Debt Investor Update - Results Q3/9M 2023

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Business Model & Strategy

Dividend title with an attractive shareholder return and clear focus on Green transformation of the CRE sector

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
  - Strong **ESG Ratings** (e.g. MSCI AAA)
  - 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

pbb

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 specialized CRE bank** with conservative lending standards and **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)

Strategy Update

- Maintain a **conservative risk profile** and retain **strict cost discipline**
- **Increase** of **profitability by growth** and **capital light strategic initiatives**
- **Sustainable finance** as an **important** contributor for **all growth initiatives**

HIGHLIGHTS Q3/9M 2023

pbb increases LLPs and is fully on track to deliver on 2026 targets

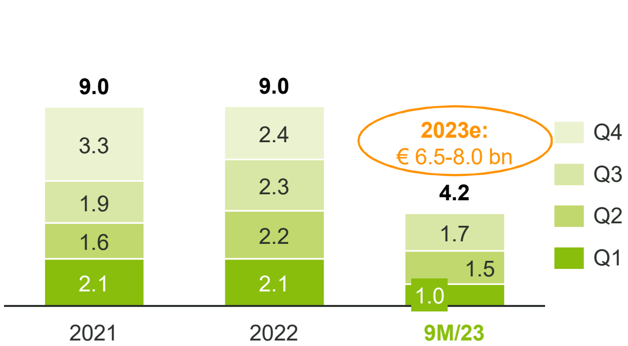
- pbb adjusts **PBT full-year guidance for 2023 to € 90-110 mn** due to increased risk provisioning and substantial business investments
- In reaction to the **ongoing weak CRE markets** (esp. in the US), pbb follows its risk conservative approach and increases **LLPs to € -104 mn**[1] **for 9M/23** (9M/22: € -38 mn) – full-year guidance already anticipates a further noticeable Q4 addition to LLPs (incl. potential management overlay) caused by still dynamic market situation
- Given its sound financial strength, pbb is able to deliver a significant **PBT of € 91 mn for 9M/23** – despite increased risk costs and substantial expenses to deliver on the strategic agenda 2026
- In specifying the Basel IV orientation, pbb intends to move to the so-called Foundation Internal Ratings-based Approach (F-IRBA) after implementation of Basel IV (~2025) – **after a transition period, CET1 ratio expected at ~15%** (09/23: 15.2%)
- Taking into account the challenging situation on the real estate markets, **pbb assumes that unlike in previous years a special dividend will not be distributed**. However, **the overall dividend proposal remains subject to the conditions of pbb's dividend policy** and will be decided upon and communicated together with our full year results 2023.
- pbb is **fully on track to deliver on 2026 targets:**
  - Increasing NII+NCI (+20% q-o-q)
  - Portfolio growth (€ +1.2 bn ytd) with margin uplift (gross new business margin 9M/23: +30bp vs. FY 2022)
  - Strong retail deposit growth (€ +1.5 bn ytd)
  - Significant cost cutting expected to deliver from 2024 onwards (back to 2022 level in 2026)

1. € +7 mn stage 1&2, € -111 mn stage 3

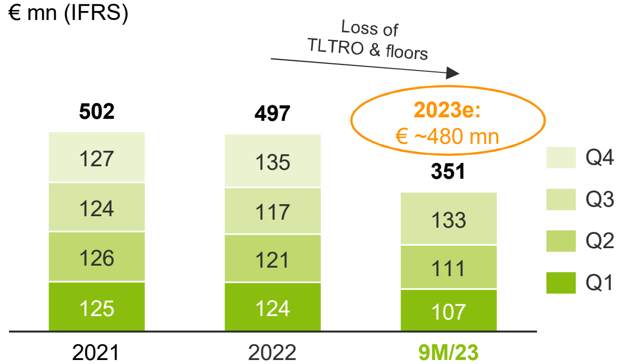
OPERATING & FINANCIAL OVERVIEW

pbb proves operating resilience

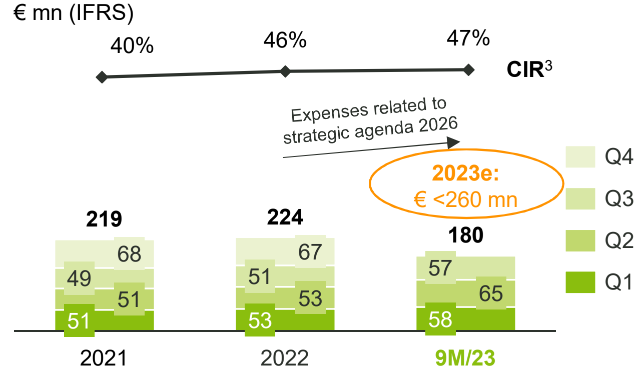
REF New business
€ bn (commitments, incl. extensions > 1 yr.)



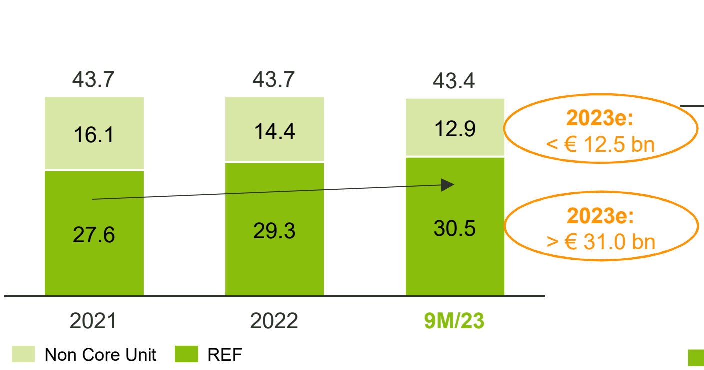
Net interest and commission income
€ mn (IFRS)



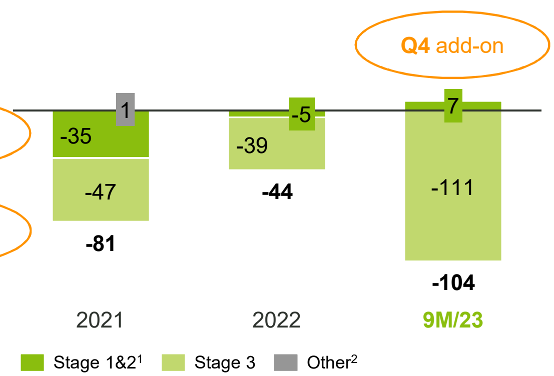
General and admin. expenses
€ mn (IFRS)



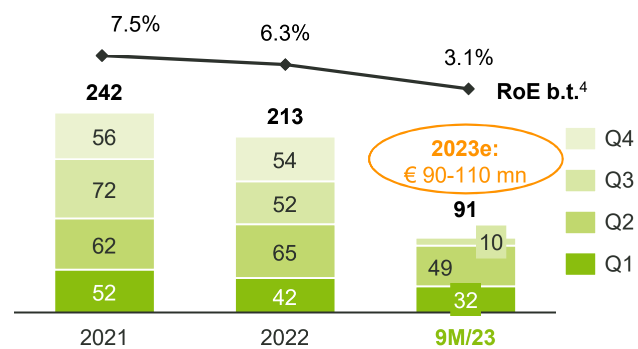
Portfolio
€ bn (financing volumes)



Net income from risk provisioning
€ mn (IFRS)



Pre-tax profit
€ mn (IFRS)



Note: Figures may not add up due to rounding 1. Incl. provisions in off balance sheet lending business 2. Recoveries from written-off financial assets 3. CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 4. After AT1 coupon (2021: € 17 mn ; 2022: € 17 mn; Q3/9M 2023: pro-rata € 6 mn / € 17 mn)

REF NEW BUSINESS & PORTFOLIO

Diversification by countries and property types allows to manage business through the cycle

As of 30/09/23

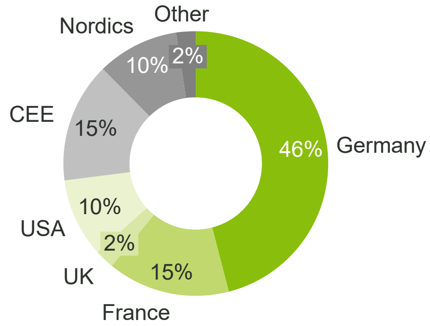
Regions

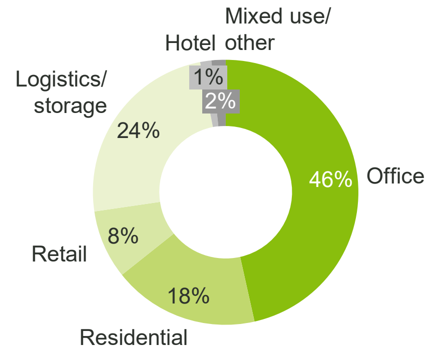
Property types

€ 4.2 bn

New business

(commitments, incl. extensions > 1 year)

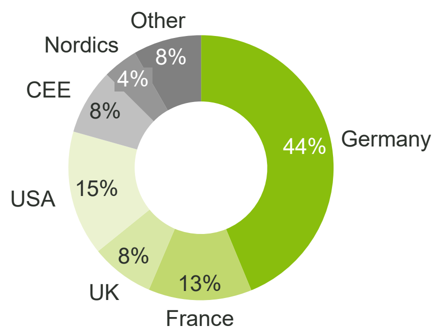


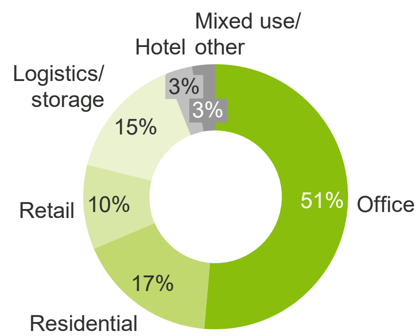


€ 32.1 bn

Portfolio

(EaD, Basel III)





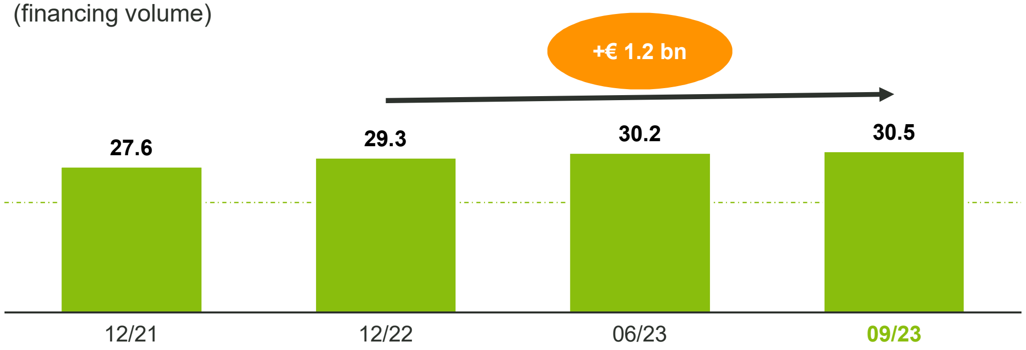
- Highly **selective and risk conservative new business** approach in USA and UK
- Increased **share of extensions** >1 year from 30% to 40% in 9M/23
- ~80% of new business in Logistics & Residential are **new commitments** rather than extensions
- **Office** with balanced share of extensions (53%) and new commitments (47%) with main focus on Germany (37%)

