Preliminary Results Q3/9M 2023

Full set of results on 14 November 2023

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7 November 2023

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HIGHLIGHTS Q3/9M 2023

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

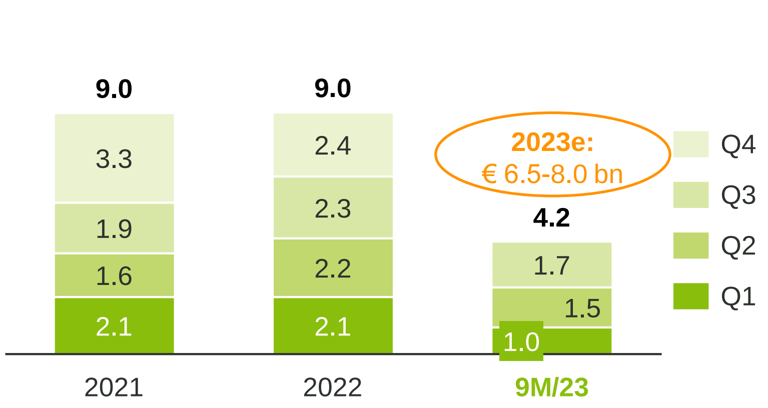
- pbb adjusts **PBT full-year guidance for 2023 to € 90-110 mn** due to increased risk provisioning and substantial business invest
- In reaction to the **ongoing weak CRE markets** (esp. in the US), pbb follows its risk conservative approach and increases **LLPs to € -104 mn**[1] **for 9M/23** (9M/22: € -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 **full 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

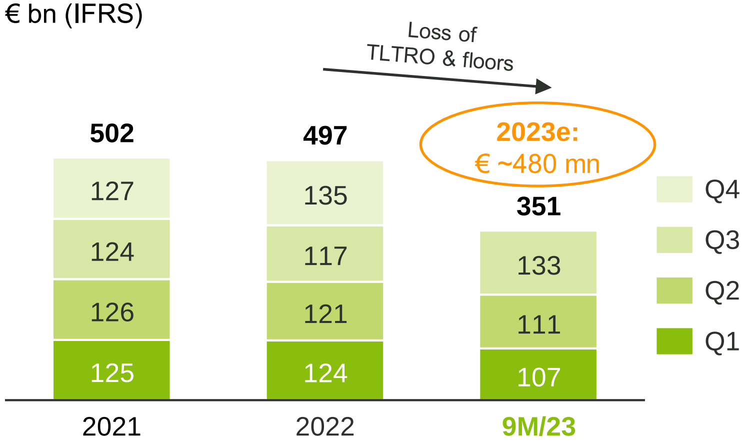
OPERATING & FINANCIAL OVERVIEW

pbb proves operative resilience

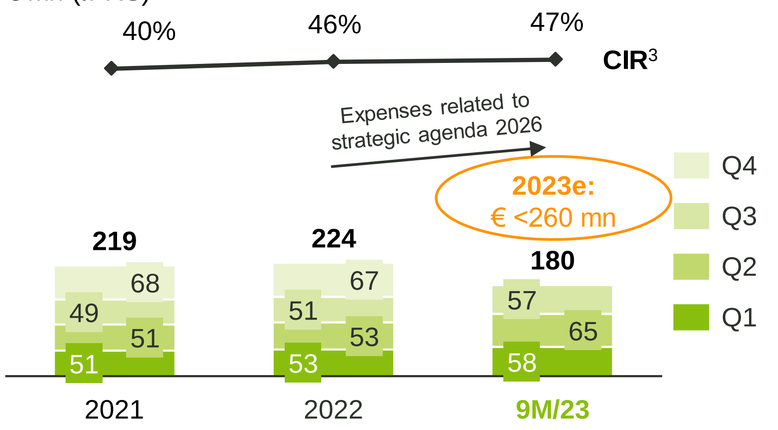
REF New business
€ bn (commitments, incl. extensions > 1 yr.)



