Debt Investor Update - Results Q1/24

DEUTSCHE PFANDBRIEFBANK

ESG Ratings

MSCI[1]	AAA
ISS ESG[2]	C/Prime
Sustainalytics[3]	23.3/Medium Risk with 0 being the best
Moody's ESG Solutions[4]	50/100

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BUSINESS MODEL, MARKETS & PRODUCTS

pbb is a leading, specialized commercial real estate lender

Core Business

Funding

- Strong capital market presence: benchmark issuances and private placements
  - Resilient **Pfandbrief** as main funding source complemented by unsecured bonds
  - pbb one of most active senior unsecured **Green Bond** issuers
  - EUR and foreign currencies

pbb direkt

- Scalable **retail deposit** online-platform (pbb direkt)
- Call and term deposits (EUR, USD)

Specialized on-balance sheet lending …

… based on stable, well diversified funding base

CRE Lending

- Pfandbrief-eligible **senior loans**, complemented by limited non-senior loans
- **Structuring expertise** for complex/large transactions
  - ~ 150 deals per year
  - Ø deal size ~€ 50-70 mn
- **Green Loans** integral part of business model: **CRE transformation partner**

USP

► **Leading specialised CRE bank with high-risk competence**
► **Strong franchise** with long-standing client relationships
► Local presence in core **Europe and the US**
► **Resilient Pfandbrief** as main funding source – in addition, **scalable retail deposit platform**

New Business Lines

RE Invest. Mgmt.

- Issuance of **open-ended real estate funds**
- **Capital-efficient** and **scalable** income source

Partners: Amundi, Universal Investment

pbb Debt

- Provide required formats to **institutional investors** (e.g. debt funds)
- Leverage our extensive **market access**

Green Consulting

- Advise on holistic solutions within the **green transformation of RE** (e.g. green development loans, green capex facilities)

Diversification of business model

► Diversify into **capital light business**
► **Sustainable finance** as an **important** contributor

KEY MESSAGES

Solid start into 2024

Pre-tax profit of € 34 mn, slightly higher than previous year (Q1/23: € 32 mn)

- **Pre-provision profit** of € 81 mn, benefitting from strong **NII** and **realisation income**
- **Risk provisioning** remains elevated in line with guidance
- **Strategic active balance sheet management** started

Portfolio remains solid with an avg. LTV of 54%[1]

- **100% senior lender, always first ranking**
- Selective **new business** with favourable risk/return profile – REF portfolio stable vs. year-end 2023
- Slowing NPL dynamic through active NPL management

Already strong liquidity position of € >6 bn further improved

- Resilient Pfandbrief market – recent **Mortgage Pfandbrief Benchmark** tapped by € 100 mn at manageable cost
- No need to issue **Senior Unsecured benchmark** in 2024
- **Retail deposit** further increased by € 0.5 bn to € 7.1 bn in Q1/24

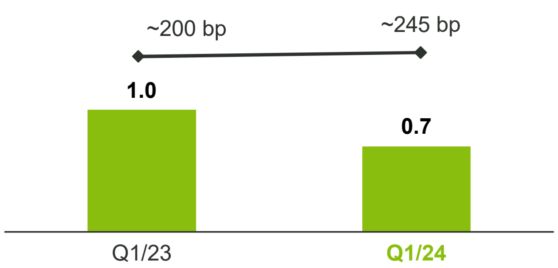
1. Based on performing investment loans only

OPERATING & FINANCIAL OVERVIEW

Selective new business at strong margins

REF new business

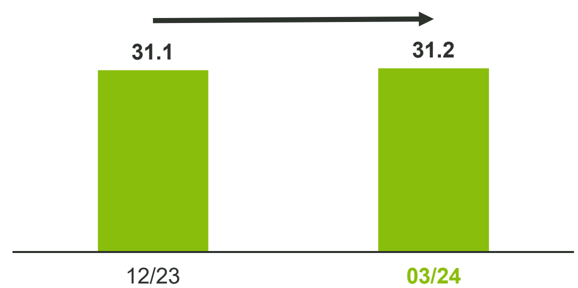
€ bn (commitments, incl. extensions > 1 yr.)



- Selective new business volume with focus on risk/return profile
- Strong uplift of gross interest margin

REF portfolio

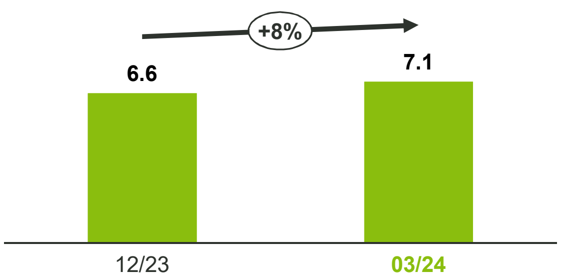
€ bn (financing volume)



- REF portfolio stable
- Improved gross portfolio margin

Funding – retail deposits

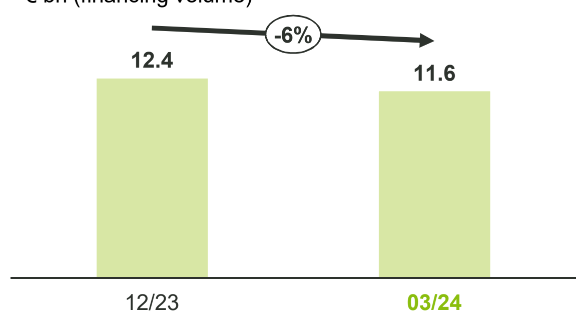
€ bn



- Growth of retail deposits at favourable costs, well ahead of plan
- Strong liquidity position further improved

Non-Core portfolio

€ bn (financing volume)



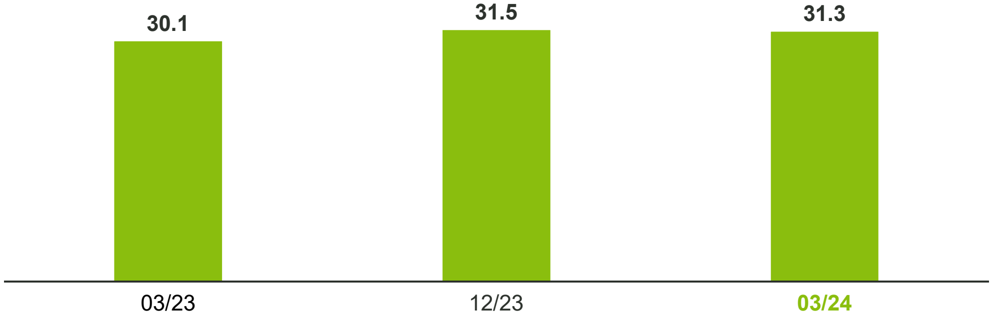
- Optimisation of non-core portfolio ongoing
- Accelerated asset reduction at attractive price levels

Note: Figures may not add up due to rounding

REF PORTFOLIO PERFORMING

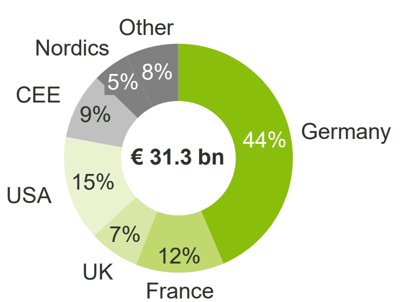
Solid portfolio in still demanding market environment

Performing Portfolio
€ bn (EaD, Basel III)

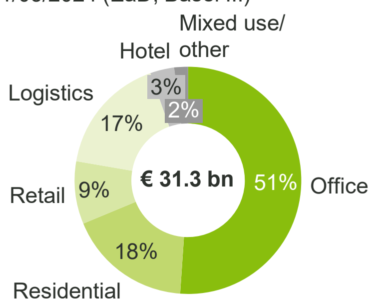


- **Portfolio quality** remains solid – focus on senior lending only
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -10%[2]
- **Strong senior lending profile** with ~88% of loans collateralised at LTV ≤50%
- **LTV-stress:**
  - **Exposure at risk:** ~1.3% of portfolio[1]
  - **Coverage ratio:** ~47% via existing stage 1&2 LLPs of € 179 mn

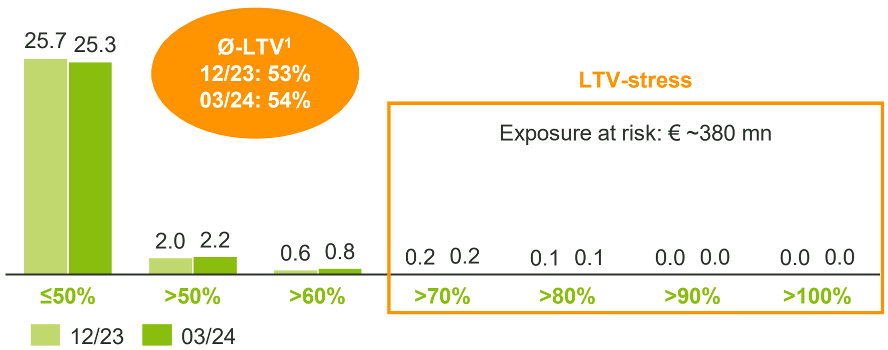
Regions
31/03/2024 (EaD, Basel III)



Property types
31/03/2024 (EaD, Basel III)



Layered LTV – based on performing investment loans only
(€ bn, commitments, Basel III)

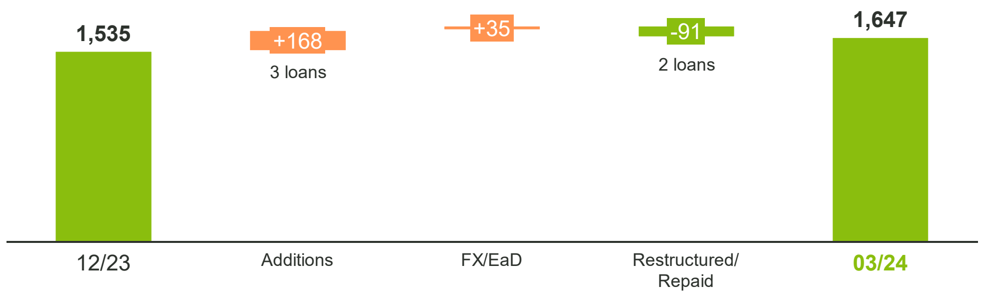


Note: Figures may not add up due to rounding 1. performing investment loans, based on commitments
2. On the part, where a revaluation was necessary

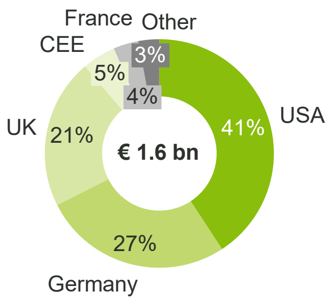
REF PORTFOLIO NPL

Slowing dynamic in NPL portfolio

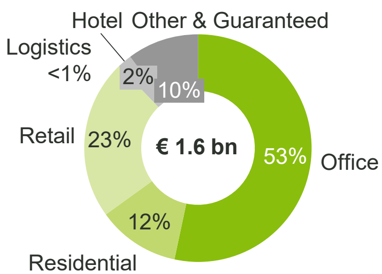
NPL Portfolio
€ mn (EaD, Basel III)



Regions
31/03/2024 (EaD, Basel III)



Property types
31/03/2024 (EaD, Basel III)



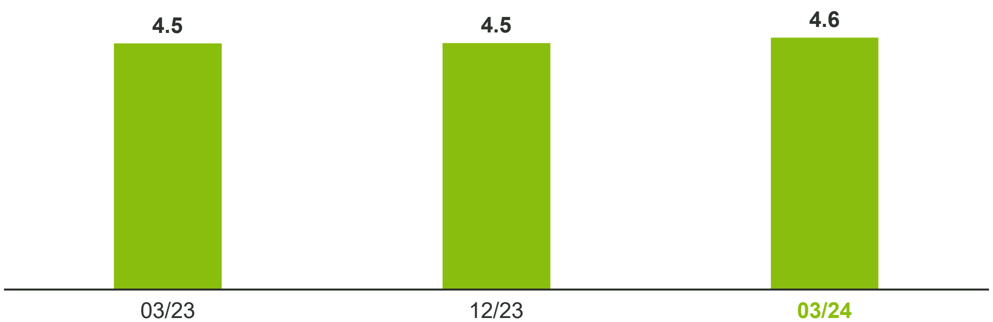
- **Additions** driven by two US office loans and one German development
- Only small increase of **NPL portfolio**, benefitting from active **management of NPL portfolio**
  - 1 loan (€ 46 mn) restructured
  - 1 loan (€ 46 mn) repaid
  - both at internal valuation marks
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -32%[2]
- **NPE[1] ratio** 3.3%
- **NPL coverage ratio** of ~27% via existing stage 3 LLPs of € 441 mn