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

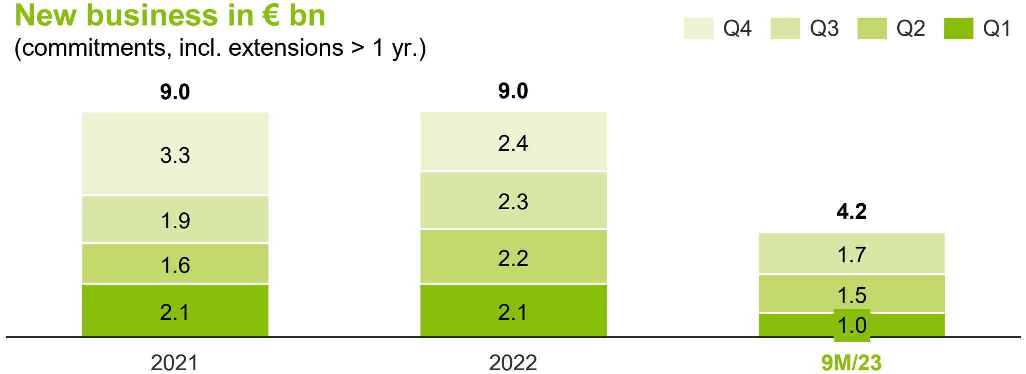
REF NEW BUSINESS & PORTFOLIO

Strong REF portfolio growth with improving margin

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



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



- Growth in **strategic REF portfolio** benefitting from draw downs of new business and low level of prepayments and repayments
- **Avg. gross portfolio margin** further up
- Selective **new business** in challenging market environment and significant share of extensions
- Focus on **balanced risk/return ratio**, avoiding higher risk profile at the expense of higher volume or higher margin
- **Solid pipeline** supports new business guidance of € 6.5-8 bn for 2023

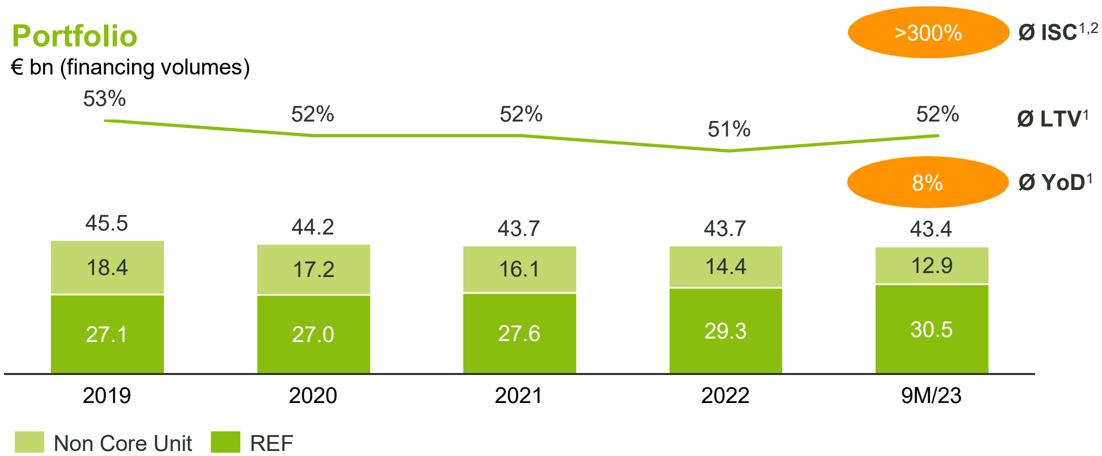
New Business	2021	2022	9M/23
Share of extension > 1 year (%)	29	30	40
Ø Gross interest margin (bp)[2]	~170	~170	~200
Ø LTV[1] (%)	56	54	54
Ø Maturity[3] (yrs.)	~4.8	~4.3	~3.9
No. of Deals	166	137	69

1. New commitments; avg. LTV (extensions): 06/23: 54%; 12M/22: 52%; 12M/21: 54% 2. Net of FX-effects; gross revenue margin: 2021: ~190bp, 2022: ~190bp, 9M/23 ~220bp 3. Legal maturities

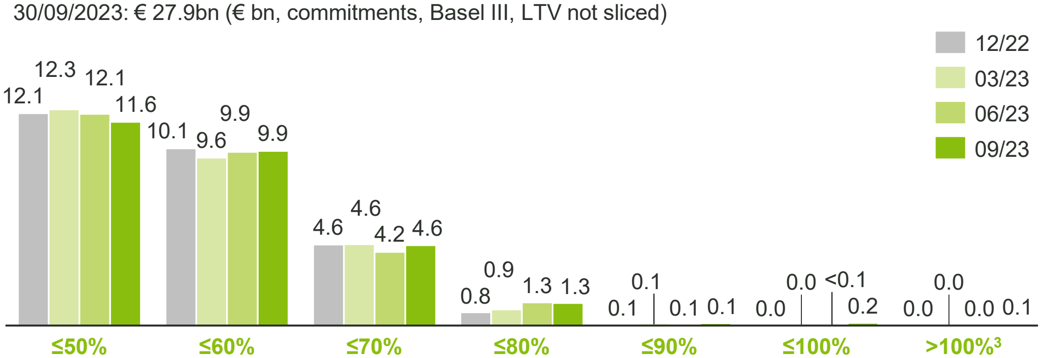
PORTFOLIO

Overall portfolio quality remains solid with avg. LTV of 52% despite recent valuation adjustments

Portfolio
€ bn (financing volumes)



REF Portfolio: LTV cluster[1,3]
30/09/2023: € 27.9bn (€ bn, commitments, Basel III, LTV not sliced)



- Overall **portfolio quality** remains solid with focus on prime properties in core inner-city locations and conservative risk parameters
- Continuous and intensive monitoring of the **portfolio** by real estate appraisers – total portfolio scanned with particular focus on US and Office
  - Further expected valuation adjustments for pbb's portfolio in Q4/23 and 2024 are taken into account in our **model parameters** for stage 1&2 LLPs**:**
    - **US Office portfolio**: Ø 10%
    - **European Office portfolio**: Ø 3%
    - **Total Office portfolio**: Ø 4%

    Expected value adjustments are to be read against valuation adjustments of previous periods already accounted for / to be seen cumulative
  - Potential stage 3 cases identified and closely monitored
  - ~80%[4] of the market correction is assumed to have happened

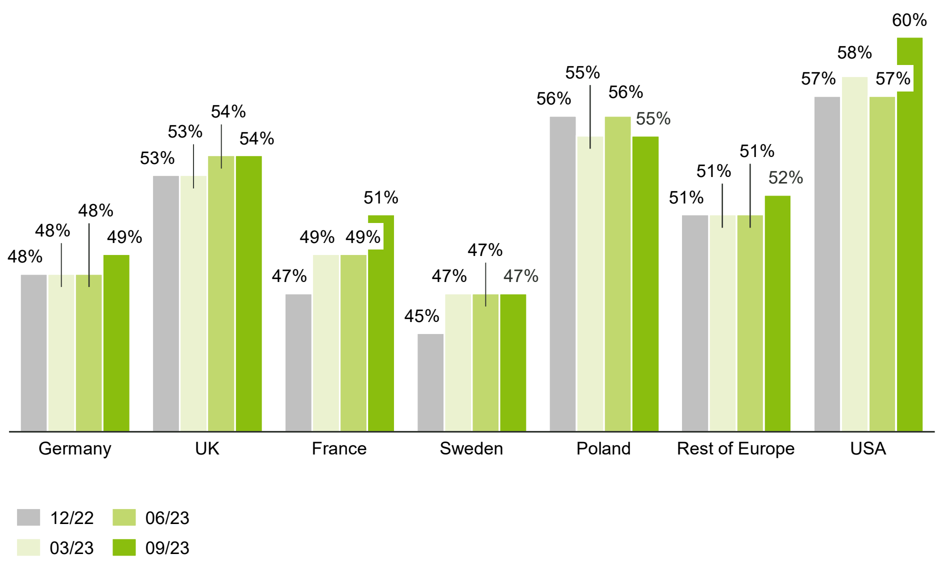
Note: Figures may not add up due to rounding 1. Based on performing investment loans only 2. Interest Service Coverage (ISC)-calculation 12 months forward looking, no re-letting assumptions made, guarantees/recourse elements not considered 3. pbb measures bank standard LTV based on commitment. Drawdowns are typically linked to investments into the financed property and thus tend to increase market value. If measured against outstanding, no performing financing would be above 100% LTV 4. Applies for interest rate induced cyclical market correction, does not take into account structural dislocations in singular cases

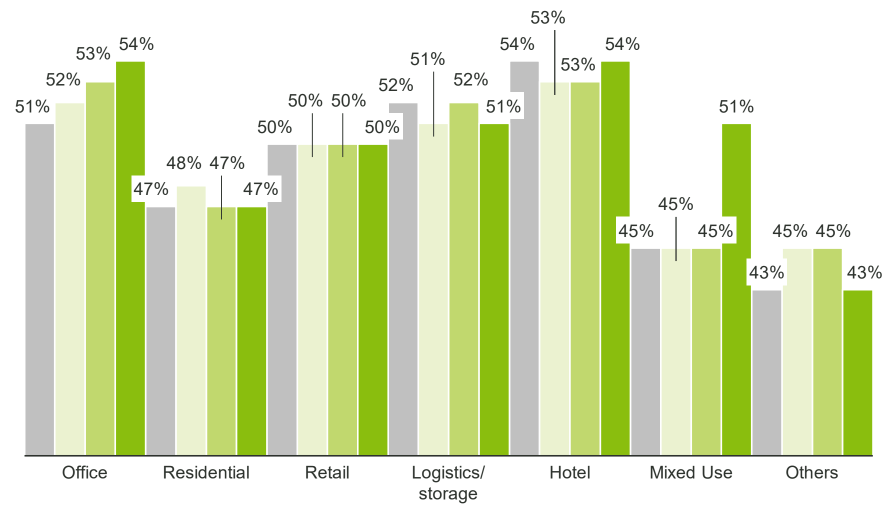
REF PORTFOLIO

LTV development reflecting stressed market environment

REF Portfolio: LTV cluster[1]
€ bn

Avg. LTV[1]
12/22: 51%
09/23: 52%





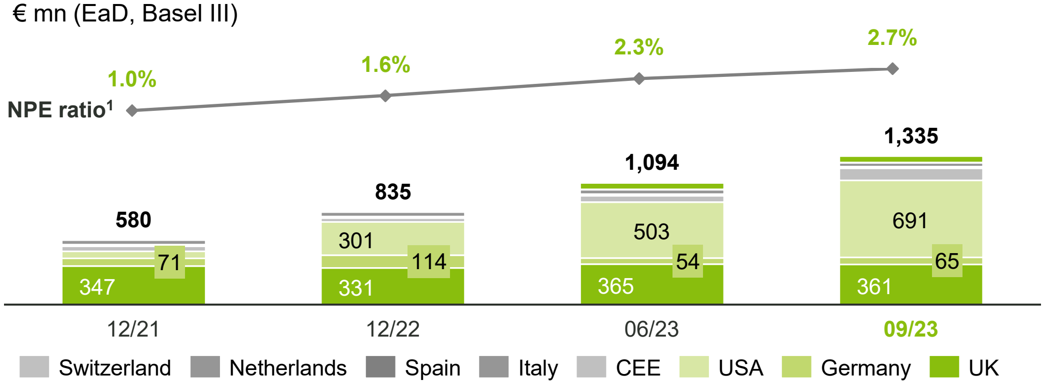
1. Based on performing investment loans only Note: Figures may not add up due to rounding