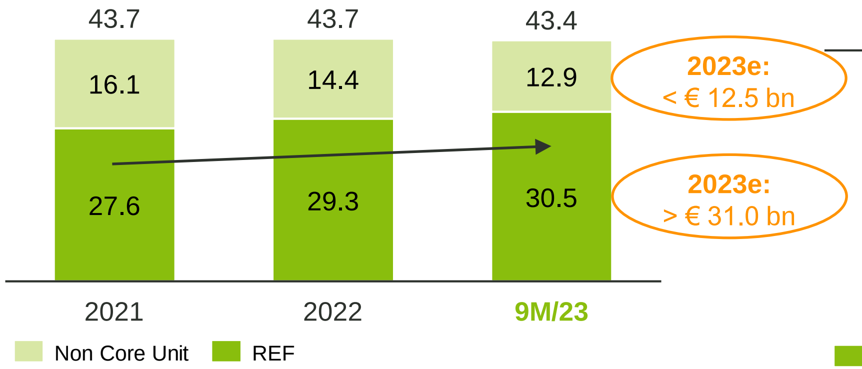
Net interest and commission income
€ bn (IFRS)



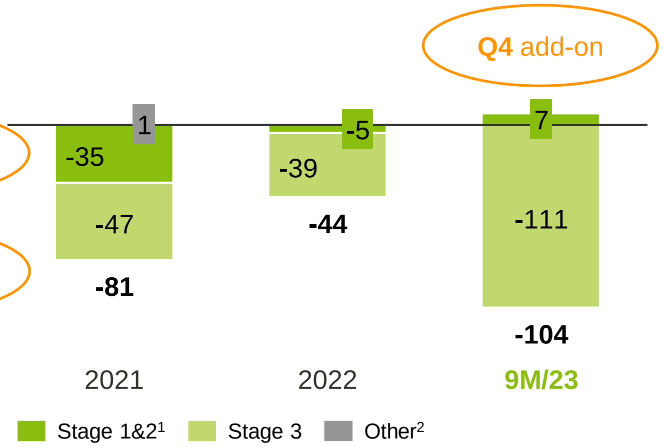
General and admin. expenses
€ mn (IFRS)



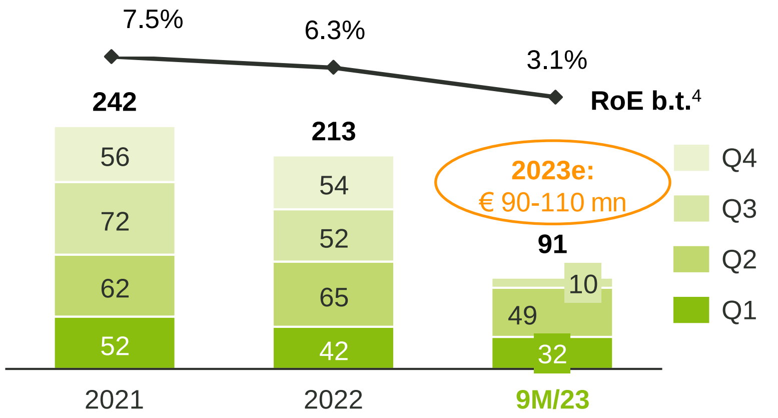
Portfolio
€ bn (financing volumes)



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)