Note: Figures may not add up due to rounding 1. Non-Performing Exposure ratio = Non-performing loans and bonds / total portfolio (EaD); NPL ratio (EBA definition) 03/24: 3.9% (NPL ratio = gross carrying amount of non-performing loans and advances (incl. loans in forbearance cure-period) / total gross carrying amount of loans and advances) 2 On the portfolio part, where a revaluation was necessary

FOCUS: USA PERFORMING

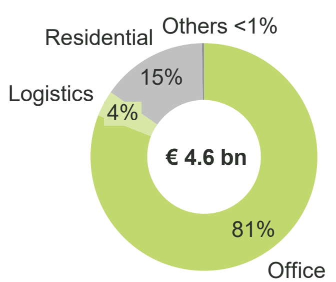
Continued pressure on valuations

Performing Portfolio
€ bn (EaD, Basel III)

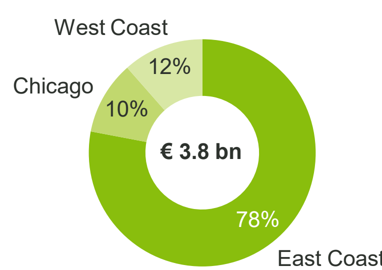


- Full focus on **risk mitigation** in existing portfolio
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -17%[2]
- **LTV-stress:**
  - **Exposure at risk:** ~4.7% of portfolio[1]
  - **Coverage ratio:** ~79% via existing stage 1&2 LLPs of € 128 mn

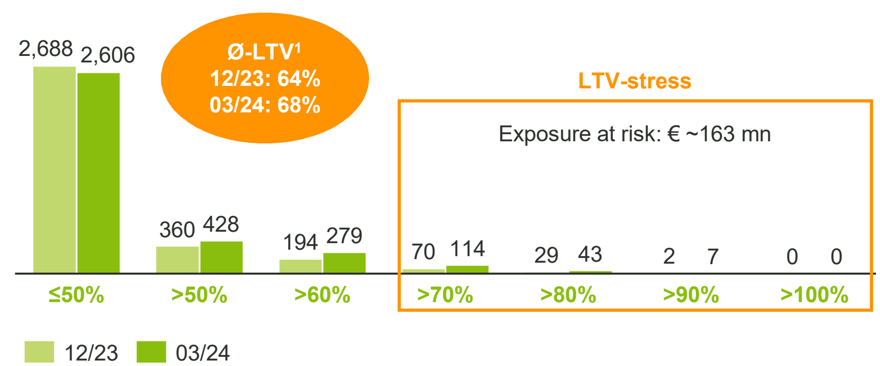
Property types
31/03/2024: (EaD, Basel III)



US Office – Regions
31/03/2024: (EaD, Basel III)



US Office – Layered LTV – based on performing investment loans only
(€ mn, commitments, Basel III)

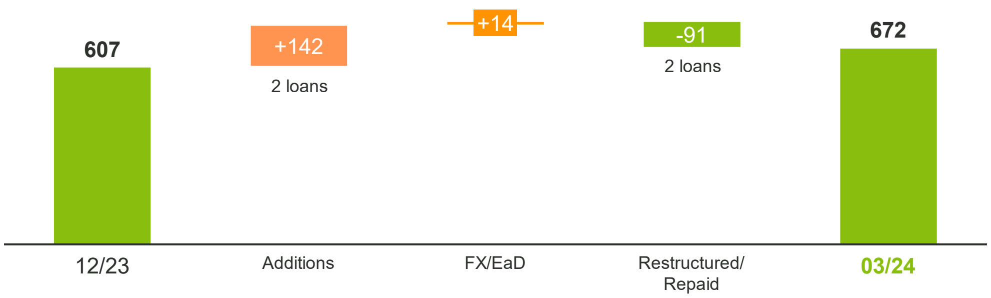


Note: Figures may not add up due to rounding 1. performing investment loans, based on commitments
2. On the portfolio part, where a revaluation was necessary

FOCUS: USA NPL

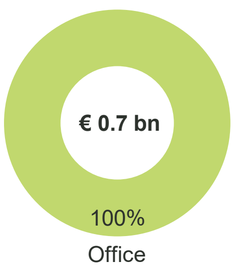
Successful workout and restructuring limited NPL increase to € ~50 mn (before FX effects)

Non-Performing Portfolio
€ mn (EaD, Basel III)

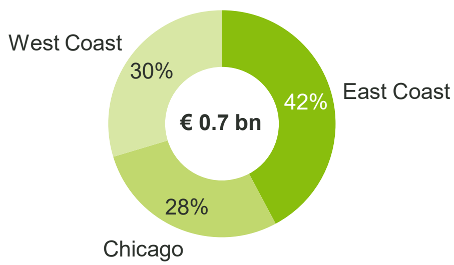


- Additions (office) mitigated by active **NPL management**
  - 1 loan (€ 46 mn) restructured
  - 1 loan (€ 46 mn) repaid
  - both at internal valuation marks
- **100% of the portfolio reviewed/revalued** in last 12 months – avg. value change of -35%[2]
- **US NPE[1] ratio** 13%
- **NPL coverage ratio** of ~21% via existing stage 3 LLPs of € 139 mn

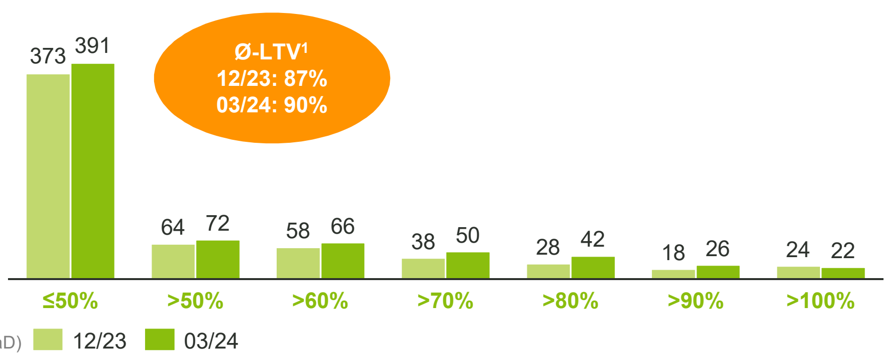
Property types
31/03/2024: (EaD, Basel III)



Office – Regions
31/03/2024: (EaD, Basel III)



Layered LTV – based on investment loans only
(€ mn, commitments, Basel III)



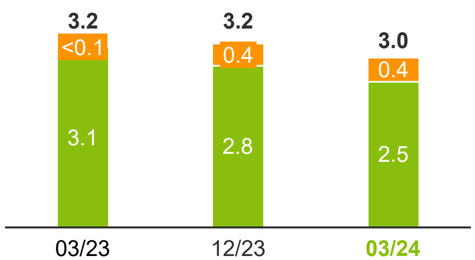
Note: Figures may not add up due to rounding 1. Non-Performing Exposure ratio = Non-performing loans and bonds / total US portfolio (EaD)
2. On the portfolio part, where a revaluation was necessary

FOCUS: DEVELOPMENT PORTFOLIO

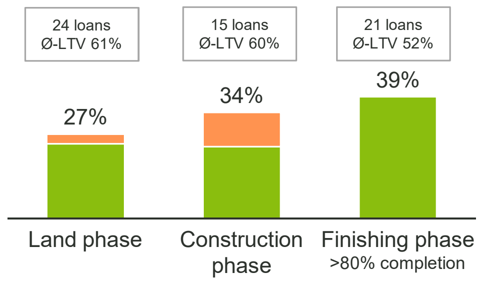
Development portfolio further reduced

Portfolio
€ bn (EaD, Basel III)

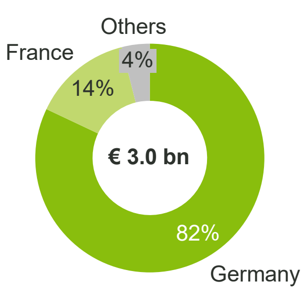
Performing
Non-performing



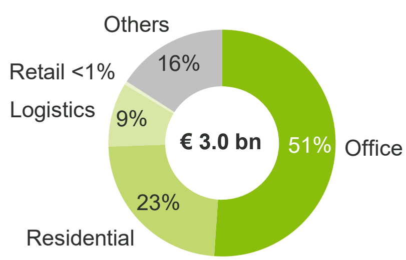
Phase
31/03/2024 (commitments, Basel III)



Regions
31/03/2024 (EaD, Basel III)



Property types
31/03/2024 (EaD, Basel III)



Note: Figures may not add up due to rounding

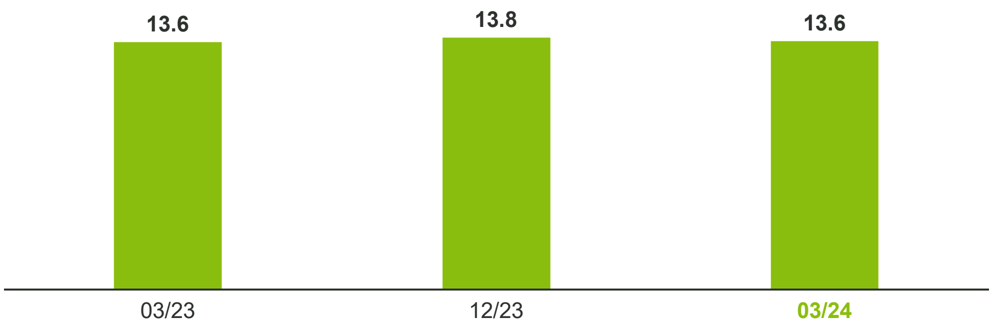
- **Portfolio** reduced by € 0.2 bn in Q1/24 – significantly **reduced** since 2019 (12/19: € 4.7 bn, 03/24: € 3.0 bn)
- **Senior lending** only
  - No exposure in unsecured/subordinated instruments
  - Cooperation only with selective and well **experienced large developers** – 40 developers for 60 projects
  - Focus on **office, residential and logistics** in major urban locations (very good locations) in Germany (only big 7) and Europe
- 2/3 in **land and finishing phase**
  - Therefore, no or only little immediate construction risk
  - ~75% of loans in construction and finishing phase **already finished or to be finished in 2024**
  - Risk management **focus on loans in construction phase**
- **Development NPLs** of € 418 mn with coverage ratio of ~15% via existing stage 3 LLPs of € 64 mn – 2024: 1 new case (€ 26 mn, land phase, no LLP)
  - Only German loans
  - Very good inner city locations
  - 5 cases in land phase, no LLPs
  - 2 cases in construction phase (1 residential/1 retail)

FOCUS: GERMANY PERFORMING

High portfolio quality – well diversified, senior lending portfolio with ~90% of loans collateralised at LTV ≤50%

Performing Portfolio

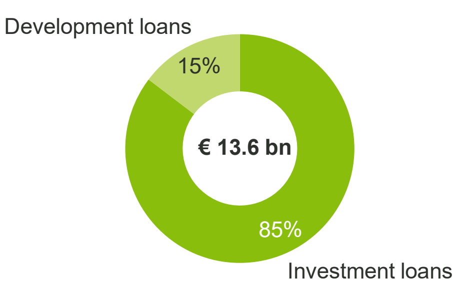
€ bn (EaD, Basel III)



- **German CRE portfolio** well diversified by region and property type with focus on big 5 cities – Hamburg, Berlin, Dusseldorf, Frankfurt/Main and Munich
- 100% of the portfolio **reviewed/revalued** in last 12 months – avg. value change of -11%[2]
- **LTV-stress:**
  - **Exposure at risk:** ~1.4% of portfolio[1]
  - **Coverage ratio:** ~9% via existing stage 1&2 LLPs of € 15 mn
- **German NPLs** limited to development loans (see previous page)