NPL PORTFOLIO

Increase in NPL portfolio volume driven only by a few new cases, mainly in the US

Non-performing loans – regions

€ mn (EaD, Basel III)



Non-performing loans – property type

€ mn (EaD, Basel III)

Total NPL portfolio

- NPL increase of net € +241 mn reflects stressed market environment, esp. high volatility in certain locations/asset classes in the US
  - € +254 mn additions and € -13 mn releases (incl. EaD changes and FX)
  - 5 new cases with stage 3 LLPs of € -19 mn in Q3/23 – thereof € -18 mn for 3 US office loans
  - Further € -76 mn additions of stage 3 LLPs mostly for existing US office NPLs, mainly derived from a decrease in expected market values based on low bids of comparable assets in a very weak market with opportunistic investors only
- In total, 14 new NPL cases in 9M/23
  - 9 US loans (€ 465 mn), 5 European loans (€ 178 mn; France, Germany, Poland and UK) plus EaD changes and FX
  - Partially compensated by removal of 1 US office loan (€ 116 mn), 1 UK loan (€ 9 mn) and 3 German loans (€ 49 mn)

US NPL portfolio

- Individual situations developing in parts dynamically, e.g. ongoing negotiations on restructurings / sales process in complex bank consortiums
- In total, 12 US NPL loans (11 office loans and 1 retail loan) with stage 3 LLPs of € 109 mn (in addition, € 94 mn stage 1&2 LLPs allocated to US loans)
- Decline in property market values of Ø 41% in last 12 months – value decrease adequately considered in risk provisioning

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) 09/23: 3.6%; 12/22: 1.9%; 12/21: 1.4% (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)

RISK PROVISIONING

Significant increase in risk provisioning mainly driven by volatile US market (esp. in US office segment)

- **Most challenging market environment**, driven by high interest rates, high inflation, several geopolitical and economic uncertainties as well as structural changes
- **US market more strongly impacted**, affecting some individual loans
  - Structural changes in locations and preferences (new/remote work, green/ESG) lead to a shift in appreciation of macro and micro locations (e.g. tenants are avoiding certain CBD areas)
  - At time of origination, all US office properties financed by pbb were in A-locations – now, ~5-10% are considered B-locations
  - Structural changes have led to partially fast and steep value decreases in formerly prime locations, also driven by short refinancing cycles in the US going along with a faster and more significant increase in interest rates compared to Europe
  - Cash investors are currently in a strong position as (re-)financing is scarce, as many banks pulled out of the market – this results in significant discounts
  - However, ~80%[1] of the market correction is assumed to have happened – many ex-prime locations are likely to achieve prime status again in expected market recovery
- Attractive opportunities for pbb to underwrite new business on corrected valuations at highly favorable margins

1. Applies for interest rate induced cyclical market correction, does not take into account structural dislocations in singular cases

RISK PROVISIONING

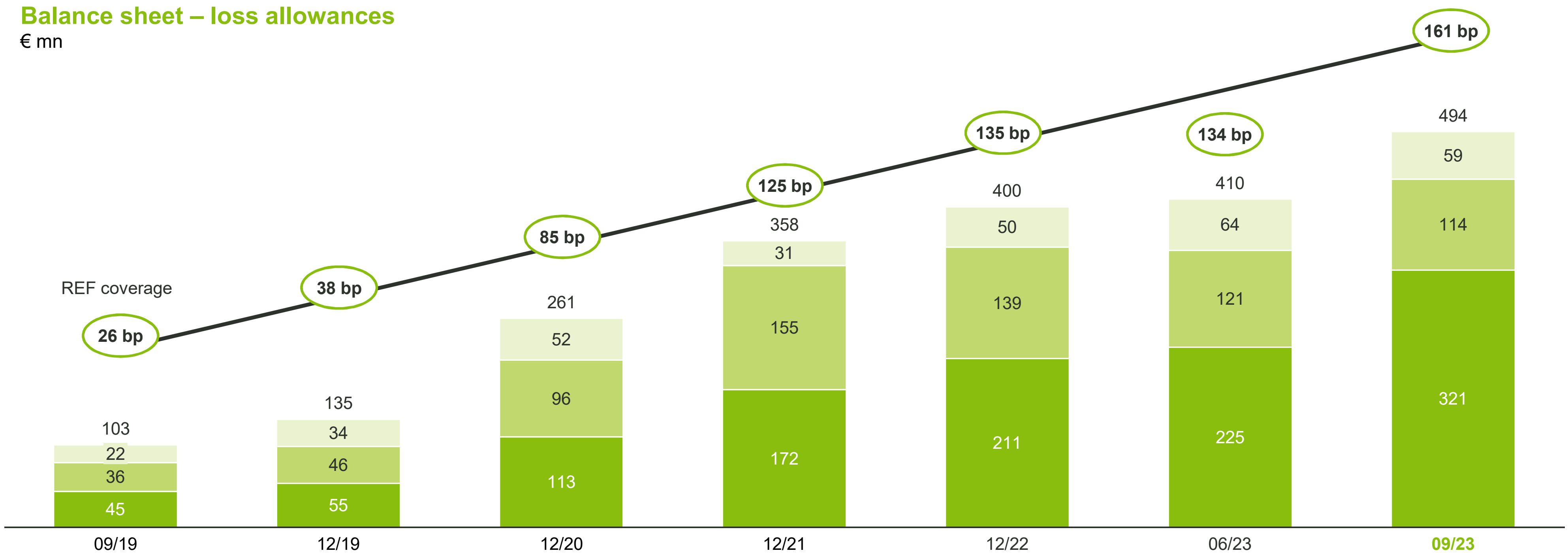
Market volatility reflected in increased risk provisioning

- **Risk provisioning** significantly increased by € -83 mn in Q3/23 (9M/23: € -104 mn, 2022: € -44 mn), primarily driven by existing stage 3 US office loans
- € -95 mn additions in **stage 3** (9M/23: € -111 mn) resulting from a limited number of individual cases
  - Primarily driven by existing stage 3 US office loans – mainly derived from a decrease in expected market values based on low bids of comparable assets in a very weak market with opportunistic investors only
  - Only a few new cases with moderate LLPs in Q3/23
- € +12 mn release of **stage 1&2** in Q3/23 (9M/23: € +7 mn) – full release of **management overlay** (€ +28 mn) as anticipated uncertainty factors materialized and now reflected in risk models

RISK PROVISIONING

Increase in stage 3 loss allowances reflecting market volatility, esp. in US market

Balance sheet – loss allowances
€ mn



	09/19	12/19	12/20	12/21	12/22	06/23	09/23
Mgmt. overlay	-	-	-	**54**	**69**	**28**	-

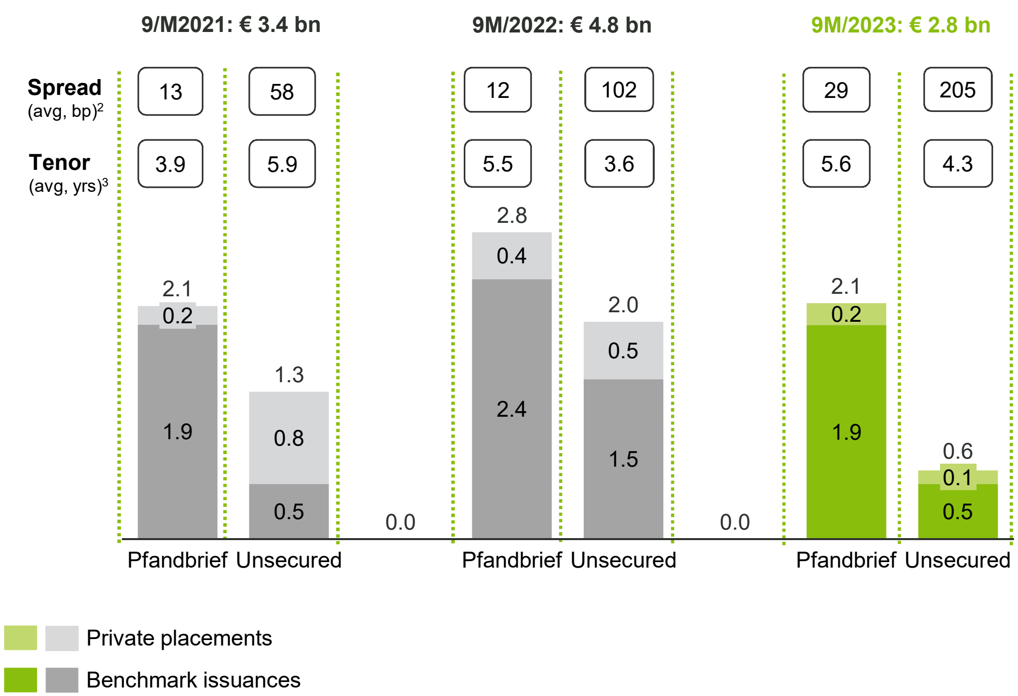
stage 1 stage 2 stage 3

Note: Figures may not add up due to rounding

FUNDING AND LIQUIDITY

Funding activity reflects optimisation of refinancing with focus on retail deposits

New long-term funding[1]
€ bn



- Reduced capital market funding with focus on Pfandbrief and retail deposits to substitute Senior Preferred funding
- Three Pfandbrief Benchmark issued in Q3/23
  - £ 250 mn 3yr Mortgage Pfandbrief
  - € 500 mn 4yr Mortgage Pfandbrief
  - € 500 mn 3yr Mortgage Pfandbrief
- TLTRO III repayment of € 1.8 bn in 06/23 - remaining volume of € 0.9 bn to be repaid in 2024

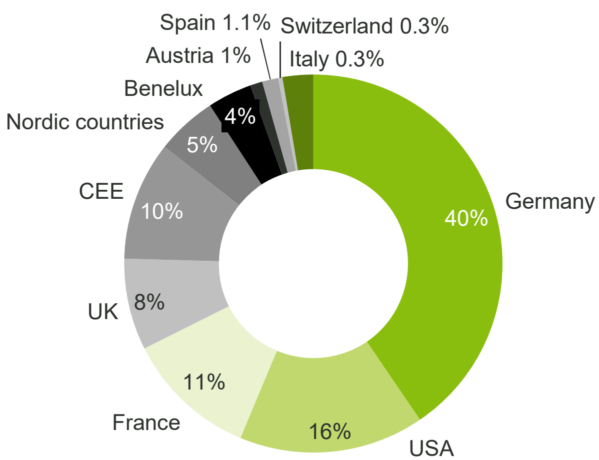
- pbb manages its liquidity on a 6-months basis – liquidity buffer must withstand 6-months stress test (vs. 1-month regulatory requirement)
- Hypothetical unexpected outflow of call money would sufficiently be covered by cash and cash equivalents
- Comfortable liquidity ratios: LCR 218% / NSFR 114%