RISK PROVISIONING

Significant increase in risk provisioning mainly driven by volatile US market

- **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

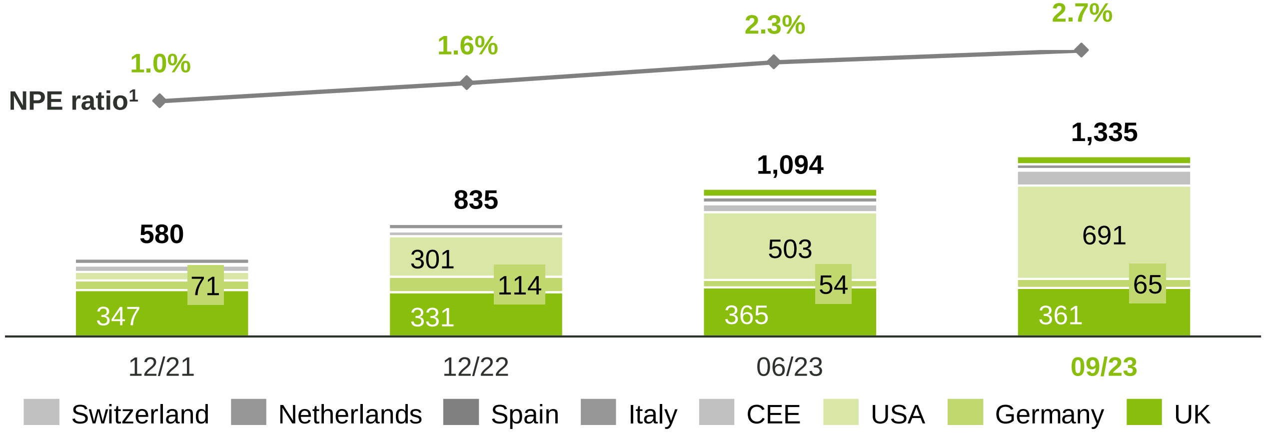
  - Primarily driven by existing stage 3 US office loans – mainly derived from a decrease in expected market values based on low bids of comparable assets in a very weak market with opportunistic investors only
  - Only a few new cases with moderate LLPs

- € +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

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 reflects stressed market environment, esp. high volatility in certain locations/asset classes in the US
  - 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)
  - Partially compensated by removal of 1 US office loan (€ 116 mn), 1 UK loan (€ 9 mn) and 3 German loans (€ 49 mn) and some FX-changes

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 the US NPL portfolio, decline in property market values of Ø 41% in last 12 months – value decrease adequately considered in risk provisioning

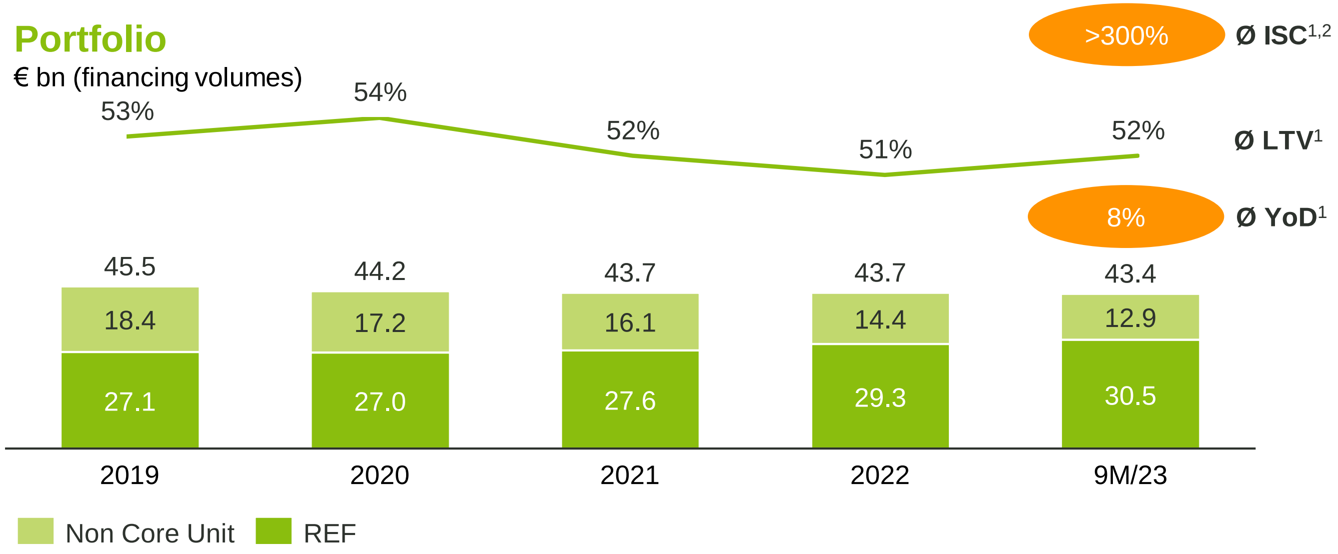
Note: Figures may not add up due to rounding 1. Non-Performing Exposure ratio = Non-performing loans and bonds / total portfolio (EaD); NPL ratio (EBA definition) 09/23: 3.6%; 12/22: 1.9%; 12/21: 1.4% (NPL ratio = gross carrying amount of non-performing loans and advances (incl. loans in forbearance cure-period) / total gross carrying amount of loans and advances)

