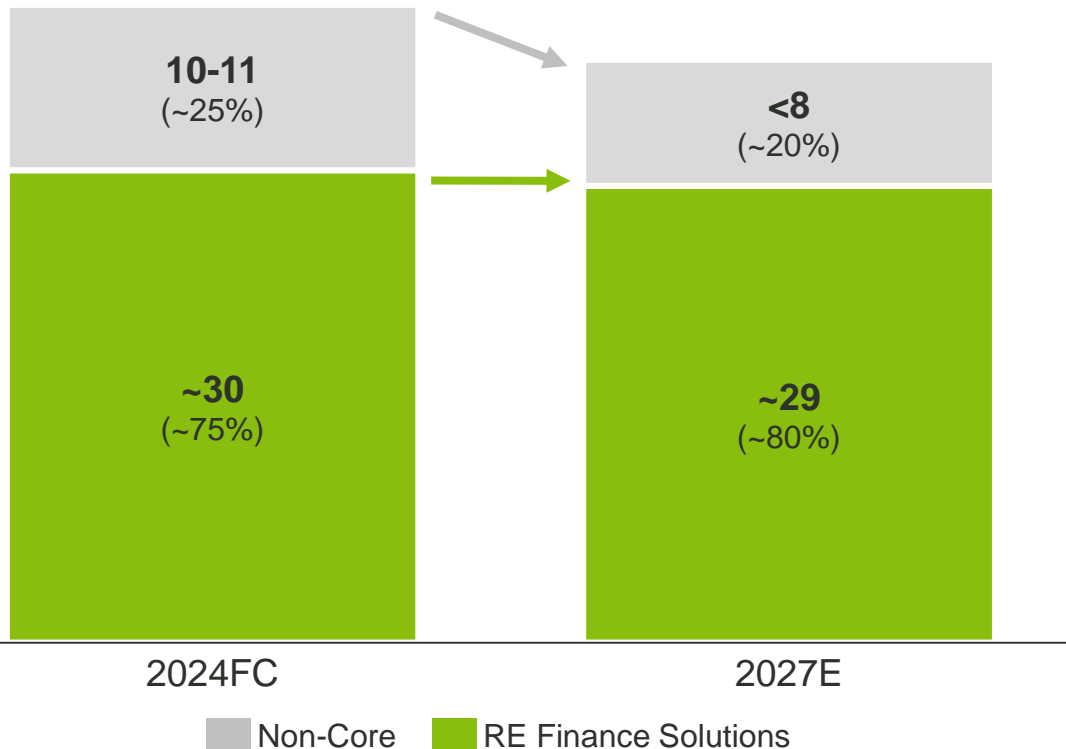
GROW CAPITAL LIGHT FEE BUSINESS

Re-allocate resources to RoTE accretive fee business in REIS to strengthen resilience through the cycle with growth potential beyond the balance sheet

FINANCIALS

Portfolio development

Outstanding portfolio (in € bn)



Re-allocation into higher profitability



BALANCE SHEET FOCUS ON RE FINANCE

Continued reduction of Non-Core business through balanced mix of maturities, opportunistic value accretive asset sales and corresponding liability buybacks (public sector covered bonds)



OPTIMISED RE FINANCE BUSINESS

Stringent focus on RoTE accretive RE Finance business means that optimized RE Finance portfolio should stabilize around a level of € ~29 bn, whilst generating a higher top- and bottomline contribution



