



**DEUTSCHE
PFANDBRIEFBANK**

Annual Report 2025

Deutsche Pfandbriefbank Group

OVERVIEW

Deutsche Pfandbriefbank Group (pbb Group)		2025	2024
Operating performance according to IFRS			
Profit/loss before tax	in € million	-250	104
Net income/loss	in € million	-284	90
Key ratios			
Cost-income ratio ¹⁾	in %	60.9	48.9
Return on tangible equity before tax ²⁾	in %	-9.9	2.7
Return on tangible equity after tax ³⁾	in %	-10.6	2.1
Earnings per share	in €	-2.30	0.48
New business volume Real Estate Finance ⁴⁾	in € billion	6.3	5.1
Balance sheet figures according to IFRS		31.12.2025	31.12.2024
Total assets	in € billion	39.9	44.2
Equity	in € billion	3.1	3.4
Financing volumes Real Estate Finance	in € billion	27.3	29.0
Key regulatory capital ratios⁵⁾		31.12.2025	31.12.2024
CET1 ratio	in %	14.9	14.4
Own funds ratio	in %	18.8	17.2
Leverage ratio	in %	7.8	7.5
Staff		31.12.2025	31.12.2024
Employees (on full-time equivalent basis)		794	778
Long-term issuer rating/outlook⁶⁾		31.12.2025	31.12.2024
Standard & Poor's		BBB-/Negative	BBB-/Negative
Moody's Pfandbrief rating⁶⁾		31.12.2025	31.12.2024
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

¹⁾ The cost-income ratio is the ratio of the sum of general and administrative expenses and the net income from write-downs and write-ups of non-financial assets to operating income.

²⁾ Return on tangible equity before tax is the ratio of profit before tax minus AT1 coupon to average IFRS equity excluding intangible assets, deferred income tax assets, and AT1 capital.

³⁾ Return on tangible equity after tax is the ratio of net income less AT1 coupon to average IFRS equity excluding intangible assets and AT1 capital.

⁴⁾ Including extensions with a term of more than one year.

⁵⁾ Values as of 31 December 2025, after approval of the 2025 consolidated financial statements, less AT1 coupon. Values as of 31 December 2024, after approval of the 2024 consolidated financial statements, less AT1 coupon and after appropriation of profits. On 27 February 2026, at the request of the ECB, the EBA took the view that the data published by the US Federal Reserve should be considered "non-equivalent" for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously used by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025). Reference is made to the reports on post-balance sheet date events to the consolidated financial statements and the unconsolidated financial statements.

⁶⁾ For a detailed description of the ratings, please refer to the economic report. The ratings of unsecured liabilities may differ from the bank ratings.

Information due to rounding

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Explanation of alternative performance measures

For further information regarding the definition, usefulness and calculation of alternative performance measures see "investors/financial-reports" at www.pfandbriefbank.com.

Presentation of personal designations and personal words

The masculine form is used to improve the readability of personal designations and personal words. These terms apply to all genders.

Contents

Letter from the Management Board	1
Report of the Supervisory Board	3
Combined Management Report	12
Fundamental Information about the Group	12
Report on Economic Position	19
Risk and Opportunity Report	33
Report on Expected Developments	82
Commentary on pbb's Annual Financial Statements under HGB	92
Disclosures Pursuant to Section 315a Sentence 1 HGB	96
Corporate Governance Statement	98
Consolidated Financial Statements	99
Income Statement	99
Statement of Comprehensive Income	99
Statement of Financial Position	100
Statement of Changes in Equity	101
Statement of Cash Flows	102
Notes	103
Responsibility Statement	172
Independent Auditor's Report	173
Future-oriented Statements	181
Imprint	181

Letter from the Management Board

**Dear shareholders,
dear business partners,
Ladies and Gentlemen,**

The past financial year was marked in particular by the exit from the US markets. Volatile capital markets, geopolitical uncertainties and a continued hesitant recovery in the real estate markets presented banks and investors alike with major challenges. Deutsche Pfandbriefbank AG (pbb) responded to these conditions with clear strategic decisions and their consistent implementation.

A material step was to further focus our business model. Against the backdrop of persistently high volatility and unfavorable risk/return profiles in the US, we decided to withdraw from these markets in the reporting year. This decision reflects our clear prioritization: we are consistently focusing on those markets and business areas where we can generate stable long-term income and make the best possible use of our strengths – especially in our core markets in Europe.

At the end of 2025, we announced the completion of a significant risk transfer (SRT). Oaktree has assumed a hedge for a tranche of pbb's high-performing US portfolio in the amount of USD 321 million. The underlying US portfolio has a volume of around USD 2 billion and mainly comprises loans from office properties. The transaction is a milestone for us in the overall reduction of the US portfolio. It enables us to quickly implement risk hedging for 16 percent of the underlying loan portfolio.

Another key component of the strategy is the expansion of the Real Estate Investment Solutions business segment. With the announcement and acquisition of a majority stake in Deutsche Investment Group, which took effect on 1 January 2026, we strengthened our investment management capabilities in the reporting year and created an important strategic basis for further diversifying the Bank's earnings opportunities. The aim is to consistently expand the investment management business and offer institutional investors an expanded, integrated range of services. With the "Originate & Cooperate" business segment, we also want to leverage our Europe-wide market presence, our structuring expertise, and our network to generate additional commission-based income.

Commercial real estate financing remains the backbone of our business. At the same time, we will continue to develop our portfolio structure, gradually reducing the comparatively high weighting of the office asset class and placing greater focus on higher-growth and higher-yield types of use such as hotels, senior and student living, and data centers.

Overall, pbb aims to significantly increase its profitability and thus create added value for shareholders. The most important indicator remains return on tangible equity (RoTE), which at 8% in new business in 2025 was already at the strategic target level for the bank as a whole.

In parallel with our strategic development, we developed a new target operating model for the entire bank in the reporting year and implemented it to a large extent. This has enabled us to clearly align our organizational structure with our strategic goals, sharpen responsibilities, and lay the foundation for more efficient, end-to-end processes in all areas of the company.

At the same time, we have initiated a comprehensive cultural development process. Together with many employees, we have defined pbb's vision, purpose, and values and formulated leadership principles that will shape our collaboration. For us, cul-ture and organization go hand in hand: only with a clear stance, common goals, and lived values can strategic change achieve sustainability.

Looking ahead to the 2025 financial year, it is clear that we will be operating under different circumstances than those we had assumed in 2024. We are very confident that the consistent strategic decisions we have made have put the bank on the right track to meet the demands of our stakeholders.

With new business volume in commercial real estate financing of €6.3 billion, we exceeded our previous year's result by almost a quarter. In the coming years, we intend to further expand new business, diversify our portfolio, and tap into additional earnings potential. The shielding of risks from our US book and our selective approach to project financing in Europe are proving effective. We expect risk costs to normalize in our core markets in the new year.

This annual report provides you with transparent insight into our financial development, our strategic decisions, and our outlook for the coming years. We thank you for your trust and look forward to continuing on this path together with you.

Best regards,



Kay Wolf
Chief Executive Officer



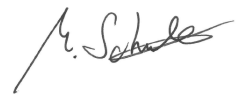
Thomas Köntgen
Deputy Chief Executive Officer
Real Estate Finance Solutions



Dr Pamela Hoerr
Member of the Management Board
Real Estate Investment Solutions



Jörn Joseph
Member of the Management Board
Chief Risk Officer



Marcus Schulte
Member of the Management Board
Chief Financial Officer

Report of the Supervisory Board

Dear shareholders,

pbb faced considerable challenges in the 2025 financial year. As a result, the business results and share price performance were unsatisfactory. At the same time, however, the bank continued to systematically implement the strategy it announced in October 2024, thereby laying the foundation for a more diversified business model and a sustainable recovery.