REF PORTFOLIO

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

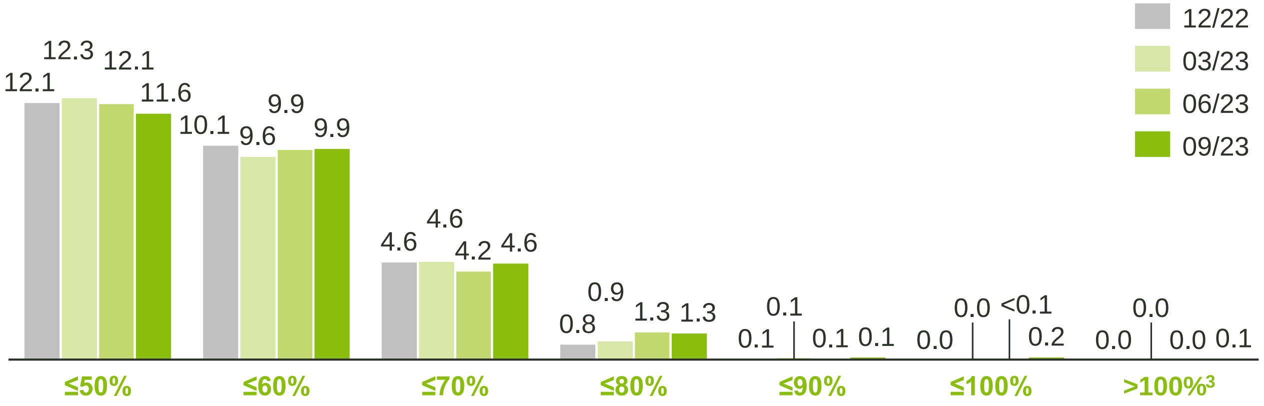
Portfolio

€ 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%

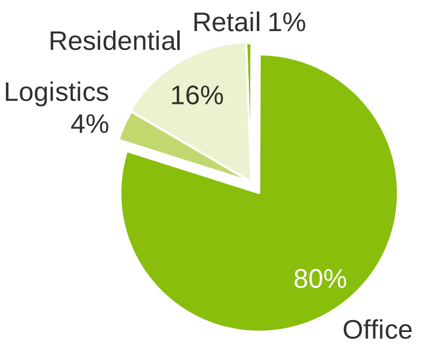
    Expected value adjustments are to be read against valuation adjustments of previous periods are already accounted for / to be seen cumulative
  - Potential stage 3 cases identified and closely monitored
  - ~80%[4] of the market correction is assumed to have happened

Note: Figures may not add up due to rounding 1. Based on performing investment loans only 2. Interest Service Coverage (ISC)-calculation 12 month 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