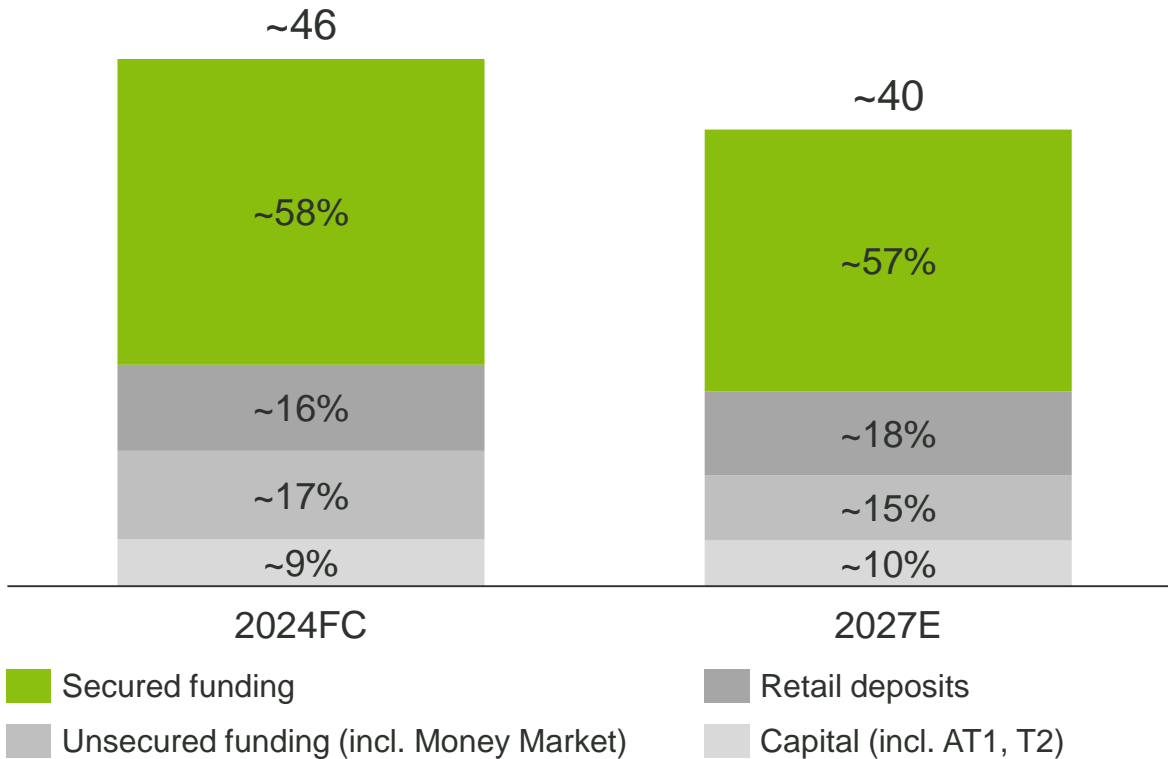
FOCUSED BALANCE SHEET BUSINESS

Result is a focused balance sheet with a higher share of value accretive RE Finance business. Freed up resources are allocated to growth in off-balance sheet REIS business

FINANCIALS

Funding mix

Funding volume (in € bn)



Optimized and lower funding needs



LOWER FUNDING NEEDS

Decline in funding requirements in line with balance sheet reduction as a result of RE Finance portfolio optimization and non-core run-down



OPTIMIZED AND BALANCED FUNDING MIX

Well balanced and resilient funding mix with more than 50% secured funding (predominantly Pfandbrief). Ca. 1/3 unsecured funding roughly equally splits between pbb direkt and wholesale capital market funding