Against the backdrop of increasing geopolitical changes and uncertainties, a slow economic recovery in Germany and Europe, and structural market changes, the performance of the real estate markets relevant to pbb was mixed. The portfolio in the US had a particularly negative impact, contributing significantly to the increased risk provisioning requirements in 2025. As a result, the decision was made to withdraw from this market. The first important milestone on this path was the Significant Risk Transfer (SRT) agreed with Oaktree Capital Management at the end of 2025, which is based on a non-distressed US-portfolio with a volume of around \$2 billion – mainly financing for office properties.

Despite existing challenges and still subdued transaction volumes, the real estate industry in Europe was once again cautiously optimistic about the future. The German real estate market also proved to be comparatively stable. The volume of new business rose noticeably compared with the previous year, albeit not quite in line with expectations at the beginning of the year. Margins in new business developed very positively, with a RoTE of 8% based on unchanged risk standards.

Against this backdrop, and with significant challenges still ahead, pbb developed new strategies and measures to make its business model more sustainable and profitable, thereby strengthening its position as a leading platform for commercial real estate financing. With the aim of pooling resources and energies more efficiently for those markets and business areas that are considered most promising and sustainable for the bank, the Real Estate Finance Solutions (REFS) and Real Estate Investment Solutions (REIS) business segments were created and will be implemented from the first quarter of 2026. This will result in the restructuring of departments and the entire organisation, which will continue to occupy the bank in 2026. While the REFS segment will focus its financing activities on more profitable business and new asset classes, the REIS segment will comprise the business areas of investment management and "Originate & Cooperate", which are intended to contribute to the diversification of the business model. With the closing of the acquisition of majority stakes in the Deutsche Investment Group (DI) on 1 January 2026, pbb is laying a solid and significant foundation for its newly established investment management business. As at 31 December 2025, DI had around EUR 3 billion in assets under management (AuM) and has a broad network of institutional investors and many years of expertise in the residential and commercial real estate segment. Now that the acquisition has been completed, the focus is on integrating and merging the two companies. Mutual trust in each other's strengths and a firm commitment to jointly developing the organisation in a promising direction form the basis for continued success in 2026.

The new path that has been embarked upon not only affects the business units directly involved, but also encompasses downstream areas, all banking processes, the organisational structure and the newly formed management team. The aim is not only to increase efficiency and reduce costs, but also to bring about a strategic cultural change in order to better harmonise leadership issues and risk culture while at the same time advancing digitalisation. A central role is also played by the newly established position of CIO/COO at divisional level, which brings together all IT and digitalisation issues in one area, and by the newly designed credit process, which will be supported in 2026 by a new central "Loan Management" unit, among other things. This will be complemented by the establishment of a "Production Hub" at the existing location in Madrid.

The Supervisory Board monitored these development steps on an ongoing basis and was in constant dialogue with the Management Board and the supervisory authorities during the implementation of the catalogue of measures. The Supervisory Board repeatedly sought information on the Bank's business situation, its economic situation and risk exposure, considerations regarding the Bank's strategic orientation, corporate planning, sustainability strategy, compliance and cyber risk issues, as well as the Bank's risk provisioning and risk strategy, and discussed these matters with the Management Board.

PERSONALIA

In 2025, the Supervisory Board continued to focus on succession planning for the Management Board and Supervisory Board.

The Supervisory Board and Chief Risk Officer Andreas Schenk have agreed by mutual consent that he will step down on 15 March 2025. The Supervisory Board appointed Jörn Joseph as a member of the Management Board with effect from 1 June 2025 and assigned him responsibility as CRO. His appointment to the Management Board was preceded by a comprehensive planning process within the Supervisory Board. Jörn Joseph has since been responsible for CRM, Financial Risk & Control, Non-Financial Risk & Control, Operations & Digitalisation, and Property Analysis & Valuation. He joins from Deutsche Bank AG, where he most recently served as CRO of Privatkundenbank Deutschland and as a member of the Management Board of BHW Bausparkasse AG. He began his career at Deutsche Siedlungs- und Landesrentenbank in commercial real estate financing. At Postbank, he held various roles in credit risk management with a focus on corporate and commercial real estate financing. In 2011, the business graduate became General Manager of Postbank's foreign subsidiary in New York, and in 2014 he became Chief Credit Officer Americas at Deutsche Bank, also in New York. Since 2018, Jörn Joseph has been Chief Credit Officer for private and business customers in Germany and, since 2020, he has also been CRO, responsible for risk management in this business area. Since 2023, he has also been a member of the Management Board of BHW Bausparkasse AG. He therefore has extensive credit experience in Germany and abroad, even beyond the commercial real estate markets.

Furthermore, Thomas Köntgen will leave the bank on 11 May 2026 after more than 11 years on the Management Board, at the end of his term of office, on the best of terms, in order to take on new challenges. Barkha Mehmedagic has been appointed as his successor and will initially join pbb as senior general manager on 1 March 2026. Subject to the necessary regulatory approvals, she is expected to take over the Real Estate Finance Solutions (REFS) division of the Management Board on 1 June 2026 after a period of training. Barkha Mehmedagic comes from ING Germany, where she was most recently responsible for commercial real estate financing for Germany, Austria and Czechia in the corporate customer business. Prior to ING Germany, Barkha Mehmedagic worked for Commerz Real Kapitalverwaltungsgesellschaft mbH and Commerz Real AG. There, as Managing Director and member of the Management Board, she was most recently responsible for institutional sales and Group Treasury. She lectures at the International Real Estate Business School (IREBS) in Regensburg and is actively involved in the German Property Federation (ZIA), where she most recently served as deputy committee chair for financing. Her expertise thus combines outstanding know-how in real estate financing with a deep understanding of the market for institutional investors.

Finally, the Supervisory Board was also partially reorganised: Susanne Klöß-Braekler did not seek re-election for her term of office, which expires at the 2025 Annual General Meeting, and thus left the Board on 5 June 2025. The selection process for potential candidates to join the Supervisory Board began early on in order to find a replacement for her. This was based on the competency profile for the Supervisory Board, the applicable pbb diversity guideline and the legal and regulatory requirements. On this basis, the Supervisory Board proposed the election of Britta Lehfeldt to the Annual General Meeting, and she was elected to the Supervisory Board at the Annual General Meeting on 5 June 2025. With her many years of experience in management positions at Deutsche Bank AG, Ms Lehfeldt is an excellent addition to the Supervisory Board. Among other things, she was a member of the Management Board of DB Privat- und Geschäftskundenbank AG and DB Privat- und Firmenkundenbank AG in 2018 and 2019, where she was responsible for IT, operations, human resources, legal affairs, compliance and the Security and Governance Office. She then served as Global Chief Operating Officer and Managing Director until 2022, where she was responsible for technology, data and innovation. Her expertise in IT, operations and processes perfectly complements the skills profile of the entire committee and accordingly also covers the areas of expertise previously held by Ms Klöß-Braekler. Ms Lehfeldt also has extensive experience in supervisory board activities at banks and financial service providers.

Georg Kordick resigned from the Supervisory Board with effect from 5 June 2025. Theresia Kirmaier joined the Supervisory Board as an elected substitute member representing the employees.

The Supervisory Board would like to thank the members who have left or will shortly be leaving the Management Board and Supervisory Board – namely Andreas Schenk, Thomas Köntgen, Susanne Klöß-Braekler and Georg Kordick – for their trustful cooperation and their many years of extraordinary commitment to the successful development of pbb. The Supervisory Board wishes them all the best for the future.

