# Results Q3/9M 2023 - Company Presentation

November 2023

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# AGENDA

# BUSINESS MODEL & STRATEGY

## Specialist Bank for Commercial Real Estate lending with 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
  - 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 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**

## We aim to deliver our plan in three phases by 2026

### 2023

**Invest into our business**

Start investing to lay the foundation for the implementation of our plan and steer through difficult markets

### 2024 & 2025

**Accelerate our performance**

Harvest first benefits to lift our performance beyond past levels

### 2026 & beyond

**Release our full potential**

Further scale up our growth initiatives beyond 2026

**Project implementation & Market recovery**

# GUIDANCE 2026

We release our full potential by 2026 and reach a higher profitability level with >10% RoE b.t.

**> 10%**
RoE b.t.
(> 9% RoCET1 a.t.)

**> € 300**
Profit b.t.

**< 45%**
Cost-income ratio

**> 14%**
CET1 ratio[1]

**> 30%**
Green REF portfolio share[2]

**50% + 25%**
Payout ratio for 2023-25[3]

1. Calibrated towards anticipated Basel IV levels (fully-loaded) 2. Green assets according to pbb's green loan framework (Green loan eligible) 3. Dividend policy of 50% regular dividend plus 25% special dividend; based on consolidated PAT attributable to shareholders acc. to IFRS and after AT1 coupon – no payment of special dividend for 2023

# AGENDA

# HIGHLIGHTS Q3/9M 2023

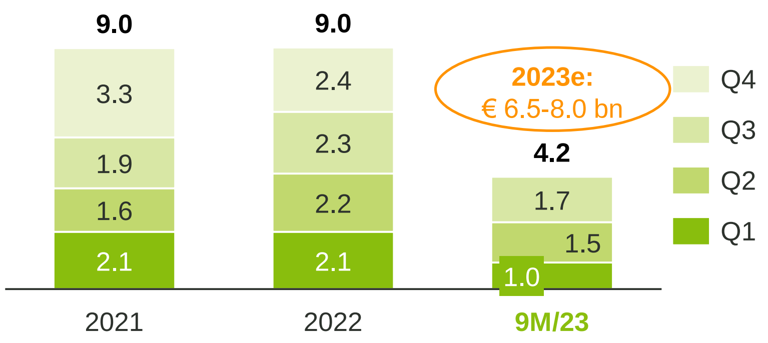
## pbb increases LLPs and is fully on track to deliver on 2026 targets

- 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)

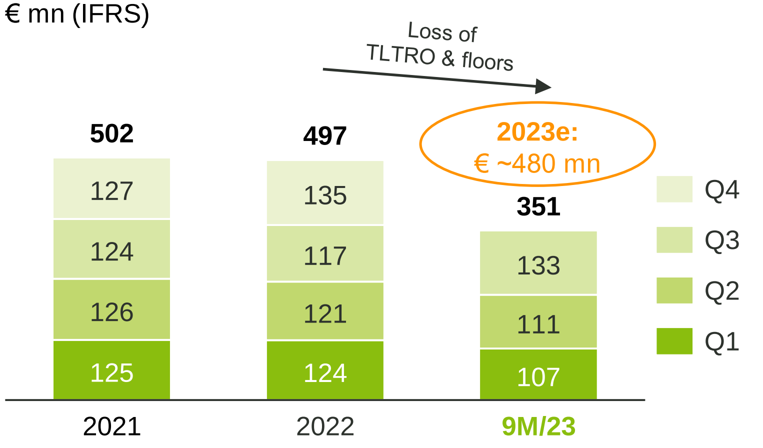
1. € +7 mn stage 1&2, € -111 mn stage 3

# pbb proves operating resilience

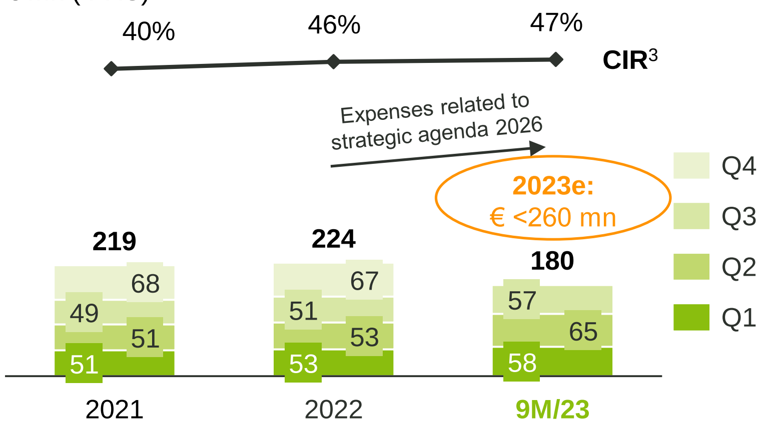
## REF New business
€ bn (commitments, incl. extensions > 1 yr.)



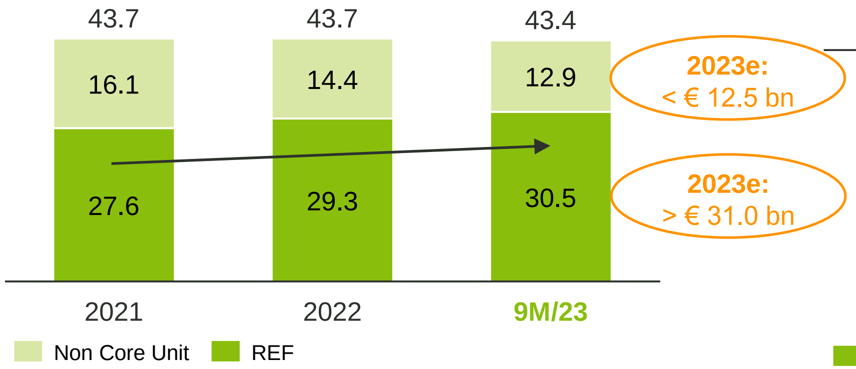

## Net interest and commission income
€ mn (IFRS)



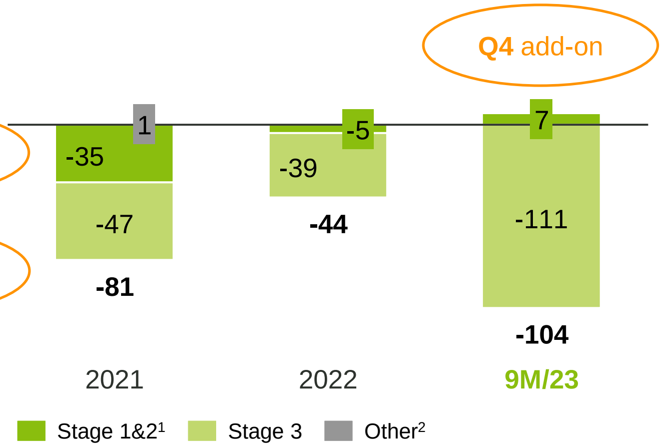

## General and admin. expenses
€ mn (IFRS)



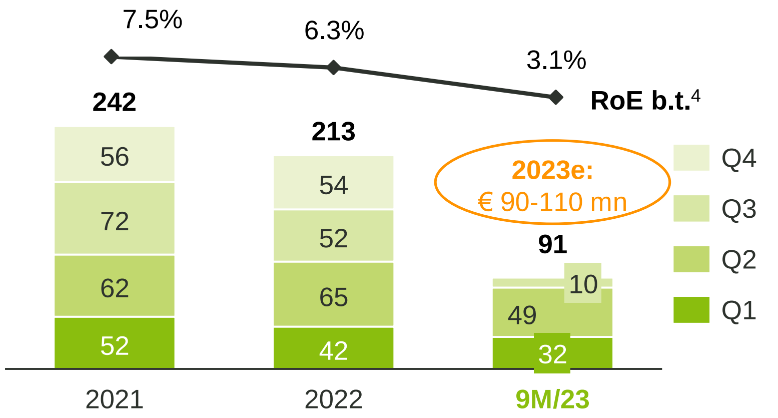

## Portfolio
€ bn (financing volumes)




## 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)

# AGENDA

# FINANCIALS

## pbb profitable despite increased risk costs and substantial expenses for strategic agenda 2026

### Income statement
€ mn

| | Q3/22 | Q3/23 | 9M/22 | 9M/23 |
|---|---|---|---|---|
| **Operating Income** | **128** | **156** | **400** | **415** |
| Net interest income | 116 | 132 | 358 | 348 |
| Net fee and commission income | 1 | 1 | 4 | 3 |
| Net income from fair value measurement | 7 | 2 | 21 | 2 |
| Net income from realisations | - | 3 | 10 | 45 |
| Net income from hedge accounting | 8 | 3 | 7 | - |
| Net other operating income | -4 | 15 | - | 17 |
| Net income from risk provisioning | -19 | -83 | -38 | -104 |
| General and administrative expenses | -51 | -57 | -157 | -180 |
| Expenses from bank levies and similar dues | -1 | - | -32 | -24 |
| Net income from write-downs and write-ups on non-financial assets | -5 | -6 | -14 | -16 |
| **Pre-tax profit** | **52** | **10** | **159** | **91** |
| Income taxes | -8 | -2 | -24 | -14 |
| **Net income** | **44** | **8** | **135** | **77** |
| | | | | |
| RoE before tax[1] (%) | 6.1 | 0.5 | 6.3 | 3.1 |
| RoE after tax[1] (%) | 5.1 | 0.3 | 5.3 | 2.5 |
| RoCET1 after tax[1] (%) | 5.6 | 0.3 | 5.8 | 2.9 |
| CIR[2] (%) | 43.8 | 40.4 | 42.8 | 47.2 |
| RWA (€ bn) | 17.3 | 17.8 | 17.3 | 17.8 |
| CET1-ratio | 16.3 | 15.2 | 16.3 | 15.2 |
| EpS[1] (€) | 0.29 | 0.01 | 0.91 | 0.45 |

- **Net interest, fee and commission income** only slightly down y-o-y despite loss of TLTRO benefit and floor income, driven by REF portfolio growth, margin uplift, matured hedging instruments related to the TLTRO III and supported by one-offs (final loan extensions, payment of past due interest)
- **Fair value measurement** slightly positive – previous year mainly supported by credit risk and funding cost induced valuation components
- **Net income from realisations** benefitted from sales from non-core unit (i.e. optimisation PIF&VP) and liability buybacks in H1/23; prepayment fees low
- **Net income from hedge accounting** – temporary fixing effects in a rising interest rate environment
- **Net other operating income** mainly driven by release of provisions for litigation costs in Q3/23
- **Net income from risk provisioning** – significant increase in Q3/23 mainly driven by volatile US market
- **General administrative expenses** expectedly up in reflection of substantial expenses to deliver on strategic agenda 2026 ("2023 year of investments")
- **Bank levy** – decreased target volume of European Deposit Protection Fund resulted in lower fee; fully booked in H1/23
- **Net income from write-downs and write-ups on non-financial assets** – regular depreciations and extraordinary full depreciation of software of CAPVERIANT GmbH in Q2/23
- **RoE and EpS** taking into account AT1 coupon[1]

1. After AT1 coupon (Q3/9M 2022: pro-rata € 4 mn / € 13 mn; Q3/9M 2023: pro-rata € 6 mn / € 17 mn) 2. CIR = (GAE + net income from write-downs and write-ups on non-financial assets) / operating income

# 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

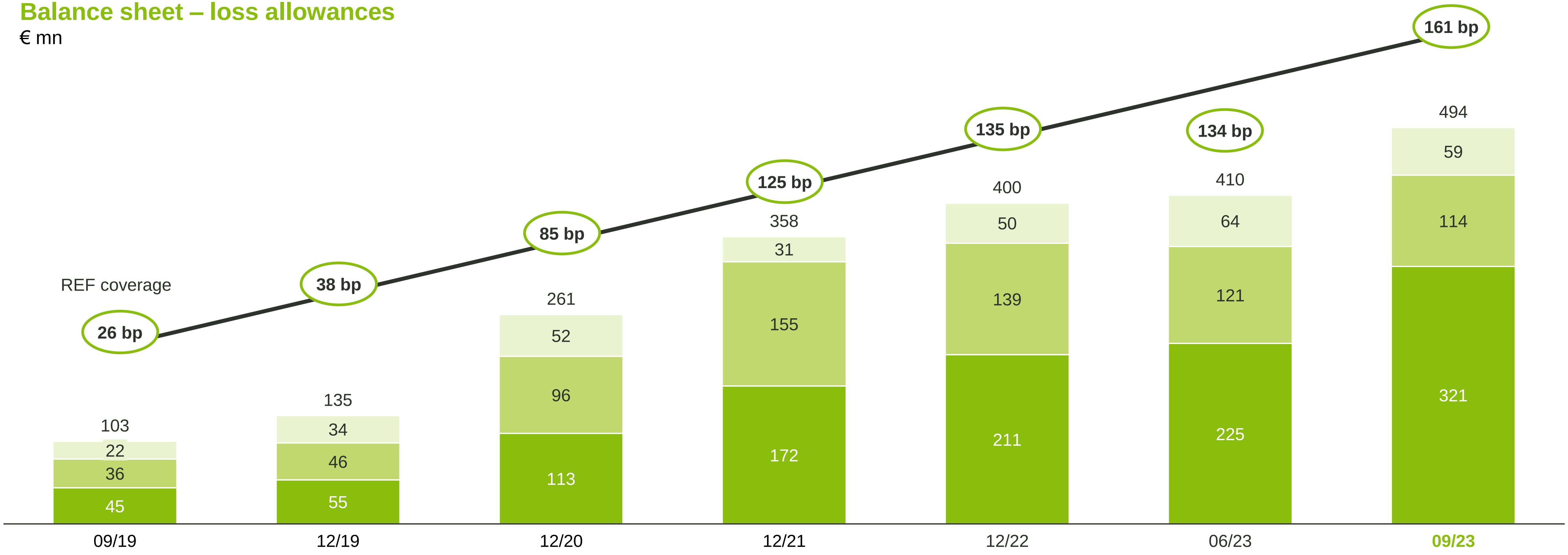
- **Risk provisioning** significantly increased by € -83 mn in Q3/23 (9M/23: € -104 mn, 2022: € -44 mn), primarily driven by existing stage 3 US office loans
- € -95 mn additions in **stage 3** (9M/23: € -111 mn) resulting from a limited number of individual cases
  - Primarily driven by existing stage 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** | - |

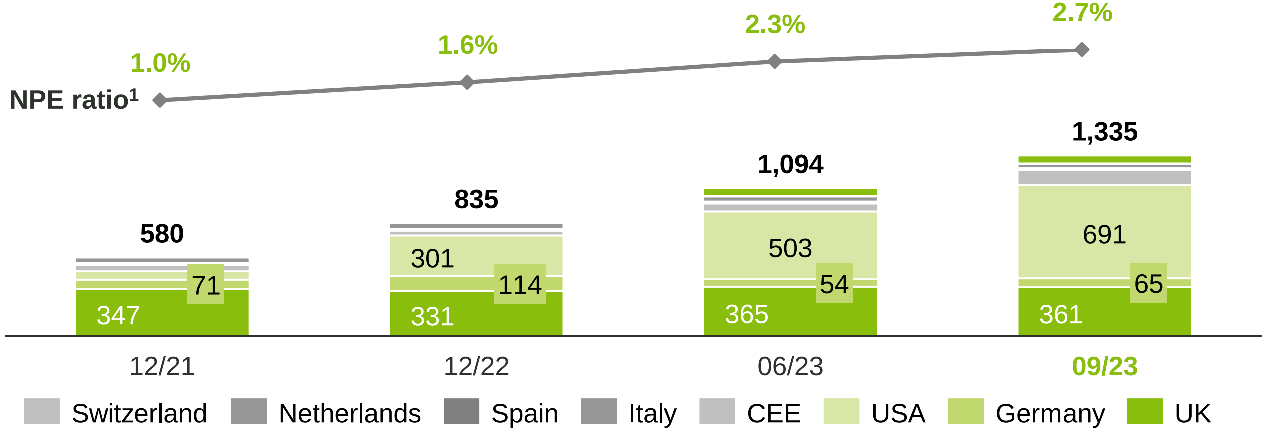
stage 1 stage 2 stage 3

Note: Figures may not add up due to rounding

# 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

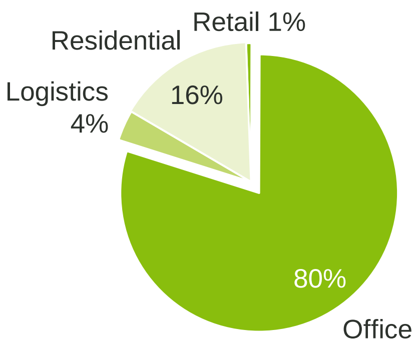
Note: Figures may not add up due to rounding 1. Non-Performing Exposure ratio = Non-performing loans and bonds / total portfolio (EaD); NPL ratio (EBA definition) 09/23: 3.6%; 12/22: 1.9%; 12/21: 1.4% (NPL ratio = gross carrying amount of non-performing loans and advances (incl. loans in forbearance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