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

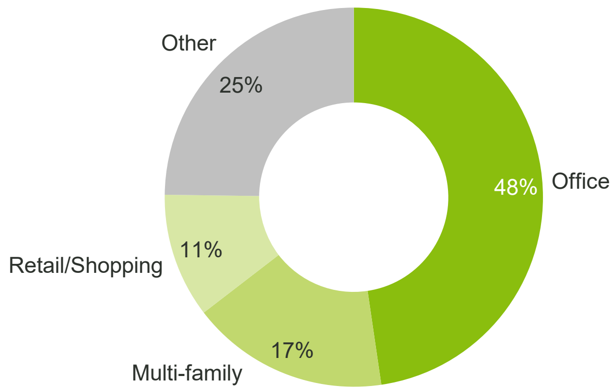
Funding – Mortgage Cover Pool

Diversification by countries and property types enables for flexible approach

Regions



Property types



Mortgage cover pool (nominal)	30/09/2023
Pfandbriefe outstanding	€ 15.9 bn
Cover funds	€ 19.6 bn
Over-collateralisation (Nominal/NPV)	23.5% / 27.1%
No. of loans	1,497
No. of properties	3,141
Payments ≥ 90 days overdue	-
Weighted average LTV (based on market value)	33.3%

MANDATED RATINGS

Bank Ratings	S&P
Long-term	**BBB**
Outlook/Trend	Negative
Short-term	A-2
Stand-alone Rating[1]	bbb-
Long Term Debt Ratings	
“Preferred” senior unsecured Debt[2]	BBB
“Non-preferred” senior unsecured Debt[3]	BB+
Subordinated Debt	BB
Pfandbrief Ratings	**Moody’s**
Mortgage Pfandbrief	Aa1
Public Sector Pfandbrief	Aa1
ESG Ratings	
ISS ESG	C Prime
MSCI	AAA
Moody´s ESG Solutions	Score 50

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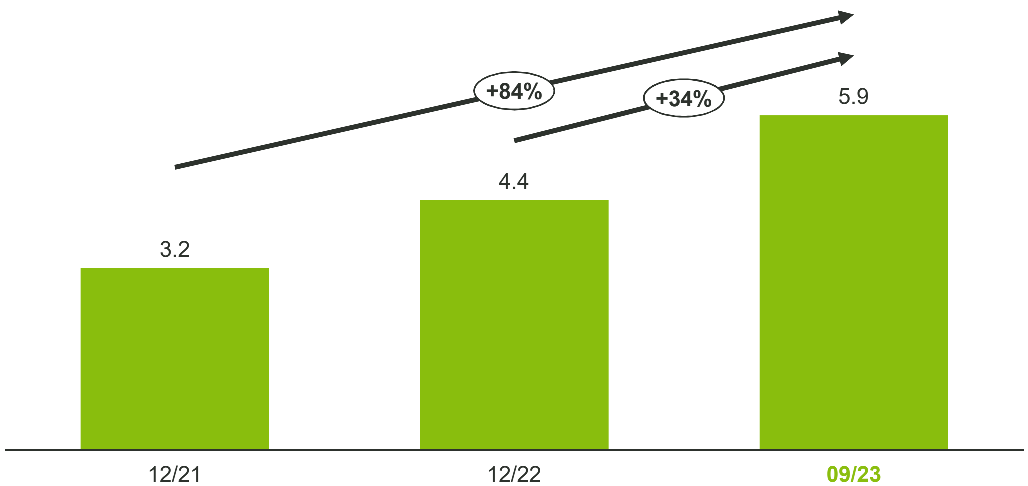
1. S&P: Stand-alone credit profile 2. S&P: “Senior Unsecured Debt” 3. S&P: “Senior Subordinated Debt”

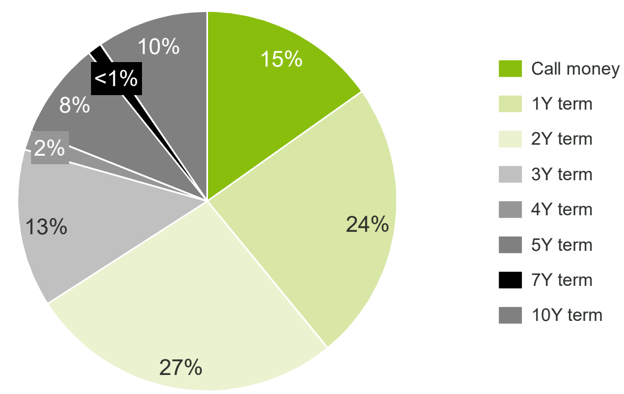
RETAIL DEPOSITS

Retail deposits up by 34% ytd to € 5.9 bn – ~85% term money

Development of retail deposit volume
€ bn



Retail deposits – maturity profile[1]
30/09/2023: € 5.9 bn



Retail deposits	12/21	12/22	09/23
Avg. term[1] (yrs.)	3.8	3.1	3.2
pbb direkt	**12/21**	**12/22**	**09/23**
Number of Clients	~39,500	~60,000	~82,000
Avg. deposit amount per client (€)	~71,000	~69,000	~71,000

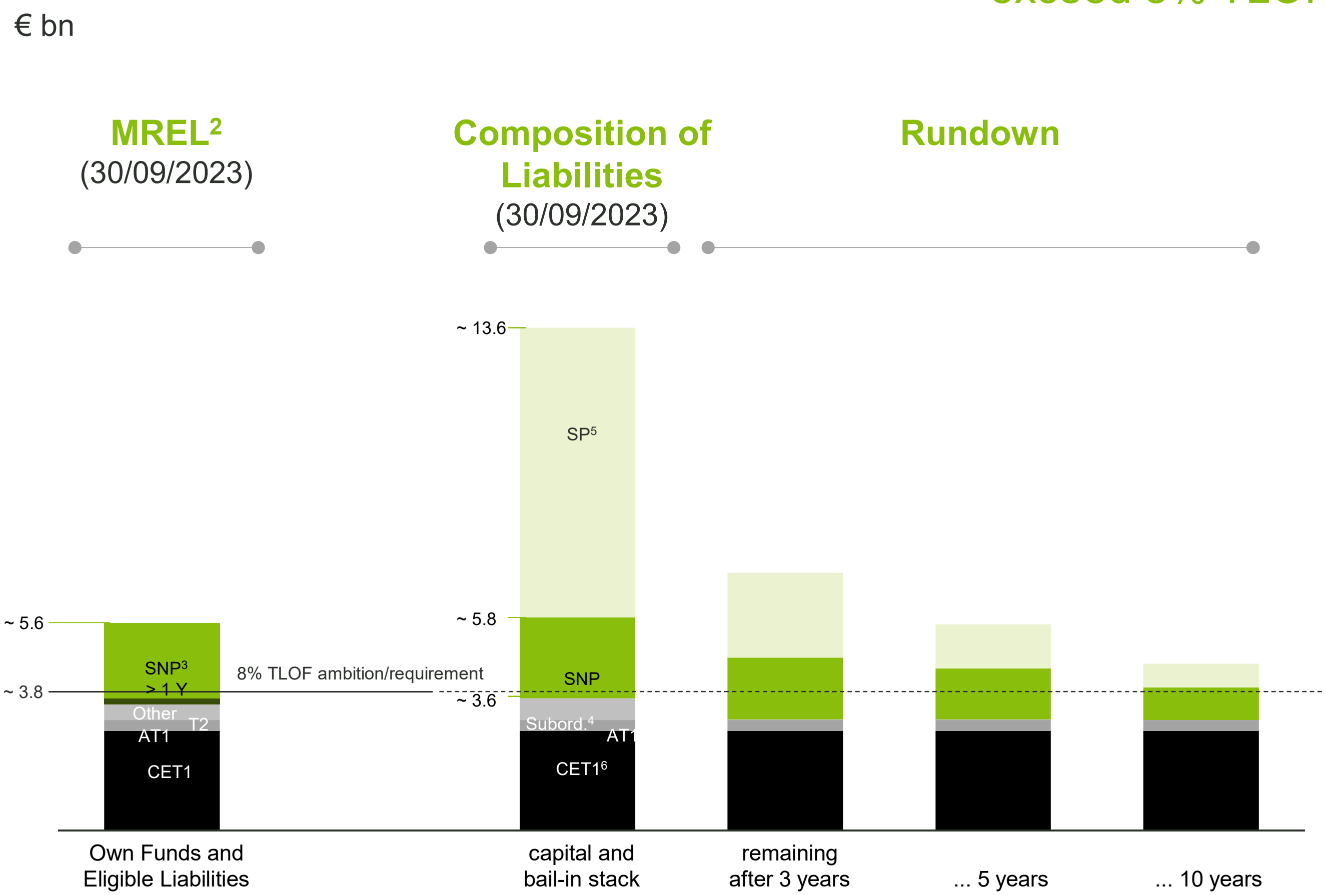
Term deposits: 3.2 yr WAL

pbb direkt deposits nearly 100%[2] guaranteed

1. Initial weighted average maturity 2. Statutory deposit protection scheme in combination with the voluntary protection scheme of German Banks Note: Figures may not add up due to rounding

FUNDING

Own Funds and Eligible Liabilities significantly exceed 8% TLOF



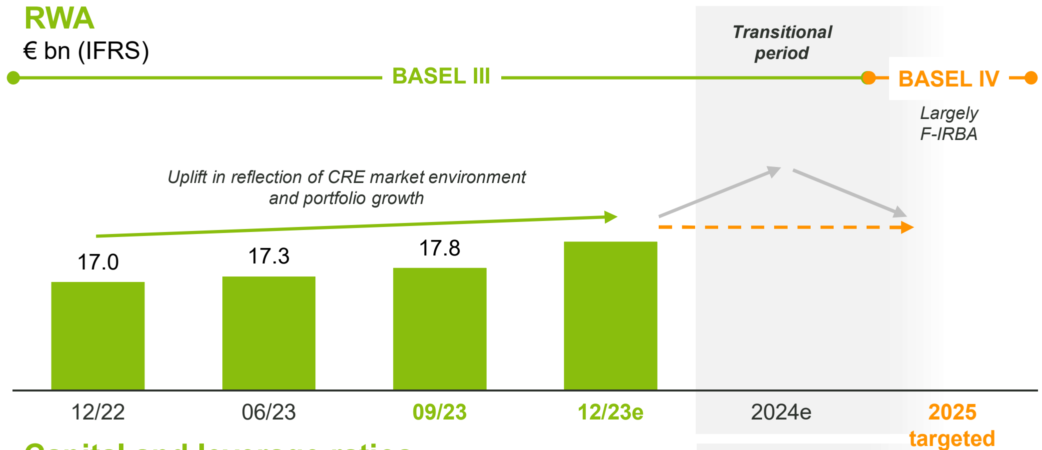
- Buffer for Senior Preferred (SP) investors due to high volume of capital instruments and Senior Non-Preferred (SNP) liabilities
- Existing Senior Non-Preferred liabilities with long remaining terms
- SP currently predominant senior product, but SNP to remain a key element of pbb's funding strategy
- pbb with MREL-ambition level of 8% TLOF in line with the binding regulatory target
- Regulatory requirements (SREP, MREL etc.) are met