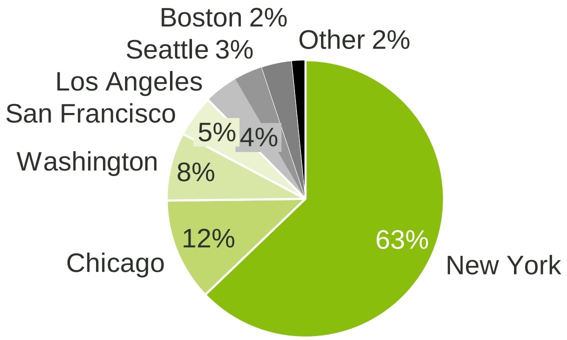
FOCUS: US REF PORTFOLIO

Total US portfolio has been reviewed in 2023

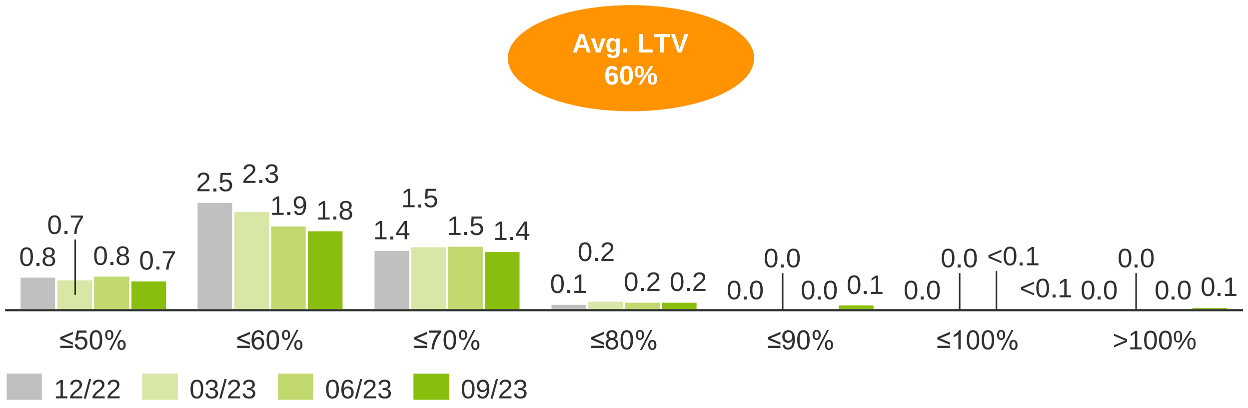
Property types
30/09/2023: € 4.9 bn (EaD, Basel III)



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)