# FOCUS: US REF PORTFOLIO

## Total US portfolio has been reviewed in 2023

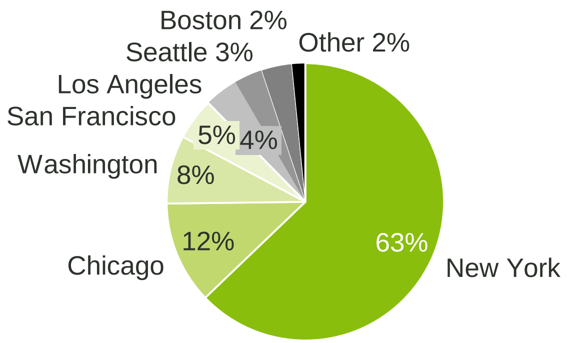
### Property types

30/09/2023: € 4.9 bn (EaD, Basel III)



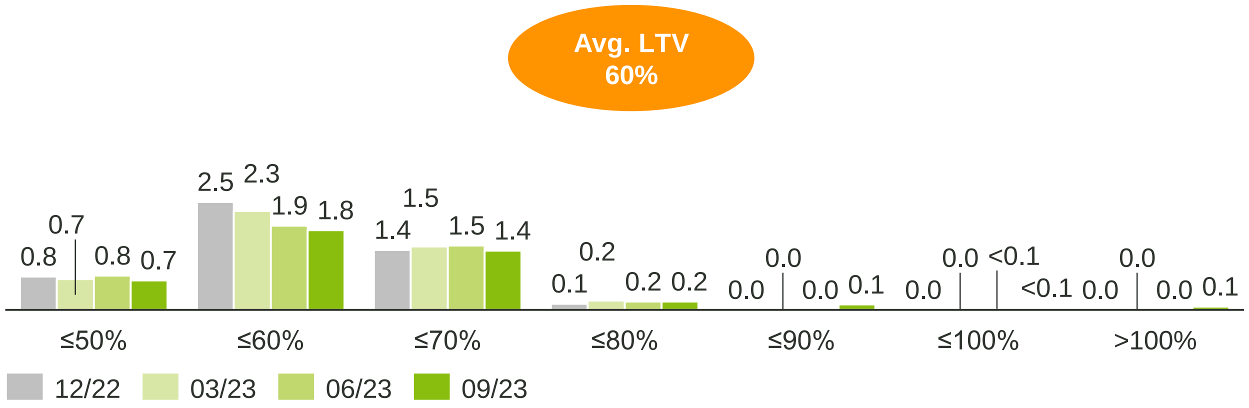

### Regions

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

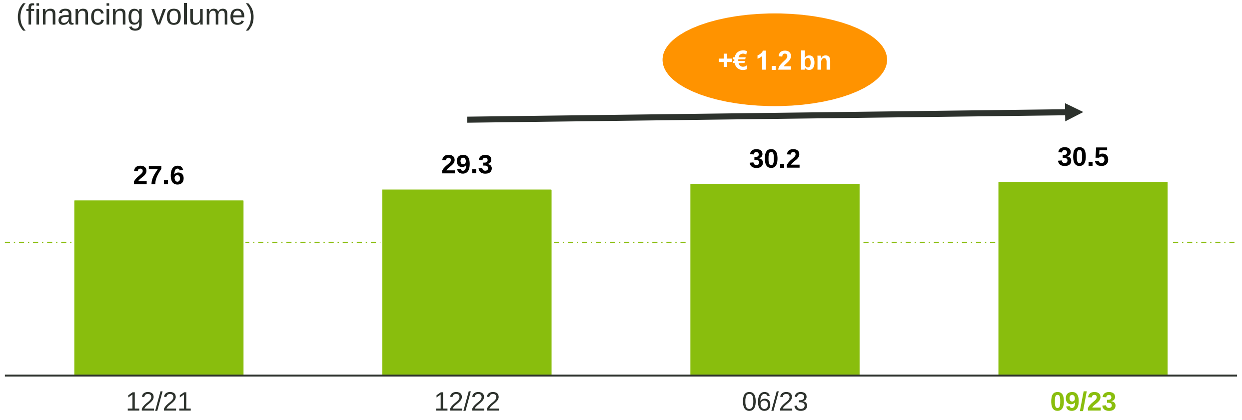
- Total US portfolio has been reviewed in 2023, all revaluations based on external appraisers
- Property value decrease in the last 12 months:
  - Performing loans: ~24% on average, resulting in an average LTV[1] of 60%
  - Non-performing loans: ~41% on average, value decrease adequately considered in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

# AGENDA

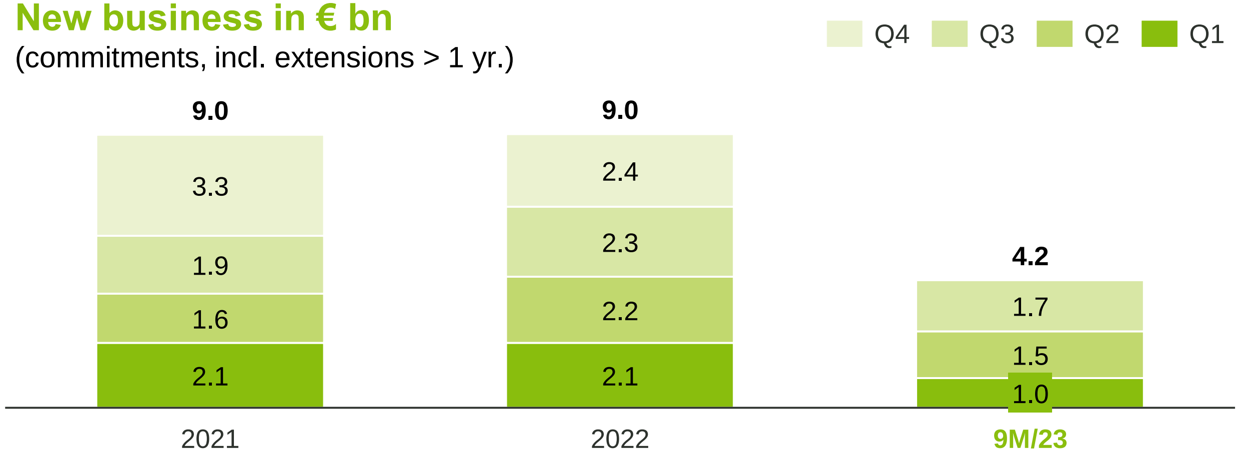
# REF NEW BUSINESS & PORTFOLIO

## 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

# REF NEW BUSINESS & PORTFOLIO

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

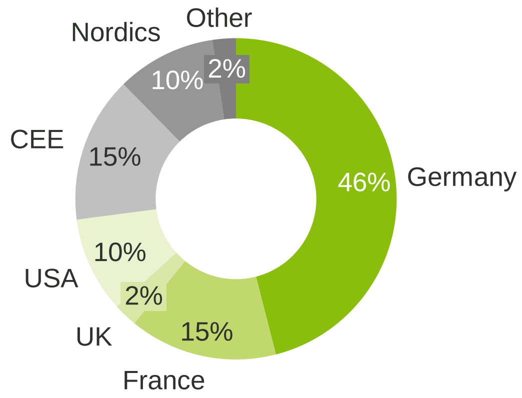
**As of 30/09/23**

**€ 4.2 bn**

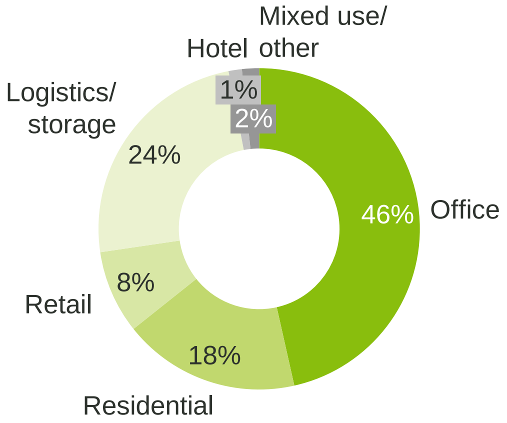
**New business**

(commitments, incl. extensions > 1 year)

**Regions**



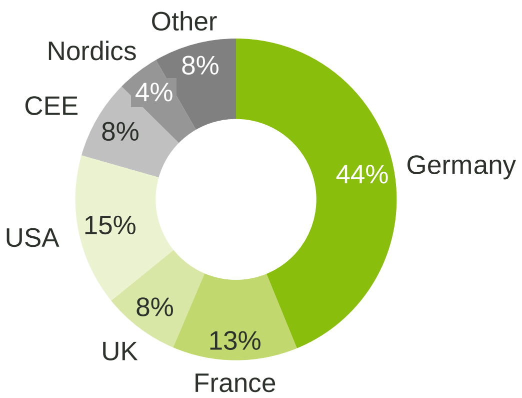

**Property types**

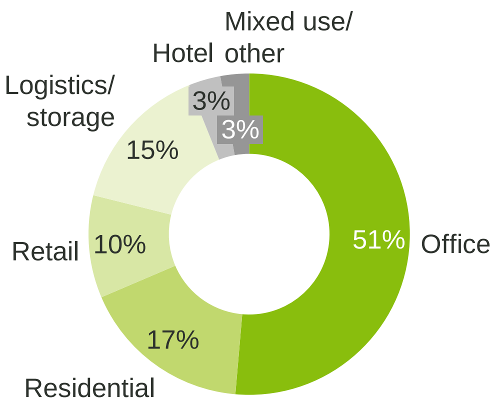



**€ 32.1 bn**

**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%)

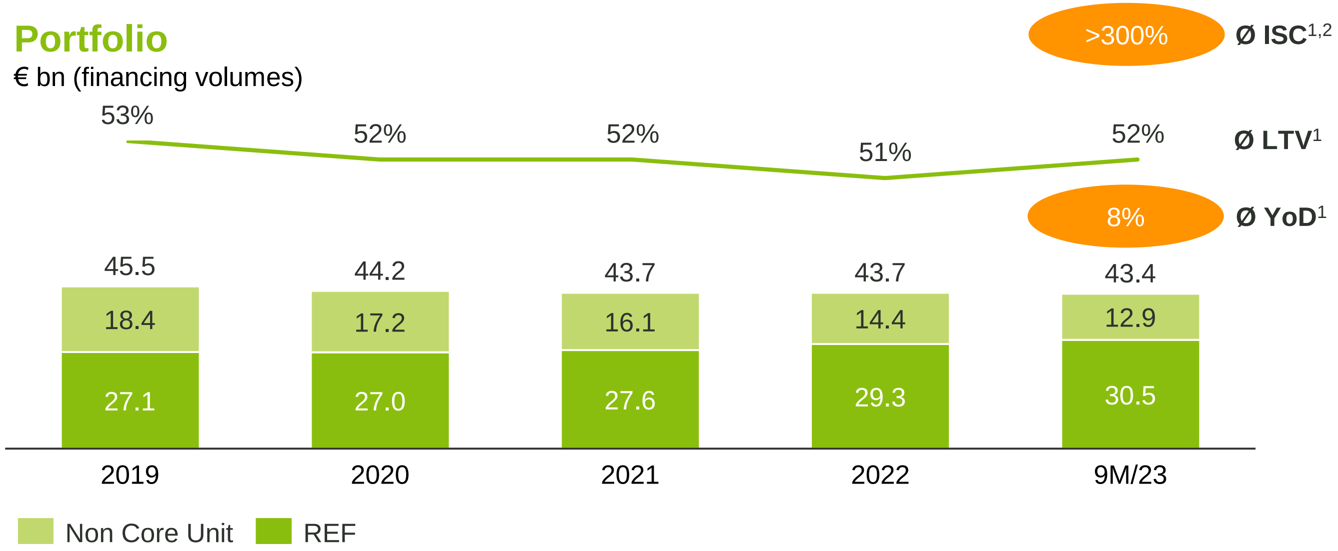
1. Note: Figures may not add up due to rounding

# PORTFOLIO

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

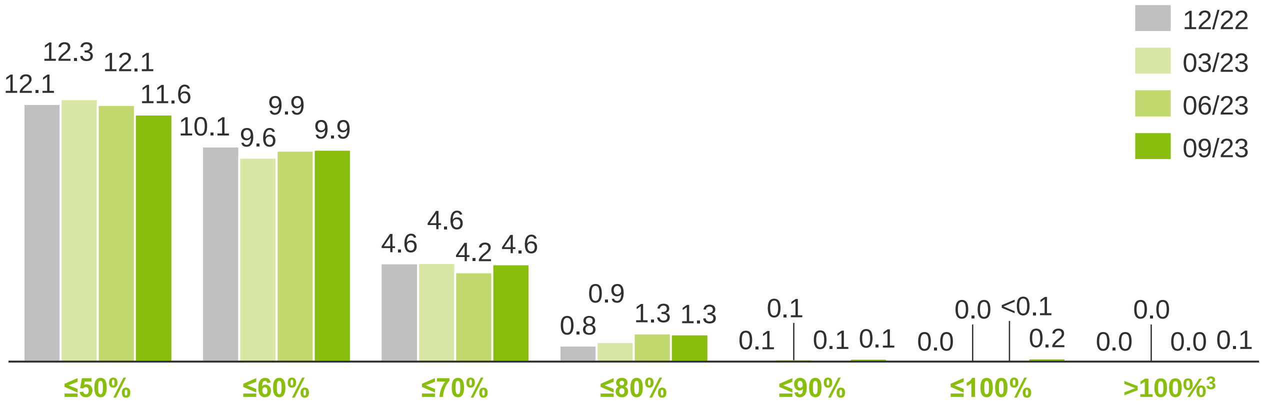
### Portfolio

€ 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

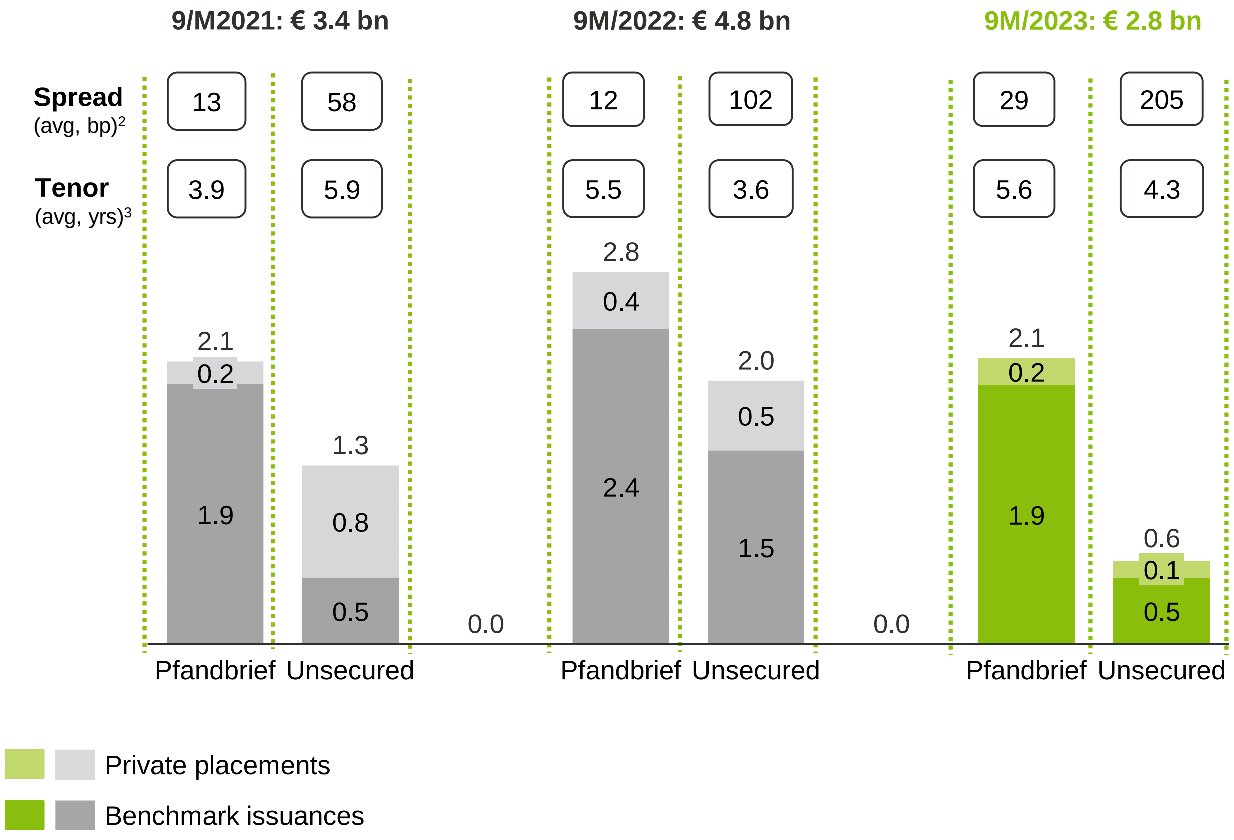
# AGENDA

1. pbb at a Glance
2. Highlights 9M/23
3. P&L
4. REF New Business & Portfolio
5. **Funding**
6. Capital
7. Summary & Outlook
8. Appendix