1. After confirmation of the 2022 financial statements, less the dividend paid 2. pbb has set its ambition level at 8% TLOF with 100% subordination (i.e. Own Funds and Senior Non-Preferred), which is the currently binding regulatory target. As of 30 September 2023, MREL eligible items amounted to ~ 11.8% TLOF (without approved scope from the General Prior Permissions)/~ 33.0% RWA/~ 11.3% Leverage Exposure 3. MREL-eligible Senior Non-Preferred Debt > 1Y according to legal maturities; without prior approval volumes for early termination of investments 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

pbb intends to move to F-IRBA – CET1 ratio expected at ~15% after Basel IV introduction

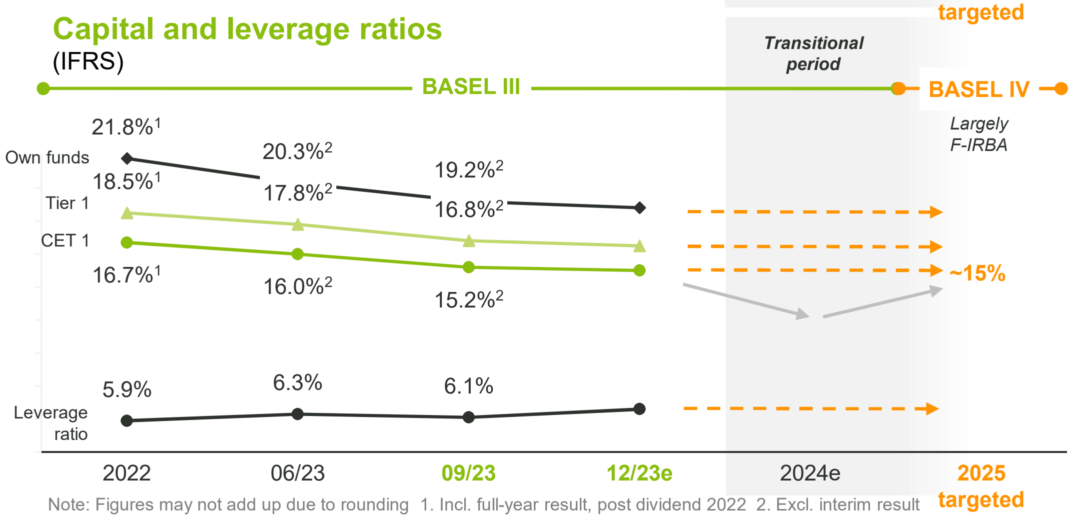
RWA

€ bn (IFRS)



Capital and leverage ratios

(IFRS)



Note: Figures may not add up due to rounding 1. Incl. full-year result, post dividend 2022 2. Excl. interim result

Q3/9M 2023

- **Capital ratios** down y-o-y due to increased RWA and decreased regulatory capital
  - **RWA** increase reflects new REF commitments, individual internal rating deteriorations and reclassifications, partially compensated by maturity and FX effects
  - Decrease in **regulatory capital** vs. 12/22 mainly resulting from EL shortfall and shorter remaining maturities of Tier 2 instruments; interim profit not included

Target landscape for risk models

- In specifying the Basel IV orientation, **pbb intends to move to the so-called Foundation Internal Ratings-based Approach (F-IRBA) for the majority of the portfolio**
  - Target landscape (largely F-IRBA) provides for expected **CET 1 ratio of ~15%** after implementation of Basel IV (~2025)
  - Until the new rules come into effect, standardized model parameters will be used, which may lead to a **temporary reduction of the CET1 ratio**
  - **CET 1 ratio remains significantly above the current regulatory requirement** of 9.31% even in transitional period
- Thus, pbb continues to follow its overall risk conservative approach, providing for **more stable regulatory capital ratios in the future**
- **No effect on pbb's overall strategy** as absolute capital, portfolio quality and default rates remain unchanged and thus pbb's overall risk capacity

- **SREP requirements 2023** – incl. anticipated additional buffer of 90 bp (CCyB + SyRB):
  - **CET 1** ratio: 9.31%
  - **Tier 1** ratio: 11.28%
  - **Own funds** ratio: 13.90%

SUMMARY

pbb proves operating resilience

- pbb proves **operating resilience** in most challenging market environment (CRE, strongly increased/high interest rates, high inflation, several geopolitical and economic uncertainties)
- Given its sound financial strength, pbb is able to provide for **adjusted but significant PBT full-year guidance 2023 of € 90-110 mn** – despite increased risk costs (further noticeable Q4 addition) and substantial expenses (2023e: ~ € -45-50 mn) to deliver on strategic agenda 2026
- pbb is fully on track to deliver on 2026 targets:
  - Increasing NII+NCI
  - Portfolio growth with margin uplift
  - Strong retail deposit growth
  - Significant cost cutting set to deliver from 2024 onwards

APPENDIX

KEY FIGURES

pbb Group

Income statement (€ mn)	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	9M/23
Net interest income	494	122	120	116	131	489	106	110	132	348
Net fee and commission income	8	2	1	1	4	8	1	1	1	3
Net income from fair value measurement	10	9	5	7	-1	20	1	-1	2	2
Net income from realisations	81	5	5	0	5	15	14	28	3	45
Net income from hedge accounting	-	1	-2	8	-7	0	-2	-1	3	0
Net other operating income	-2	10	-6	-4	-1	-1	-1	3	15	17
Operating Income	**591**	**149**	**123**	**128**	**131**	**531**	**119**	**140**	**156**	**415**
Net income from risk provisioning	-81	-18	-1	-19	-6	-44	-2	-19	-83	-104
General and administrative expenses	-219	-53	-53	-51	-67	-224	-58	-65	-57	-180
Expenses from bank levies and similar dues	-29	-31	0	-1	0	-32	-22	-2	0	-24
Net income from write-downs and write-ups on non-financial assets	-20	-5	-4	-5	-4	-18	-5	-5	-6	-16
Pre-tax profit	**242**	**42**	**65**	**52**	**54**	**213**	**32**	**49**	**10**	**91**
Income taxes	-14	-6	-10	-8	-2	-26	-5	-7	-2	-14
Net income	**228**	**36**	**55**	**44**	**52**	**187**	**27**	**42**	**8**	**77**

Key ratios (%)	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	9M/23
CIR[1]	40.4	38.9	46.3	43.8	54.2	45.6	52.9	50.0	40.4	47.2
RoE before tax	7.5	4.8	7.9	6.1	6.3	6.3	3.3	5.5	0.5	3.1
RoE after tax	7.0	4.1	6.7	5.1	6.0	5.5	2.7	4.6	0.3	2.5
RoCET1 after tax	n/a	4.5	7.3	5.6	6.7	6.0	3.0	5.2	0.3	2.9

Balance sheet (€ bn)	12/21	03/22	06/22	09/22	12/22	03/23	06/23	09/23
Total assets	58.4	56.3	55.1	55.9	53.0	53.7	49.8	48.2
Equity	3.4	3.4	3.3	3.4	3.4	3.5	3.3	3.4
Financing volume	43.7	43.8	43.3	44.3	43.7	43.5	43.3	43.4

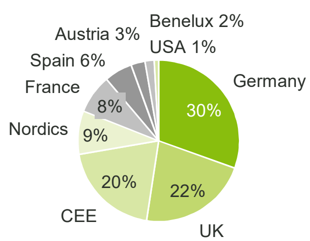
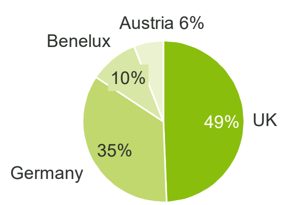
Regulatory capital ratios[2]	12/21	03/22	06/22	09/22	12/22	03/23	06/23	09/23
RWA (€ bn)	16.8	16.7	16.5	17.3	17.0	17.1	17.3	17.8
CET 1 ratio – phase in (%)	17.1[3]	16.9[4]	17.2[5/6]	16.3[5]	16.7[7]	16.6[8]	16.0[5]	15.2[5]

Personnel	12/21	03/22	06/22	09/22	12/22	03/23	06/23	09/23
Employees (FTE)	784	780	777	776	791	800	811	800

1. CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2. Basel III transition rules 3. Incl. full-year result, post proposed dividend 2021 4. Excl. Interim result, post proposed dividend 2021 5. Excl. Interim result 6. Retrospectively adjusted (previously, AT1 coupon was deducted from CET 1 capital) 7. Incl. full-year result, post proposed dividend 2022 8. Excl. Interim result, post proposed dividend 2022 Note: annual results audited, interim results Q1 2022/23 and Q3 2022/23 unaudited, interim results Q2 2022/23 unaudited, but reviewed

REF PORTFOLIO

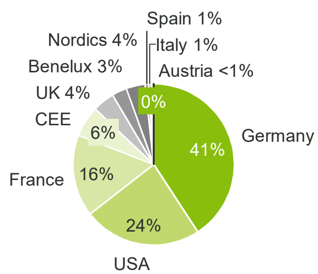
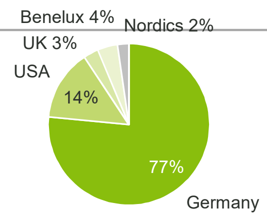
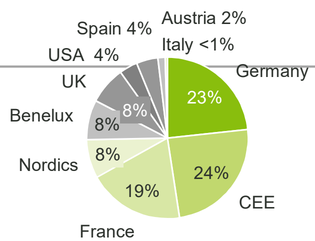
Sub-segments

Property	Regions	Evaluation of current situation	Challenges	Risk positioning
Retail € 3.3 bn (10%)		▪ General retail property market trading conditions remain challenging and retailers continue to retrench their physical store estates. Coupled with further retail business insolvencies and consolidation, this had already an adverse impact on occupancy and rents. ▪ Currently vacancy rates are stabilizing, but at a high level. Rents are expected to fall further slightly in the medium term and to stabilize from 2024 on. ▪ Online sales diversion expected to further burden in-store spending, although there are first signs in some countries of a cooling down of the internet sales. ▪ Ongoing dampen consumer confidence and purchasing power due to high inflation and economic uncertainties. ▪ Non-discretionary retailers such as grocery, convenience, drug, pet and auto parts retailers are expected to be better positioned to weather inflation. Luxury retailers also expected to fare better.	▪ Short Term: threads to income stability as well as decreasing consumer spendings/consumer confidence due to inflation, however re-stabilization post Covid partially compensates this. Therefore performing retail assets with in average less impacted than other (sub-) asset classes ▪ 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 foresighted reduction of retail portfolio by ~55% or € 3.8 bn since 2016 (09/23: € 3.3 bn; 12/16: € 7.1 bn). ▪ Only investment loans, almost no development loans ▪ Conservative risk positioning: 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) € 1.0 bn (3%)		▪ Rising competition has led to insolvencies for operators and licencees and rebuilt secondary hotels for other uses like e.g. longstay concepts and co-living. ▪ Hotels are benefiting from strong pent-up demand, mainly driven by the leisure sector. But business demand is also improving, albeit at a slower pace. ▪ This in turn led to relatively strong recovery in hotel performance, boosted by rising room rates, which are significantly higher than before the pandemic. RevPAR is already above 2019 levels. ▪ However, investment volumes are still low. ▪ Economic uncertainty and lower disposable income because of high inflation are still a threat for Hotel performance. So are current high staff expenses and ESG requirements.	▪ Recovery in progress 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, furthermore increasing operating costs squeeze margins and compensate part of the recovery trend.	▪ Selective approach and strict adherence to conservative underwriting standards in particular during the hot phase of hotel investment market in 2018/19 resulting in a relatively small portfolio volume of € 1 bn ▪ Focus on prime locations secures base value of properties ▪ Conservative risk positioning: avg. LTV of 54%[1] provides good buffer and supports commitment of investors/sponsors ▪ Focus on business hotels in main European capitals/business location 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