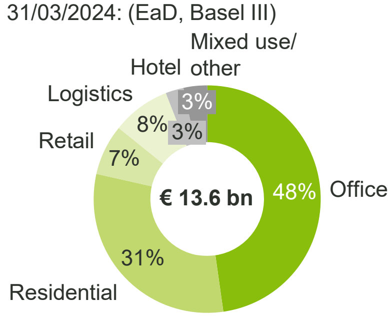
Product Class

31/03/2024: (EaD, Basel III)



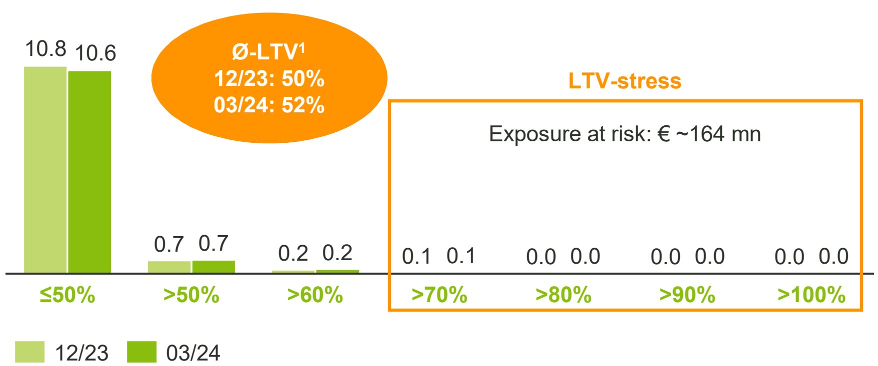
Property types

31/03/2024: (EaD, Basel III)



Layered LTV – based on performing investment loans only

(€ bn, commitments, Basel III)



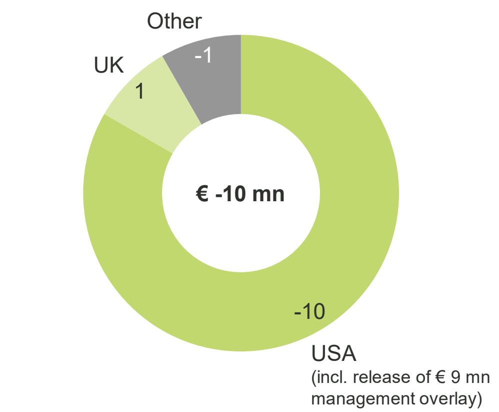
Note: Figures may not add up due to rounding
1. performing investment loans, based on commitments 2. On the portfolio part, where a revaluation was necessary

RISK COSTS

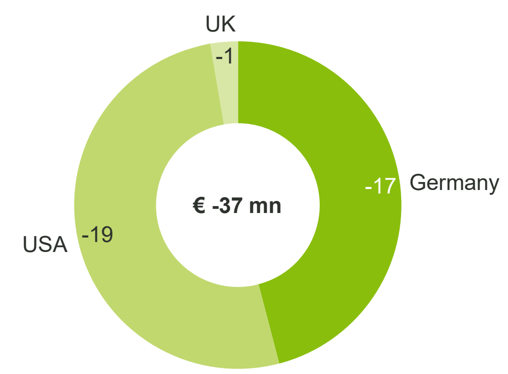
Risk provisioning on elevated level, but significantly lower vs. Q4/23, as expected

Net income from risk provisioning
€ mn (IFRS)

Stage 1&2



Stage 3



Challenging market environment reflected in credit risk and interest rate changes

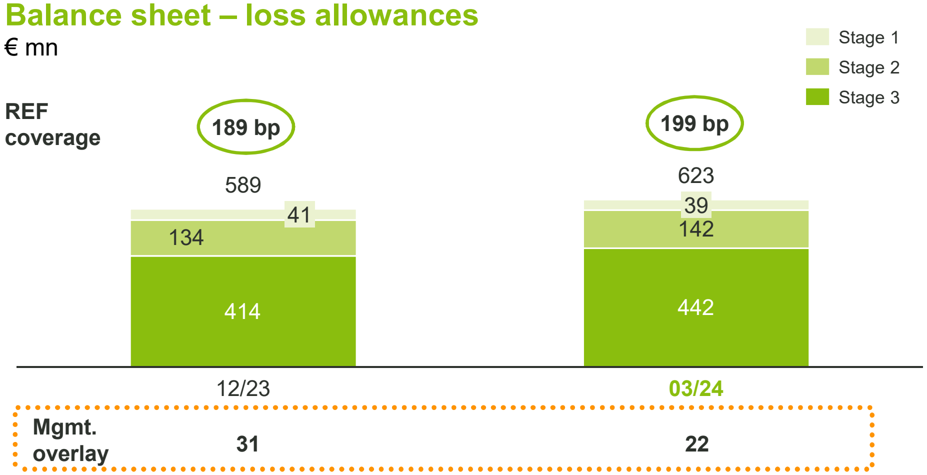
- **Stage 1&2:** € -10 mn net additions still dominated by US – credit risk changes (€ -15 mn) and macroeconomic impact from interest rate rises (€ -4 mn) partly compensated by release of management overlay (€ +9 mn)
- **Stage 3:** € -37 mn net additions driven by US office and German development

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

RISK COSTS

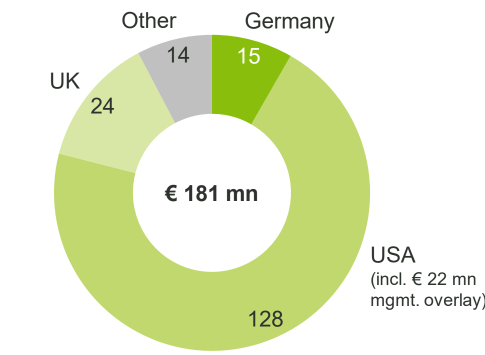
REF loan loss allowance coverage further strengthened

Balance sheet – loss allowances

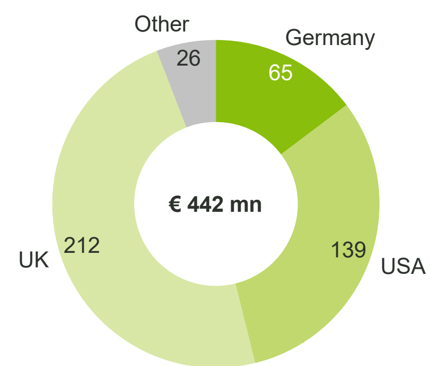


- Further build up of **loss allowances** – increase of **REF coverage** by 10 bp to 199 bp
- **Stage 1&2:** net increase by € 6 mn – additions partly reduced by positive effect from stage 3 transfer
- Release of € 9 mn **management overlay** for US loans
- **Stage 3:** net increase by € 28 mn – additions, FX and interest rate effects partly compensated by write-offs

Stage 1&2



Stage 3



FUNDING AND LIQUIDITY

Strong liquidity position further improved

Capital market funding needs for 2024 largely covered

- Further growth of **Retail deposits**
  - Strong reaction function on basis of broadened cooperations (ytd-growth € 1.5 bn)
  - Current volume of € 8.1 bn (04/24) well exceeds needs
- No need to issue **Senior Unsecured benchmark** in 2024
- **Secured** funding markets open at manageable cost – € 0.9 bn Pfandbriefe issued year-to-date; limited funding plans for remainder of 2024

Strong liquidity position further improved

- **€ >6 bn liquidity position** further increased – sufficient liquidity far beyond internal stress horizon (i.e. six times the regulatory requirements)
- Strong regulatory ratios with both **LCR and NSFR** significantly above minimum requirements of 100%

LCR
>200%
(04/24)

NSFR
109%
(03/24)[1]

Retail deposits
€ 8.1 bn
(04/24)

Liquidity
€ >6 bn
(04/24)

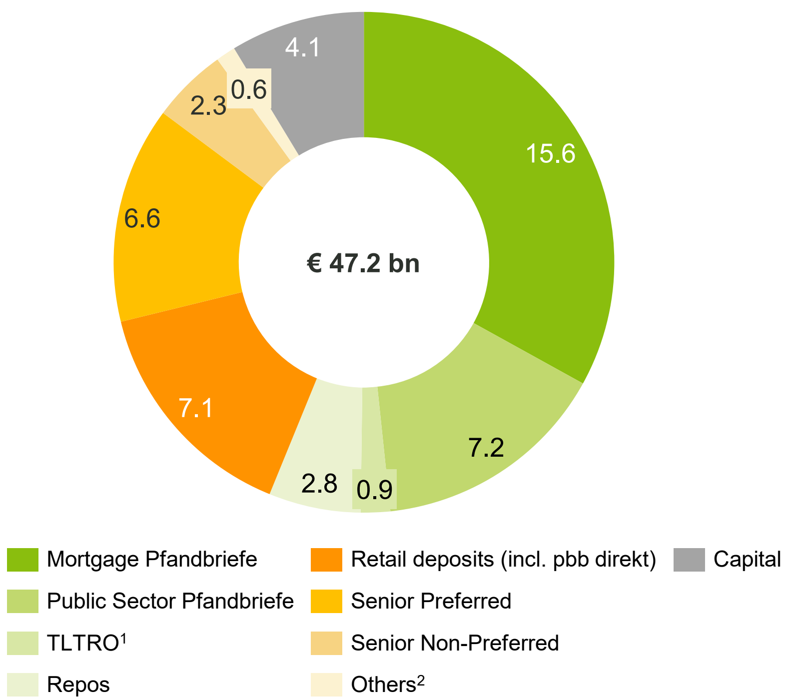
1. Preliminary

FUNDING AND LIQUIDITY

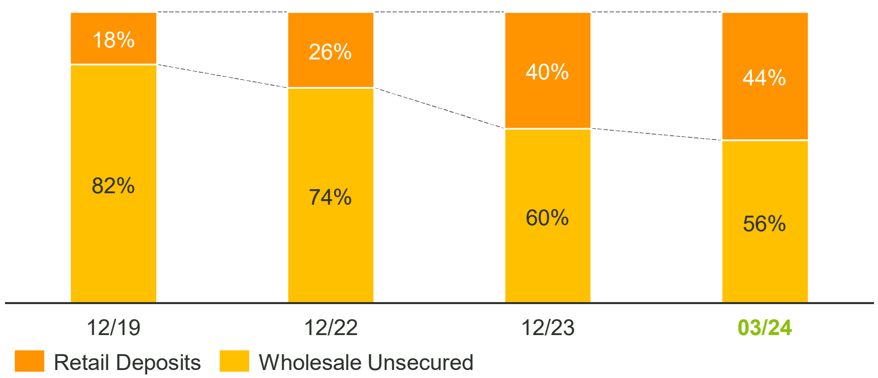
Diversified funding base

Diversified Funding Base

31/03/2024: € bn, nominal values



Unsecured Funding



- Over 55% resilient **secured funding**[3]
- **Broad toolbox** for both, secured and unsecured funding
- Capital market **unsecured funding** systematically **substituted with retail deposits**

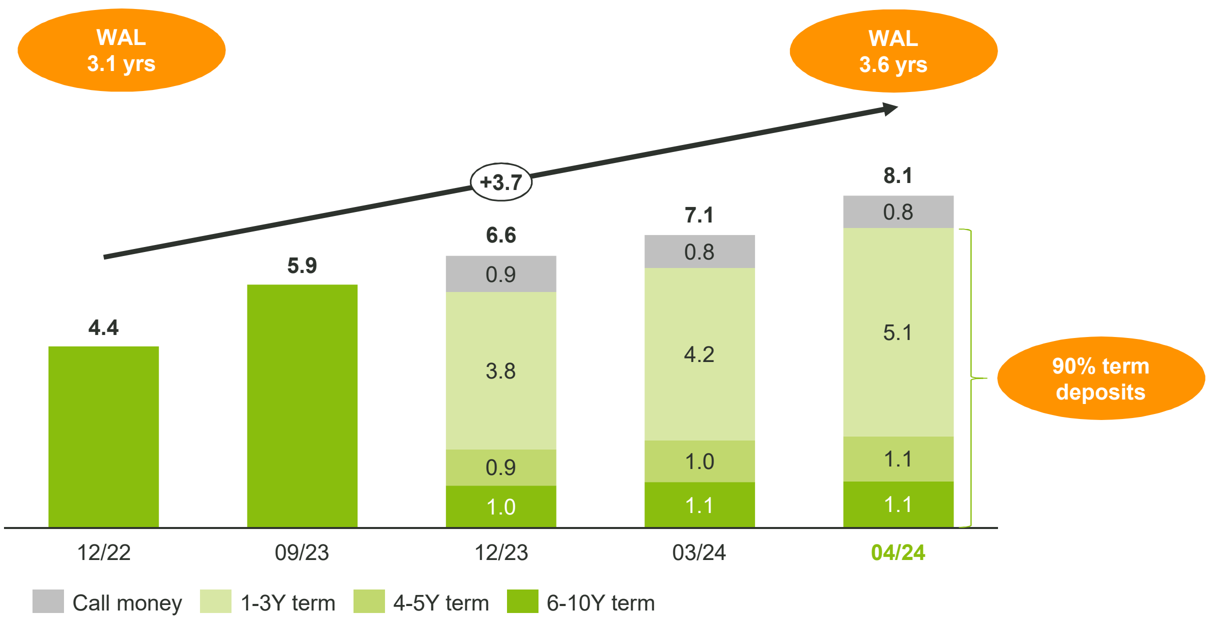
1. To be repaid in 2024 (liquidity neutral) 2. Others: e.g. institutional deposits and cash collateral 3. Pfandbriefe, TLTRO and Repos