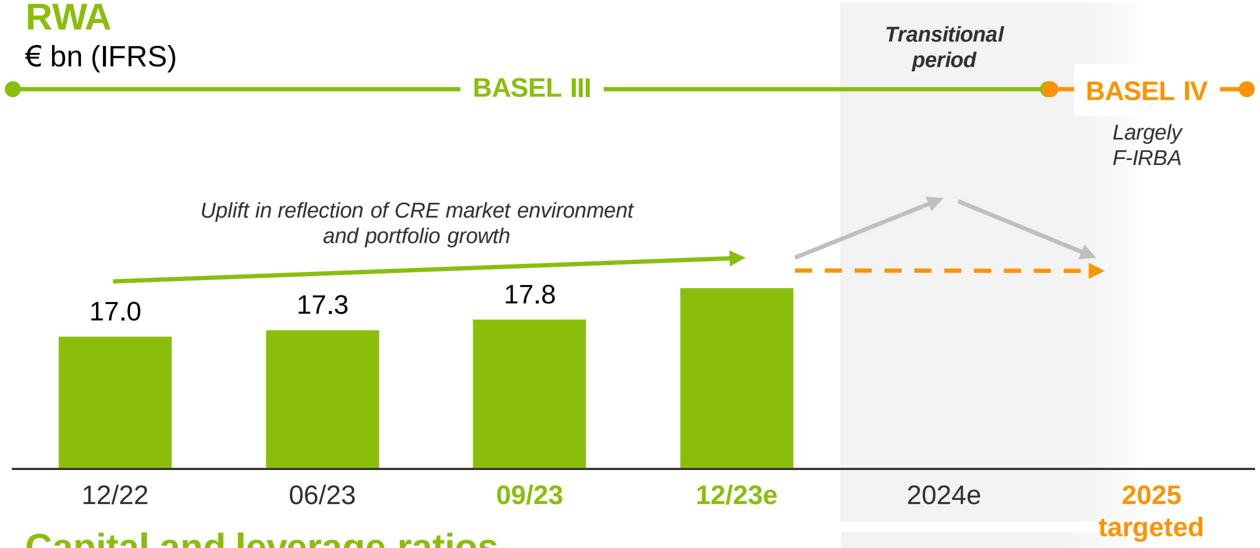


Note: Figures may not add up due to rounding 1. Based on performing investment loans only

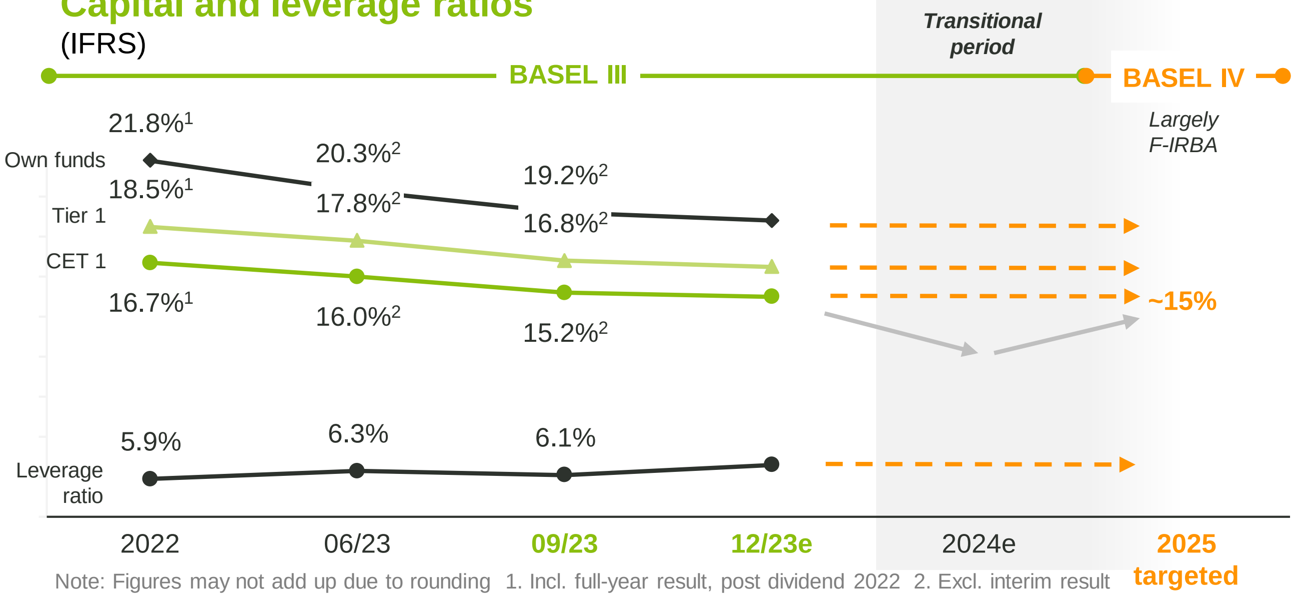
- Total US portfolio has been reviewed in 2023, all revaluations based on external appraisers
- Property value decrease in the last 12 months:
  - Performing loans: ~24% on average, resulting in an average LTV[1] of 60%
  - Non-performing loans: ~41% on average, value decrease adequately considered in 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

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)**
  - 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

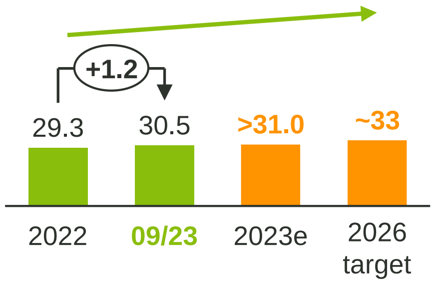
- **SREP requirements 2023** (incl. anticipated additional buffer of 90 bp):
  - **CET 1** ratio: 9.31%
  - **Tier 1** ratio: 11.28%
  - **Own funds** ratio: 13.90%