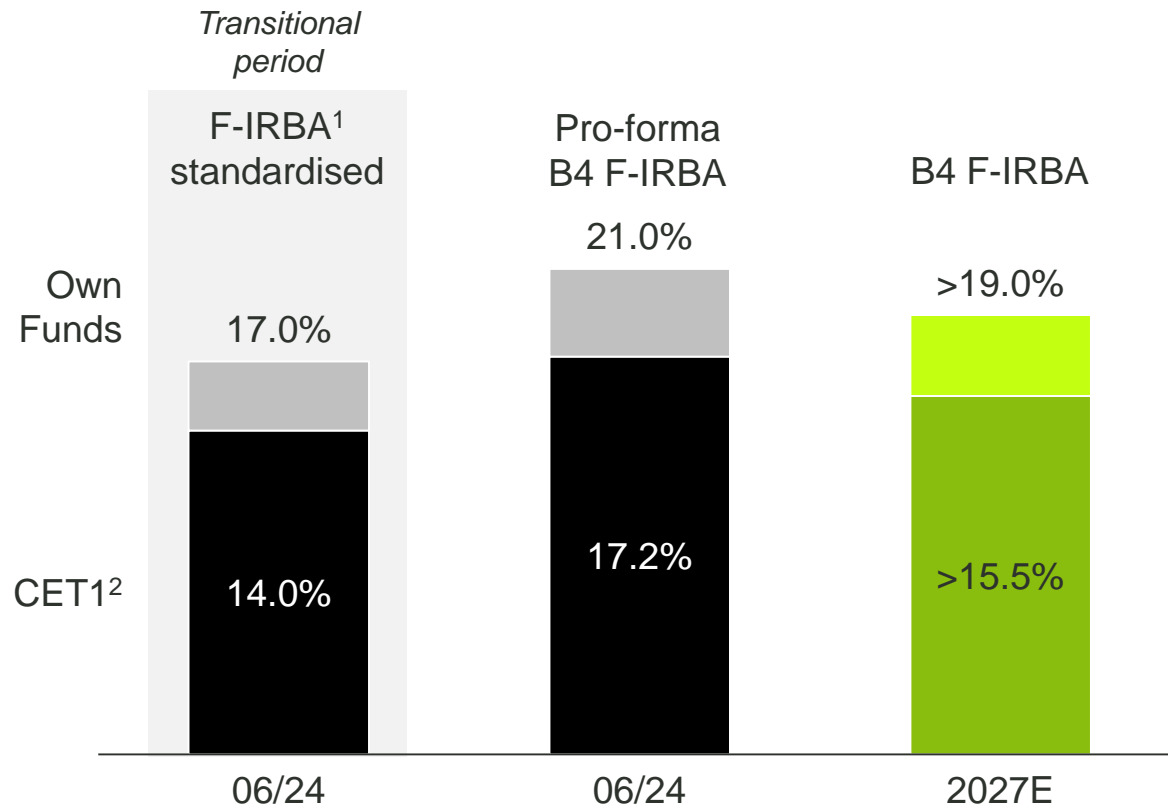
REGULAR CAPITAL MARKETS ISSUER

Active issuer in Mortgage Pfandbriefe (avg. 4 Benchmarks a year) and Green Senior (avg. 1 Benchmark a year). Optimization of capital and MREL stack considered

Capitalization provides for strategic flexibility

FINANCIALS

Capital ratios



Solid capitalization through the cycle



MDA BUFFER >550 bp

Capitalization is expected to remain well above regulatory requirements (Minimum Distributable Amount) despite investments into diversification



EFFICIENT AND SOLID CAPITAL STACK

Optimization potential in capital stack is considered, resulting in an efficient and solid capitalization within all capital buckets



ATTRACTIVE DISTRIBUTION POTENTIAL

Solid capitalization enables attractive capital distribution to shareholders (already considered in capital ratios)

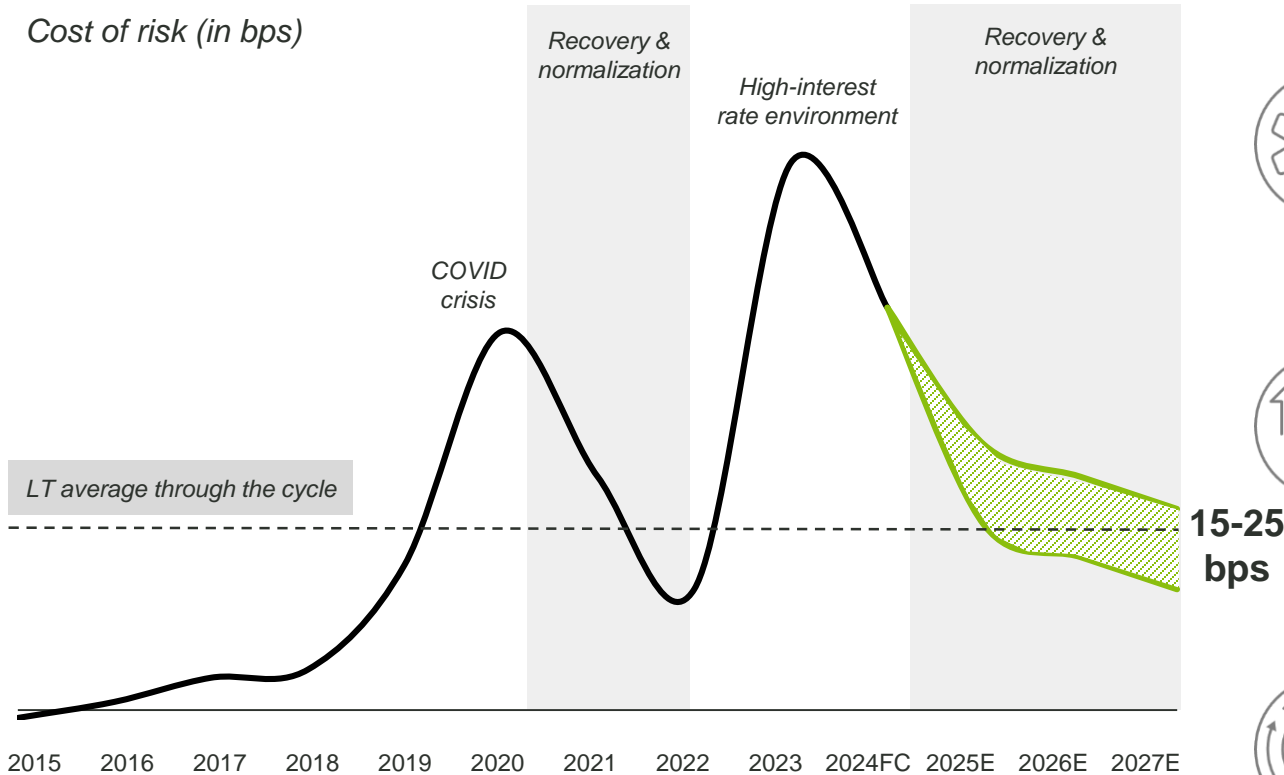
Note: 1) B3 F-IRBA calibrated to standardised risk parameters; 2) Management ambition level unchanged at ≥14% through the cycle