RETAIL DEPOSITS

Retail deposit growth exceeds expectations and needs

Retail Deposits – development & maturity profile[1]

€ bn



pbb direkt[3]	12/22	12/23	03/24	04/24
Number of Clients	~60,000	~91,900	~99,000	~107,000
Avg. deposit amount per client (€)	~68,000	~64,000	~61,000	~61,000

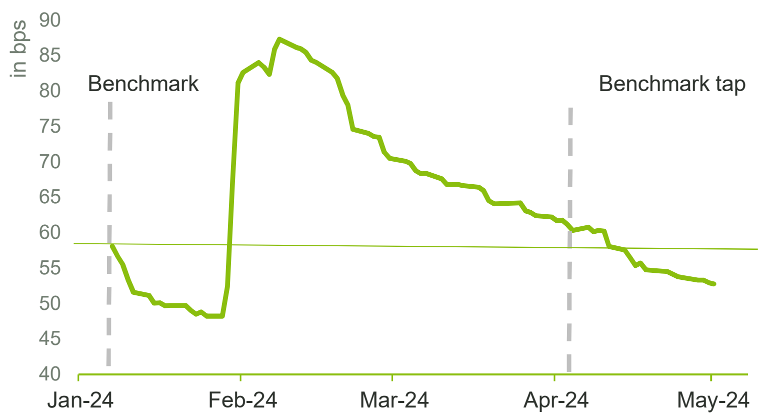
- **Strong growth** to € 8.1 bn – expected to be lower by year-end in line with further active balance sheet management
  - **Elastic source of funding** – strong elasticity to changes in customer interest rates
  - Increased inflow from **Co-operations** (CHECK 24, Raisin/Weltsparen) – total brokered deposits € 1.5 bn, 100% term
  - **Call money only ~10% / € 0.8 bn** well covered by liquidity reserves
  - **Long-term, granular and deposit insured**
    - 90% term deposits, WAL further increased to 3.6 yrs
    - € 61,000 average deposit (pbb direkt)
    - nearly 100% insured[2]
- **Cost efficient** – remain attractive source of senior preferred funding

Note: Figures may not add up due to rounding
1. Initial weighted average life of term deposits 3.6 years, remaining average time to maturity 2.5 years 2. Statutory deposit protection scheme in combination with the voluntary protection scheme of German Banks 3. Only pbb direkt clients without co-operations

FUNDING AND LIQUIDITY

Funding costs at manageable levels

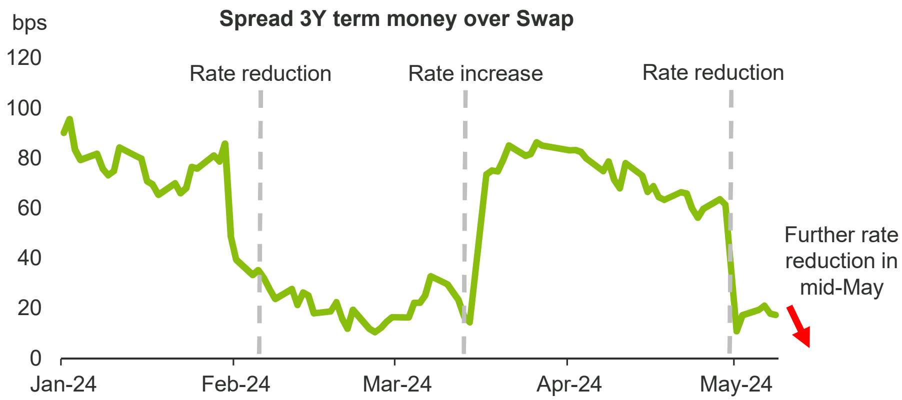
Spread 3Y Pfandbrief vs Midswap



Pfandbrief

- Successful 3Y **Pfandbrief benchmark** issued at +58 bp end of January 2024
- **Spreads are back to previous levels, (9th May) at +53 bp**
- **Benchmark** has been tapped by € 100 mn on April 9th at +60 bp bringing secondary spreads close to pre-volatility levels

Spread 3Y term money over Swap



Retail deposits

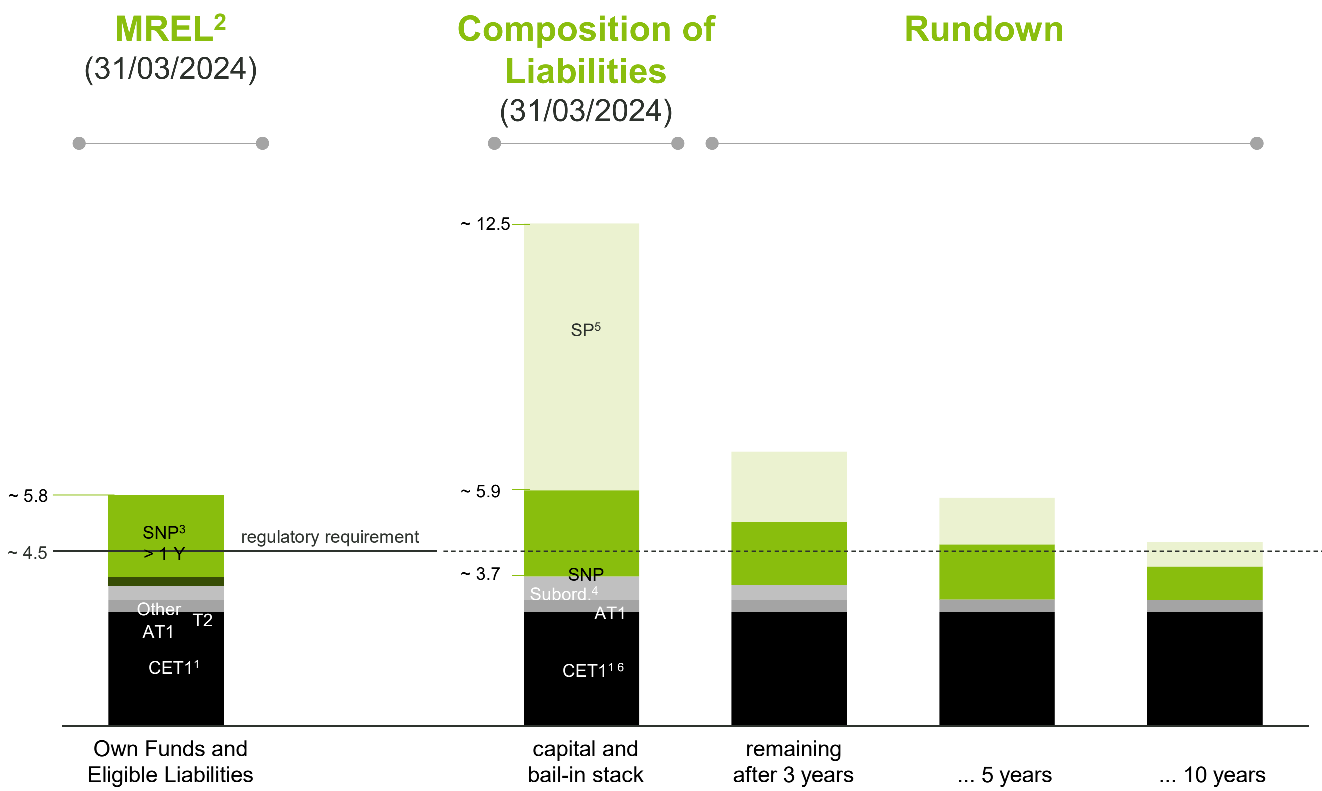
- **Interest rate changes** in order to reflect changes in swap rates
  - 2 **interest rate reductions** in 01/24 and 02/24 by ~50 bps each (for term deposits ≥ 2Y)
  - **Interest rate increase** in 03/24 by ~50 bps (for term deposits ≥ 2Y) with strong inflow
  - **Further rate reduction** in 05/24 by a total of ~ **100 bps** in two steps for all term deposits and call money

Source: Bloomberg, pbb

FUNDING

Own Funds and Eligible Liabilities exceed regulatory requirements

€ bn



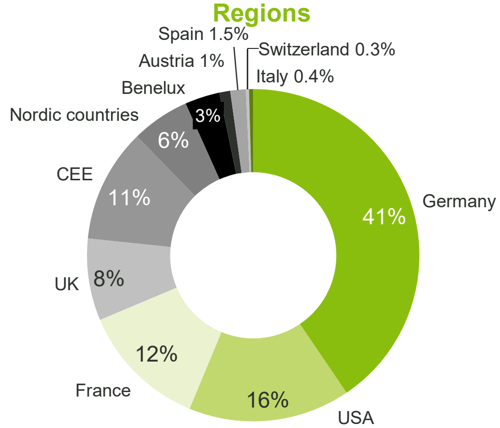
- Buffer for Senior Preferred (SP) investors due to high volume of capital instruments and Senior Non-Preferred (SNP) liabilities
- Existing Senior Non-Preferred liabilities with long remaining terms
- SP currently predominant senior product, but SNP to remain a key element of pbb' s funding strategy
- Regulatory requirements (SREP, MREL etc.) are met

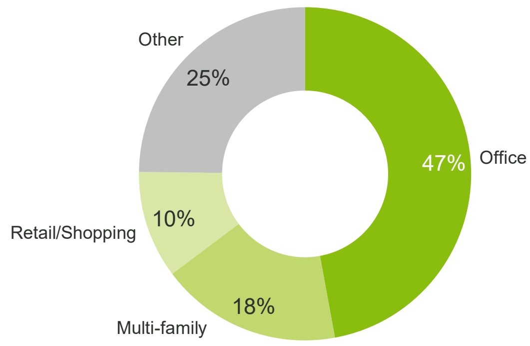
1. Incl. interim profit 2. Requirement set by SRB for 2024 (higher of the requirement in relation to Total Risk Exposure Amount (TREA) and in relation to Leverage Ratio Exposure (LRE); replaces former TLOF measure). As of 31 March 2024, MREL capacity (subordinated only) amounts to ~30.7% TREA / ~11.7% LRE (~11.7% TLOF) 3. MREL eligible Senior Non-Preferred Debt > 1Y according to legal maturities 4. Nominal amount of Tier 2 instruments; the capital stack includes € 300 mn AT1 issuance 5. Senior Preferred, structured unsecured and corporate deposits (excl. protected deposits) 6. CET1 assumed to be constant

MORTGAGE COVER POOL

Diversification by countries and property types

Mortgage Cover Pool



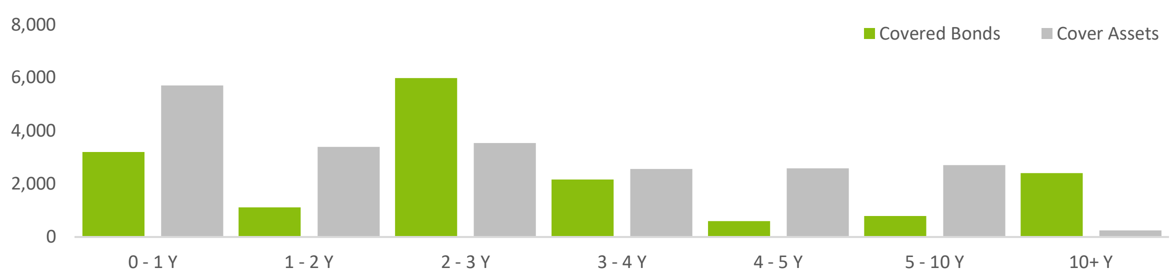


Key metrics

Mortgage cover pool (nominal)	31/03/2024
Pfandbriefe outstanding	€ 16.2 bn
Cover funds	€ 20.7 bn
Over-collateralisation (Nominal/NPV)	27.7% / 30.4%
No. of loans	1,445
No. of properties	3,290
Payments ≥ 90 days overdue	€ 0.3mn
Weighted average LTV (based on market value)	35.5%