STRATEGIC AGENDA 2026

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

REF Portfolio growth

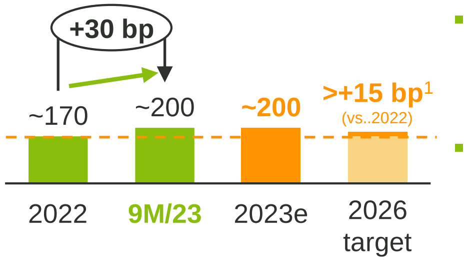
REF portfolio (€ bn)



- 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

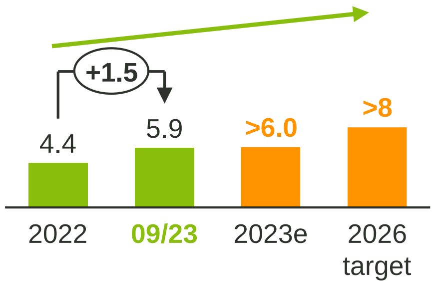
REF new business margin (bp)



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

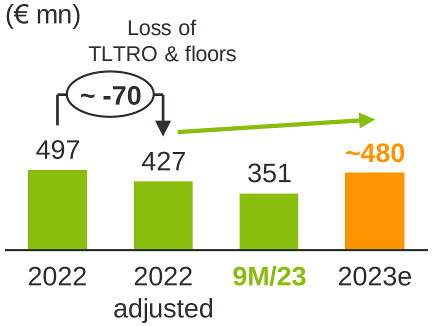
Retail deposit growth

Retail deposits (€ bn)

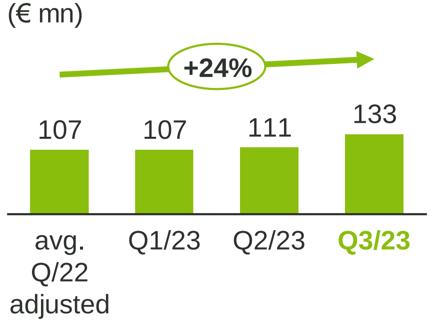


- Retail deposits strongly increased
- Growth path aligned with overall funding/ liquidity needs

NII + NCI

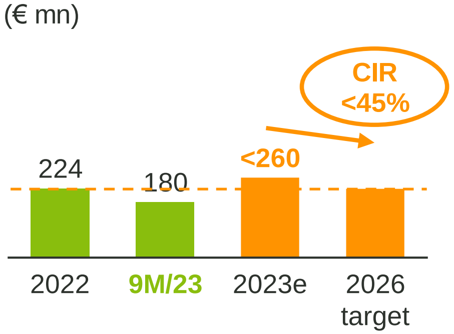


- Drop of NII+NCI in 2023 due € ~ -70 mn loss of TLTRO & floor income
- Gradual catch up by strategic measures



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

GAE
(excl. write-downs)



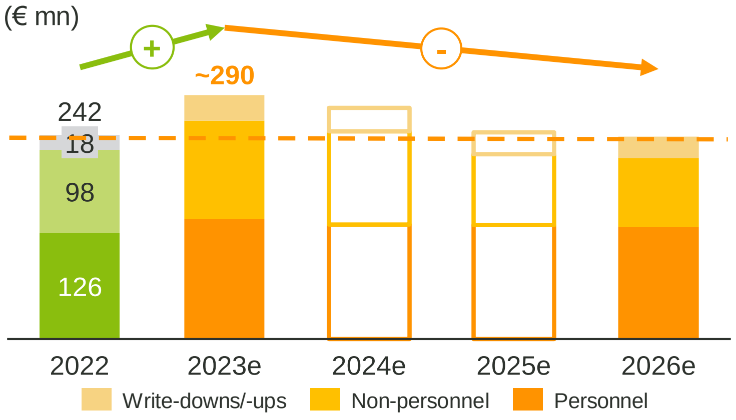
- 2023 year of investments
- Cost cutting program started, over-compensating for operating uplift from new business lines until 2026
- Costs 2026 targeted at 2022 level