# 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

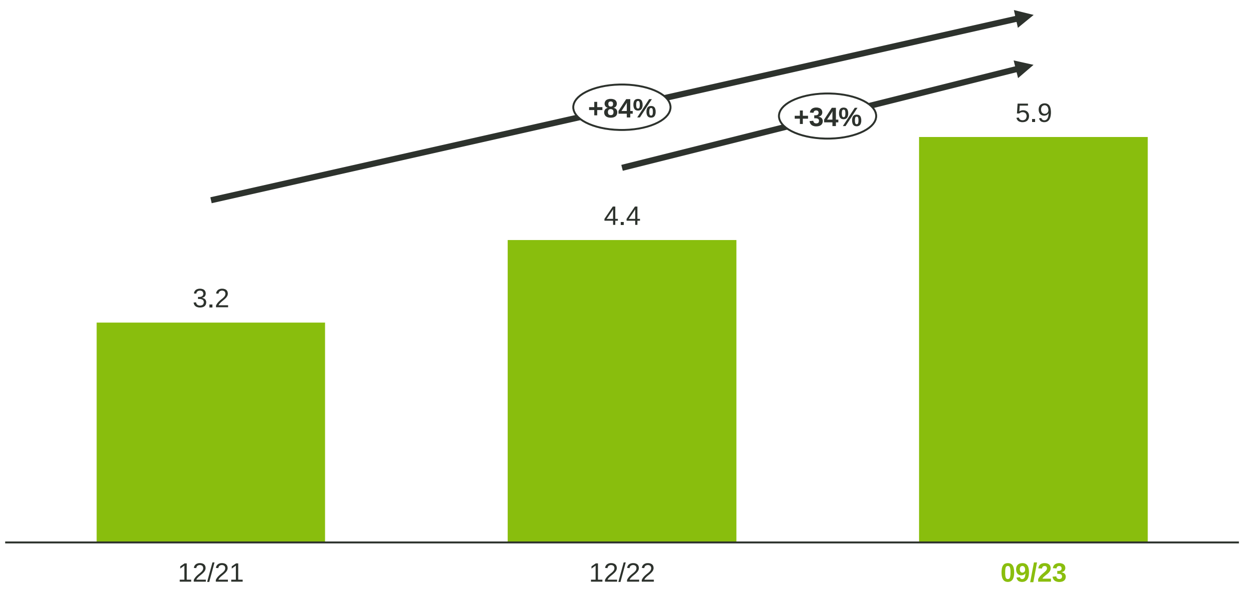
- pbb manages its liquidity on a 6-months basis – liquidity buffer must withstand 6-months stress test (vs. 1-month regulatory requirement)
- Hypothetical unexpected outflow of call money would sufficiently be covered by cash and cash equivalents
- Comfortable liquidity ratios: LCR 218% / NSFR 114%

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

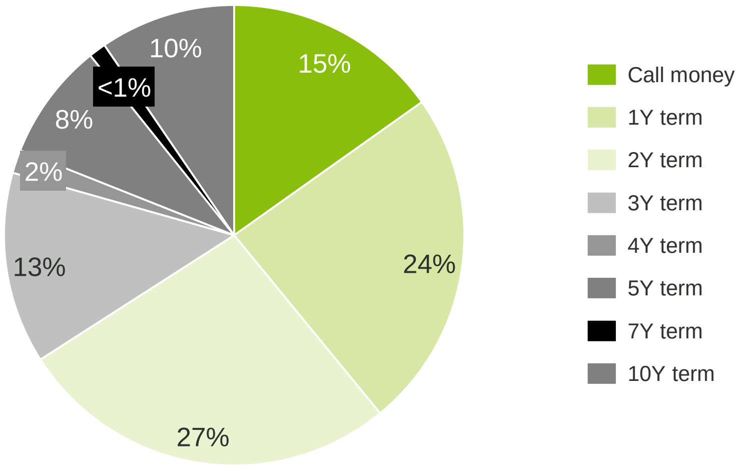
# RETAIL DEPOSITS

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

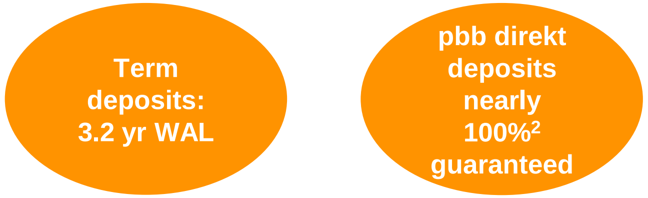
### Development of retail deposit volume
€ bn




### 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 |

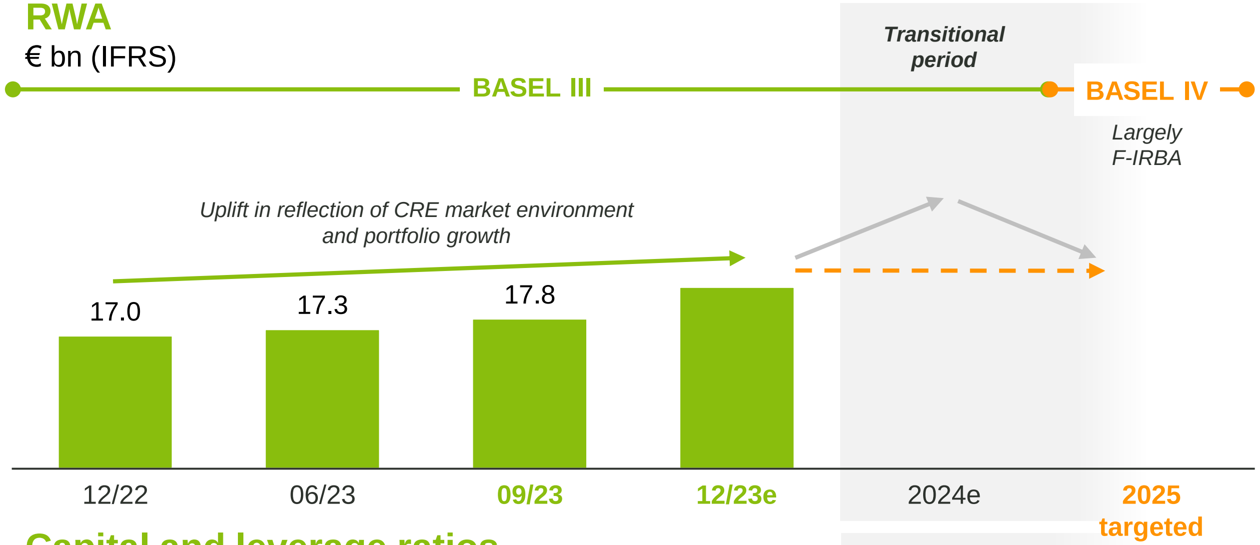



1. Initial weighted average maturity 2. Statutory deposit protection scheme in combination with the voluntary protection scheme of German Banks Note: Figures may not add up due to rounding

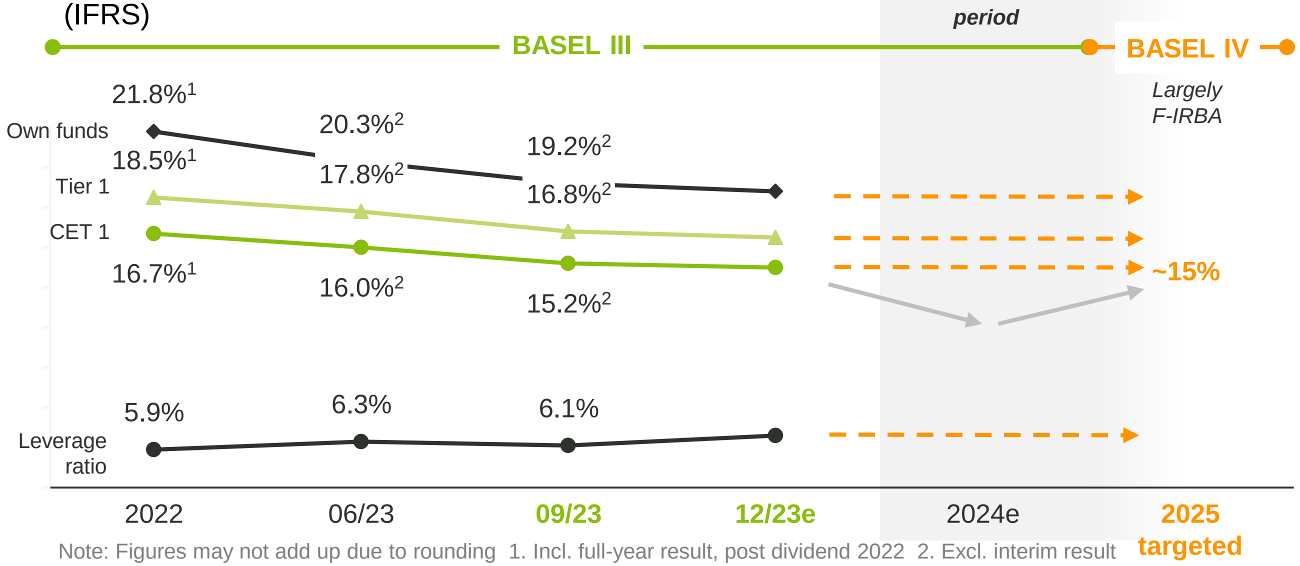
# AGENDA

# 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%

# AGENDA

# 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

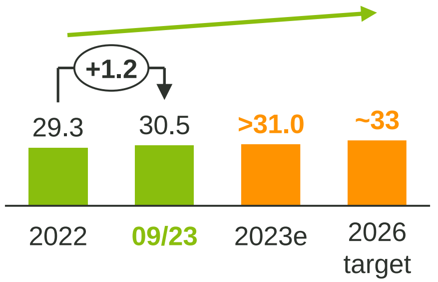
1. According to pbb’s green bond framework

# STRATEGIC AGENDA 2026

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

### REF Portfolio growth

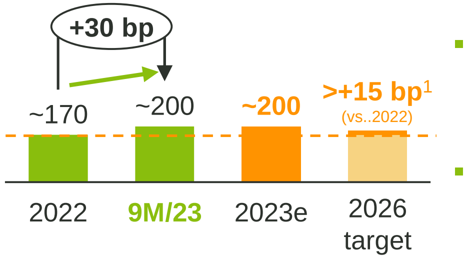
**REF portfolio** (€ bn)




- 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

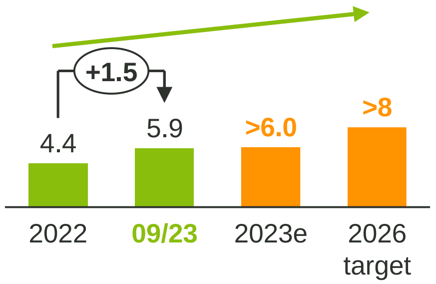
**REF new business margin** (bp)




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

### Retail deposit growth

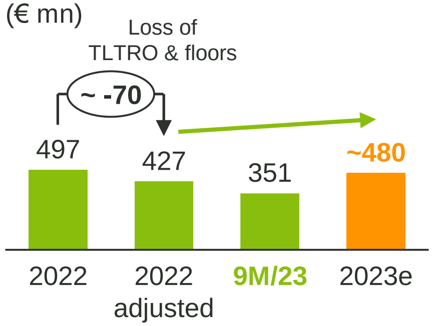
**Retail deposits** (€ bn)




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

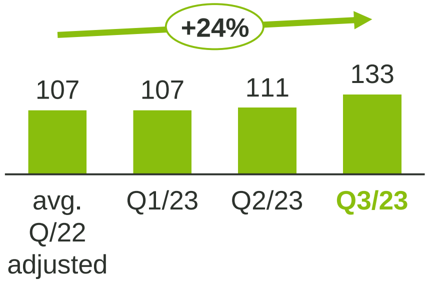
### NII + NCI

(€ mn)




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

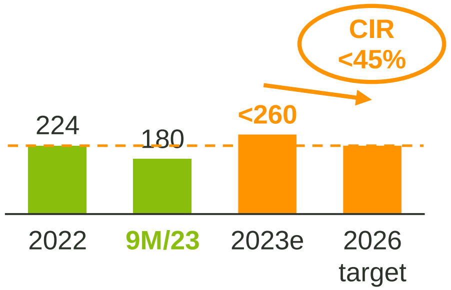
(€ mn)




- 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

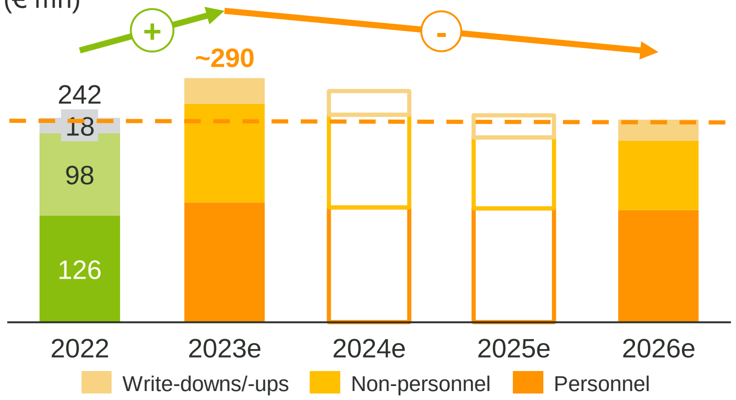
# STRATEGIC AGENDA 2026

## 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**

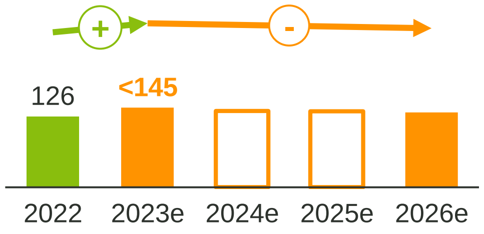
(€ mn)




(€ mn)


Personnel

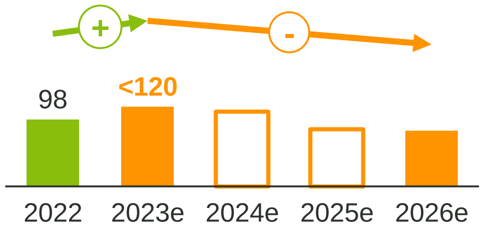
(€ mn)




- 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

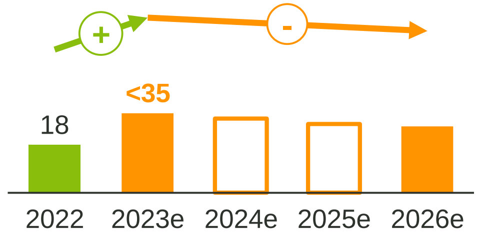
(€ mn)




- 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

(€ mn)




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

# 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

# AGENDA

# APPENDIX

# STRATEGIC INITIATIVES

Strategic initiatives to further strengthen pbb's profitability growth trajectory and adapt our strategic focus to changing market conditions

**1 Profitable growth**

*We optimise our portfolio to drive profitable growth in our core business*

**2 Green finance**

*We aim to become the leading green CRE transformation financing partner in Europe*