Maturity Profile

(nominal values, € mn)



MANDATED RATINGS

Bank ratings	S&P	
Long-term	**BBB-**	
Outlook/Trend	Negative	
Short-term	A-3	
Stand-alone rating[1]	bb+	
Long Term Debt Ratings		
“Preferred” senior unsecured Debt[2]	BBB-	
“Non-preferred” senior unsecured Debt[3]	BB-	
Subordinated Debt	B+	

Pfandbrief ratings		Moody’s
Mortgage Pfandbrief		Aa1
Public Sector Pfandbrief		Aa1

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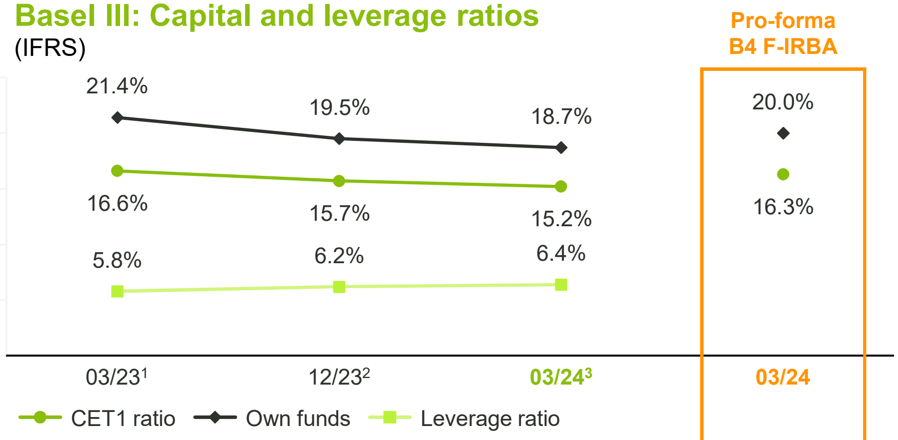
1. S&P: Stand-alone credit profile 2. S&P: “Senior Unsecured Debt” 3. S&P: “Senior Subordinated Debt”

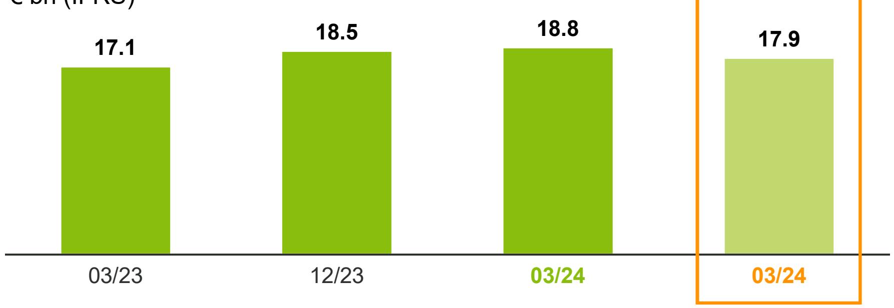
CAPITAL

pbb well capitalised

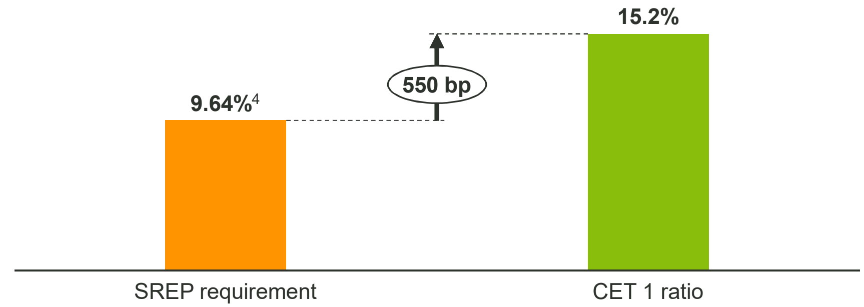
Basel III: Capital and leverage ratios
(IFRS)



RWA
€ bn (IFRS)



- **15.2% CET 1 ratio** including interim result – slightly increased **RWA** reflect internal rating developments and new business
- Strong **MDA buffer of 550 bp (€ 1 bn)** over regulatory requirements
- **Pro-forma B4 F-IRBA CET1 ratio at 16.3%**



1. Excl. interim result, post dividend 2022 2. Incl. full-year result 3. Incl. interim result 4. SREP requirement: 4.5% P1R + 1.69% P2R + 2.5% Capital Conservation Buffer + 0.95% anticipated additional buffer (CCyB + SyRB)
Note: Figures may not add up due to rounding

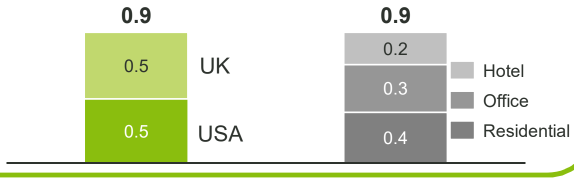
BALANCE SHEET MANAGEMENT

Pro-active management of pbb's balance sheet

Active REF Portfolio Management

- Portfolio transaction in Q2/24 – sale of € 0.9 bn performing loan portfolio to be signed shortly, RWA relief of € 0.7 bn
- Transaction targets to improve REF portfolio RoE and to support capital trajectory
- Further sales of performing/non-performing loans in consideration

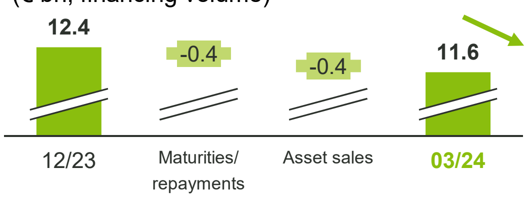
Portfolio transaction
(€ bn, financing volume)



Management of Non-Core Portfolio

- Non-strategic portfolio in run-down – acceleration through sale of assets
- € 0.4 bn asset sales in Q1/24 – mainly public sector bonds from Austria and Japan
- Further sales planned for 2024

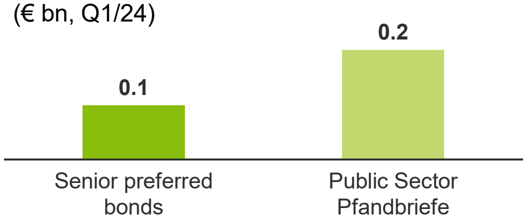
Non-core Portfolio
(€ bn, financing volume)



Liability Management

- Pro-active liability management aims to optimise asset/liability profile
- Buybacks common instrument of pbb's tool box
- € 0.3 bn buybacks in Q1/24 – already ~50% vs. FY2023

Liability buybacks
(€ bn, Q1/24)



GUIDANCE 2024

Solid operating income strength; PBT expected significantly above 2023 level

REF Portfolio	**New business** (incl. extensions > 1 year)	€ 6-7 bn
	Financing volume	€ 30-31 bn
P&L	**Operating Income**	€ 525-550 mn
	thereof: NII + NCI	€ 475-500 mn
	LLPs	<< 2023
	CIR	~50%
Profitability	**Pre-tax profit**	>> 2023
	RoE/RoCET1 after taxes	>> 2023
Capitalisation	**CET 1 ratio**	≥ 14%

SUMMARY

Solid start into 2024

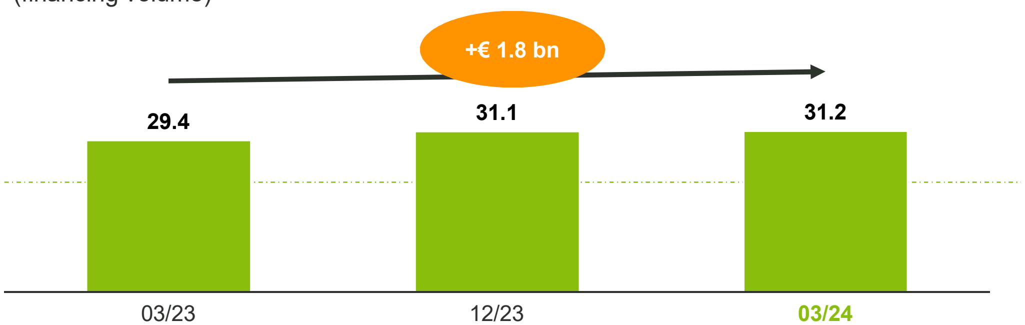
- **PBT** in line with guidance
- **Risk provisioning** in Q1/24 remains elevated as expected, but lower than Q4/23
- Slowing dynamic in **NPL portfolio** supported by active management
- **Strategic active balance sheet management** started with focus on
  - REF portfolio – performing/non-performing
  - non-core portfolio – accelerated run-down
  - liability management

APPENDIX

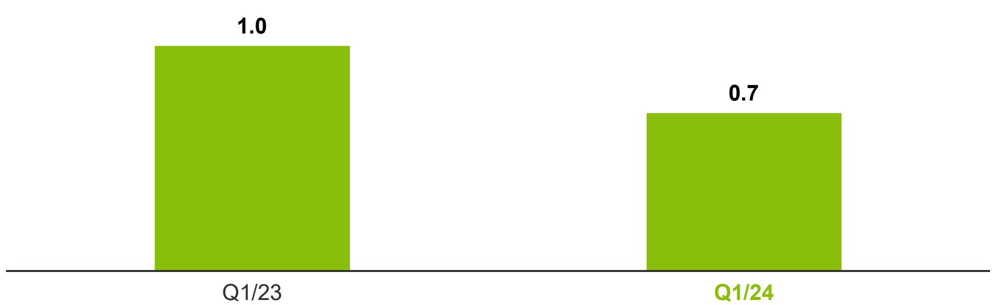
REF NEW BUSINESS

REF portfolio growth with improved margins

Volume of strategic REF portfolio in € bn
(financing volume)



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



- **Strategic REF portfolio** stable q-o-q, benefitting from drawdowns of new business and low level of prepayments and repayments
- **Avg. portfolio margin** further up
- **Selective new business** volume of € 0.7 bn with focus on extensions
- Strong growth in **gross interest margin**
- Focus on **balanced risk/return ratio**, avoiding higher risk profile at the expense of higher volume or higher margin

New Business	Q1/23	Q1/24
Share of extension > 1 year (%)	34	58
Ø Gross interest margin (bp)[2]	~200	~245
Ø LTV[1] (%)	54	56
Ø Maturity[3] (yrs.)	~3.4	~3.2
No. of Deals	18	15

1. New commitments; avg. LTV (extensions): 3M/24: 50%, 3M/23: 56% 2. Net of FX-effects; gross revenue margin: 3M/24 ~265 bp, 3M/23 ~235 bp 3. Legal maturities

REF NEW BUSINESS

Diversification supports management of the cycle

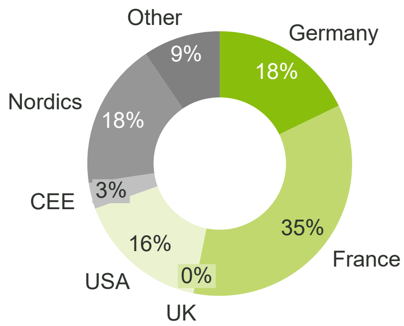
As of 31/03/24

€ 0.7 bn

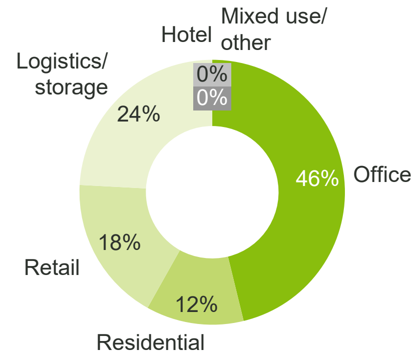
New business

(commitments, incl. extensions > 1 year)