CORPORATE GOVERNANCE

In the 2025 financial year, the Supervisory Board continued to regularly advise and continuously monitor the Management Board in the strategic management of the company. Against the backdrop of the challenging market environment in the past year, a key focus of the Supervisory Board's supervisory and advisory activities remained on monitoring ongoing business development, further developing the business strategy and monitoring the associated risks. Particular attention was paid to ongoing reporting on strategic projects and initiatives, in particular the continuous implementation of the strategy, including the acquisition of a majority stake in companies of the DI Group, the exit from the US business, and organisational development and the topics of cultural development, cost efficiency and ESG. As in previous years, the Supervisory Board also paid particular attention to issues relating to supervisory law and IT, as well as to communication with the supervisory authorities. In addition, the Supervisory Board focused more closely on shareholder feedback and interests and discussed these issues.

During the reporting year, the Supervisory Board consistently satisfied itself that the management measures taken by the Executive Board were lawful, appropriate and proper. The Executive Board fulfilled its reporting obligations regularly, promptly and comprehensively. This also included information on deviations in business performance from the plan. The members of the Supervisory Board always had sufficient opportunity to critically examine the reports and proposed resolutions submitted by the Management Board in the committees and in plenary sessions and to contribute their own suggestions. The Executive Board also reported on significant developments to the Supervisory Board and the respective committee chairpersons between meetings, both regularly and on an ad hoc basis. In particular, the Supervisory Board discussed business transactions of significance to the company in detail on the basis of written and oral reports from the Executive Board and reviewed them for plausibility.

The Supervisory Board reviewed the necessary independence of the auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), awarded it the audit mandate following a resolution by the Annual General Meeting and agreed its fee.

In principle, conflicts of interest may arise for members of the Supervisory Board between their Supervisory Board work for the company on the one hand and their other activities on the other, for example due to advisory or executive functions for customers, suppliers, lenders or other third parties. The rules of procedure of the Supervisory Board provide for regulations on the handling and minimisation of such conflicts of interest insofar as such conflicts of interest exist or threaten to exist on the part of members of the Supervisory Board of pbb or persons closely associated with them, in particular with regard to customer relationships or relationships with other credit institutions. This includes, for example, disclosure of the potential conflict of interest, abstention from exercising voting rights or non-participation in relevant discussions during meetings of the Supervisory Board or the committee concerned.

On 13 February 2026, the Supervisory Board discussed the Declaration of Compliance with the German Corporate Governance Code in its current version dated 28 April 2022 (www.pfandbriefbank.com/unternehmen/corporate-governance.html). Reference is also made here to the separate remuneration report of the Group and, with regard to the requirements for the composition of the Executive Board and Supervisory Board, to the statements in the Corporate Governance Declaration.

At the end of the 2025 financial year, the Supervisory Board reviewed – with external support – the effectiveness of its work and the assessment of the Management Board and Supervisory Board in accordance with Section 25d (11) Nos. 3 and 4 of the German Banking Act (KWG) with regard to the year 2025. This was based on the anonymous evaluation of questionnaires completed by the members of the Supervisory Board. The results were presented to the Executive and Nomination Committee and the full Supervisory Board at the beginning of the 2026 financial year and discussed. Overall, the members of the Supervisory Board are of the opinion that the Supervisory Board and its committees work effectively and that a high standard has been achieved.

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board was composed as follows in the past financial year:

Dr Louis Hagen (Chairman), Hanns-Peter Storr (Deputy Chairman), Karim Bohn, Gertraud Dirscherl, Prof. Dr Kerstin Hennig, Susanne Klöß-Braekler (until 5 June 2025), Georg Kordick (until 5 June 2025), Britta Lehfeldt (from 5 June 2025), Olaf Neumann, Jennifer Wendels and Theresia Kirmaier (from 5 June 2025).

In 2025, the Supervisory Board of pbb held ten meetings, five of which were extraordinary. In addition, it held an additional strategy meeting to discuss the implementation of “Strategy 2027”, including the new target operating model, the exit from the US business, current capital market developments and ESG issues. In the reporting year, the Supervisory Board met regularly without the participation of the Management Board or dealt with individual agenda items at its meetings in accordance with recommendation D.6 of the German Corporate Governance Code. The Supervisory Board always decides on a case-by-case basis whether the Management Board should participate in the meetings, depending on the topics to be discussed.

The subject of all ordinary meetings was the current business situation of the pbb Group, which was discussed in detail with the Management Board on each occasion. The Management Board informed the Supervisory Board regularly and promptly about the economic and financial development of the pbb Group. The following topics were also reported on at the regular meetings: business and risk situation, risk management, new business, liquidity situation and strategy, development of funding and the share price, current regulatory issues and audits, and important events that are of significant importance for assessing the situation and development of the company and for its management. In addition, the Management Board kept the Supervisory Board informed on an ongoing basis throughout the financial year about IT issues, data governance and ESG. Key areas of focus in 2025 included, in particular, developments in the market environment and the Bank's business and risk situation, as well as progress on strategic projects to further develop the business model and withdraw from the US business.

At the regular meeting on 21 February 2025, the achievement of targets at institutional level and the variable remuneration for the members of the Management Board for the 2024 financial year were determined. Other key topics included the discussion of the supervisory SREP decision, the further development of the Executive Board's share-based remuneration, succession planning within the Executive Board and the resolution to appoint Mr Joseph as a member of the Executive Board, the current status of strategic projects and, in particular, the M&A transaction to acquire a majority stake in companies of the Deutsche Investment Group (Project "Milestone") as well as updating the approved multi-year plan for 2025-2027 and the resulting overall bank targets for 2025. In addition, the Supervisory Board dealt with the regulatory requirements for pbb's restructuring plan, the results of the 2024 efficiency review of the Management Board and the Supervisory Board in accordance with Section 25d of the German Banking Act (KWG), the preparations for the 2025 Annual General Meeting, and approved the Corporate Governance Statement, including the Declaration of Compliance with the German Corporate Governance Code.

At the balance sheet meeting on 14 March 2025, the consolidated financial statements for 2024 – including the non-financial statement in accordance with CSRD – were approved and the annual financial statements for 2024 were adopted. In addition, further preparations were made for the 2025 Annual General Meeting and corresponding resolutions were passed on the agenda, including the proposed resolutions, in particular with regard to the elections to the Supervisory Board and the election of the auditor. The Supervisory Board also approved the Variable Remuneration Plan and the Management Board targets for 2025, an adjusted distribution of responsibilities and the further procedure for adjusting the share-based remuneration for the members of the Management Board. Other key topics at the meeting included the development of a risk culture within the pbb Group, succession planning for the Management Board and

Supervisory Board, and discussions on the status of strategic projects such as the "NEXT" project, the development of the pbb invest business and the successful completion of the project to modernise the IT-infrastructure.

At its extraordinary meeting on 16 April 2025, the Supervisory Board discussed the agenda and conduct of the 2025 Annual General Meeting and, in particular, passed resolutions on the nominations for the two new Supervisory Board members to be elected by the shareholders, the authorised capital and the anchoring of the decarbonisation path in the remuneration system for members of the Management Board and a related adjustment to the Variable Remuneration Plan.

At its meeting on 9 May 2025, the Supervisory Board discussed the pbb Group's reporting for the first quarter of 2025. It also received information on the ongoing cultural development project, the "NEXT" project, the "Milestone" project and topics relating to digitalisation. In addition, an updated distribution of responsibilities within the Management Board was approved and the 2025 remuneration report and the planning of the 2025 Annual General Meeting were discussed.