**3 Revenue diversification**

*We launch new business lines to diversify revenue streams and increase capital-efficient income*

**4 Focus on core business**

*We tailor our balance sheet structure to our core REF business*

**5 Funding diversification**

*We diversify our funding base by continuing retail deposit growth*

**6 Digitalisation & operational revamp**

*We digitalise our customer portal & processes and reduce complexity while maintaining strict cost discipline*

**People strategy & talent**

*We have a clear people strategy and initiatives for the attraction of young talent to enable change towards our targets*

# PROFITABLE GROWTH

1

## We accelerate profitable, organic growth in our core business

### Strategic Rationale

We grow our core REF business in two dimensions: volume and margin – while average risk weight to remain unchanged

We exploit selected market opportunities across asset classes while keeping our risk-conservative approach

### Measures

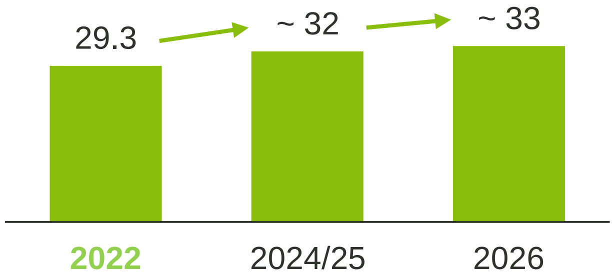
We re-allocate portfolios to continue to improve our margins based on current market opportunities across our asset classes

- Property types: re-considering cautious focus of asset class spectrum (comparable to pre-crisis within strategic scope of pbb)
- Property locations: continue diversification and geographical expansion into attractive markets (e.g., US, UK, and selective CEE)
- Product types: selective expansion of higher-margin product types in combination with green/ESG initiative (e.g., developments, also outside of Germany, Green capex)

Within each of our portfolios, we further strengthen profitability focus when steering new business

### KPIs

**REF portfolio** (€ bn)




**Gross revenue margin[1] uplift of REF new business**

**> 15 bps**
until 2026
(vs. 2022)

1. Based on 3-month EURIBOR and incl. FY effects

# GREEN FINANCE

2

## Become the leading green CRE transformation financing partner in Europe

### Strategic Rationale

We set pbb up as sustainable finance bank and real estate transformation partner through a comprehensive ESG programme

ESG being a responsibility and opportunity at the same time

We establish pbb with sustainability expertise and profile beyond lending

### Measures

**Green Lending**

- We increase share of financed green properties in our REF-portfolio with clear business target
- We emphasize green (development) loans and green capex facilities
- We build up a comprehensive ESG data gathering and holistic ESG database

**Green Bonds**

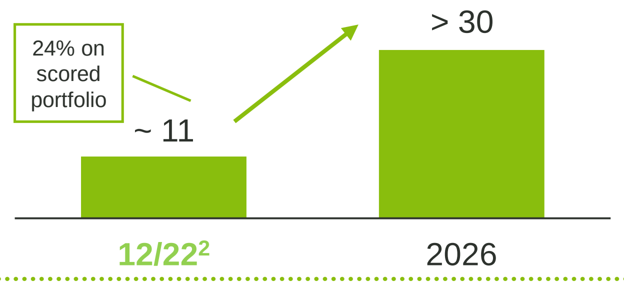
- We are a leading issuer of green senior unsecured bonds

**Green Consulting**

- We want to offer our clients independent and voluntary consulting services for holistic solutions in green CRE transformation
- We establish a partnership with ESG-minded RE developers for advisory services (Groß & Partner)
- We identify green leads through proprietary data tools and create transparency on ESG quality of the pbb loan book

### KPIs

**Green REF portfolio share[1] (%)**




**Achievement green bonds**

No. 1
Issuer of green bonds in SP-format

€ 3.3 bn
Green bonds issued (since 2021)

1. Green assets according to pbb's green loan framework (Green loan eligible) 2. Based on total REF portfolio; 24% based on scored REF portfolio of 45% as of 31 December 2022 / Green assets according to pbb's green loan framework (Green loan eligible)

# REVENUE DIVERSIFICATION

3

## We leverage our core CRE competencies for capital-efficient diversification of our income

### Strategic Rationale

We continue to diversify our business model expanding into off-balance sheet business

We leverage our CRE expertise and market positioning to set up an RE investment manager and expand origination for our institutional investors base

### Measures

pbbinvest DEUTSCHE PFANDBRIEFBANK

pbb Real Estate Investment Management (IM)

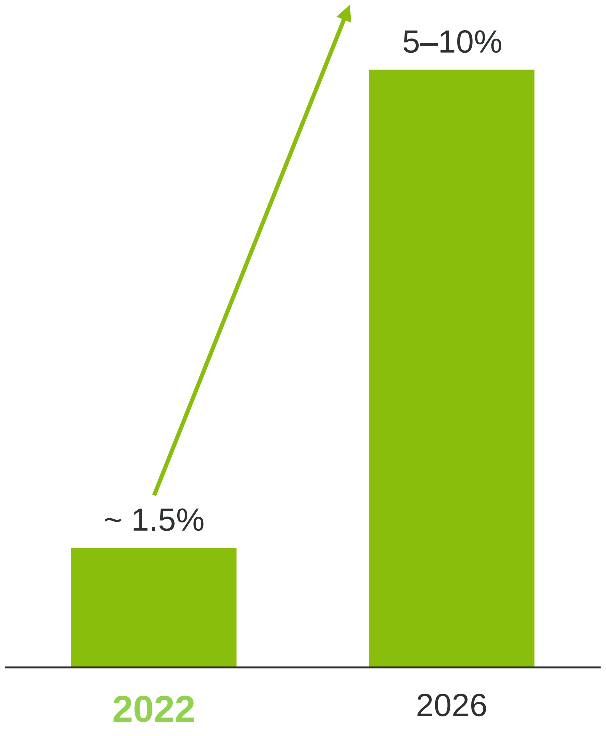
- We finalise the ramp-up of our new business model
- Experienced new board member already hired[1] and further hiring of senior IM experts
- Establish distribution partnership with an industry leader
- Complement in-house capabilities with fund administration partner (Universal Investment)
- Setup dedicated brand "pbb invest", with IM subsidiary to follow in the medium term
- We build a comprehensive CRE product suite entailing CRE equity investments and expand to debt investments

pbb Debt Products

- We expand and intensify serving of our institutional investor base understanding their investment needs
- We leverage our extensive market access to source their preferred RE debt types
- We broaden our product offering to provide exactly the required formats (e.g. debt fund)

### KPIs

**pbb Group:** share of net fee and commission to operating income




1. Starting as general manager / Generalbevollmächtigte at pbb, appointment to pbb's management board subject to pending ECB approval

# Diversify funding base to drive cost savings & optimize balance sheet for core business

## 4 Focus on core business

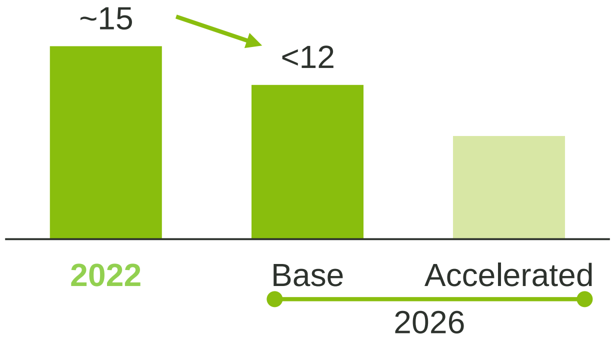
We optimise our balance sheet structure for our core business

### Measures

- We focus on our REF core business and merge our PIF & VP segments into one non-core unit
- In light of re-allocating resources to our core business we minimise overcollateralisation of public sector cover pool and thereby lower funding costs
- We follow a value-preserving approach considering opportunistic acceleration options

### KPIs

**Total assets PIF & VP** (€ bn)

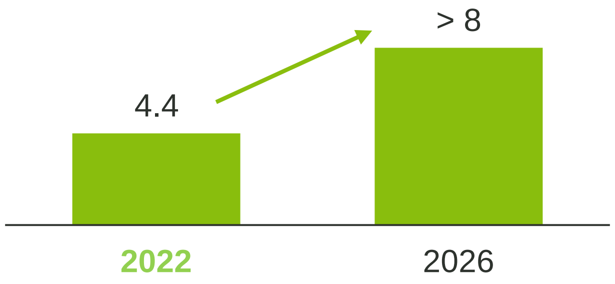



## 5 Funding diversification

We further accelerate retail deposit growth for a diversified and cost-effective funding base

- Further strengthen pbb direkt channel building on strong growth in 2022 (+38% to € 4.4 bn) through brand building and online channel optimisation
- Diversify deposit sources and set up strategic partnerships (e.g., deposit brokerage platforms)

**Retail deposits** (€ bn)



# DIGITALISATION & OPERATIONAL RECAMP

6

## Catalyse profitable growth through digital processes and steadfast cost discipline compensating for investments in strategic initiatives

### Digitalisation

We continue our digitalisation efforts to drive quality, speed and efficiency

### Measures

We further expedite the successful introduction of our digital customer portal & continue to reap the benefits

We continue on our path of process digitalisation (e.g., AI-assisted pipeline & resource allocation) to further

- Reduce complexity
- Increase customer loyalty & satisfaction
- Create room for profitable growth

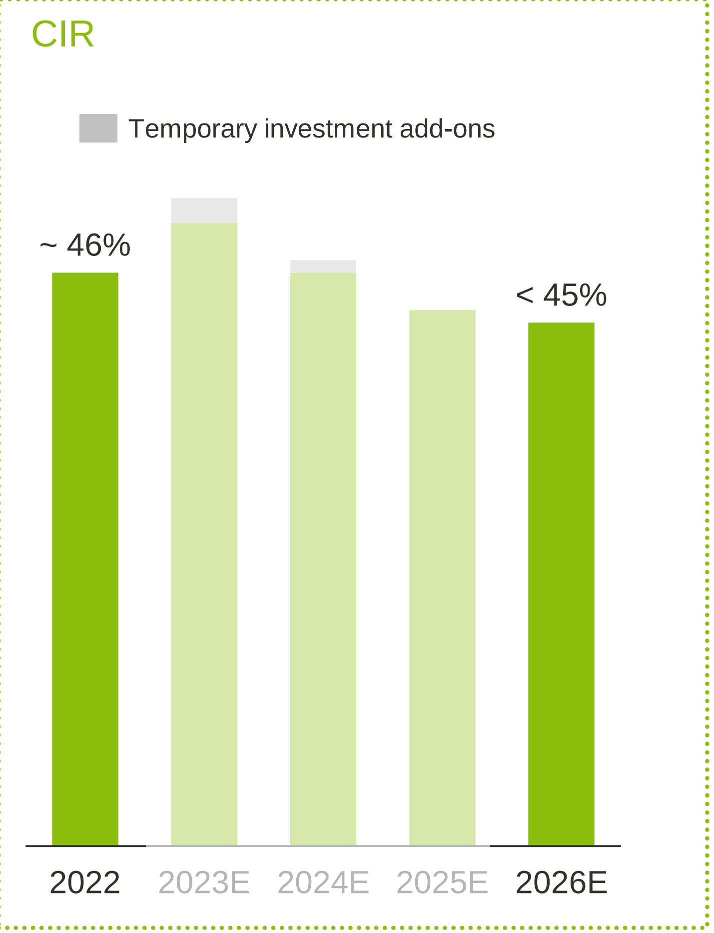
### Cost control

We retain cost control and carefully allocate costs to value-creating activities

We leverage selective cost measures to finance investments in growth opportunities

We build on our strong record of maintaining cost discipline despite ongoing investments in strategic initiatives, digitalisation and pressures due to inflation

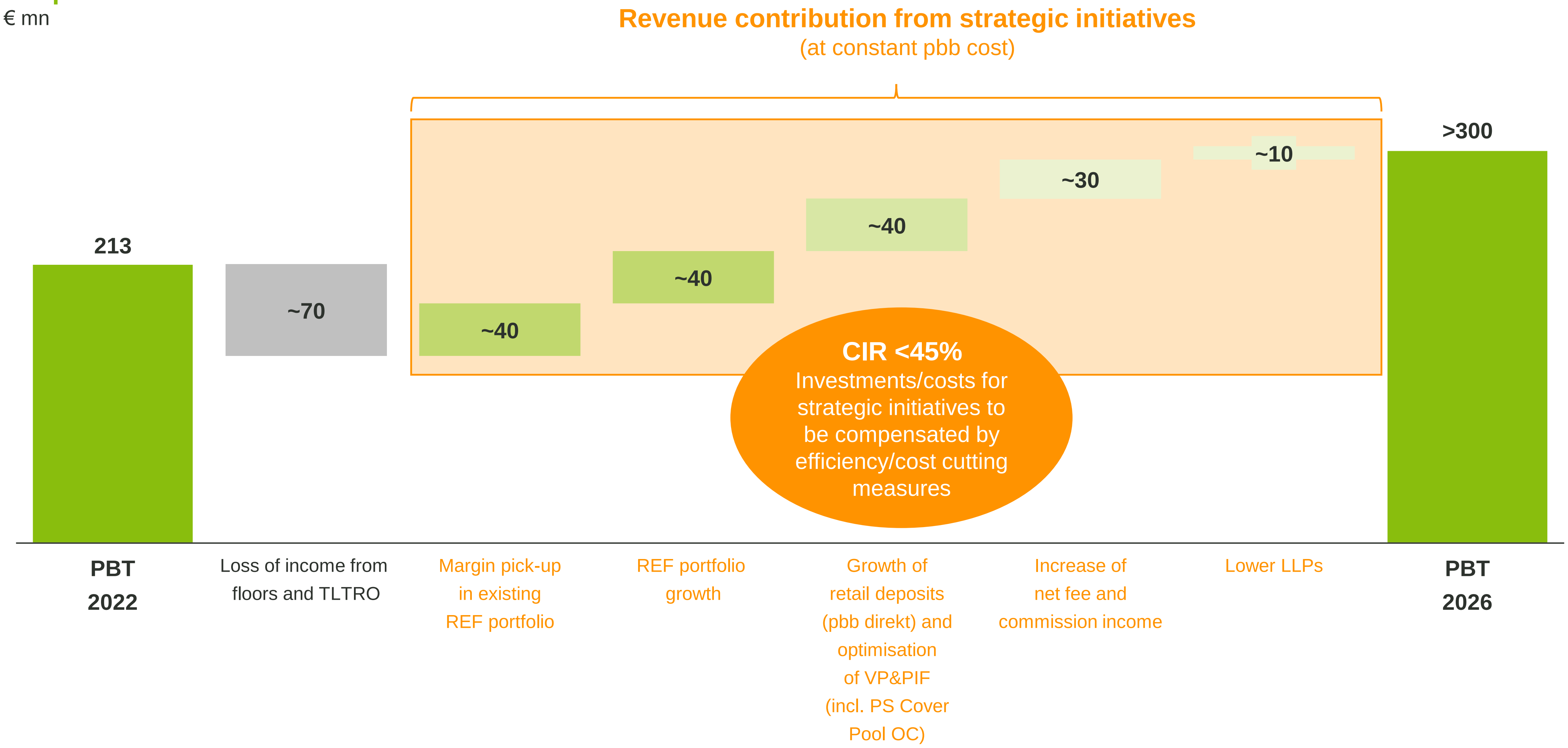
### KPIs



# STRATEGIC INITIATIVES

## pbb's path to its PBT target of >300 mn by 2026

**Simplified waterfall**
€ mn



# COST CUTTING PROGRAM

## Cost reduction to 2022 level with medium-term CIR target of <45% by 2026

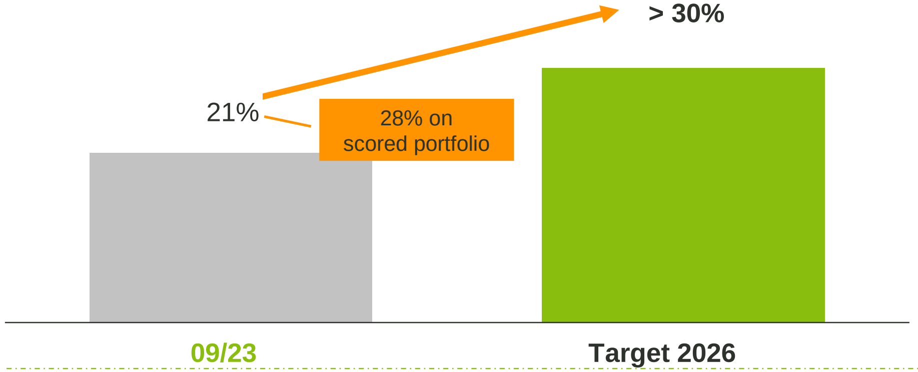
- Cost savings spread among ~40% personnel costs and ~60% non-personnel costs
- Reduction of ~15% FTE
  - Main drivers: increased process efficiency (esp. digital credit workplace, in-depth process review), discontinuation of PIF/Capveriant
  - Socially responsible measures, taking into account company agreements and demographic development structures; the necessary reconciliation of interests is in preparation
- Non-personnel cost reduction predominantly driven by reduction of IT costs (in-sourcing), in-depth review/specific cost savings
- Program costs already considered in confirmed PBT guidance for 2023