Regions



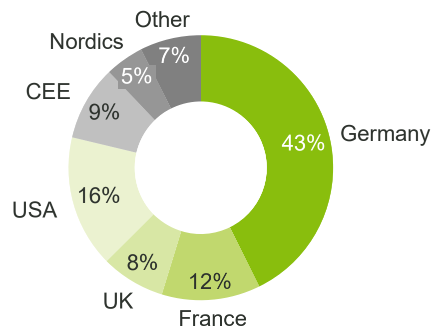
Property types

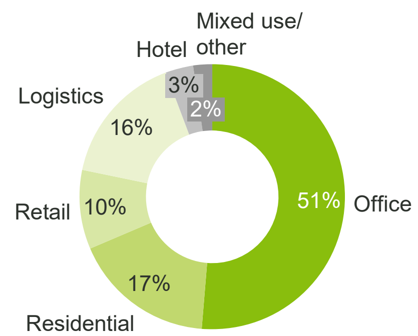


€ 32.9 bn

Portfolio

(EaD, Basel III)





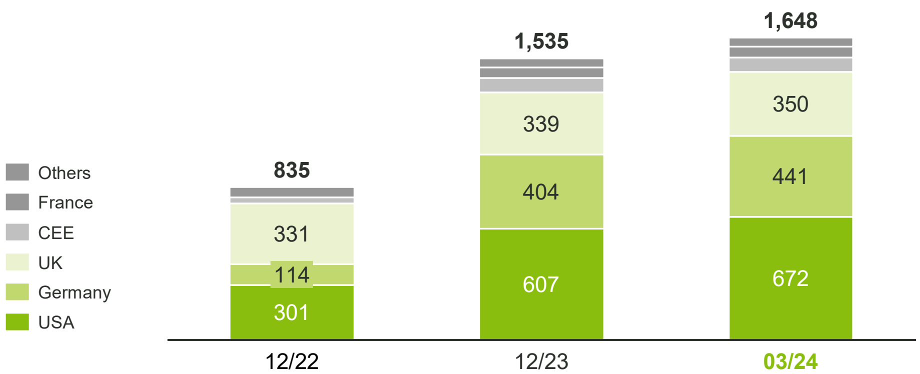
1. Note: Figures may not add up due to rounding

REF NPL PORTFOLIO

Small increase in Q1/24 – active restructuring/ work-out ongoing

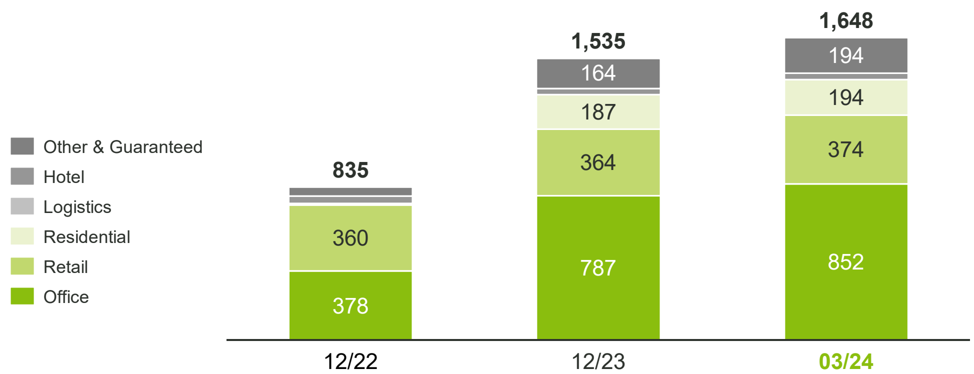
Geographical breakdown

€ mn (EaD, Basel III)



Breakdown by property type

€ mn (EaD, Basel III)



- **USA:** Ongoing active management of NPLs with 2 loans (€ 91 mn) successfully restructured/worked out in Q1/24 – addition of 2 new office loans (€ 142 mn), FX changes (€ 14 mn)
- **Germany:** Addition of 1 development loan (office) in top location – no LLP required
- **UK:** 4 shopping center loans (default 2019, 70% LLP ratio) and 1 Office loan (default 2023, no LLP)

- **Office:** Increase in NPLs from US loans
- **Retail:** Increase from FX changes
- **Residential:** Increase from EaD changes
- **Others:** Increase resulting from 1 German development and FX changes

Note: Figures may not add up due to rounding 1. Based on investment loans only

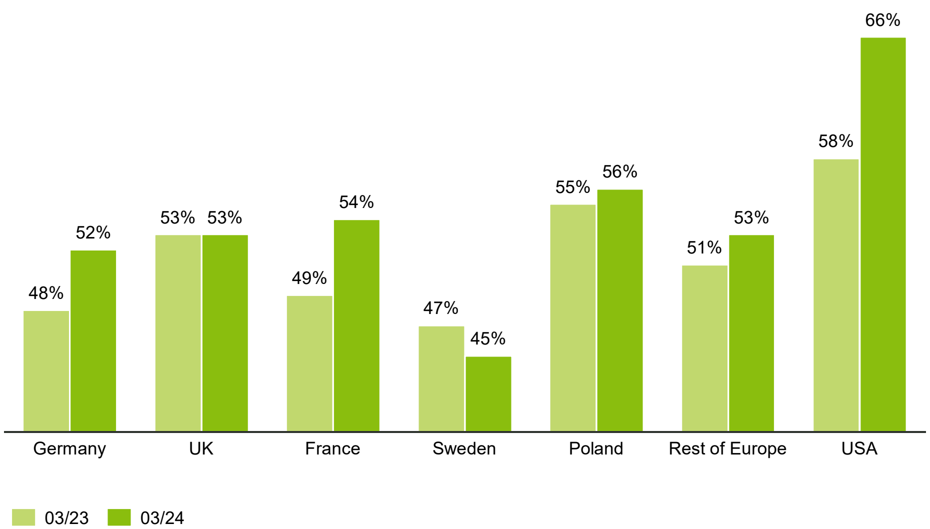
REF PORTFOLIO

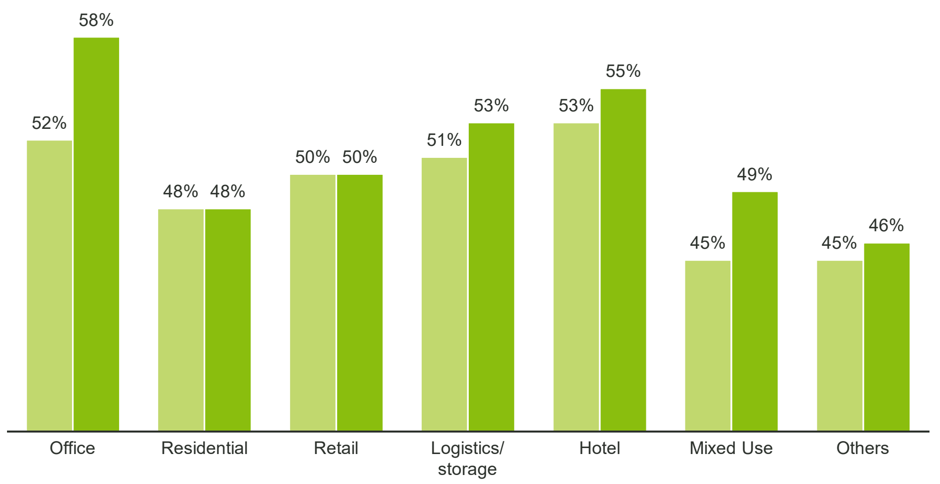
LTV development reflects market environment

REF Portfolio: LTV cluster[1]

€ bn

Avg. LTV[1]
03/23: 51%
03/24: 54%





1. Based on performing investment loans only Note: Figures may not add up due to rounding

MONITORING PROCESS

Multi-level valuation review process

Regular annual review (Level 1/2) – revaluation mandatory in case of significant changes (Level 3/4)

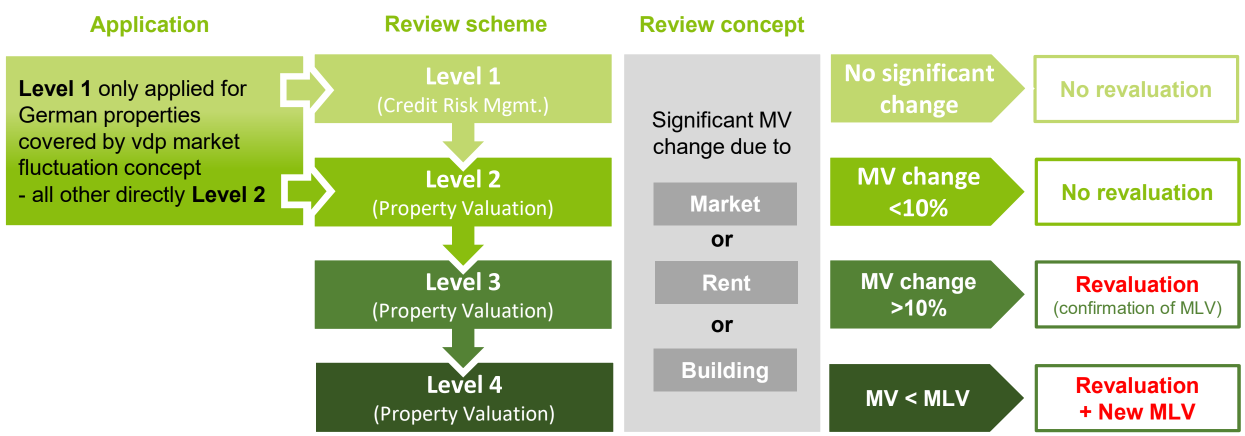
Mandatory revaluation (Level 3) **after 3 years**

In addition, reviews on a continuous basis:

– **Event triggered review** – revaluation mandatory in case of significant changes (e.g. special events/reasons, extreme market fluctuations, transfer to watchlist, default)

– **Credit review** (e.g. covenant testing, credit rating screening, tenant monitoring, early warning signals, forward-looking assessment)

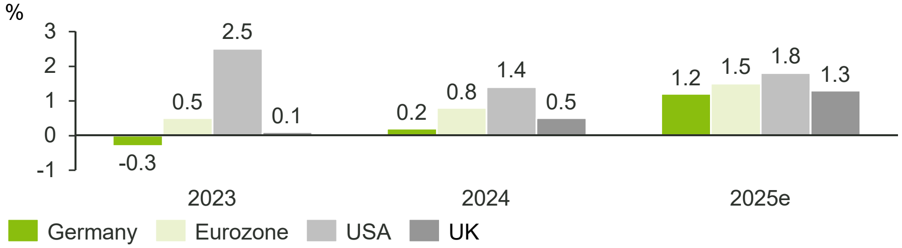
Valuation review process (simplified)



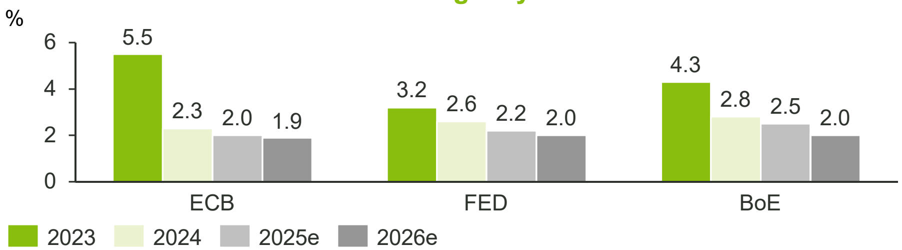
ECONOMIC OUTLOOK

Base case: modest economic growth outlook

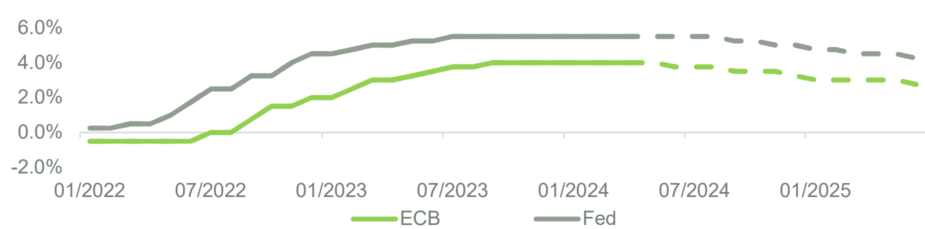
GDP growth picks up moderately in Europe