REF PORTFOLIO

Sub-segments

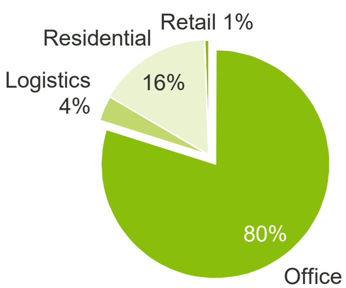
Property	Regions	Evaluation of current situation	Challenges	Risk positioning
Office € 16.5 bn (51%)		▪ Net absorption in Europe has recovered, although 2023 is still challenging and pre-Covid rates remain largely unattainable. ▪ Increased discussion about new concepts of work. It will be more about concepts of hybrid work and there will be efficiency savings, also in good locations. Nevertheless occupancy forecasts track employment and are expected to be stable or even slightly positive. ▪ Modern, flexible and ESG-conform properties in good location are still sought after while demand for secondary is limited. ▪ Significant price adjustments coming through. Yields have already edged up and are expected to move out further. US office market is affected by a particularly sharp decline in values since yield driven devaluation is amplified by decreasing rents.	▪ Cooling of tenant market due to overall situation of economies, furthermore shift of demand towards modern, green, centrally located schemes. This leads to increased reletting/extension risks with pressure on rental level on secondary/older buildings. ▪ Good locations expected to remain competitive, "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 on these properties. ▪ Structural changes (requiring often substantial investments), 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 agglomerations ▪ Conservative risk positioning: avg. LTV of 54%[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) ▪ In new business and on occasions of (annual) credit reports transactions detailed analysis of "green profile" of properties including associated risk
Residential € 5.5 bn (17%)		▪ Higher interest rates and inflation had a strong impact on the owner-occupier market. A significant cooling of the market is currently underway. The situation is similar for smaller investors in condominiums. ▪ However, the increasing interest rates do have also an effect on multifamily properties, where a drop in values (multiplier) is obvious. Although, the expected increase in yields is not as significant, as rising rents mitigate the impact on value ▪ Energy cost and regulation in the rental sector are the main risks and will reduce the NOI for the multifamily owner especially in the low price segment.	▪ Increasing interest level puts pressure on value, however still more moderate than in other (sub-) asset classes. ▪ Cash flow under pressure from many angles – interest rates, energy costs, investment requirements. This is however partially counterbalanced by increasing rents. ▪ In particular capital market oriented owners often with challenging refinancing situations.	▪ Conservative risk positioning ▪ Portfolio volume of € 5.5 bn with conservative avg. LTV of 47%[1] provides good buffer and supports commitment of investors/sponsors ▪ Well diversified portfolio with strong focus on Germany
Logistics € 4.8 bn (15%)		▪ The logistics sector benefits from a stronger focus on e-commerce but also by the need of 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 particular low. ▪ The expected significant drop in values is yield driven, while rental growth is partial mitigating the decline. ▪ Since demand for logistic space is typically strongly correlated with economic activity and GDP current economic uncertainties pose a potential threat.	▪ Monoline logistics centres ▪ Due to partially overheated prices, market correction on investment side seen. ▪ Rents still stable/partially further increasing, however	▪ Strategic approach; expert team since 2014; share increase since 2013 from 8% to 15% ▪ Focus on locations: good infrastructure, connection to a variety of different transportation routes ▪ Conservative risk positioning: avg. LTV of 51%[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

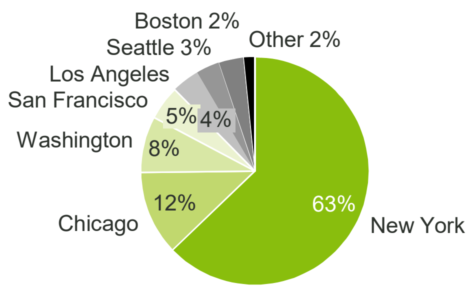
FOCUS: US REF PORTFOLIO

Total US portfolio has been reviewed in 2023

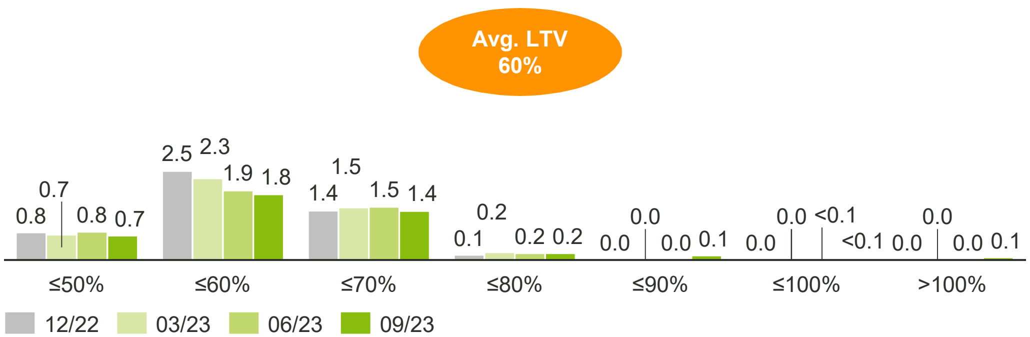
Property types
30/09/2023: € 4.9 bn (EaD, Basel III)



Regions
30/09/2023: € 4.9 bn (EaD, Basel III)



US portfolio: LTV cluster[1]
30/09/2023: € 4.3 bn (€ bn, commitments, Basel III, LTV not sliced)



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

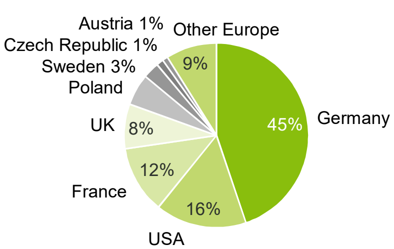
- Total US portfolio has been reviewed in 2023, all revaluations based on external appraisers
- Property value decrease in the last 12 months:
  - Performing loans: ~24% on average, resulting in an average LTV[1] of 60%
  - Non-performing loans: ~41% on average, value decrease adequately considered in risk provisioning
- In line with bank standard, pbb measures LTVs based on commitment:
  - Drawdowns are typically linked to investments into the financed property and thus tend to increase market value
  - If measured against outstanding, no performing loan would be above 100% LTV

PORTFOLIO

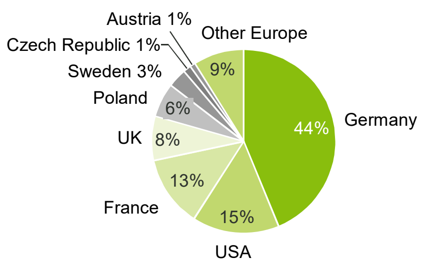
Real Estate Finance (REF)

Regions

31/12/2022: € 31.0 bn

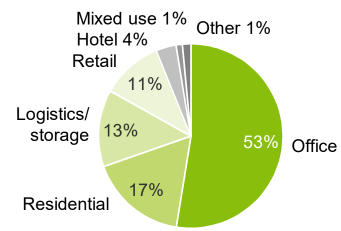


30/09/2023: € 32.1 bn

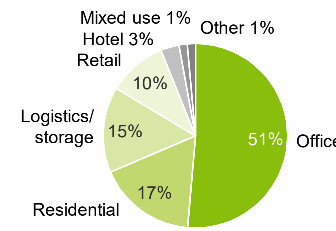


Property types

31/12/2022: € 31.0 bn

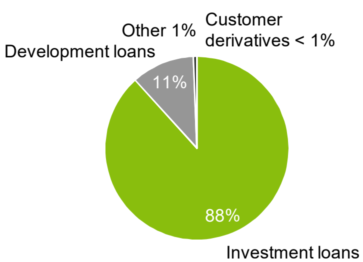


30/09/2023: € 32.1 bn

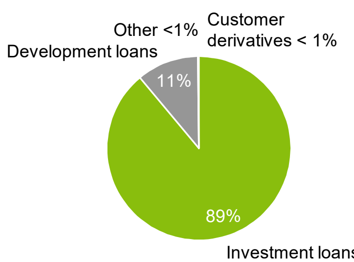


Product class

31/12/2022: € 31.0 bn

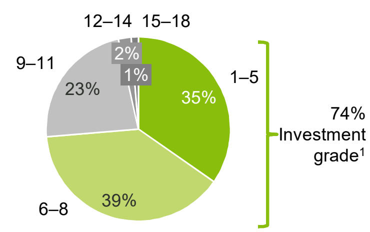


30/09/2023: € 32.1 bn

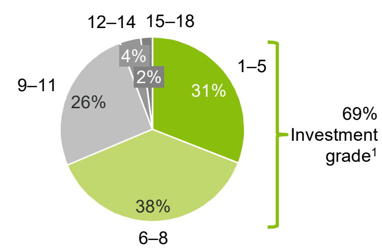


Internal ratings (EL classes)

31/12/2022: € 31.0 bn



30/09/2023: € 32.1 bn



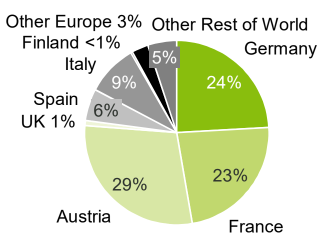
1. Internal EL Classes 1–8 = Investment grade; Internal EL classes 9–18 = Non-investment grade   Note: Figures may not add up due to rounding, EaD, Basel III

PORTFOLIO

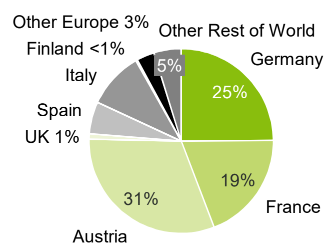
Non-Core Unit (PIF& VP)