# APPENDIX

# Strong progress in sustainable finance activities

## Green share of REF portfolio[1]

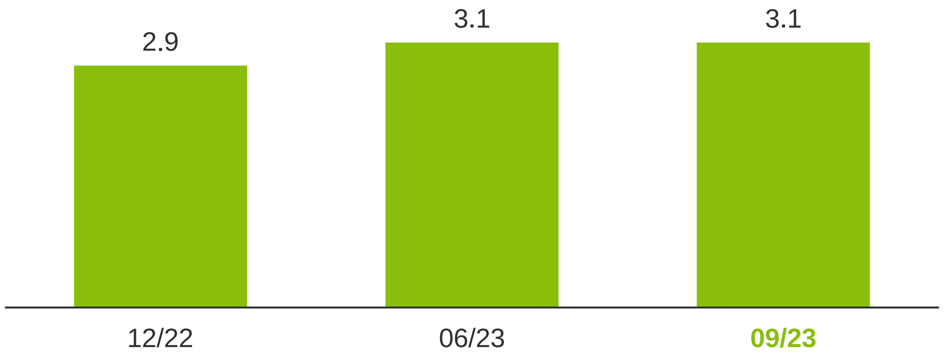
(green loan eligible assets, %)




- 74% of REF portfolio scored – scoring of remaining portfolio ongoing
- Green share of total REF portfolio currently at 21% resp. € 6.3 bn (28% based on scored portfolio of 74%) vs. 2026 target of >30%

## Green Bonds

€ bn



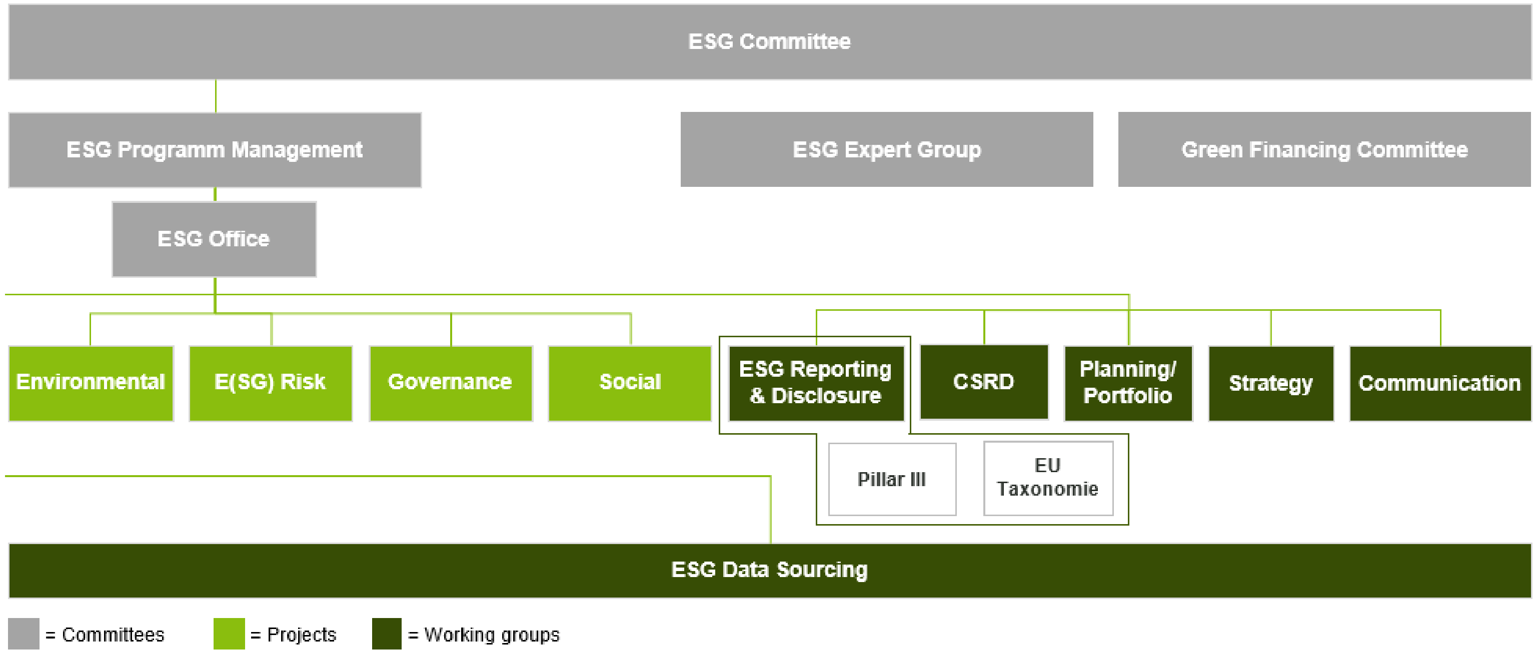

- pbb is a leading issuer of senior preferred green bonds in the European market
- Reduction of outstanding green bonds due to bond buy-back in Q2/23

1. Based on total REF portfolio; 28% based on scored REF portfolio of 74% as of 30 September 2023 / Green assets according to pbb's green loan framework (Green loan eligible)

# ESG

## ESG Program provides for holistic approach with clear responsibilities assigned

### ESG Programme




| | 2021 | 2022 | 10/23 |
|---|---|---|---|
| ISS ESG | C Prime | C Prime | C Prime |
| MSCI | A | AA | AAA |
| Moody's ESG Solutions | Score 43 | Score 44 | Score 50 |

- ESG at core of pbb's strategy:
  - pbb can make a real difference, reducing the real estate sector`s significant $CO_2$ impact
  - Green finance bank and transformation partner
  - Active portfolio steering with clear roadmap to align CRE portfolio with Paris 1.5° C target by 2045/50
- ESG risk structurally integrated in risk management landscape and overall business strategy
  - Comprehensive monitoring of physical and transitional risks in REF exposure – portfolio & individual loan basis
  - ESG risk assessment integral part of credit process
- Comprehensive ESG programme in place
  - Management Board responsibility – ESG targets part of remuneration
  - Operationally, all ESG dimensions covered with clear responsibilities assigned, e.g. EU taxonomy alignment for REF business
- Progress acknowledged by regulator, ESG rating agencies and capital markets. ESG Rating Upgrade to AAA from MSCI in 11/23 driven by improved governance aspects.

# 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**

Criteria

| I. Energy Efficiency | II. Building Certification | III. Additional Sustainability Factors |
|---|---|---|
| ▪ Energy demand/-consumption [kWh/(m²·a)]<br>▪ **OR**<br>▪ Energy Reduction in Planning [kWh/(m²·a)][1]<br>**pbb Green Bond Framework Eligible** | ▪ "Green" building certification | ▪ Surface sealing (green field vs. brown field)<br>▪ Type of/distance to public transportation<br>▪ Local supply<br>▪ Materials recycling[2]<br>▪ Type of heating<br>▪ Consumption of green energy<br>▪ Biodiversity[2]<br>▪ Existing energy/environmental management[2] |
| **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. Do Not Significant Harm Principles according to EU Taxonomy

# 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

# KEY FIGURES

## Real Estate Finance (REF)

| Income statement (€ mn) | 2021 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | 2022 | Q1/23 | Q2/23 | Q3/23 | 9M/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 417 | 104 | 103 | 101 | 112 | 420 | 96 | 101 | 117 | 314 |
| Net fee and commission income | 8 | 2 | 1 | 2 | 3 | 8 | 1 | 1 | 2 | 4 |
| Net income from fair value measurement | 6 | 6 | 4 | 4 | 0 | 14 | 0 | -1 | 2 | 1 |
| Net income from realisations | 81 | 5 | 5 | 1 | 5 | 16 | 4 | 16 | -1 | 19 |
| Net income from hedge accounting | 0 | 1 | -1 | 4 | -4 | 0 | -1 | -1 | 2 | 0 |
| Net other operating income | -1 | 8 | -4 | -2 | 0 | 2 | -1 | 4 | 15 | 18 |
| **Operating Income** | **511** | **126** | **108** | **110** | **116** | **460** | **99** | **120** | **137** | **356** |
| Net income from risk provisioning | -79 | -19 | -3 | -41 | -6 | -69 | -2 | -19 | -84 | -105 |
| General and administrative expenses | -189 | -46 | -47 | -45 | -58 | -196 | -51 | -56 | -50 | -157 |
| Expenses from bank levies and similar dues | -18 | -20 | 0 | 0 | -1 | -21 | -15 | -1 | 0 | -16 |
| Net income from write-downs and write-ups on non-financial assets | -17 | -4 | -4 | -4 | -4 | -16 | -4 | -5 | -5 | -14 |
| **Pre-tax profit** | **208** | **37** | **54** | **20** | **47** | **158** | **27** | **39** | **-2** | **64** |

| Key ratios (%) | 2021 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | 2022 | Q1/23 | Q2/23 | Q3/23 | 9M/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| CIR[1] | 40.3 | 39.7 | 47.2 | 44.5 | 53.4 | 46.1 | 55.6 | 50.8 | 40.1 | 48.0 |
| RoE before tax | 9.9 | 6.3 | 9.0 | 2.9 | 7.3 | 6.4 | 3.7 | 5.5 | -1.0 | 2.7 |

| Key figures (€ bn) | 12/21 | 03/22 | 06/22 | 09/22 | 12/22 | 03/23 | 06/23 | 09/23 |
|---|---|---|---|---|---|---|---|---|
| Equity[2] | 2.1 | 2.3 | 2.3 | 2.3 | 2.4 | 2.5 | 2.5 | 2.6 |
| RWA | 15.1 | 15.1 | 15.1 | 15.9 | 15.5 | 15.5 | 15.8 | 16.7 |
| Financing volume | 27.6 | 28.0 | 28.4 | 29.5 | 29.3 | 29.4 | 30.2 | 30.5 |

1. CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2. Equity allocated according to going concern view instead of liquidation approach Note: annual results audited, interim results Q1 2022/23 and Q3 2022/23 unaudited, interim results Q2 2022/23 unaudited, but reviewed

# KEY FIGURES

## Non-Core (PIF & VP)

| Income statement (€ mn) | 2021 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | 2022 | Q1/23 | Q2/23 | Q3/23 | 9M/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | 75 | 17 | 17 | 15 | 18 | 67 | 9 | 9 | 14 | 32 |
| Net fee and commission income | 0 | 0 | 0 | -1 | 1 | 0 | 0 | 0 | -1 | -1 |
| Net income from fair value measurement | 4 | 3 | 1 | 3 | -1 | 6 | 1 | 0 | 0 | 1 |
| Net income from realisations | 0 | 0 | 0 | -1 | 0 | -1 | 10 | 12 | 4 | 26 |
| Net income from hedge accounting | 0 | 0 | -1 | 4 | -3 | 0 | -1 | 0 | 1 | 0 |
| Net other operating income | -1 | 2 | -2 | -2 | -1 | -3 | 0 | -1 | 0 | -1 |
| **Operating Income** | **78** | **22** | **15** | **18** | **14** | **69** | **19** | **20** | **18** | **57** |
| Net income from risk provisioning | -2 | 1 | 2 | 22 | 0 | 25 | 0 | 0 | 1 | 1 |
| General and administrative expenses | -30 | -7 | -6 | -6 | -9 | -28 | -7 | -9 | -7 | -23 |
| Expenses from bank levies and similar dues | -11 | -11 | 0 | -1 | 1 | -11 | -7 | -1 | 0 | -8 |
| Net income from write-downs and write-ups on non-financial assets | -3 | -1 | 0 | -1 | 0 | -2 | -1 | 0 | -1 | -2 |
| **Pre-tax profit** | **32** | **4** | **11** | **32** | **6** | **53** | **4** | **10** | **11** | **25** |

| **Key ratios** (%) | | Q1/22 | Q2/22 | Q3/22 | Q4/22 | 2022 | Q1/23 | Q2/23 | Q3/23 | 9M/23 |
|---|---|---|---|---|---|---|---|---|---|---|
| CIR[1] | 44.0 | 36.4 | 40.0 | 38.9 | 64.3 | 43.5 | 42.1 | 45.0 | 44.4 | 43.9 |
| RoE before tax | n/a | 2.2 | 8.5 | 28.1 | 5.3 | 10.5 | 3.9 | 12.1 | 14.3 | 9.6 |

| **Key figures** (€ bn) | | 03/22 | 06/22 | 09/22 | 12/22 | 03/23 | 06/23 | 09/23 |
|---|---|---|---|---|---|---|---|---|
| Equity[2] | 0.6 | 0.6 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 | 0.2 |
| RWA | 1.0 | 1.0 | 0.8 | 0.8 | 0.8 | 0.8 | 0.6 | 0.6 |
| Financing volume | 16.1 | 15.8 | 14.9 | 14.8 | 14.4 | 14.1 | 13.1 | 12.9 |

1. CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income 2. Equity allocated according to going concern view instead of liquidation approach Note: annual results audited, interim results Q1 2022/23 and Q3 2022/23 unaudited, interim results Q2 2022/23 unaudited, but reviewed

# BALANCE SHEET

## Specialist lender with attractive German Pfandbrief as major funding instrument

### Balance sheet

IFRS, € bn

| Assets | 30/09/23 | 31/12/22 |
|---|---|---|
| **Financial assets at fair value through P&L** | **0.9** | **1.1** |
| thereof | | |
| Positive fair values of stand-alone derivatives | 0.5 | 0.6 |
| Debt securities | 0.1 | 0.1 |
| Loans and advances to customers | 0.3 | 0.4 |
| **Financial assets at fair value through OCI** | **1.3** | **1.7** |
| thereof | | |
| Debt securities | 1.2 | 1.4 |
| Loans and advances to customers | 0.1 | 0.3 |
| **Financial assets at amortised cost** (after credit loss allowances) | **44.2** | **48.7** |
| thereof | | |
| Debt securities | 4.4 | 5.4 |
| Loans and advances to other banks | 1.7 | 5.8 |
| Loans and advances to customers | 38.1 | 37.8 |
| **Positive fair values of hedge accounting derivatives** | **0.2** | **0.3** |
| **Other assets** | **1.6** | **1.2** |
| **Total Assets** | **48.2** | **53.0** |

| Liabilities & equity | 30/09/23 | 31/12/22 |
|---|---|---|
| **Financial liabilities at fair value through P&L** | **0.7** | **0.7** |
| thereof | | |
| Negative fair values of stand-alone derivatives | 0.7 | 0.7 |
| **Financial liabilities measured at amortised cost** | **43.0** | **47.7** |
| thereof | | |
| Liabilities to other banks (incl. central banks) | 4.0 | 7.5 |
| thereof | | |
| *Registered Mortgage Pfandbriefe* | *0.4* | *0.4* |
| *Registered Public Pfandbriefe* | *0.5* | *0.5* |
| Liabilities to other customers | 18.5 | 17.9 |
| thereof | | |
| *Registered Mortgage Pfandbriefe* | *3.0* | *3.0* |
| *Registered Public Pfandbriefe* | *5.4* | *5.9* |
| Bearer Bonds | 19.9 | 21.6 |
| thereof | | |
| *Mortgage Pfandbriefe* | *11.9* | *12.0* |
| *Public Pfandbriefe* | *1.9* | *2.0* |
| Subordinated liabilities | 0.6 | 0.6 |
| **Negative fair values of hedge accounting derivatives** | **1.1** | **1.1** |
| **Other liabilities** | **0.0** | **0.1** |
| **Equity** (attributable to shareholders) | **3.1** | **3.1** |
| **AT1-capital** | **0.3** | **0.3** |
| **Total liabilities & equity** | **48.2** | **53.0** |