Inflation on track to return to 2% target by 2026



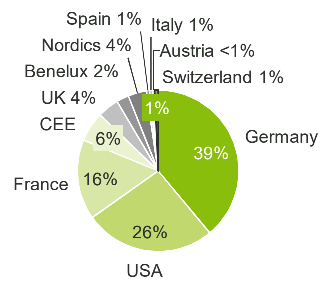
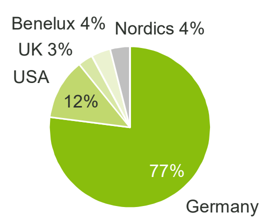
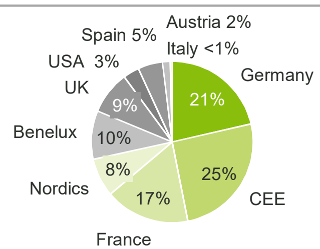
ECB will be cutting rates soon while the Fed remains patient



- In 2024 and 2025, pbb expects **GDP growth** in **Continental Europe** by ~0.8% and ~1.5%, while the UK is expected to grow again by ~0.5% this year, and ~1.3% in 2025. **US** GDP is expected to expand solidly over the next two years.
- **Inflation** developments are key for this year's outlook. Market consensus and pbb expect that the **ECB will begin lowering interest rates in mid-2024** while amid inflation on track to return to the 2% target while the **Fed is likely to move only** once it has gained **enough confidence that the prior inflation downward trend resumes**.
- This interest rate development in Europe and the US is expected to **stabilise the real estate market**.
- **The second quarter 2024 should remain challenging**. pbb expects to see **some further valuation corrections for US office properties**, but lower than 2023.
- Due to the different market structures, pbb **does not expect** the **same extent of distortions** in Europe as in the US.
- In Europe , the "**flight to quality" trend is expected to remain intact** but encounters lower vacancy rates than in the US.
- In Europe, office space **demand for prime properties in core inner-city locations is expected to continue to be strong**, especially when ESG standards are high.

REF PORTFOLIO

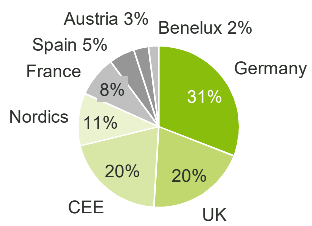
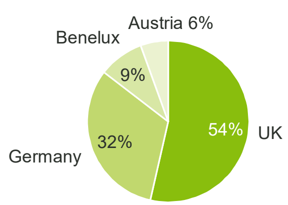
Sub-segments

Property	Regions	Evaluation of current situation	Challenges	Risk positioning
Office € 16.9 bn (51%)		▪ Net absorption has recovered compare to Covid, but is still relatively weak as a result of both the economic cycle, longer efficiency trends, and the impact of homeworking. ▪ Discussions about new concepts of work are ongoing. Employees prefer flexible working models and therefore office presence declines. Demand for office space is reduced accordingly. ▪ Demand is currently focused on modern, flexible and ESG-compliant properties in prime locations. Office space in secondary locations is still not sought after. ▪ Employment forecast is expected to be stable or even slightly positive. Together with a declining pipeline, this is leading to a slight increase in vacancies, but not to the extent of previous crises. ▪ As interest rates and inflation peaked, a further decline in prices is only expected to a limited extent, concentrating mainly on older properties in secondary locations.	▪ Cooling of tenant market due to overall economic situation and shift of demand towards modern, green, centrally located properties leads to reletting/extension risks with pressure on rental level on secondary/older buildings. ▪ Good locations expected to remain competitive and "Green" having become a very core element in competition. ▪ Increased interest level in combination with competitive disadvantage for B-properties/B-locations has increased pressure on value in particular for these properties. ▪ Some former A-locations have, due to structural changes, downgraded to B-locations. ▪ Structural changes, cooled letting market and increased interest level have put pressure on cash flow for, in particular, class-B-properties.	▪ Focus on good locations in main European and US urban locations. ▪ Avg. LTV of 58%[1] provides good buffer and supports commitment of investors/sponsors. ▪ Well diversified portfolio with focus in Germany, main cities in the US (e.g. New York, Boston, Washington) and France (almost completely Paris/Isle de France region). ▪ Detailed analysis of "green profile" of properties including associated risk conducted in new business and on occasions of (annual) credit reports transactions.
Residential € 5.7 bn (17%)		▪ The market of owner-occupied properties is expected to recover slowly as inflation declines and central banks will probably cut interest rates. Particular in Europe. ▪ Increased interest rates also had a negative impact on multifamily properties. Multipliers dropped significantly. Rising rents mitigated the effect to some extent. ▪ 2024 is expected to have different dynamics. First of all ESG-compliant properties are expected to be sought after. Regulations in the rental sector expected to impede NOI increase.	▪ Increased interest level puts pressure on value, however still more moderate than in other (sub-) asset classes. ▪ Cash flow under pressure from many reasons: interest rates, energy costs, investment requirements - partially counterbalanced by increasing rents. ▪ In particular, capital-market oriented investors often with challenging refinancing situations. ▪ Transaction Market in Germany for portfolios gaining momentum again.	▪ Portfolio volume of € 5.7 bn with avg. LTV of 48%[1] provides good buffer and supports commitment of investors/sponsors. ▪ Well diversified portfolio with strong focus on Germany.
Logistics € 5.3 bn (16%)		▪ The logistics sector benefits from a stronger focus on e-commerce but also from the need for more resilient supply chains in the industry sector. ▪ This in turn leads to rental growth in most market types, but focused on key cities where supply is low. ▪ The significant drop in values was yield driven, while rental growth is partially mitigating the decline. ▪ Since demand for logistics space is typically strongly correlated with economic activity and GDP current economic uncertainties pose a potential threat. ▪ Sought after investment class.	▪ Monoline logistics centres depending on particular clients seen sceptical. ▪ Due to partially overheated prices, market correction on investment side seen. ▪ Rents still stable/partially further increasing.	▪ Strategic approach; expert team since 2014; share increase since 2013 from 8% to 16%. ▪ Focus on locations: good infrastructure, connection to a variety of different transportation routes. ▪ Avg. LTV of 53%[1] provides good buffer and supports commitment of investors / sponsors. ▪ Well diversified portfolio. ▪ High quality of sponsors.

1. Based on performing investment loans only   Note: Figures may not add up due to rounding, EaD, Basel III

REF PORTFOLIO

Sub-segments

Property	Regions	Evaluation of current situation	Challenges	Risk positioning
Retail € 3.2 bn (10%)		▪ Inflation and high interest rates weakened retail sales in 2023. In 2024 lower inflation stabilises real incomes. Therefore, consumer spending expected to increase ▪ European retailers expected to continue to explore flagship-stores. Therefore, prime locations expected to sought after in the upcoming years. ▪ In 2024 E-Commerce in Europe is expected to grow slightly less than previously assumed but on its postive pre-pandemic growth trend. Constant consumer spending assumed while in-store spending expected to stagnate. ▪ Factory Outlet Center have outperformed the retail sector in 2023, expected to continue in 2024. ▪ The investment market was observed to be relatively liquid despite the yield increase. Supported also by relatively low prices and an improved rental outlook.	▪ Short Term: threats to income stability as well as decreasing consumer spendings/consumer confidence due to inflation and modest economic development in many countries. Professionally managed (and therefore well performing) assets stable. ▪ Mid Term: structural changes (online sale, change of high street/shopping centre retail structure towards more leisure) leading to continued pressure on rents and to oversupply of space in particular outside A-locations.	▪ Selective approach with planned reduction of retail portfolio by ~55% or € 3.8 bn since 2016 (03/24: € 3.2 bn; 12/16: € 7.1 bn). ▪ Only investment loans, almost no development loans. ▪ Avg. LTV of 50%[1] provides good buffer and supports commitment of investors/ sponsors. ▪ Well diversified portfolio. ▪ For new business selective approach with moderate LTVs.
Hotel (Business Hotels only) € 1.1 bn (3%)		▪ Increasing competition has led to mergers of operators and licensees. Secondary hotels have been developed to apartments. ▪ Hotel industry benefits from strong pent-up demand resulting from both leisure and business. This in turn led to relatively strong recovery in hotel performance. While occupancy is just slightly below 2019 figures revenue per available room and room rates are well above pre-Covid levels. ▪ Economic uncertainty is still a threat for Hotel performance. ▪ ESG requirements expected to be an ongoing challenge for the hotel industry.	▪ Recovery mostly achieved with many locations close or even above to pre-Corona-levels in terms of occupancy and room rates. ▪ Recovery of business hotels focus on central locations, fringe locations lagging behind. ▪ Shortage of qualified personnel in parts of the industry, further increasing operating costs squeeze margins and compensate part of the recovery trend.	▪ Selective approach and strict adherence to underwriting standards in particular during the hot phase of hotel investment market in 2018/19 resulting in a relatively small portfolio volume of € 1.1 bn. ▪ Focus on prime locations secures base value of properties. ▪ Avg. LTV of 55%[1] provides good buffer and supports commitment of investors/ sponsors. ▪ Focus on business hotels in main European capitals/business locations in combination with strong brands and professional sponsors.

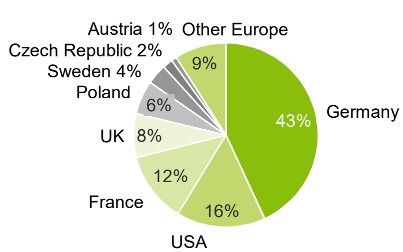
1. Based on performing investment loans only   Note: Figures may not add up due to rounding, EaD, Basel III

PORTFOLIO

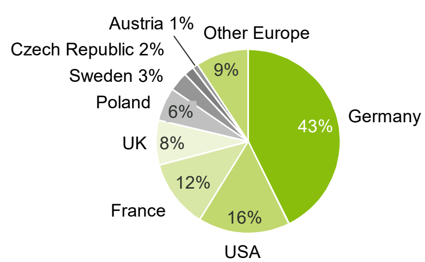
Real Estate Finance (REF)

Regions

31/12/2023: € 33.0 bn

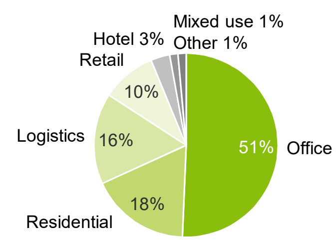


31/03/2024: € 32.9 bn

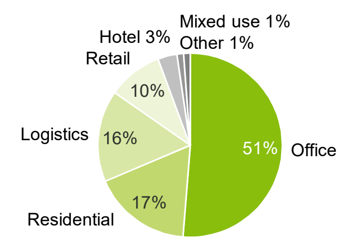


Property types

31/12/2023: € 33.0 bn

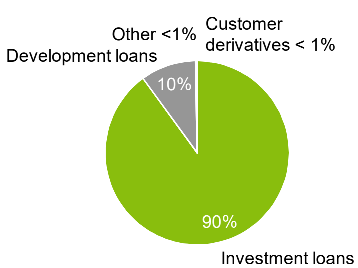


31/03/2024: € 32.9 bn

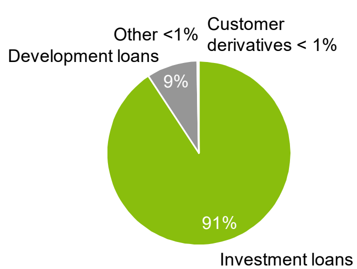


Product class

31/12/2023: € 33.0 bn

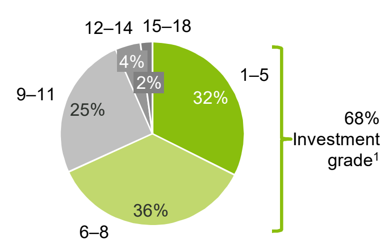


31/03/2024: € 32.9 bn

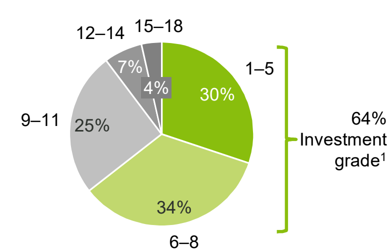


Internal ratings (EL classes)