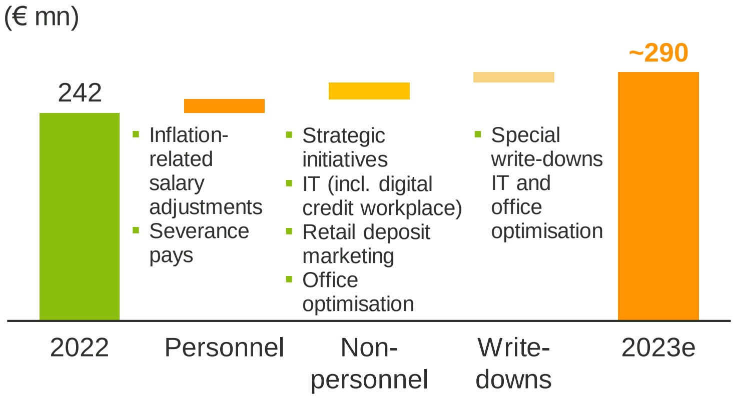
1. Gross revenue margin based on 3-month EURIBOR and incl. FX effects

2023 year of investment – costs to be reduced to 2022 level by 2026

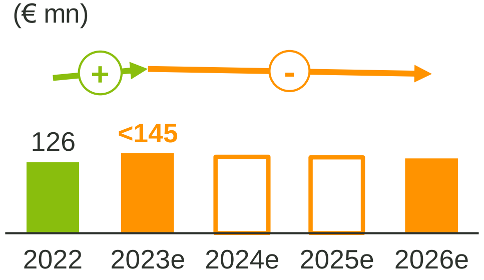
Operating expenses

- **Cost-cutting largely predictable – timewise and in terms of amount**
- **~80% of cost reduction expected to materialize by 2025**



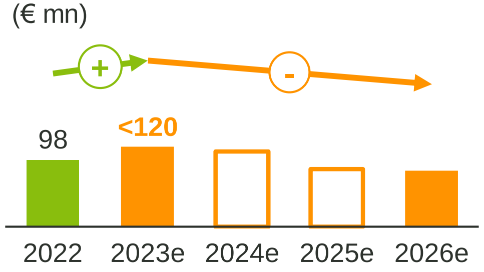


Personnel



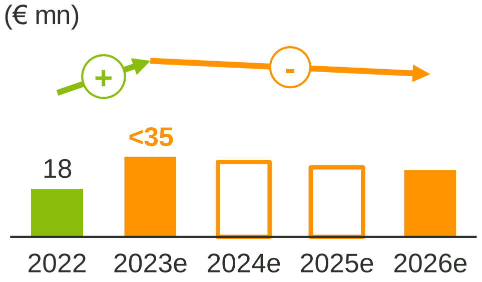
- Uplift 2023 resulting from regular inflation-related salary adjustments and severance pays
- Future uplift from new strategic business lines largely compensated by process and IT measures (e.g. Digital Credit Workplace)

Non-personnel



- Strategic measures now in second phase – 2023 burdened by start-up expenses
- New IT setup in state of finalisation (contracts concluded) with significant cost reduction afterwards (insourcing, new IT provider)

Write-downs



- Office optimisation in 2023 with future positive effect
- Review of immaterial assets in the light of new strategy

SUMMARY

pbb proves operative resilience

- pbb proves **operative 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 full on track to deliver on 2026 targets:
  - Increasing NII+NCI
  - Portfolio growth with margin uplift
  - Strong retail deposit growth
  - Significant cost cutting expected to deliver from 2024 onwards

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