Share of Pfandbriefe of refinancing liabilities

**53%/50%**

Note: Figures may not add up due to rounding

# APPENDIX

# MONITORING PROCESS

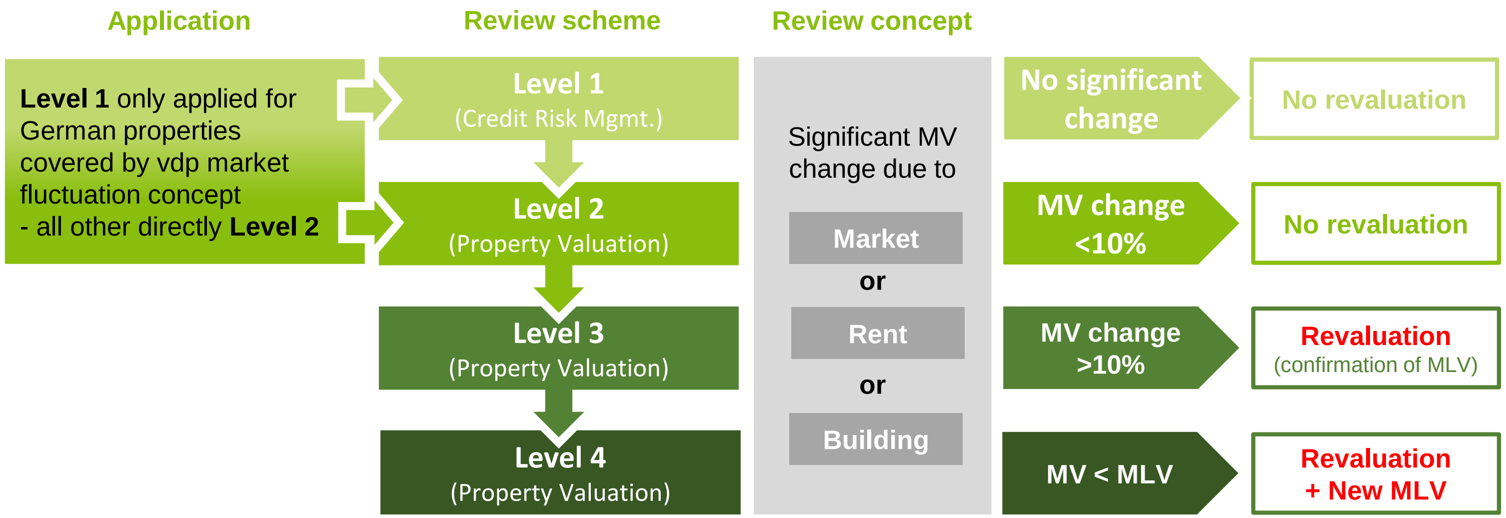
## Multi-level valuation review process


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

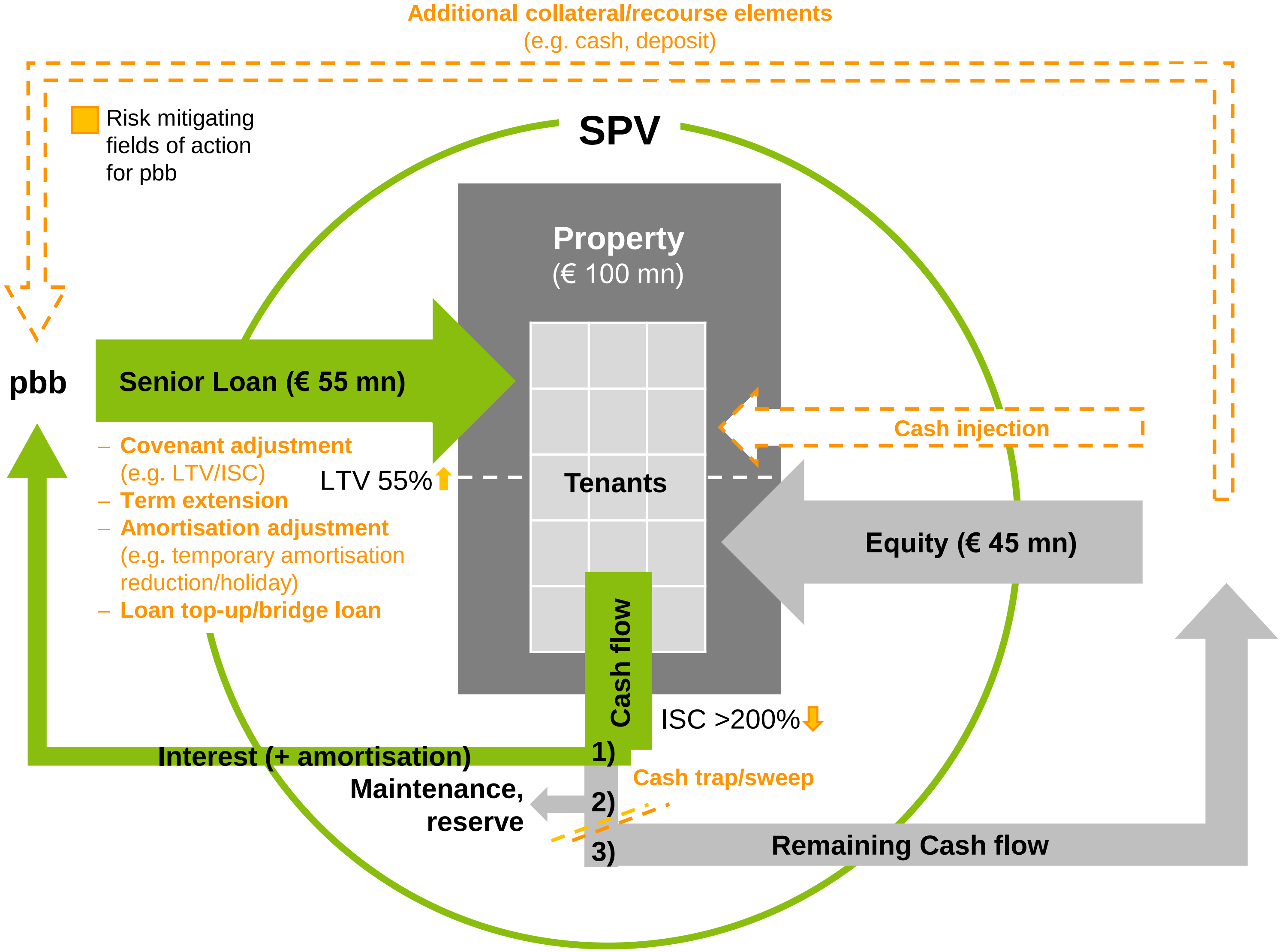
**In addition, reviews on a continuous basis:**

- **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 mitigating fields of action for pbb in worsening credit situations



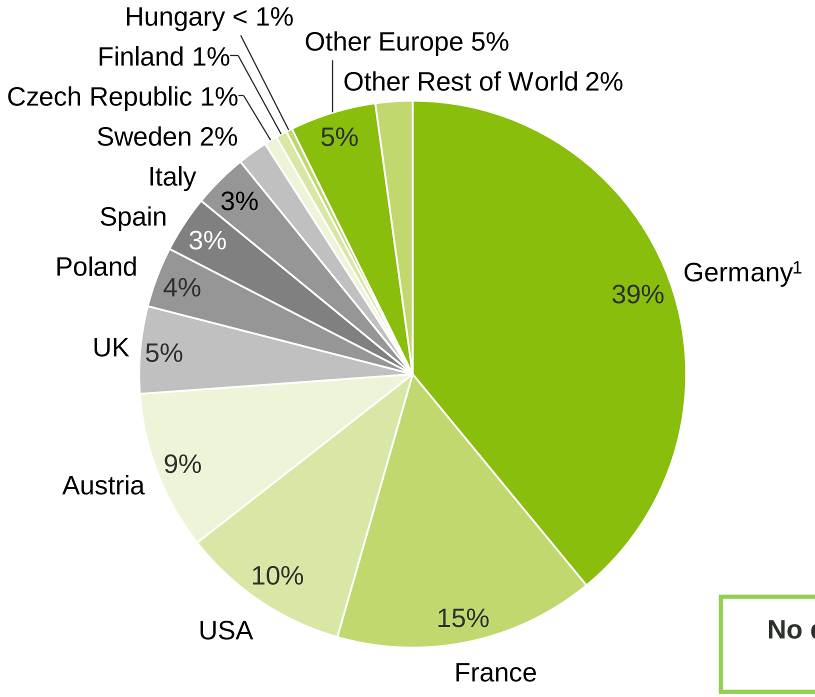

- Conservative **risk positioning**, strong **covenant structures**, close **monitoring processes** and intensive **client dialogue** allow for early action in case of worsening credit situations
  - pbb as senior lender **always in first rank** (cash flow/ mortgage) – secured by SPV structure
  - **Broad 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

# Total portfolio

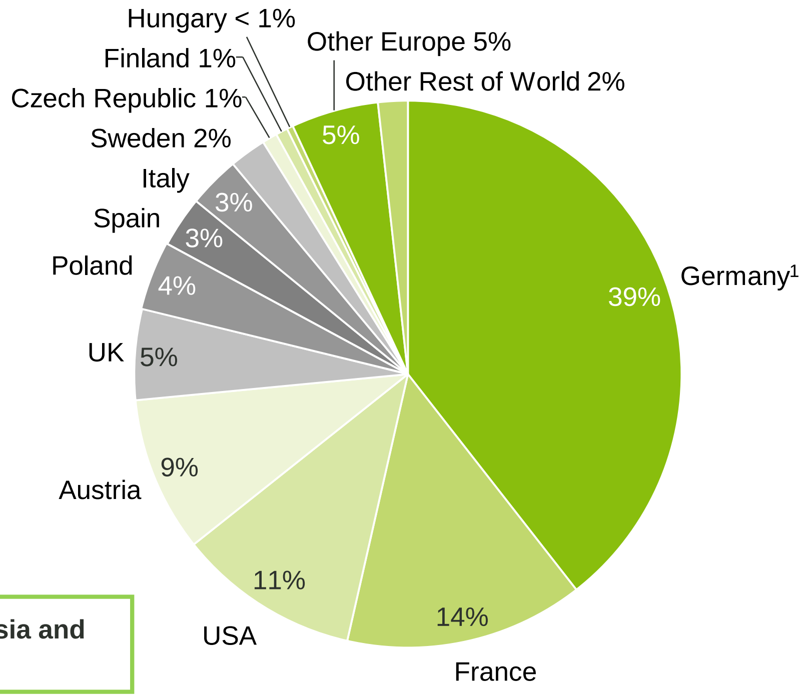
## Regions

(EaD, Basel III )

### 31/12/2022 / Total: € 50.0 bn




### 30/09/2023 / Total: € 49.2 bn




**No direct exposure in/to Ukraine, Russia and Belarus**

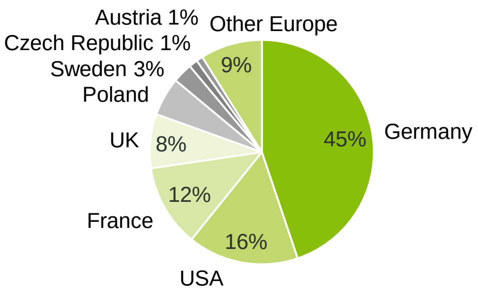
1. Incl. Bundesbank accounts (12/22: € 1.0 bn; 09/23: € 1.3 bn) 2. EaD, Basel III Note: Figures may not add up due to rounding

# PORTFOLIO

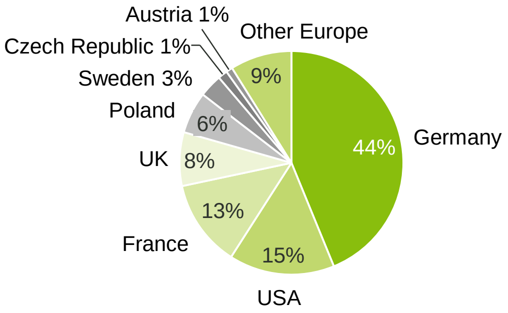
## Real Estate Finance (REF)

### Regions

**31/12/2022: € 31.0 bn**

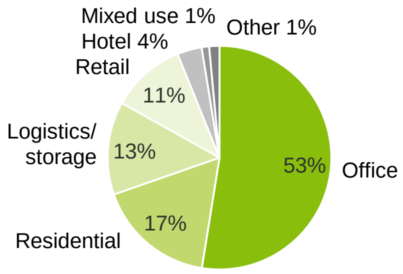



**30/09/2023: € 32.1 bn**

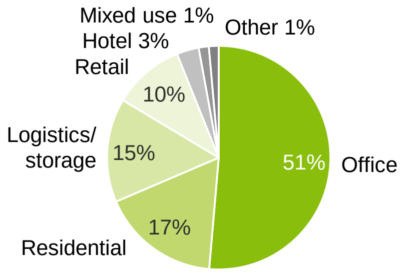



### Property types

**31/12/2022: € 31.0 bn**

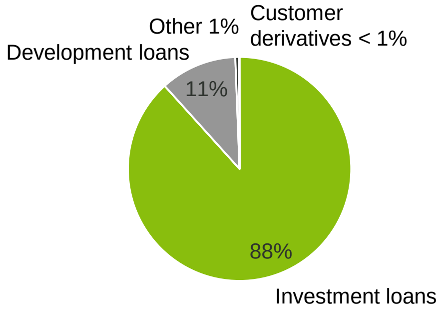



**30/09/2023: € 32.1 bn**

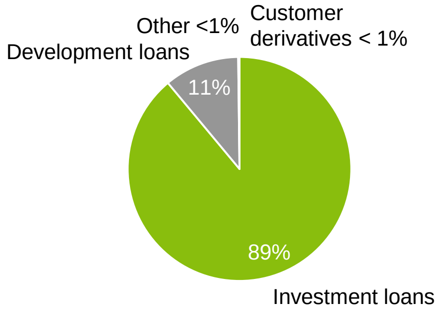



### Product class

**31/12/2022: € 31.0 bn**

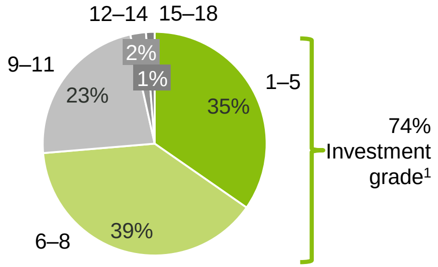



**30/09/2023: € 32.1 bn**

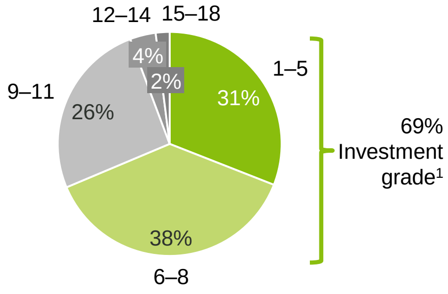



### Internal ratings (EL classes)

**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

# REF PORTFOLIO

## LTV development reflecting stressed market environment

### REF Portfolio: LTV cluster[1]

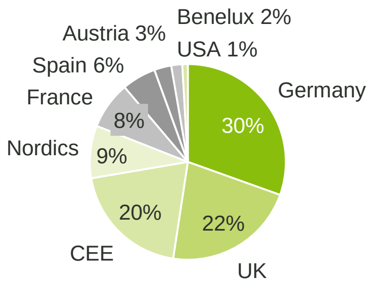
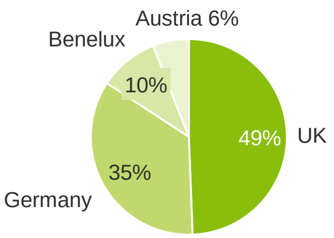
€ bn