31/12/2023: € 33.0 bn



31/03/2024: € 32.9 bn



1. Internal EL Classes 1–8 = Investment grade; Internal EL classes 9–18 = Non-investment grade

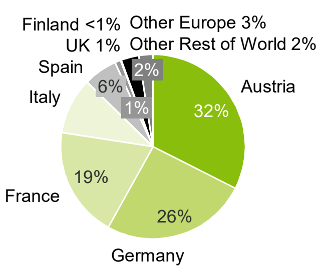
Note: Figures may not add up due to rounding, EaD, Basel III

PORTFOLIO

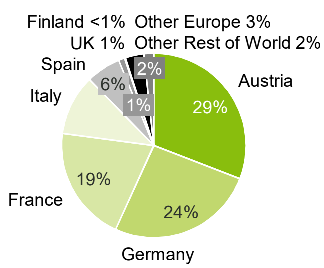
Non-Core Unit (PIF & VP)

Regions

31/12/2023: € 13.2 bn

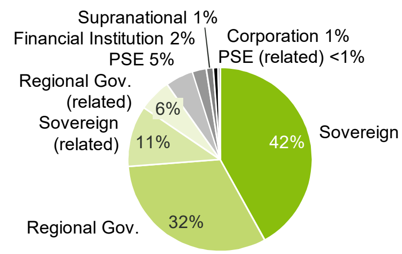


31/03/2024: € 12.4 bn

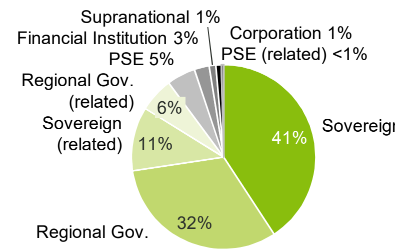


Borrower classification[1]

31/12/2023: € 13.2 bn

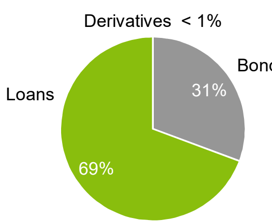


31/03/2024: € 12.4 bn

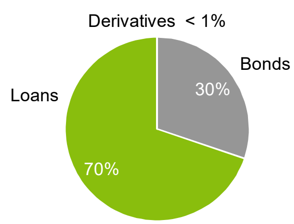


Product class

31/12/2023: € 13.2 bn

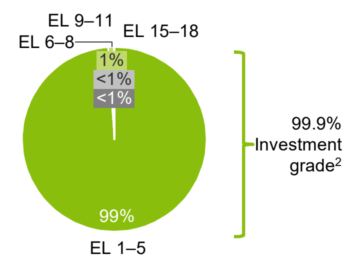


31/03/2024: € 12.4 bn

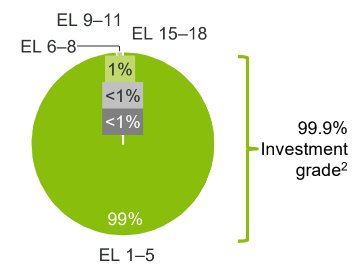


Internal ratings (EL classes)

31/12/2023: € 13.2 bn



31/03/2024: € 12.4 bn



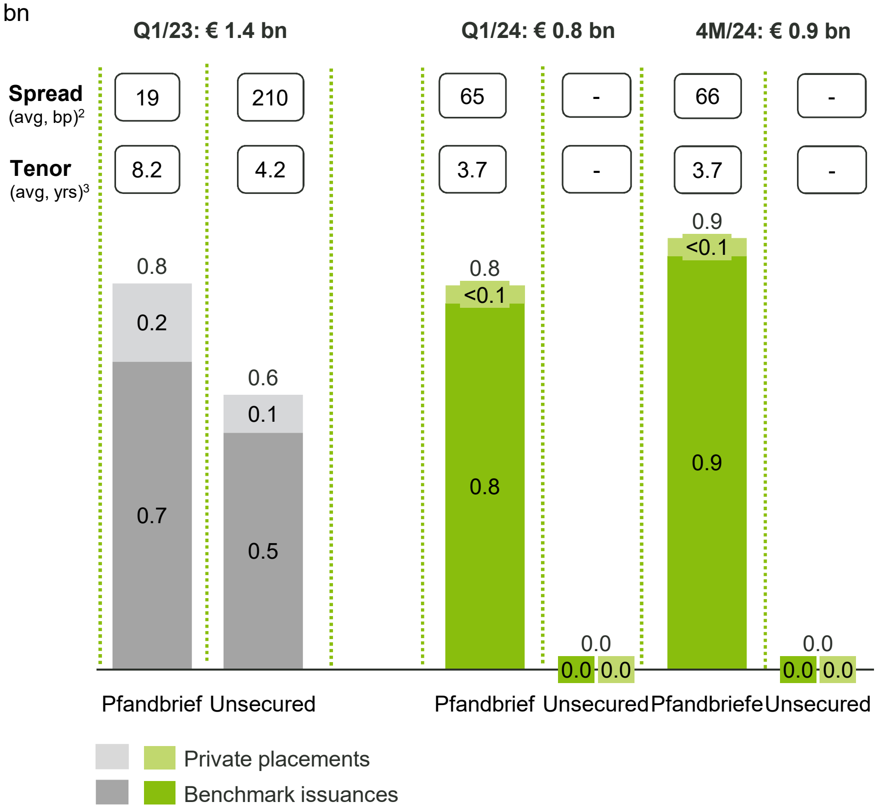
1. See appendix for definition of borrower classification 2. Internal EL Classes 1–8 = Investment grade; Internal EL classes 9–18 = Non-investment grade Note: Figures may not add up due to rounding, EaD, Basel III

FUNDING AND LIQUIDITY

Capital Market funding focused on Pfandbrief

New long-term funding[1]

€ bn



- **Secured capital market funding** largely covered for 2024
  - Secured funding is ahead of plan
  - Markets open for public issues and private placements – € 100 mn tap in April (of Mortgage Pfandbrief successfully issued in January) at almost unchanged conditions
  - Limited funding plans for 2024 given pre-funding, limited balance sheet needs and broad toolbox for collateralised funding
  - 7 Pfandbrief Benchmarks in 2023 and 2024 year-to-date (4 EUR Benchmarks, 1 USD Benchmark, 1 GBP and 1 SEK) with average duration of 3 years matching pbb`s asset duration
- **Unsecured wholesale** largely replaced by stable and competitive retail deposits
  - One Senior Unsecured benchmark in early 2023
  - No Senior Unsecured benchmark needed in 2024

1. Excl. retail deposit business and "own-use" Pfandbriefe 2. vs. 3M Euribor 3. Initial weighted average maturity Note: Figures may not add up due to rounding

PFANDBRIEF COVER POOL

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

Interest Service Cover

€ 4.0 mn rent p.a. at 4% property yield
results in a market
value of € 100 mn

minus

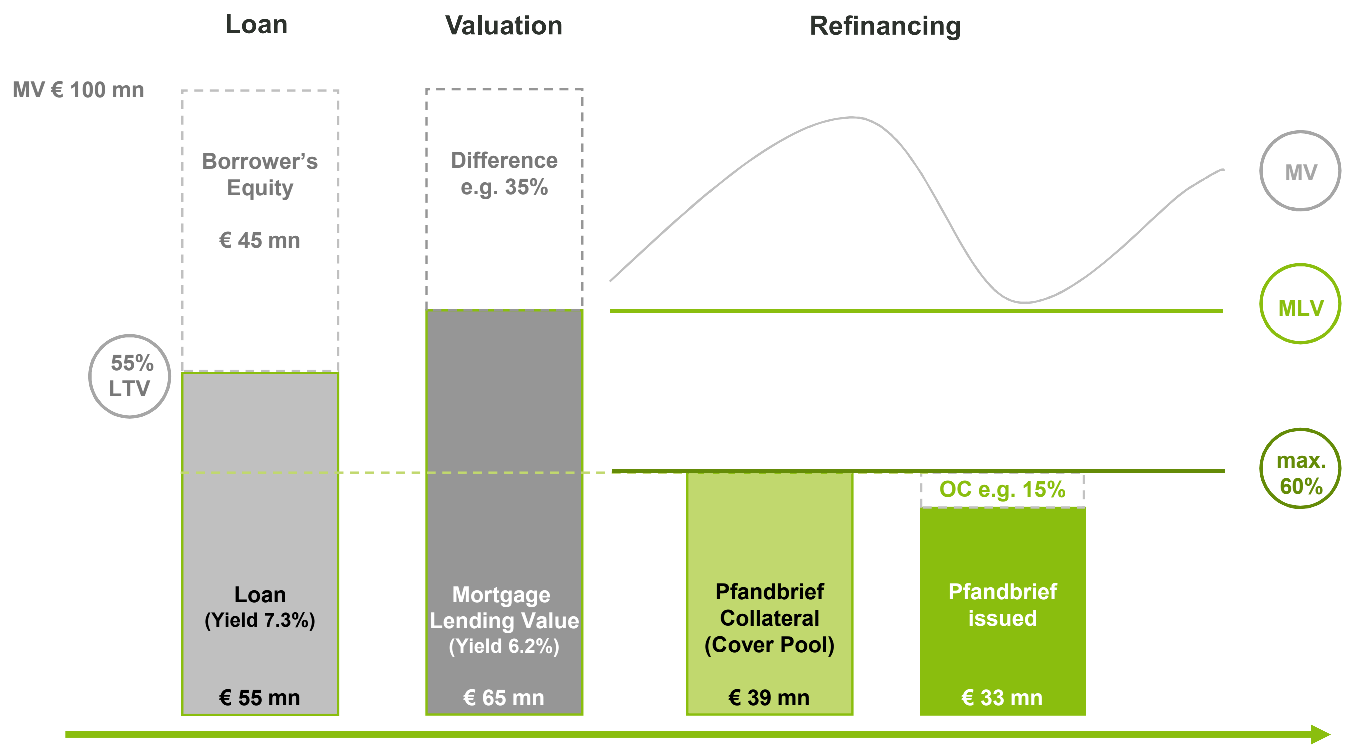
€ 1.1 mn interest payment p.a.
for a € 55 mn loan
at 2% interest rate

€ 2.9 mn excess cash

$$\frac{\text{€ 4.0 mn rent}}{\text{€ 1.1 mn interest}} = \text{~ 360\% ISC}$$

[at current interest rates of approx. 5 % the ISC drops to ~ 150%]

Loan-to-Value Ratio



ESG

pbb continues to execute on its strategy

2017:
1st Non-financial Report (NFRD)

2020:
Introduction of Green Bond Framework

2021:
Holistic organisational set-up of ESG Programm
Introduction of green building scoring model & pbb Green Loan Framework
Development of first ESG strategy

2022:
Implementation of set of KPIs;
Project launch for EU Taxonomy & CSRD disclosure requirements

2023:
Implementation of ESG KPI management concept with defined targets
Foundation of Eco Estate GmbH (JV with G&P for green consulting)

2024:
Refinement of ESG KPIs regarding inclusion of decarbonization path

2025:
1st Non-financial Report (CSRD)

2050:
Alignment of pbb's credit portfolio with 1.5-degree target of Paris Agreement

Focus on Transparency of pbb's portfolio and pbb's own operations

Focus on science-based approach to align pbb's portfolio and pbb's own operations with climate goals

GREEN LOAN

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

pbb Scoring Model

MAX SCORE: 100 Points

	I. Energy Efficiency	II. Building Certification	III. Additional Sustainability Factors
Criteria	▪ Energy demand/-consumption [kWh/(m²·a)] ▪ **OR** ▪ Energy Reduction in Planning [kWh/(m²·a)][1] **pbb Green Bond Framework Eligible[2]**	▪ "Green" building certification	▪ Surface sealing (green field vs. brown field) ▪ Type of/distance to public transportation ▪ Local supply ▪ Materials recycling[3] ▪ Type of heating ▪ Consumption of green energy ▪ Biodiversity[3] ▪ Existing energy/environmental management[3]
	MAX SCORE: 50 Points	**MAX SCORE: 20 Points**	**MAX SCORE: 30 Points**
	MAX SCORE: 70 Points		

Minimum score for pbb Green Loan: ≥ 60 Points

OR

Compliance with EU Taxonomy

pbb Green Loan Framework Eligible

1. Aligned with the EU Taxonomy
2. Selected criteria are stricter, when the building is considered for pbb Green Bond Framework Eligibility.
3. Do Not Significant Harm Principles according to EU Taxonomy

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