At an extraordinary meeting on 5 June 2025, following the 2025 Annual General Meeting, an analysis and follow-up of the previous Annual General Meeting was carried out, in particular with regard to the remuneration system for the members of the Management Board, which had been rejected by the Annual General Meeting. In addition, the Supervisory Board was informed about the status of the "Milestone" project and decided on the new appointments to its committees.

At the extraordinary meeting on 17 June 2025, the Supervisory Board dealt with, among other things, the status of negotiations in the "Milestone" project and capital planning.

The interim report and the review of the half-yearly financial statements and management report of the pbb Group as at 30 June 2025 were the subject of the Supervisory Board meeting on 8 August 2025. The Supervisory Board also discussed the update on ongoing strategic projects, an update of the business and risk strategies, the further development of the risk culture at pbb and the remuneration control report. The Supervisory Board also appointed the remuneration officer and resolved on the adjusted distribution of responsibilities within the Management Board and the 2025 pension adjustments for retired members of the Management Board.

At an extraordinary meeting on 30 October 2025, the Supervisory Board dealt intensively with succession planning in the Management Board.

Building on the discussions held at its annual strategy meeting on 24 September 2025, the Supervisory Board first discussed the pbb Group's results for the third quarter of 2025 on 11 November 2025 and then reviewed the interim status of the 2026-2028 multi-year plan that had been presented, as well as the status of the strategic projects "NEXT", "Milestone" and the withdrawal from the USA, as well as the half-yearly update on the digitalisation initiatives. The meeting also focused on the topics of cultural development, the update on current HR initiatives, the adequacy review of the remuneration system and the further development of the remuneration system for the Management Board. The Supervisory Board also prepared the efficiency review of the Executive Board and Supervisory Board and dealt with the annual report of the Presidential and Nomination Committee on current corporate governance issues and the format for the 2026 Annual General Meeting. In addition, it approved an updated distribution of responsibilities for the Executive Board and the revised versions of the suitability policy and the competence profile of the Supervisory Board.

At its extraordinary meeting on 28 November 2025, the Supervisory Board addressed the status of multi-year planning at that time prior to its actual adoption at the meeting in early 2026. In addition, the core elements of the SRT transaction with Oaktree – an important step in the context of the decided US exit – were discussed and approved. The SREP letter from the supervisory authority was also discussed in detail.

SUPERVISORY BOARD COMMITTEES

In the 2025 financial year, the Supervisory Board established the following committees: the Presidential and Nomination Committee (PNA), the Audit Committee (PA), the Risk Management and Liquidity Strategy Committee (RLA) and the Remuneration Control Committee (VKA).

The Presidential and Nomination Committee held eight meetings, three of which were extraordinary, and consisted of Dr Louis Hagen (Chairman), Gertraud Dirscherl, Hanns-Peter Storr (from 5 June 2025), Susanne Klöß-Braekler (until 5 June 2025), Georg Kordick (until 5 June 2025) and Theresia Kirmaier (from 5 June 2025).

The committee dealt in particular with matters relating to the Executive Board, such as the achievement of targets by Executive Board members and the determination of variable remuneration for 2024 (including malus testing), on which it submitted corresponding proposals to the full Supervisory Board. It also prepared the 2025 efficiency review of the Executive Board and the Supervisory Board. Furthermore, the PNA informed the Supervisory Board about new developments in corporate governance and dealt with the Corporate Governance Statement, including the Declaration of Compliance with the German Corporate Governance Code. The composition of the Supervisory Board committees, succession planning in the Supervisory Board and the Executive Board, and the adjustment of the distribution of responsibilities within the Executive Board were further topics addressed in the past year. A key focus of the PNA was the search for a successor to Thomas Köntgen, who is stepping down from the Management Board. In several meetings, including extraordinary meetings, the PNA discussed potential candidates, conducted interviews and supported the Supervisory Board with appropriate recommendations. In addition, it discussed, among other things, the determination of training topics for the Supervisory Board in the 2025 financial year and the preparation of pbb's Annual General Meeting on 5 June 2025. It also discussed the current status of the Bank's strategic initiatives and projects as required.

The Audit Committee held a total of five regular meetings and consisted of Gertraud Dirscherl (Chair), Karim Bohn, Dr Louis Hagen, Olaf Neumann and Hanns-Peter Storr.

The meetings focused on reviewing and discussing the 2024 annual and consolidated financial statements, the interim reports and announcements for 2025, and the reports of the internal audit department and the auditor on internal and external audit findings. The Audit Committee first dealt with the results of the preliminary audits of the business organisation and lending business, as well as money laundering, including key audit matters. The Audit Committee also dealt with the mandate of the auditor Deloitte and its audit plan for the 2025 financial year. The PA also satisfied itself as to the independence of the auditor and recommended to the Supervisory Board that it propose to the Annual General Meeting the appointment of Deloitte as auditor and group auditor for the 2025 financial year and for the review of any condensed financial statements and interim management reports for the group during the year, if and to the extent that these are subject to review, as well as auditor of the sustainability report and the separate consolidated non-financial report for 2025. In addition, the Audit Committee discussed the impact of current regulatory issues with the Management Board and was informed about the progress of ongoing audits and the processing of findings. In addition, regular reports were provided on the internal control system and the monitoring of key controls that have been established, ongoing legal disputes, compliance-related issues, data protection/IT security, special accounting issues, the results of external audits, and the audit planning of the internal audit department and its implementation. In the reporting year, the focus was on IT and the implementation of BCBS 239 and the Digital Operational Resilience Act (DORA).

The Risk Management and Liquidity Strategy Committee held five regular meetings and also discussed credit exposures requiring approval, usually in monthly conference calls. Its members were Hanns-Peter Storr (Chairman), Karim Bohn, Dr Louis Hagen, Gertraud Dirscherl and Prof. Dr Kerstin Hennig.

At its regular meetings, the RLA supported the Supervisory Board's control of risk and liquidity management, reviewed the Executive Board's risk reporting and was involved in the credit approval process to the extent specified in the rules of procedure. It also regularly discussed the new business, liquidity and refinancing situation as well as syndication business. In the 2025 financial year, the RLA also dealt with reports on the sub-portfolios, including the USA, UK and development financing, individual value adjustments, own funds reporting in accordance with SolvV, country limits and asset-liability management. In addition, the RLA dealt intensively with the SRT transaction to shield the performing part of the US- portfolio from risk, capital planning, internal rating models (IRBA models), the development and implementation of the NPL strategy at pbb, the results of the annual audit and supervisory audits, updates to the business and risk strategy, and expected medium-term developments on the real estate markets. Within the scope of selected key topics, the RLA also obtained information on the development of risk culture at pbb, the expansion of new asset classes as part of the "Strategy 2027", pbb's office portfolio, fair value financial instruments, the results of the ECB stress test 2025 and the revision of the ICAAP (Internal Capital Adequacy Assessment Process). It also received reports on the appropriateness of the remuneration system. In addition, the RLA dealt with individual credit cases in numerous, usually monthly, conference calls. Where required by the RLA's rules of procedure, these cases involved new business, regular resubmissions and approvals of amendment requests.

The Remuneration Control Committee held five regular meetings and one extraordinary meeting and consisted of Dr Louis Hagen (Chairman), Gertraud Dirscherl, Susanne Klöß-Braekler (until 5 June 2025), Britta Lehfeldt (from 5 June 2025) and Jennifer Wendels.