Regions

31/12/2022: € 15.2 bn

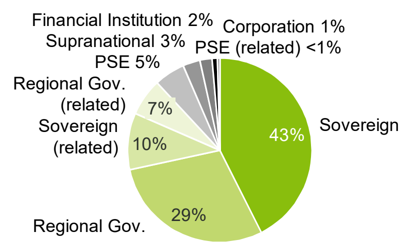


30/09/2023: € 13.5 bn

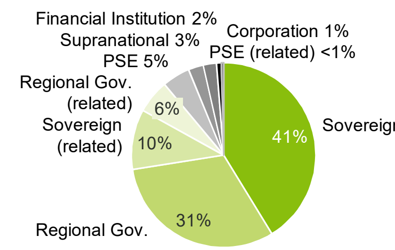


Borrower classification[1]

31/12/2022: € 15.2 bn

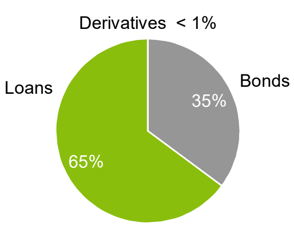


30/09/2023: € 13.5 bn

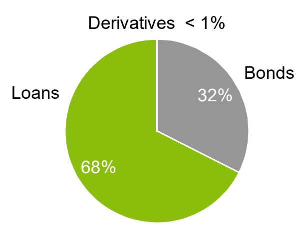


Product class

31/12/2022: € 15.2 bn

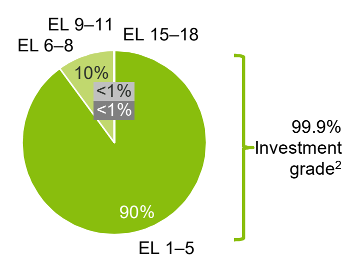


30/09/2023: € 13.5 bn

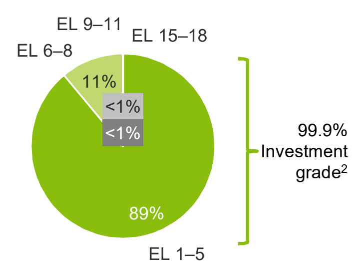


Internal ratings (EL classes)

31/12/2022: € 15.2 bn



30/09/2023: € 13.5 bn



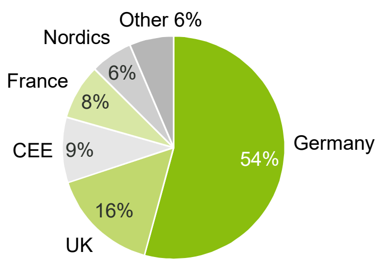
1. See appendix for definition of borrower classification 2. Internal EL Classes 1–8 = Investment grade; Internal EL classes 9–18 = Non-investment grade Note: Figures may not add up due to rounding, EaD, Basel III

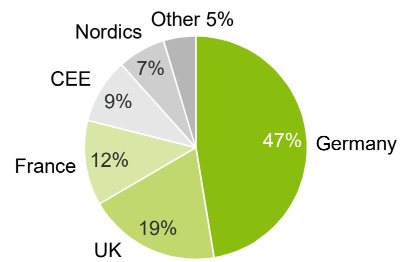
REF PORTFOLIO

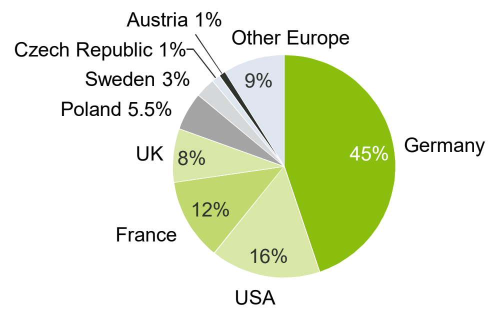
Portfolio shift over the years reflects pbb´s conservative risk approach

31/12/2013 / Total: € 22.2 bn[1] | 31/12/2015[2] / Total: € 25.8 bn[1] | 31/12/2022 / Total: € 31.0 bn[1]

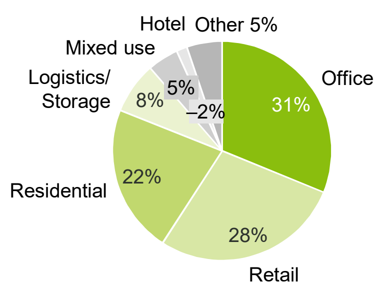
Regions

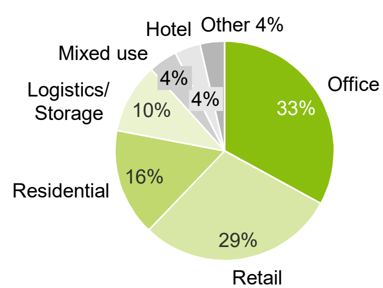


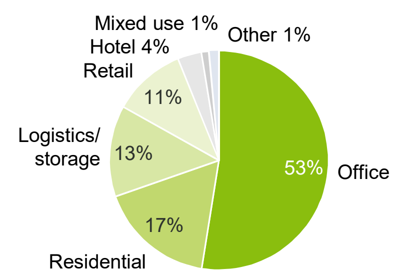




Property types







Note: Figures may not add up due to rounding 1 EaD, Basel III 2 prior to the Brexit referendum in 2016

Cover Pools

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

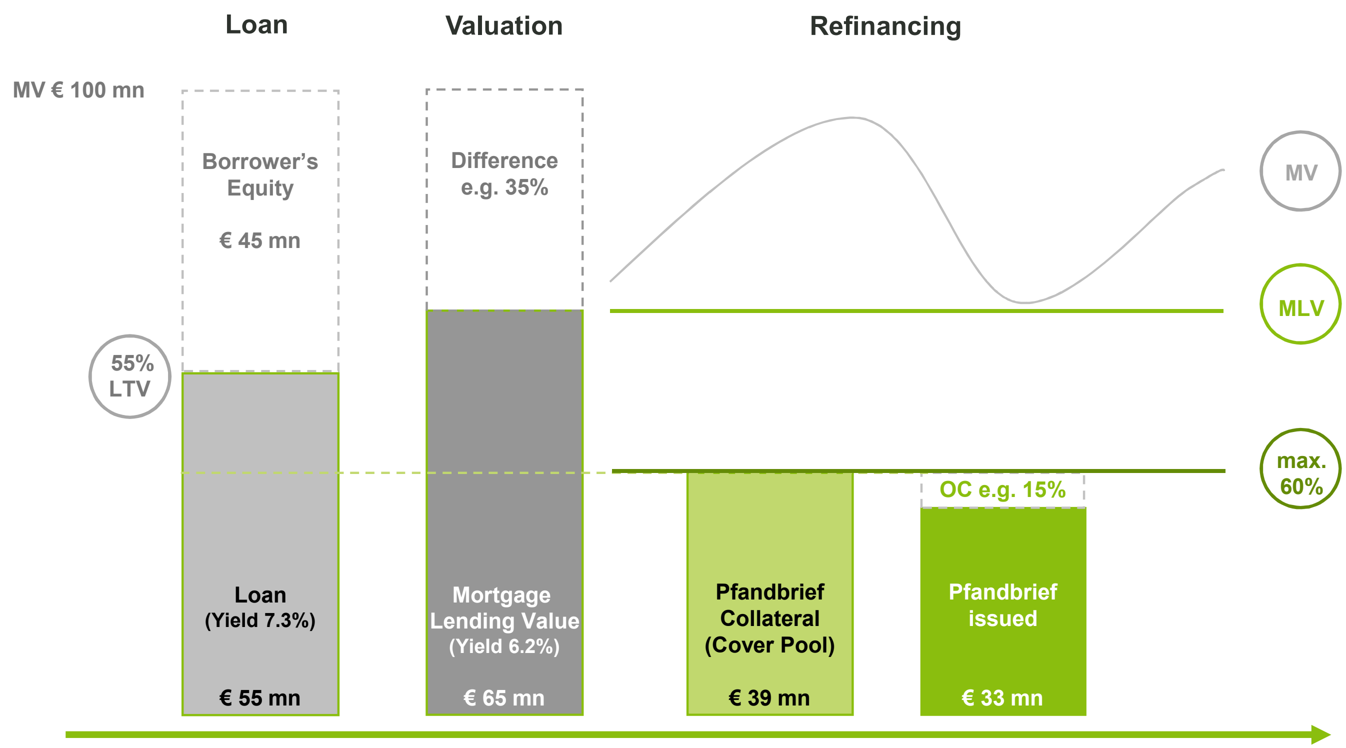
€ 1.1 mn interest payment p.a.
for a € 55 mn loan
at 2% interest rate

€ 2.9 mn excess cash

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

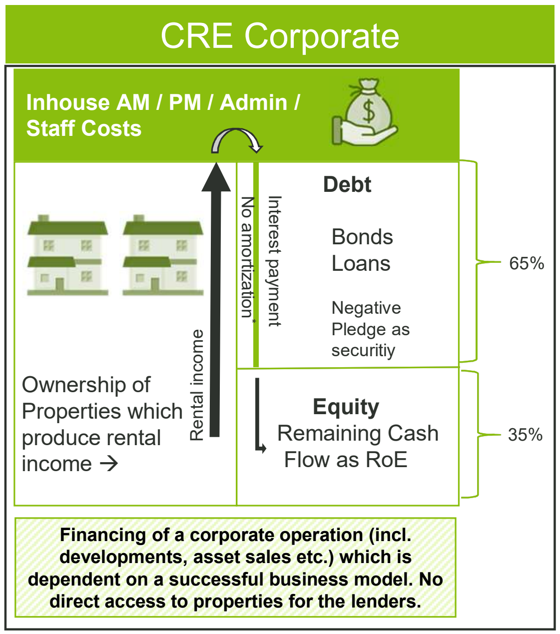
[at current interest rates of approx. 5 % the ISC drops to ~ 150%]