Cost of risk expected to normalize

FINANCIALS

Cost of risk development

Cost of risk (in bps)



Strict risk discipline on optimized risk profile



STRICT RISK DISCIPLINE

Stringent approach to risk. Continued focus on senior lending only and known transparent markets (Europe and US)



OPTIMIZED PORTFOLIO

Reduction of concentration risk by lowering share of e.g. US and Office portfolio. At the same time, more diversified portfolio through adding new growth asset classes



CYCLICAL RECOVERY

Cost of risk expected to normalize, supported by improving macro-economic parameters and CRE cycle

Further optimize existing platform

FINANCIALS

Cost development

Expenses incl. write downs/ ups (in € mn)



Investments financed by total cost savings of ~20%



EXECUTE EXISTING COST MEASURES

Strict discipline in executing on committed cost targets (e.g. IT-Insourcing and digitalization of RE Finance process)



OPTIMIZE CURRENT PLATFORM

New cost measures are expected to save a further low double digit million figure through a more flexible, international and efficient platform



INVEST IN BUSINESS DIVERSIFICATION

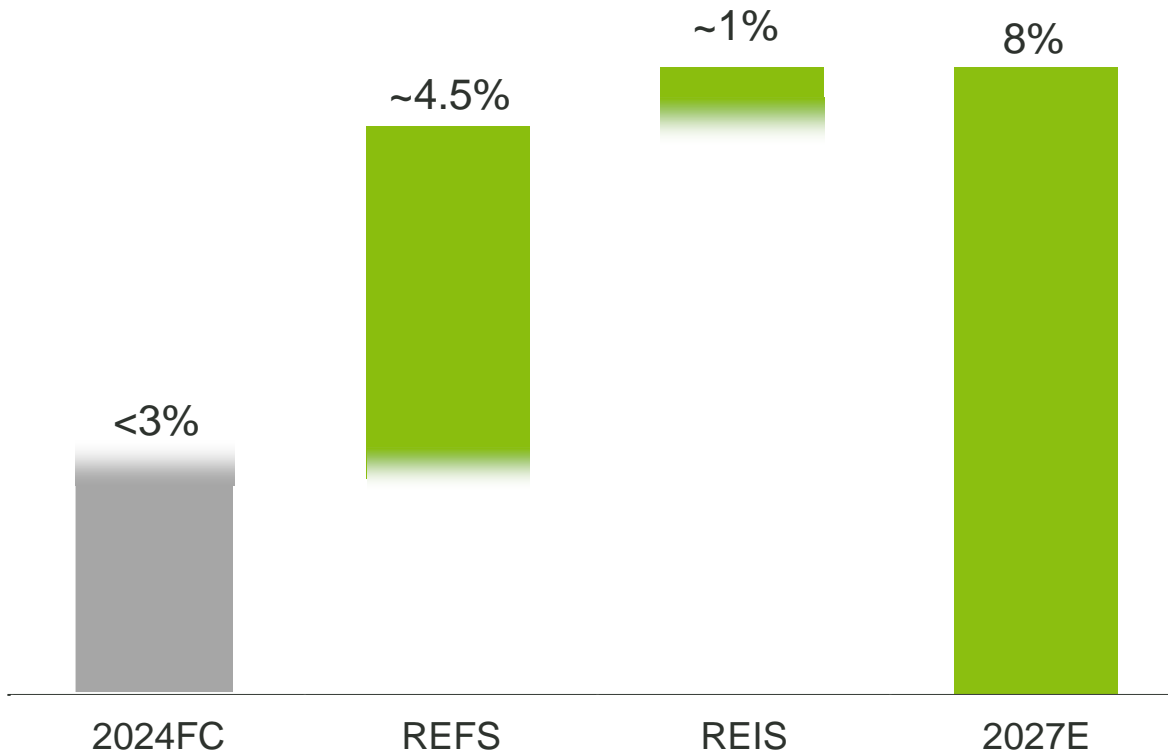
Re-investment ~2/3 of cost savings in diversification and profitability accretive business (i.e. pbb invest and Originate & Cooperate)

New Strategy 2027 aims to lift current RoTE to 8%

FINANCIALS

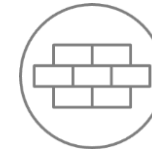
Profitability development

RoTE (in %)¹



Multiple levers contribute to RoTE growth

OPTIMIZATION REFS



Increase of profitability through portfolio optimization and new asset classes while funding costs are reduced and risk costs are expected to normalize. Further uplift from cost savings of more flexible, international and efficient platform.