**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

# REF PORTFOLIO

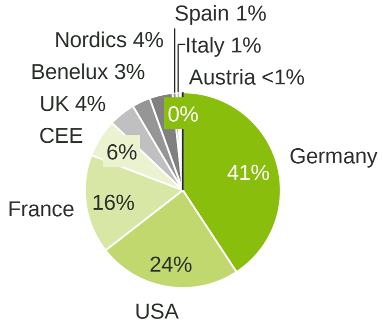
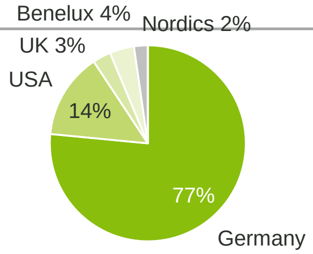
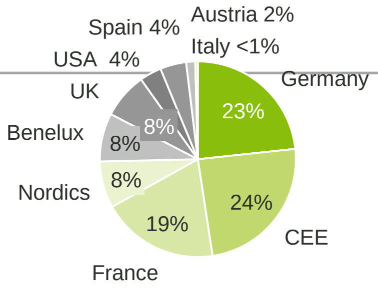
## Sub-segments

| Property | Regions | Evaluation of current situation | Challenges | Risk positioning |
|---|---|---|---|---|
| **Retail**<br><br>€ 3.3 bn<br>(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.<br>▪ 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.<br>▪ 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.<br>▪ Ongoing dampen consumer confidence and purchasing power due to high inflation and economic uncertainties.<br>▪ 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<br>▪ 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).<br>▪ Only investment loans, almost no development loans<br>▪ Conservative risk positioning: avg. LTV of 50%[1] provides good buffer and supports commitment of investors/sponsors<br>▪ Well diversified portfolio<br>▪ For new business selective approach with moderate LTVs |
| **Hotel**<br>(Business Hotels only)<br><br>€ 1.0 bn<br>(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.<br>▪ 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.<br>▪ 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.<br>▪ However, investment volumes are still low.<br>▪ 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.<br>▪ Recovery of business hotels focus on central locations, fringe locations lagging behind.<br>▪ 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<br>▪ Focus on prime locations secures base value of properties<br>▪ Conservative risk positioning: avg. LTV of 54%[1] provides good buffer and supports commitment of investors/sponsors<br>▪ 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**<br><br>€ 16.5 bn<br>(51%) |  | ▪ Net absorption in Europe has recovered, although 2023 is still challenging and pre-Covid rates remain largely unattainable.<br>▪ 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.<br>▪ Modern, flexible and ESG-conform properties in good location are still sought after while demand for secondary is limited.<br>▪ 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.<br>▪ Good locations expected to remain competitive, "Green" having become a very core element in competition<br>▪ Increased interest level in combination with competitive disadvantage for B-properties/B-locations has increased pressure on value on these properties.<br>▪ 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<br>▪ Conservative risk positioning: avg. LTV of 54%[1] provides good buffer and supports commitment of investors/sponsors<br>▪ 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)<br>▪ In new business and on occasions of (annual) credit reports transactions detailed analysis of "green profile" of properties including associated risk |
| **Residential**<br><br>€ 5.5 bn<br>(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.<br>▪ 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<br>▪ 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.<br>▪ Cash flow under pressure from many angles – interest rates, energy costs, investment requirements. This is however partially counterbalanced by increasing rents.<br>▪ In particular capital market oriented owners often with challenging refinancing situations. | ▪ Conservative risk positioning<br>▪ Portfolio volume of € 5.5 bn with conservative avg. LTV of 47%[1] provides good buffer and supports commitment of investors/sponsors<br>▪ Well diversified portfolio with strong focus on Germany |
| **Logistics**<br><br>€ 4.8 bn<br>(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.<br>▪ This in turn leads to rental growth in most market types, but focused on key cities where supply is particular low.<br>▪ The expected significant drop in values is yield driven, while rental growth is partial mitigating the decline.<br>▪ Since demand for logistic space is typically strongly correlated with economic activity and GDP current economic uncertainties pose a potential threat. | ▪ Monoline logistics centres<br>▪ Due to partially overheated prices, market correction on investment side seen.<br>▪ Rents still stable/partially further increasing, however | ▪ Strategic approach; expert team since 2014; share increase since 2013 from 8% to 15%<br>▪ Focus on locations: good infrastructure, connection to a variety of different transportation routes<br>▪ Conservative risk positioning: avg. LTV of 51%[1] provides good buffer and supports commitment of investors / sponsors<br>▪ Well diversified portfolio<br>▪ High quality of sponsors |

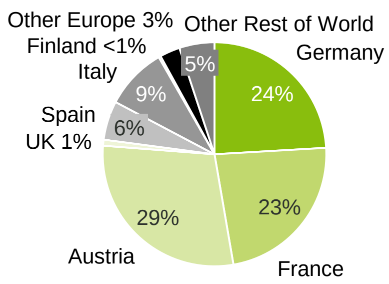
1. Based on performing investment loans only Note: Figures may not add up due to rounding, EaD, Basel III

# PORTFOLIO

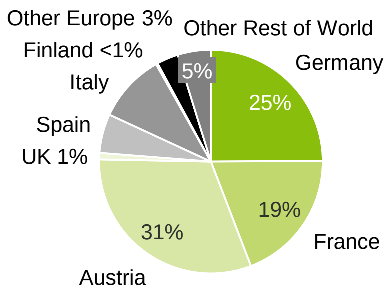
## Non-Core Unit (PIF& VP)

### Regions

**31/12/2022: € 15.2 bn**

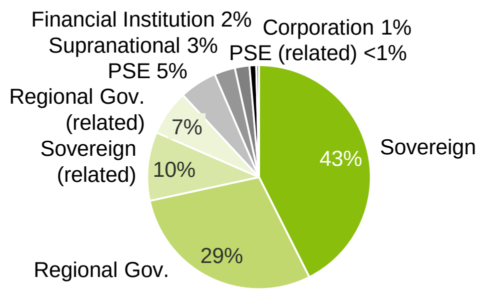



**30/09/2023: € 13.5 bn**

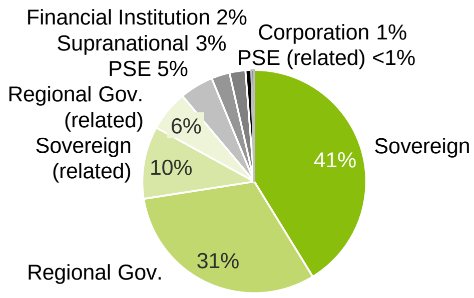



### Borrower classification[1]

**31/12/2022: € 15.2 bn**

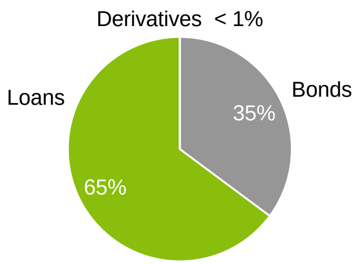



**30/09/2023: € 13.5 bn**

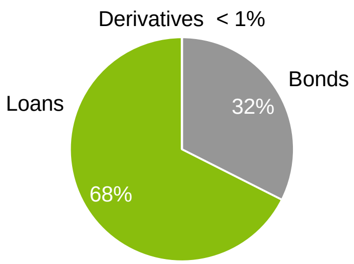



### Product class

**31/12/2022: € 15.2 bn**

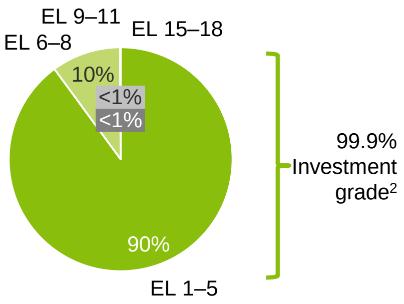



**30/09/2023: € 13.5 bn**

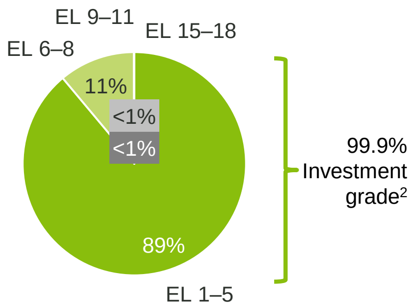



### Internal ratings (EL classes)

**31/12/2022: € 15.2 bn**




**30/09/2023: € 13.5 bn**



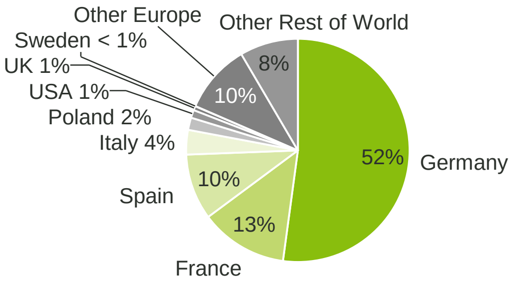

1. See appendix for definition of borrower classification 2. Internal EL Classes 1–8 = Investment grade; Internal EL classes 9–18 = Non-investment grade Note: Figures may not add up due to rounding, EaD, Basel III

# PORTFOLIO

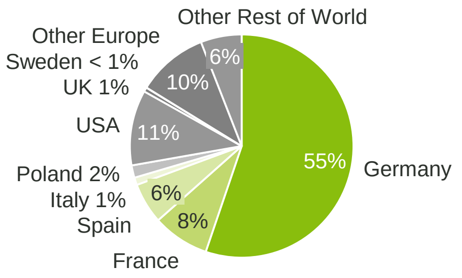
## Consolidation & Adjustments (C&A)

### Regions

**31/12/2022: € 3.7 bn**

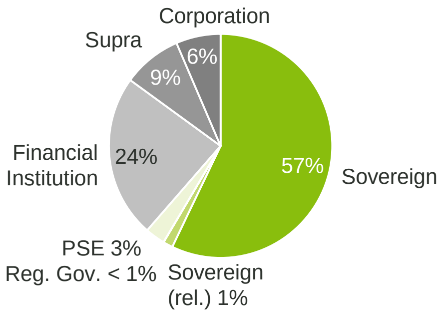



**30/09/2023: € 3.6 bn**

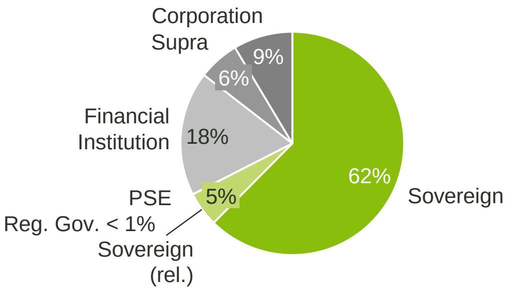



### Borrower classification[2]

**31/12/2022: € 3.7 bn**

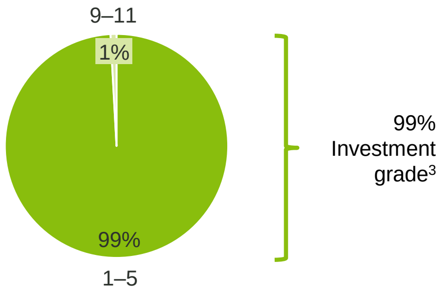



**30/09/2023: € 3.6 bn**

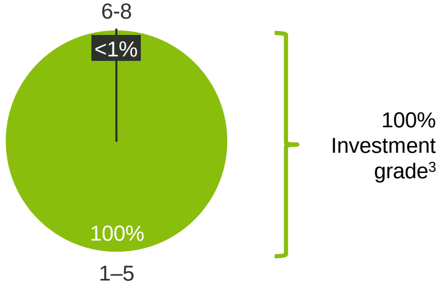



### Internal ratings (EL classes)

**31/12/2022: € 3.7 bn**




**30/09/2023: € 3.6 bn**



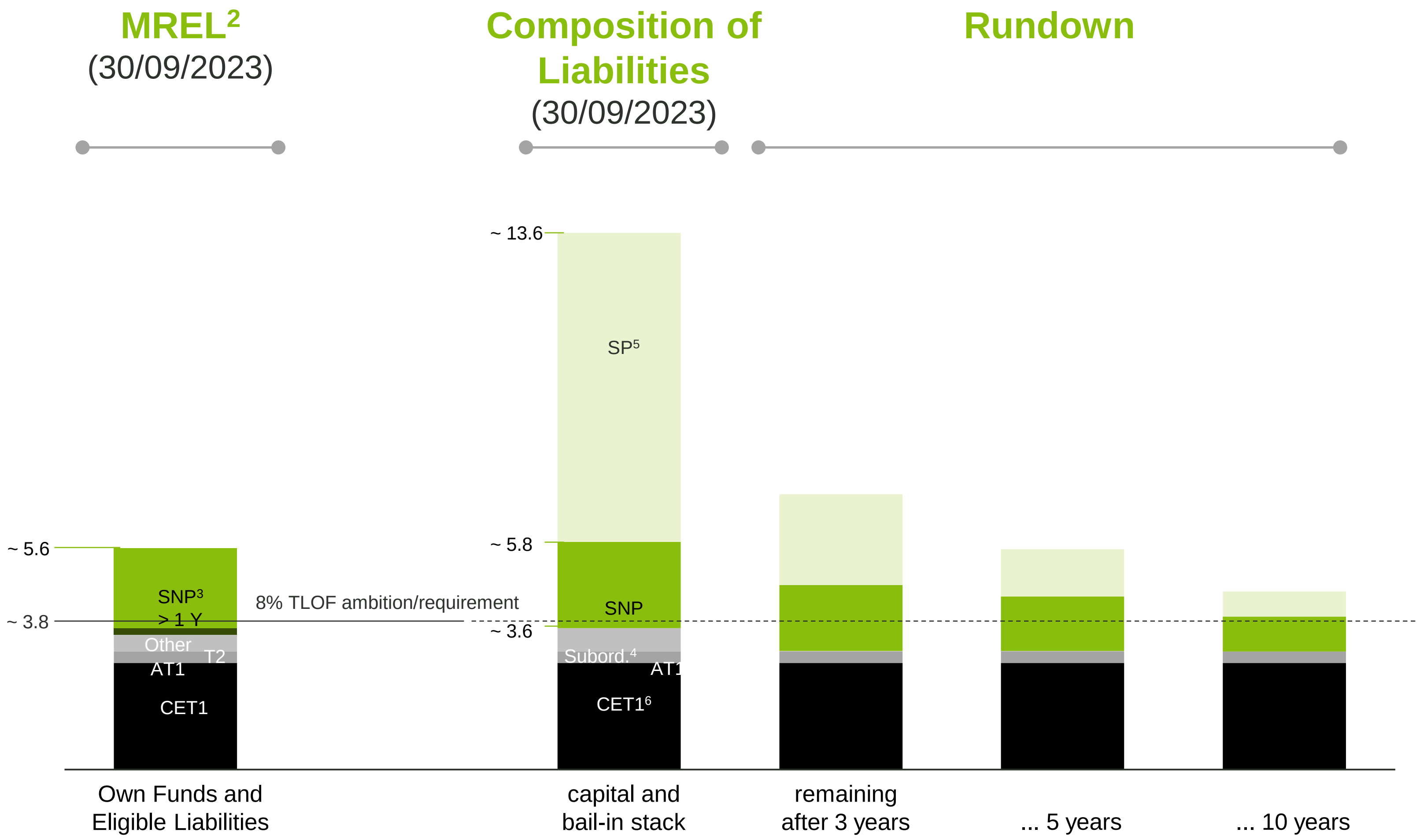

1. Incl. Bundesbank accounts (12/22: € 1.0 bn; 09/23: € 1.3 bn) 2. See appendix for definition of borrower classification 3. Internal EL Classes 1-8 = Investment grade; Internal EL classes 9-18 = Non-investment grade
Note: Figures may not add up due to rounding, EaD, Basel III