It dealt with the remuneration reports, variable remuneration for the 2024 financial year, the achievement of targets by the members of the Executive Board, the Variable Remuneration Plan for 2025 for the Executive Board, and the conclusion or amendment of Executive Board service contracts. Furthermore, the VKA prepared the approval for the determination of risk-taker functions, the definition of metrics for risk-adjusted performance measurement at the institutional level, and the remuneration control report for the Supervisory Board. Other key topics at its meetings were the extension of the remuneration officer's mandate, the adequacy review of the remuneration system and its further development. Two key areas of focus here were the share-based remuneration of the Executive Board and the analysis and discussion of the gender pay gap.

The attendance of the individual members at meetings is shown in the table below. All regular meetings of the Supervisory Board and the individual committees were held as face-to-face meetings in the 2025 financial year, although the option of participating virtually was also offered and used in some cases ("hybrid meetings"). If Supervisory Board members were unable to attend a meeting in whole or in part, they announced this in advance, stating the reasons, and usually submitted a proxy vote.

Supervisory Board of pbb in 2025

Name Initial appointment	Supervisory Board function and Meeting attendance	Attendance rate Supervisory Board meet- ings	Committee function and Meeting attendance					Attendance rate Com- mittees
			Executive and Nomi- nation Committee	Audit Committee	Risk Man- agement and Liquidity Strategy Committee	Remune- ration Control Committee		
Dr Louis Hagen Chairman 25.5.2023	Chairman 10 of 10	100%	Chairman 8 of 8	Member 5 of 5	Member 5 of 5	Chairman 6 of 6	100%	
Hanns-Peter Storr Deputy Chairman 12.5.2021	Deputy Chairman 10 of 10	100%	Member 4 of 4	Member 5 of 5	Chairman 5 of 5	-	100%	
Karim Bohn Member 30.11.2023	Member 10 of 10	100%	-	Member 5 of 5	Member 5 of 5	-	100%	
Gertraud Dirscherl Member 2.2.2022	Member 10 of 10	100%	Member 8 of 8	Chairman 5 of 5	Member 5 of 5	Member 6 of 6	100%	
Prof Dr Kerstin Hennig Member 19.7.2022	Member 10 of 10	100%	-	-	Member 5 of 5	-	100%	
Susanne Klöß-Braekler Member to 5.6.2025	Member 4 of 4	100%	Member 4 of 4	-	-	Member 4 of 4	100%	
Georg Kordick Employee representative to 5.6.2025	Member 4 of 4	100%	Member 3 of 3	-	-	-	100%	
Britta Lehfeldt Member since 5.6.2025	Member 6 of 6	100%	-	-	-	Member 2 of 2	100%	
Olaf Neumann Employee representative 12.5.2021	Member 10 of 10	100%	-	Member 5 of 5	-	-	100%	
Theresia Kirmaier Employee representative since 5.6.2025	Member 6 of 6	100%	Member 4 of 4	-	-	-	100%	
Jennifer Wendels Employee representative 1.10.2024	Member 10 of 10	100%	-	-	-	Member 6 of 6	100%	

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The members of the Supervisory Board generally took responsibility for the training and continuing education measures required for their tasks and were provided with appropriate support by the company. In addition, as in previous years, regular training sessions were held in the run-up to the regular Supervisory Board meetings in the form of presentations by external speakers. In the reporting year, the Supervisory Board and Management Board jointly participated in training courses on the topics of share-based remuneration systems for management board members, BCBS 239, digitalisation of the credit process and DORA. This regular training programme for the entire committee will be continued.

ANNUAL FINANCIAL STATEMENTS

Deloitte, the auditor and group auditor elected by the Annual General Meeting, audited pbb's annual financial statements and consolidated financial statements as at 31 December 2025 as well as the combined management report and issued unqualified audit opinions. The non-financial statement to be submitted is published as a separate consolidated non-financial report. As part of its audit duties, the Supervisory Board did not make use of the option of an external review of the content of the non-financial statement this year.

Deloitte submitted a statement of independence to the Supervisory Board. The financial statements and audit reports were sent to all members of the Supervisory Board in good time. The Audit Committee reviewed the financial statements at its meeting on 16 March 2026. The annual and consolidated financial statements, the combined management report and the audit reports were discussed in detail with the Executive Board and representatives of the auditor. After its own review, the Supervisory Board raised no objections to the results of the auditor's review. At its balance sheet meeting on 17 March 2026, the Supervisory Board approved the consolidated financial statements prepared by the Management Board and adopted the annual financial statements. At this meeting, the Supervisory Board also discussed the Management Board's proposal for the appropriation of profits. After review, the Supervisory Board agreed with the Management Board's proposal for the appropriation of profits.

The past financial year was particularly challenging for the Bank's employees. In addition, they successfully implemented important steps in the transformation of the Bank, which would not have been possible without their great personal commitment and achievements. The Supervisory Board would like to express its sincere thanks to all employees and the Management Board for this.

On behalf of the Supervisory Board

Dr Louis Hagen
Chairman

Combined Management Report

Fundamental Information about the Group

The management report of Deutsche Pfandbriefbank AG (“pbb”) and the Group management report have been combined in accordance with section 315 (5) in conjunction with section 298 (2) of the German Commercial Code (Handelsgesetzbuch – “HGB”). Information provided in this combined management report relates – if not explicitly stated otherwise – both to pbb Group as a whole, and to pbb as an individual entity. The report also includes information referring solely to the parent entity pbb (with explanations on the basis of the German Commercial Code (HGB)). The annual report of pbb in accordance with the HGB and the combined management report are published simultaneously in the German Company Register (Unternehmensregister).

GROUP STRUCTURE

During the reporting period, pbb Group consisted primarily of the parent company pbb. In financial year 2025, pbb had several subsidiaries and investments, which are presented in the note “pbb shareholdings”.

The company is headquartered in Munich/Garching. pbb also has offices at four other locations in Germany (Eschborn, Düsseldorf, Hamburg, and Berlin). Abroad, it is represented at six locations: Amsterdam, London, Madrid, Paris, Stockholm, and New York. pbb conducts a large part of its financing activities abroad through these locations.

BUSINESS MODEL

In 2025, pbb Group's strategic business was commercial real estate financing with a focus on Pfandbrief-eligible business. It is bundled in the Real Estate Finance (REF) segment. In addition to its strategic REF business, pbb Group has also consolidated its non-strategic business in the Non-Core (NC) segment. The non-core portfolio is being wound down through maturities and sales, taking advantage of market opportunities.

pbb Group refinances its assets via the capital market and deposits from private customers. The most important source of funding is secured issues in the form of mortgage Pfandbriefe, i.e. secured bonds that comply with the requirements of the PfandBG (German Mortgage Bond Act). In addition, pbb Group issues unsecured bonds and raises funds through deposit business with private investors.

Strategic portfolio

In commercial real estate financing (REF), the offering is primarily aimed at professional national and international real estate investors and developers such as real estate companies, institutional investors, and real estate funds, as well as, particularly in Germany, medium-sized companies and regionally oriented customers. Borrowers are generally special purpose vehicles.

To date, loans have been granted primarily for office, residential, logistics and warehouse, retail, hotel, and leisure properties. Geographically, the focus is on Europe and the US. The material core markets in Europe are Germany, France, the UK, the Nordic countries, selected Central and Eastern European countries, Spain, and Benelux. In the US, pbb has so far concentrated in particular on the metropolitan regions of New York, Washington D.C., Boston, Chicago, San Francisco, Seattle, and Los Angeles. In the second quarter of 2025, pbb announced that it would withdraw completely from the US business. With its exit from the US market, pbb Group intends to focus its energies more strongly on its core European business in the future.

pbb Group focuses on complex transactions with medium to large financing volumes. It offers both local and cross-border financing expertise. The majority of the financing provided is in the form of investment loans, i.e., loans for the acquisition or follow-up financing of existing real estate with existing cash flows. Financing for real estate development projects (development financing) plays a supplementary role and also includes property development business in Germany. pbb is primarily a lender for senior secured loans with high equity interests on the part of the borrower and resilient collateral in the form of real estate in good locations. Green loans are gaining in importance.