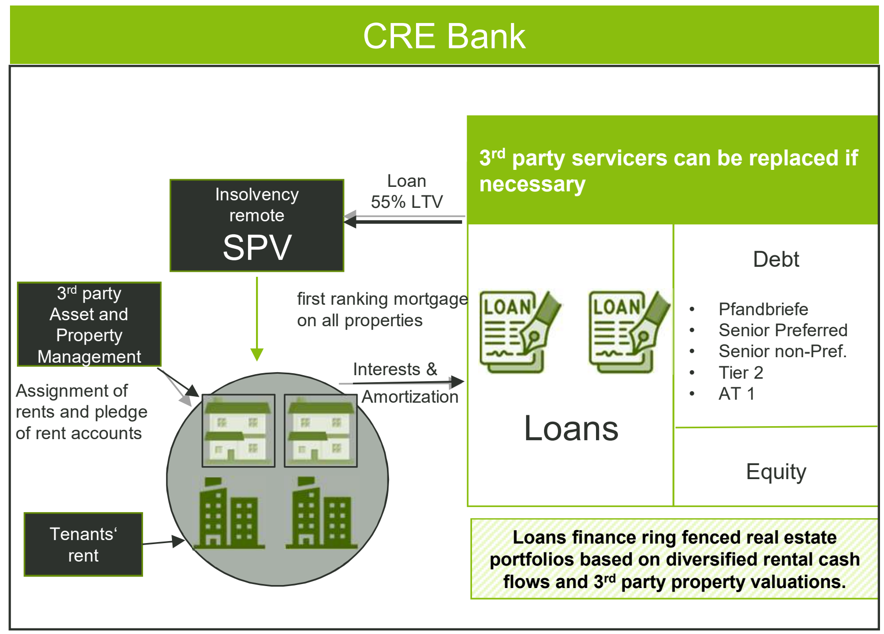
Loan - to - Value Ratio



Simplified description of CRE business models

CRE Bank Lending Business compared to CRE Corporate's business





MONITORING PROCESS

Multi-level valuation review process

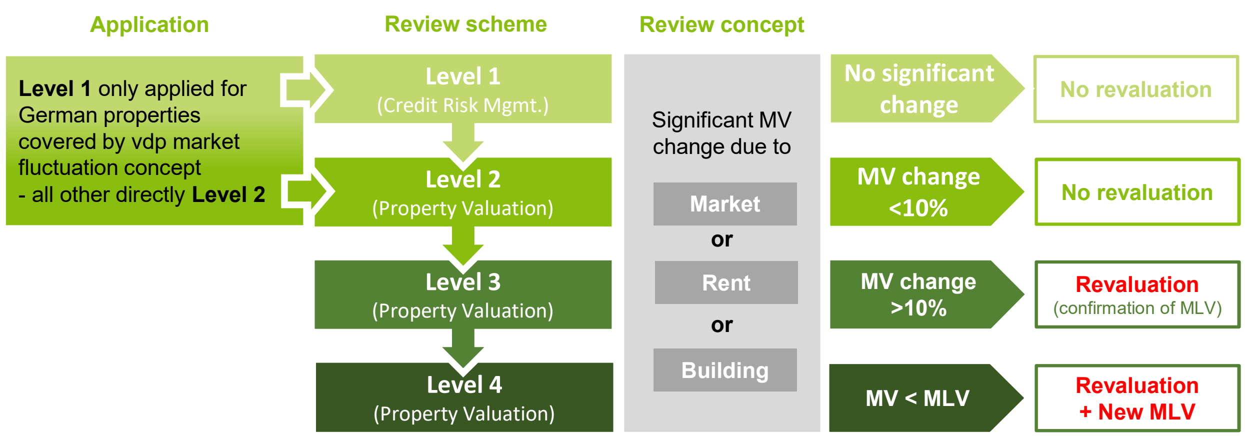
- **Regular annual review** (Level 1/2) – revaluation mandatory in case of significant changes (Level 3/4)
- **Mandatory revaluation** (Level 3) **after 3 years**

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)

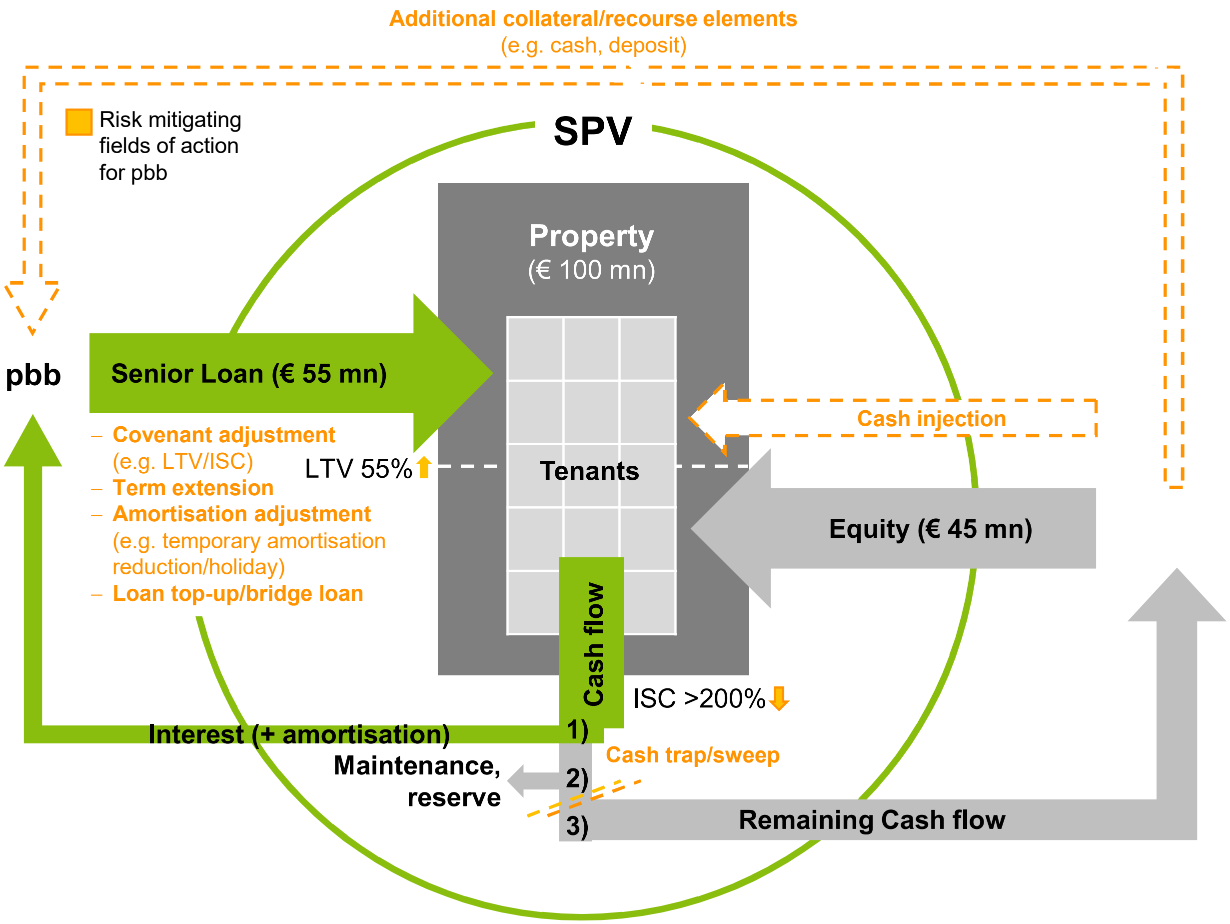
– **Credit review** (e.g. covenant testing, credit rating screening, tenant monitoring, early warning signals, forward-looking assessment)

Valuation review process (simplified)



RISK MANAGEMENT

Risk mitigating fields of action for pbb in worsening credit situations



- Conservative **risk positioning**, strong **covenant structures**, close **monitoring processes** and intensive **client dialogue** allow for early action in case of worsening credit situations
  - pbb as senior lender **always in first rank** (cash flow/ mortgage) – secured by SPV structure
  - **Broad fields of action** to mitigate risks
- **Focus on individual case by case solutions**
  - Agreements often include **support elements from sponsor**
  - **No negative impact on net present value** as key prerequisite

STRATEGIC AGENDA 2026

Continuous progress in strategic initiatives

1 Profitable growth

- Strong REF portfolio growth (€ +1.2 bn to € 30.5 bn) with improving margin
- Strong new business margins (+30bp vs. ~170bp in 2022)

2 Green finance

- Eco Estate GmbH (green consulting) incorporated and in operative mode
- Share of scored REF portfolio increased to 74%, green share[1] of total REF portfolio at 21% (28% on scored portfolio)

3 Revenue diversification

- pbb Invest operationally set up – starts to contribute from 2024 onwards
- First debt fund to be launched in Q1/24

4 Focus on core business

- Bundling of PIF and VP in a non-core unit since Q1/23
- Optimisation ongoing, first asset sales in H1/23
- Capveriant closed in Q3/23

5 Funding diversification

- Broadening of brand and distribution channels ongoing
- Cooperation with investment platform “Raisin” and “Check24”
- Strong growth of retail deposits by € 1.5 bn (34%) to € 5.9 bn in 9M/23

6 Digitalisation & operational revamp

- Digital Credit Workplace put to next level (process efficiency)
- Comprehensive cost cutting programme initiated

Cost cutting programme

- 2023 year of investment – costs to be reduced to 2022 level by 2026
- Expected to deliver from 2024 onwards / ~80% of cost reduction expected to materialize by 2025
- Cost-cutting largely predictable – timewise and in terms of amount

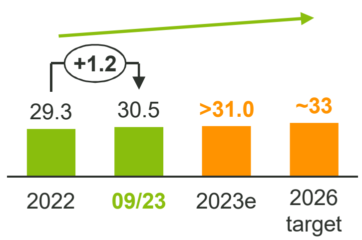
1. According to pbb's green bond framework

STRATEGIC AGENDA 2026

pbb full on track to deliver on 2026 targets – PBT > € 300 mn, RoE b.t. > 10%

REF Portfolio growth

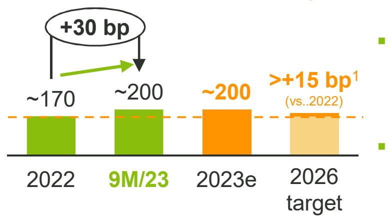
REF portfolio (€ bn)



- The system works as designed: portfolio growth supported by almost no prepayments
- New business pipeline supports guidance and further portfolio growth in Q4/23 and following years

Margin uplift

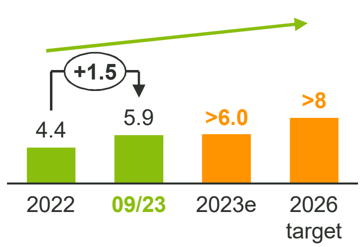
REF new business margin (bp)



- New business at elevated margin level since Q4/22
- REF portfolio margin gradually increasing

Retail deposit growth

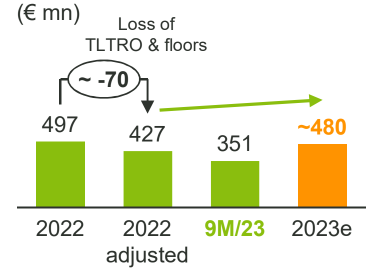
Retail deposits (€ bn)



- Retail deposits strongly increased
- Growth path aligned with overall funding/ liquidity needs

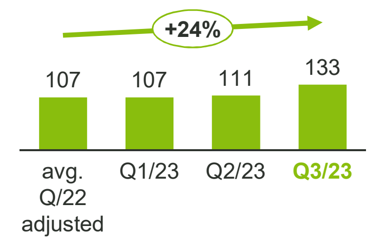
NII + NCI

(€ mn)



- Drop of NII+NCI in 2023 due € ~ -70 mn loss of TLTRO & floor income
- Gradual catch up by strategic measures

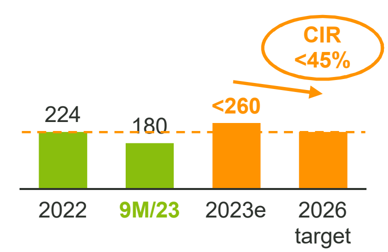
(€ mn)



- Growth path intact
- pbb invest to start with first debt fund in Q1/24 – starts to contribute from 2024 onwards

GAE
(excl. write-downs)

(€ mn)



- 2023 year of investments
- Cost cutting program started, over-compensating for operating uplift from new business lines until 2026
- Costs 2026 targeted at 2022 level

1. Gross revenue margin based on 3-month EURIBOR and incl. FX effects

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