# APPENDIX

# FUNDING

## Own Funds and Eligible Liabilities significantly exceed 8% TLOF

€ bn



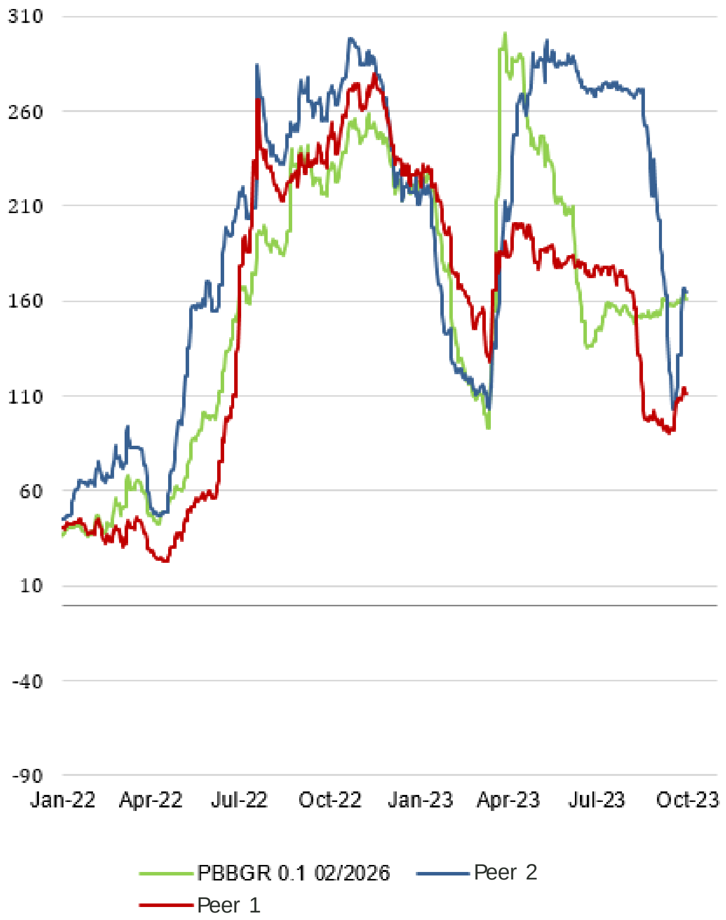

- Buffer for Senior Preferred (SP) investors due to high volume of capital instruments and Senior Non-Preferred (SNP) liabilities
- Existing Senior Non-Preferred liabilities with long remaining terms
- SP currently predominant senior product, but SNP to remain a key element of pbb's funding strategy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

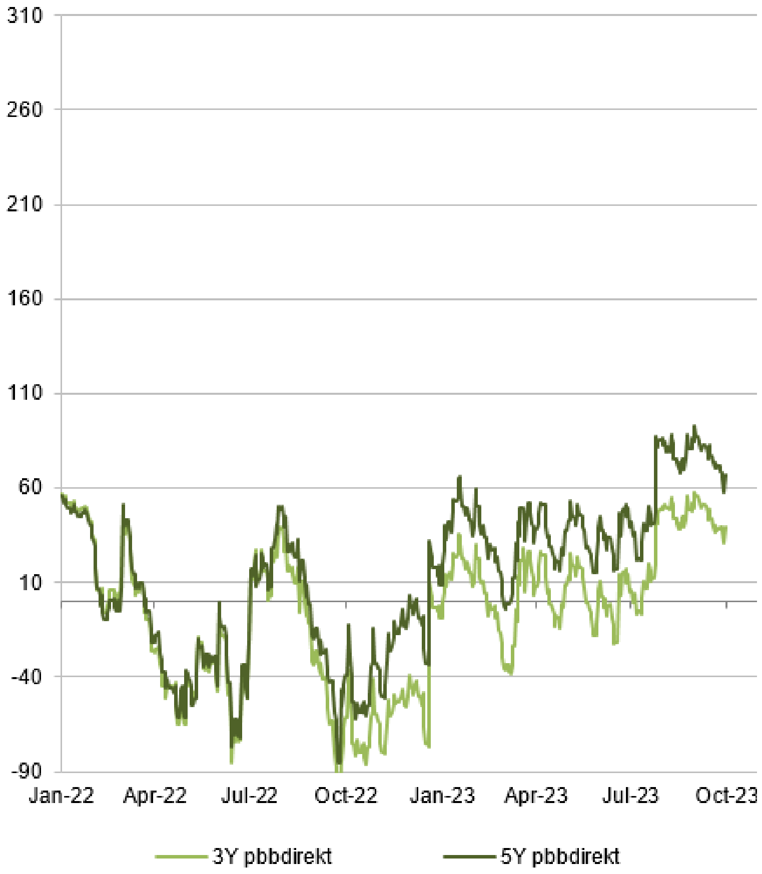
# FUNDING

## Structural shift of funding into currently cheaper retail deposits

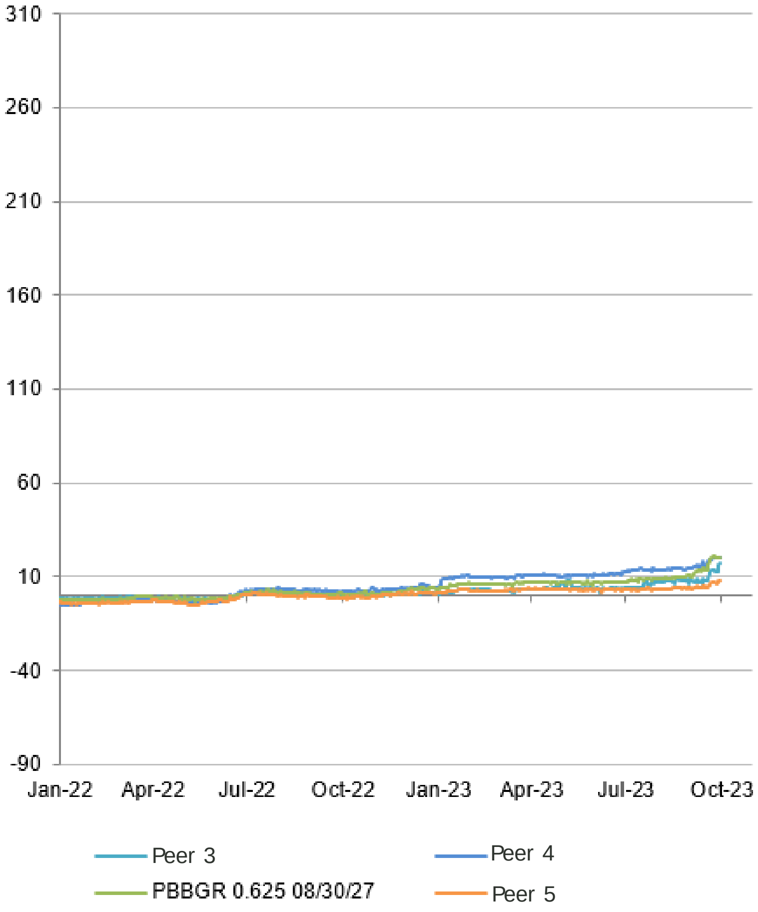
**Senior Preferred**
Spread Development (6M-Euribor) pbb vs peers




**pbb direkt**
Spread Development vs 6M-Euribor




**Pfandbrief**
Spread Development (6M-Euribor) pbb vs peers




Source: Bloomberg; Treasury

# FUNDING

## Public benchmark issuances since 2019

| Typesjjjj | WKN | Launch Date | Maturity Date | Size | Spread[1] | Coupon | Issue/Reoffer Price |
|---|---|---|---|---|---|---|---|
| Mortgage Pfandbrief | A2LQNP | 21.01.2019 | 29.01.2024 | € 500 mn | +8 bp | 0.25% | 99.812% |
| Senior Preferred | A2LQNQ | 31.01.2019 | 07.02.2023 | € 500 mn | +80 bp | 0.75% | 99.679% |
| Mortgage Pfandbrief (1st Tap) | A13SWE | 31.01.2019 | 01.03.2022 | € 100 mn | +2 bp | 0.20% | 100.74% |
| Public Sector Pfandbrief (1st Tap) | A13SWG | 05.02.2019 | 20.04.2035 | € 100 mn | +17 bp | 1.25% | 99.476% |
| Mortgage Pfandbrief (1st Tap) | A2GSLL | 07.02.2019 | 22.05.2024 | € 100 mn | -9 bp | 0.50% | 101.638% |
| Mortgage Pfandbrief (2nd Tap) | A13SWE | 04.03.2019 | 01.03.2022 | € 100 mn | -3 bp | 0.20% | 100.81% |
| Public Sector Pfandbrief (2nd Tap) | A13SWG | 04.03.2019 | 20.04.2035 | € 150 mn | +14 bp | 1.25% | 100.057% |
| Senior Preferred (1st Tap) | A2LQNQ | 06.03.2019 | 07.02.2023 | € 250 mn | +72 bp | 0.75% | 100.004% |
| Senior Preferred | CH0419041246 | 15.05.2019 | 05.06.2023 | CHF 125 mn | +65 bp[4] | 0.125% | 100.12% |
| Mortgage Pfandbrief | A2NBJ7 | 22.05.2019 | 31.05.2022 | USD 600 mn | +32 bp[3] | 2.50% | 99.851% |
| Mortgage Pfandbrief (1st Tap) | A2GSLV | 12.06.2019 | 30.08.2027 | € 100 mn | 0 bp | 0.625% | 104.138% |
| Senior Preferred | A2NBKK | 29.08.2019 | 05.09.2024 | € 500 mn | +75 bp | 0.125% | 99.498% |
| Mortgage Pfandbrief (3rd Tap) | A13SWE | 10.09.2019 | 01.03.2022 | € 50 mn | -0.5 bp | 0.20% | 101.795% |
| Mortgage Pfandbrief (1st Tap) | A2YNVK | 25.09.2019 | 31.05.2022 | USD 50 mn | 32 bp[3] | 2.50% | 101.619% |
| Mortgage Pfandbrief | A2YNVM | 09.10.2019 | 16.10.2025 | € 500 mn | +5 bp | 0.01% | 101.984% |
| Senior Preferred | A2YNVU | 13.11.2019 | 21.11.2022 | GBP 250 mn | +114 bp[2] | 1.75% | 99.849% |
| Mortgage Pfandbrief (1st Tap) | A1X3LT | 19.11.2019 | 21.01.2022 | € 100 mn | 0 bp | 1.875% | 104.77% |
| Mortgage Pfandbrief | A2YNVY | 14.01.2020 | 21.01.2028 | € 750 mn | +5 bp | 0.10% | 99.992% |
| Mortgage Pfandbrief (2nd Tap) | A1X3LT | 15.01.2020 | 21.01.2022 | € 150 mn | 0 bp | 1.875% | 104.36% |
| Mortgage Pfandbrief (1st Tap) | A2LQNP | 22.01.2020 | 29.01.2024 | € 250 mn | +1 bp | 0.25% | 101.919% |
| Senior Preferred | A2YNV3 | 23.01.2020 | 28.07.2023 | € 300 mn | +55 bp | 3m-€ibor+90 bp | 101.237% |
| Public Sector Pfandbrief (3rd Tap) | A13SWG | 18.02.2020 | 20.04.2035 | € 50 mn | +0 bp | 1.25% | 116.16% |
| Mortgage Pfandbrief | A289PQ | 24.09.2020 | 29.09.2023 | GBP 500 mn | +38 bp[6] | SONIA +100 bp | 101.844% |
| Mortgage Pfandbrief | A3H2ZW | 13.01.2021 | 20.01.2023 | USD 750 mn | +23 bp[3] | 0.50% | 99.93% |
| Senior Preferred (Green) | A3H2ZX | 25.01.2021 | 02.02.2026 | € 500 mn | +55 bp | 0.10% | 100.00% |
| Mortgage Pfandbrief | A3H2Z8 | 20.04.2021 | 27.04.2024 | GBP 500 mn | +27 bp[6] | SONIA +100 bp | 102.178% |
| Mortgage Pfandbrief | A3E5K7 | 25.08.2021 | 20.08.2026 | € 500 mn | +0 bp | 0.01% | 101.747% |
| Mortgage Pfandbrief (2nd Tap) | A2GSLV | 26.08.2021 | 30.08.2027 | € 50 mn | -1 bp | 0.625% | 105.890% |
| Mortgage Pfandbrief (1nd Tap) | A2YNVM | 26.08.2021 | 16.10.2025 | € 50 mn | -1,9 bp | 0.01% | 101.880% |
| Mortgage Pfandbrief (2nd Tap) | A2YNVM | 16.09.2021 | 16.10.2025 | € 50 mn | -2 bp | 0.01% | 101.540% |
| Mortgage Pfandbrief (3nd Tap) | A2YNVM | 21.09.2021 | 16.10.2025 | € 100 mn | -2 bp | 0.01% | 101.490% |
| Mortgage Pfandbrief | A3E5KY | 14.10.2021 | 11.10.2024 | USD 750 mn | +20 bp[3] | 0.875% | 99.778% |
| Senior Preferred (Green) | A3T0X2 | 20.10.2021 | 27.10.2025 | € 500 mn | +48 bp | 0.25% | 99.754% |
| Senior Preferred (Green) | A3T0X9 | 12.01.2022 | 17.01.2025 | € 750 mn | +42 bp | 0.25% | 99.798% |
| Mortgage Pfandbrief | A3T0YD | 09.02.2022 | 14.02.2025 | USD 750 mn | +43 bp[7] | 1.875% | 99.767% |
| Mortgage Pfandbrief (1st Tap) | A3E5K7 | 17.02.2022 | 20.08.2026 | € 50 mn | -3 bp | 0.01% | 98.70% |
| Mortgage Pfandbrief | A3T0YH | 06.04.2022 | 13.04.2026 | € 750 mn | +1 bp | 1.00% | 99.727% |
| Mortgage Pfandbrief (2nd Tap) | A3E5K7 | 07.04.2022 | 20.08.2026 | € 50mn mn | -2 bp | 0.01% | 98.35% |
| Senior Preferred (Green) (1st Tap) | A3T0X2 | 11.04.2022 | 27.10.2025 | € 200 mn | +55 bp | 0.25% | 95.045% |
| Mortgage Pfandbrief | A30WFU | 19.07.2022 | 26.07.2027 | € 750 mn | +6 bp | 1.75% | 99.872% |
| Senior Preferred (Green) | A30WFV | 22.08.2022 | 28.08.2026 | € 500 mn | +250 bp | 4.375% | 99.921% |
| Mortgage Pfandbrief | A30WF2 | 17.10.2022 | 25.01.2027 | € 500 mn | +3 bp | 3.00% | 99.682% |
| Senior Preferred (Green) | A30WF4 | 01.12.2022 | 08.12.2025 | GBP 350 mn | +434 bp[8] | 7.625% | 99.959% |
| Mortgage Pfandbrief (1st Tap) | A30WF2 | 09.01.2023 | 25.01.2027 | € 50 mn | + 6 bp | 3.00% | 99.99% |
| Mortgage Pfandbrief | A30WF6 | 12.01.2023 | 19.01.2029 | € 500 mn | +16 bp | 2.875% | 99.777% |
| Senior Preferred (Green) | A30WF8 | 30.01.2023 | 05.02.2027 | € 500 mn | +215 bp | 5.00% | 99.428% |
| Mortgage Pfandbrief (2nd Tap) | A30WF2 | 14.02.2023 | 25.01.2027 | € 100mn | +10 bp | 3.00% | 99.54% |
| Mortgage Pfandbrief | A31RJS | 06.07.2023 | 13.10.2023 | € 500mn | +14 bp | 3.625% | 99.651% |
| Mortgage Pfandbrief | A31RJV | 23.08.2023 | 01.09.2026 | GBP 250mn | +68 bp | SONIA +68 bp | 100% |
| Mortgage Pfandbrief | A31RJZ | 18.09.2023 | 28.10.2027 | € 500mn | +27 bp | 3.625% | 99.863% |

1. vs mid-swap 2. vs 3m GBP-Libor 3. vs 3m USD-Libor 4. vs 6m CHF-Libor 5. vs 3m Euribor 6. vs SONIA 7. vs SOFR 8. vs UK Treasuries (Gilts)

# 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 |

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

# DEFINITION OF BORROWER CLASSIFICATIONS

| Borrower classification | Definition |
|---|---|
| **Sovereign** | Direct and indirect obligations of Central Governments, Central Banks and National Debt Agencies |
| **Sovereign (related)** | Indirect obligations of Non Sovereigns with an explicit first call guarantee by a Sovereign |
| **Regional Government** | Direct and indirect obligations of Regional, Provincial and Municipal Governments |
| **Regional Government (related)** | Indirect obligations of Non Regional Government with an explicit first call guarantee by a Regional Government |
| **Public Sector Enterprise** | Direct obligations of administrative bodies and non commercial/non-profit undertakings |
| **Public Sector Enterprise (related)** | Indirect obligations of Non Public Sector Enterprise with an explicit first call guarantee by a Public Sector Enterprise |
| **Financial Institution** | Direct and indirect obligations of Universal Banks, Investment Banks, Mortgage Institutions, Brokerages and other banks or Basel regulated institution |
| **Corporation** | Direct and indirect obligations of enterprises, established under corporate law and operating in a for profit or competitive environment |
| **Structured Finance** | Obligations of an SPV which references the risk of an underlying pool of securitised assets, either synthetically via CDS or directly, the tranches issued by the SPV have different seniority to each other |
| **Supranational** | Direct obligations to international Organisations and International Investment and Development Banks |
| **Other** | Direct obligations to Individuals |

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