Lending is the Group's core business. pbb focuses in particular on primary customer and syndication business. In addition to traditional financing solutions tailored to customer needs, pbb offers its customers derivative products to hedge risks associated with lending transactions. The bank does not maintain a trading book for securities and derivative portfolios with the intention of generating short-term profits.

In its lending business, pbb either acts as the sole lender or works with financing partners, particularly for large-volume transactions. It has a broad network of banks and other partners at its disposal, for example in the insurance and private equity sectors. In this so-called syndicated lending business, pbb sometimes acts as the lead arranger, taking on the entire coordination between the members of the syndicate and the borrower, or as an agent performing tasks related to the administration of syndicated loans.

In addition, pbb acts as an underwriter by providing financing in the first instance, either alone or together with other market participants, and then selling parts of these loans to partners as part of syndication deals.

In March 2023 and October 2024, pbb Group announced strategic changes and expansions to its business as a result of the NEXT project. The pbb Group continued to consistently implement its Strategy 2027 and thus the NEXT project in the 2025 financial year. The aim of the NEXT project is to diversify the business model more strongly and lay the foundation for future earnings growth and higher profitability. In particular, pbb intends to "strengthen its strengths," i.e., it plans to leverage its existing real estate platform and expertise to further develop its real estate business horizontally along the value chain. In doing so, pbb intends to draw on its many years of sales and structuring expertise. These measures include, in particular, an expansion of commercial real estate financing to other types of real estate and the planned business activities in Originate & Cooperate, pbb invest, and Eco. Overall, the aim is to diversify the business:

- > As part of its strategic realignment, pbb Group is consistently driving forward its organizational transformation. pbb Group has announced a further development of the target operating model for large parts of the bank, which will continue to promote its strategic goals. A leaner organizational structure, the establishment of the production hub in the areas of IT and operations in Madrid, and the new branch in Amsterdam are intended to increase efficiency and scalability while maintaining strict cost discipline.
- > In addition to the types of real estate financed to date, data centers, retirement and nursing homes, and student residences are to be financed in the future. The share of office building financing in the overall portfolio is to be reduced.
- > Originate & Cooperate involves brokering loans for external borrowers and lenders without pbb Group itself taking assets onto its statement of financial position. The offering covers the entire spectrum of services from loan acquisition to loan servicing. pbb Group intends to leverage its market access, expertise, and technology to generate profits. pbb has already established the operational prerequisites for this: the partner network, product range, and team are largely complete, and the pipeline for such transactions is undergoing continuous expansion.
- > In addition, the Management Board announced its complete withdrawal from the US real estate markets in the second quarter of 2025. This is proceeding according to plan and will have a negative impact on earnings in 2025 as a whole.
- > As part of its withdrawal from the US business, the pbb Group agreed a significant risk transfer (SRT) with investor Oaktree Capital in December 2025. Oaktree has assumed a hedge for a mezzanine tranche of pbb's high-performing US portfolio in the amount of approximately USD 321 million. The underlying high-performing US portfolio mainly comprises loans secured by office properties. As part of the SRT transaction, Oaktree subscribed to an interest-bearing credit-linked note issued by pbb.
- > In pbb invest, pbb Group plans to establish and manage funds for commercial real estate and real estate financing (equity and debt funds) for institutional investors. In this context, pbb Group completed the acquisition of Deutsche Investment Gruppe, agreed in August 2025, on 1 January 2026. The acquisition is expected to make a material contribution to diversifying sources of income and establishing sustainable, recurring commission income.

- > In Eco, pbb Group, alongside other partners, is participating in a new fund from Realyze Ventures that specifically invests in start-ups offering technology-driven solutions for decarbonization, digitalization, and efficiency improvements in the construction and real estate industries. This serves to support the digital, sustainable transformation in the real estate industry and potentially exploit the resulting opportunities in combination with the existing product range.

There are plans to adjust the internal organizational structure starting in the first quarter of 2026. As a result, pbb Group will split the existing Real Estate Finance (REF) segment into Real Estate Finance Solutions (REFS) and Real Estate Investment Solutions (REIS). REFS will comprise commercial real estate financing, while REIS will include off-balance-sheet commission business.

Non-Core segment (NC)

In addition to its strategic operating segment portfolio, pbb has a non-strategic portfolio, known as the non-core portfolio. The non-core portfolio at pbb combines all non-strategic public sector financing as well as past transactions with public-private partnerships and export credit financing. pbb does not actively engage in new business in this area. The non-core portfolio is to be reduced in order to make the resources tied up there available for pbb's core business.

Consolidation & Adjustments (C&A)

In accordance with IFRS 8.28, a reconciliation statement must be presented for, among other things, profits or losses and assets and liabilities of the reportable values to the group values. This reconciliation is presented in column C&A in pbb Group and does not include any operating business. This column includes, for example, consolidation items arising from the elimination of intra-group relationships between pbb and its fully consolidated subsidiaries.

Funding

Loans granted are funded largely via the Pfandbrief market and supplemented by unsecured refinancing. Issues are made on the capital market both in benchmark format and in the form of private placements. pbb structures private placements in accordance with investor requirements as bearer or registered securities or in the form of deposits. The term and interest rate structure can be negotiated individually. In line with its lending business, issues are predominantly denominated in euros. pbb also refinances foreign currency business in the US, the UK, and Sweden directly in the respective currency in order to reduce currency swaps and the need for unsecured excess capital for Pfandbriefe. Against the backdrop of the decision to withdraw from the US market, no new issues in US dollars are planned.

Covered refinancing focuses on mortgage bonds. Uncovered refinancing is carried out via bearer bonds in the "senior preferred" risk class, promissory note loans, and deposits.

Investors in debt instruments include banks, funds, insurance companies, central banks/sovereign wealth funds, and private investors. pbb places particular strategic emphasis on further developing its refinancing base with the aim of diversifying its investor base. To this end, green bonds are issued in accordance with the pbb Green Bond Framework in order to offer investment opportunities to investors with sustainability requirements.

In 2025, pbb Group issued a new Tier 2 bond (€0.3 billion) and simultaneously repurchased existing Tier 2 bonds. pbb also continues to conduct deposit business with private investors in Germany. Call money and time deposits in euros and US dollars are offered via the online platform pbb direkt (www.pbbdirekt.com) and third-party providers. Deposit business amounted to €7.2 billion at the end of 2025 and is managed with unsecured capital market funding in line with the specific needs of pbb Group.

Most Important Intangible Resources

The chapter "Most Important Intangible Resources" has not been audited by the auditor.

The most important intangible resources are resources without physical substance that fulfil the following two characteristics:

- > The business model is fundamentally dependent on the most important intangible resources. There is a fundamental dependency on the business model if the business model cannot be operated without the intangible resource. This means that the intangible resource is indispensable for the business model.
- > The most important intangible resource is a source of value added for the Group. A source of value creation exists if the intangible resource alone or in combination with others serves to maintain or increase the value of the company in the short, medium or long term.

Criteria for assessing the importance of intangible resources can include their inclusion in the basis for strategic target formulation, reporting to a higher management level or their inclusion in the incentive systems for the remuneration of higher management levels.