ADD-ON THROUGH DIVERSIFICATION



Grow income from capital light fee business, already adding meaningfully to overall profitability by 2027

INCREASE PROFITABILITY IN AND BEYOND THE CORE TO RoTE OF 8%

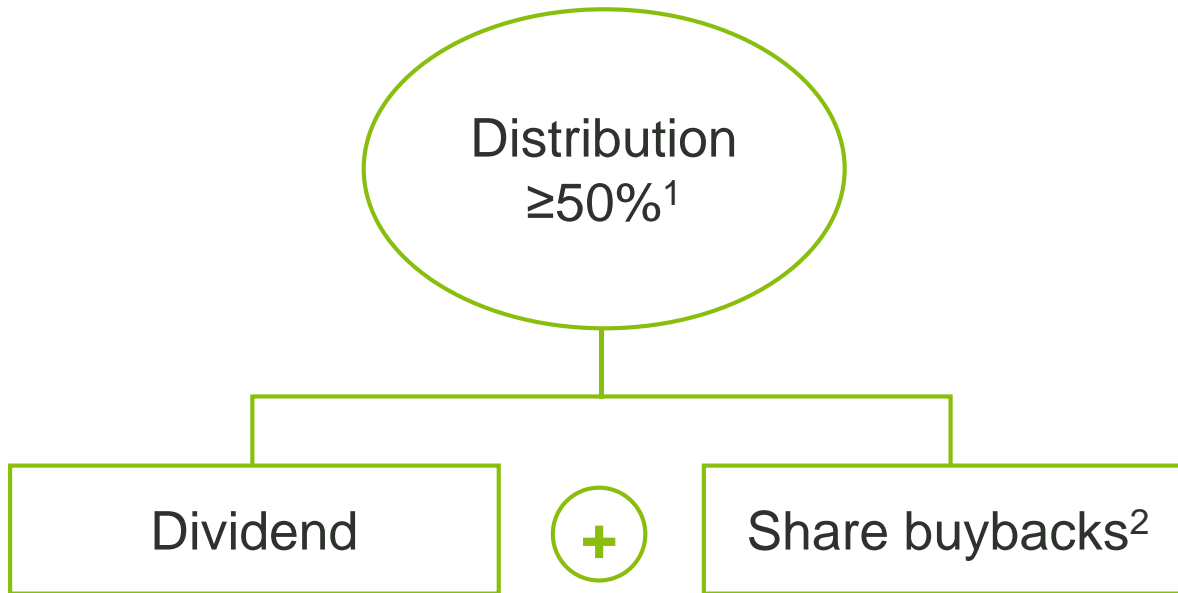


Grow operating income through a more profitable core and additional fee income business plus cost savings through a more flexible, international and efficient platform

Strategy provides for attractive capital distribution

FINANCIALS

Planned future capital distribution



Sustainably increase shareholder value

-  **ATTRACTIVE DISTRIBUTION POTENTIAL**
Strategy provides for an attractive capital distribution potential of $\geq 50\%$ ¹ until 2027 while remaining solidly capitalized
-  **DIVIDENDS + SHARE BUYBACKS¹**
Combination of cash element (dividend) and attractive valuation element (share buybacks)
-  **LONG-TERM ATTRACTIVE INVESTMENT**
pbb wants to become an attractive investment again and sustainably increase shareholder value by systematically driving valuation through RoTE growth and an attractive capital distribution

SYNTHESIS

SYNTHESIS

RE Finance Solutions

- Diversify into growth assets
- Focused portfolio
increased profitability

RE Investment Solutions

- ~10% fee income in pbb revenue mix
- Originate & Cooperate as growth lever
beyond pbb invest

Non-Core

- Continued value-preserving run-down
- Opportunistic asset sales and
repurchases

Platform

- Realization of committed cost reductions
- Build a flexible, international and efficient
platform (CIR <45%)

CMD2024

Thank you





CMD2024

To ask your questions and vote, please scan the QR-Code on the left or use the following link:

<https://app.sli.do/event/toFhz9CcvLNcp1KpGQHJQG>

(please copy and paste in a browser window)