Intangible resources are of significant importance for pbb Group. As a credit institution, pbb Group is not a manufacturer or processor of goods. Instead, it provides services, which generally have a higher proportion of personnel expenses than companies providing services in kind. Accordingly, human capital is the most important intangible resource for pbb Group. In this context, it considers the employees of the sales divisions with their knowledge of structuring commercial property financing transactions to be particularly important. In order to maintain its human capital, pbb Group endeavours to keep staff turnover as low as possible. In addition, investments are made in human capital, including through training programmes.

COMPETITIVE POSITION

pbb has a local presence and expertise across the entire process chain in its core REF markets, drawing on the services of real estate experts, real estate law specialists, and financing experts, right through to the management of loan commitments. pbb actively leverages this local expertise to support customers in international transactions, with key decisions always being made by the relevant departments at Group's headquarters.

pbb Group is an established provider of commercial real estate financing in its target markets and segments. As part of its strategy, it aims to reposition itself as a central point of contact for various services and offer institutional investors comprehensive solutions from a single source.

STRATEGIC FOCUS

pbb is a specialist bank for financing investments in commercial real estate. In addition, the range of services offered to institutional customers along the value chain is to be further expanded within the framework of REIS. pbb's core business is lending: in commercial real estate financing, pbb Group either acts as the sole lender or works with financing partners, particularly for large-volume transactions. The non-strategic non-core portfolio is to be wound down in a value-preserving manner in order to make the resources tied up there available to pbb's core business. The central funding instrument is the Pfandbrief; pbb is one of the major issuers in this area. In addition, pbb issues unsecured financial instruments as bearer and registered securities. Green bonds are an integral part of the refinancing strategy. Funding is supplemented by unsecured issues and pbb's direct deposit business.

pbb Group's sustainability strategy is an integral part of its business strategy. The principle of sustainability is a guiding principle for pbb Group in fulfilling its corporate responsibility and thus forms the basis of its governance.

pbb is expressly committed to the Paris Climate Agreement and the sustainable finance goals of the EU and the German federal government. pbb Group is therefore working to align its loan portfolios and business operations with the goals of the Paris Climate Agreement. pbb has set itself a long-term climate target of 1.5 degrees Celsius alignment by 2050. Based on this, a long-term decarbonisation path for the REF portfolio, including interim targets, has been developed. In addition, pbb is evaluating further objectives of the Paris Climate Agreement and measures derived from them that address other aspects of social sustainability. Sustainable finance is defined as a central pillar of the holistic ESG strategy. The aim is to support the transformation of the real estate industry towards the generally desired goal of climate neutrality by 2050. Among other things, pbb Group is aiming for green assets to account for more than 30% of its total commercial real estate financing portfolio by 2026. As of 31 December 2025, pbb Group has achieved a share of 29.9% of green assets in relation to the total commercial real estate financing portfolio and 34.9% in relation to the evaluated portfolio. Overall, the evaluated portfolio accounts for 85.6% of the total portfolio.

In its holistic ESG strategy, four of the United Nations' Sustainable Development Goals (SDGs) were identified as particularly relevant to the core business, to which pbb can make a positive contribution: gender equality (SDG 5), decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), and climate change mitigation (SDG 13) through active contribution to the decarbonization of the real estate sector and efforts to reduce its own environmental footprint. pbb has been a member of the UN Global Compact since the beginning of 2022 and is thus committed to ten universal principles in the areas of human rights, labor standards, environmental protection, and anti-corruption.

Since the new CRR3 came into force on 1 January 2025, pbb has only been applying the Foundation Internal Ratings Based Approach (F-IRBA) to part of its commercial real estate portfolio (SPV Investor). A factor of 1.1 specified by the supervisory authority is applied to the internally determined PD values. pbb uses the standard approach for the remaining portfolios. When selecting the countries in which it wishes to conduct new business, pbb also takes into account the applicable requirements for calculating risk-weighted assets and optimizes its new business strategy on this basis.

In parallel to its earnings performance, pbb Group is also focusing on improving its efficiency. The internalisation of parts of IT, organizational transformation with a leaner structure and the establishment of the hub in Madrid, as well as increasing digitalisation, are building blocks for leveraging efficiency potential. pbb's goal is to optimise sub-processes and make them more customer-oriented on the basis of standardization and automation, including through the use of artificial intelligence and cloud services.

pbb continues to strive to be a stock with attractive dividend payouts. Shareholders are to participate in this development through dividends and share buybacks (the latter subject to prior approval by the ECB). The bank intends to distribute at least 50% of its profit after tax (IFRS, group) and AT1 coupon to shareholders.

INTERNAL MANAGEMENT SYSTEM

pbb Group's internal management system is pursuing a sustainable enhancement in value of the Group considering aspects of risks and regulatory requirements. The key objective is to achieve a balanced risk/return ratio. Risks should be compatible with external and internal risk-bearing capacity guidelines generating an adequate return on capital.

Monitoring and steering are based on a consistent and integrated key performance indicator system (KPI system). The KPI system comprises the dimensions of profitability, growth in the real estate finance portfolio, risk limitation and capital. Regular plan-actual comparisons and related analyses disclose the reasons for any deviations in the key performance indicators. Current market developments, such as the change on interest rate levels, are also displayed. In addition to strategic planning for the Bank as a whole, regular medium-term projections of profitability indicator and (stress) scenario forecasts ensure the management has a comprehensive overview of the future business development.

During the reporting year, the internal manage system was expanded and the following key financial performance indicators were defined:

- > A key profitability indicator is return on tangible equity before taxes, which is calculated as the profit/loss before tax attributable to shareholders minus the AT1 coupon in relation to the average IFRS equity attributable to shareholders available during the fiscal year, excluding intangible assets, deferred income tax assets, and additional equity instruments (AT1 capital).
- > Profit/loss before tax (→ development in earnings) is another key performance indicator and should be increased both by raising income and through strict cost discipline.
- > The new indicator for the degree of diversification of income sources compared to the previous year is the percentage share of net fee and commission income and other sales revenues of the companies of the Deutsche Investment Group in operating income (→ development in earnings).
- > Cost discipline and efficiency are monitored using the cost-income ratio (see earnings situation), which is the ratio of general and administrative expenses and the net income from write-downs and write-ups of non-financial assets to operating income.
- > The volume of new business (including prolongations with a term of more than one year) in the Real Estate Finance (REF; from 2026 Real Estate Finance Solutions (REFS)) segment (→ development in assets) is another key performance indicator.
- > This level of new business has a material impact on the REF/REFS nominal volume (→ development in assets), which is another key performance indicator and has a material impact on future earnings power.
- > The new key performance indicator Assets under Management (AuM), which is new compared to the previous year, refers to the volume of assets managed by pbb invest as part of the Real Estate Investment Solutions (REIS) segment, which will be introduced in 2026.
- > The CET1 ratio (→ development in financial position) is a key performance indicator that is calculated regularly by dividing Common Equity Tier 1 (CET1) by risk-weighted assets (RWA). With the entry into force of Basel IV on 1 January 2025, the calibration of risk-weighted position values using standardized risk parameters will no longer apply to the majority of commercial financing subject to the Foundation Internal Rating Based Approach (F-IRBA).

The internal capital adequacy assessment process (ICAAP) remains important for risk management at pbb Group, but is no longer a key performance indicator within the meaning of DRS 20.101. The methods and results of the risk-bearing capacity analysis are described in detail in the risk and opportunity report.

Sustainability is defined as the self-image of making a significant contribution to securing the long-term future through one's own actions, while taking into account the consequences for all stakeholders of the company as well as for society and the environment. In this sense, pbb Group aims to combine lasting economic success and sustainability aspects in the best possible way, thereby creating long-term benefits for society and conserving natural resources.

The Management Board and Supervisory Board of pbb focus intensively on ESG (environmental, social, and governance) as part of their business and risk strategy and regularly review progress in this area. This is based on a system of key performance indicators that is continuously being developed. Regulatory and market developments are also taken into account.

According to pbb Group's assessment, reducing greenhouse gas emission intensity is set to become an important cross-company goal in the future. pbb Group has developed a decarbonization path with the aim of actively steering the REF portfolio toward reducing greenhouse gas emission intensity. This is geared towards limiting global warming to 1.5 degrees Celsius, calculated from the pre-industrial era to 2050, and incorporates the reference paths from the Carbon Risk Real Estate Monitor (CRREM) that are customary in the real estate sector as a reference. The greenhouse gas emission intensity indicator with reduction targets is derived from the decarbonisation path developed. However, as market practices have not yet emerged, pbb Group has not yet defined any non-financial key performance indicators within the meaning of DRS 20.105.

NON-FINANCIAL STATEMENT

Companies must assume responsibility for their actions in the environment in which they operate. The key principle of pbb Group's corporate responsibility philosophy is that of sustainability. This means long-term, responsible actions that take the consequences for all the company's stakeholders and for the environment into account.

pbb Group is convinced that sustainable and responsible business practices are an essential requirement for securing the future of the Company and increasing its value.

In the separate consolidated non-financial report, which is not part of the consolidated management report, the pbb Group discusses in more detail the sustainability issues and aspects identified as material for the company. This is published both in the company register together with the combined management report and on the company website (https://www.pfandbriefbank.com/fileadmin/user_upload/downloads/investor_relations/reports/2403_NFB_2025_en.pdf).

Report on Economic Position

MACROECONOMIC ENVIRONMENT

Global economic growth remained subdued in 2025. The International Monetary Fund (IMF) estimates that global economic growth for the past year was once again 3.3%. Although this is significantly less than the average of 3.7% achieved between 2000 and 2019, it is worth noting that the growth achieved last year underscores the resilience of the global economy in the face of numerous geopolitical crises and trade conflicts. (Sources: IMF 2025, IMF 2024)

This is partly because companies reacted early to the threat of US import tariffs and brought forward their orders. This boosted growth, particularly in the first half of the year. In addition, the US concluded trade agreements with numerous countries, which gave companies a certain degree of planning security. Nevertheless, import tariffs in the US are now significantly higher than at the beginning of the year. The IMF estimates these at 18.5%, compared with just 2.6% in January 2025. The global economy was also supported by the investment boom in artificial intelligence and the easing of monetary and fiscal policy in Europe and North America in the course of 2025. (Sources: IMF 2025, IMF 2026)

Tariffs have also contributed to pushing down the prices of certain commodity groups, especially industrial metals. In addition, oil and gas prices fell due to strong global supply coupled with sluggish demand. This development is likely to have helped mitigate the negative consequences of last year's geopolitical tensions. (Source: IMF 2025)

Growth in the US is expected to have increased by 2.1% in the past year. Increased investment in the technology sector and growth in private consumer spending offset the negative impact of the government shutdown during the fourth quarter of 2025. In addition, the Federal Reserve cut interest rates several times, easing monetary policy. This was done in particular against the backdrop of a slowdown in the US labor market and the assessment that the increased import tariffs would not lead to a lasting rise in inflation. (Sources: IMF 2025, IMF 2026)

In the eurozone, the economy withstood the pressures resulting from higher tariffs. One reason for this was the slight decline in uncertainty following the trade agreement concluded between the US and the EU in the summer of 2025. Lower inflation and monetary policy support in the form of low interest rates from the European Central Bank (ECB) and an increase in government spending also helped. Overall, this resulted in estimated gross domestic product growth of 1.4% in 2025. (Sources: IMF 2025, IMF 2026, European Commission 2025)

Although government spending rose significantly, particularly in Germany, preliminary estimates indicate that the domestic economy grew by only 0.2% in 2025. One reason for this may have been weak exports, which suffered from higher US tariffs, competition from China, and the stronger euro. The low economic growth was also accompanied by a slight increase in the unemployment rate. (Sources: IMF 2025, IMF 2026, Federal Statistical Office 2026)

The French economy, which is less export-driven than Germany's, recorded gross domestic product growth of 0.8% last year. This is remarkable given that 2025 was marked by a series of domestic political upheavals. Nevertheless, this period of uncertainty left its mark on the labor market. The unemployment rate rose slightly over the course of the year, but remained close to its long-term lows overall. Growth was therefore not driven by private domestic demand, but rather by government consumption. (Sources: IMF 2025, IMF 2026, European Commission 2025)

Spain is expected to have seen significant growth of 2.9% in 2025. This high growth rate was supported by strong private consumption and investment. A visible sign of this positive development is the continuous decline in the unemployment rate, which fell to its lowest level in many years over the course of the year. (Sources: IMF 2025, IMF 2026, European Commission 2025)

The Netherlands is expected to have reached growth of 1.7% in 2025. This expansion can be explained in part by strong domestic demand, which was driven in particular by consumption, which benefited from significant wage increases. (Sources: IMF 2025, IMF 2026, European Commission 2025)

The British economy is expected to have grown by 1.4% in 2025, although higher taxes and a deteriorating labor market are weighing on private households. In addition, inflation is still well above its target. As a result, the Bank of England was only able to lower key interest rates to a limited extent last year. (Sources: IMF 2025, IMF 2026, European Commission 2025)

Growth momentum in pbb's core markets in Northern and Eastern Europe varied in 2025. While Sweden's gross domestic product is expected to have grown by only 0.7%, Poland's economy expanded by an estimated 3.2%. Swedish households and companies were still confronted with high interest rates and significant price increases, particularly in the first half of the year, which weighed on sentiment, spending, and investment. In Poland, on the other hand, private consumption was the most important growth driver, supported by rising real incomes and a low unemployment rate. (Sources: IMF 2025, European Commission 2025)

Overall, labor markets remained stable in 2025, even though weak economic development in some countries led to an increase in unemployment. The unemployment rate in the eurozone stood at 6.4% in 2025, unchanged from the previous year. In Germany, however, the unemployment rate rose from an average of 3.4% to 3.7% during this period. In France, unemployment also rose slightly from 7.4% in 2024 to 7.6% a year later, while in Spain it fell from 11.3% to 10.8% during this period. In Sweden, the unemployment rate rose from 8.4% to an average of 9.0% in 2025 due to weak economic development. In the United Kingdom, an increase from 4.3% to 4.7% was observed in 2025. The US also saw an increase from 4.0% to 4.2% during this period. (Source: IMF 2025)

Inflation rates continued to decline in the majority of economies last year. In the US, it fell from 3.0% in 2024 to an estimated 2.7% last year. In the eurozone, prices rose by 2.1% in 2025, following an increase of 2.4% in the previous year. In the UK, inflation was 3.4% last year, higher than in 2024, when prices rose by 2.5%. (Source: IMF 2025)

Easing inflationary pressure has allowed the ECB to further lower its key interest rates in 2025. In the first half of the year, the deposit rate fell from 3% to 2% and has remained unchanged since then. The Bank of England, on the other hand, was faced with the dilemma of rising unemployment and inflation at the same time. It therefore lowered interest rates by a total of one percentage point to 3.75% in the course of 2025, which is a comparatively restrictive level. In the US, too, the Federal Reserve (Fed) was faced with this ambivalent situation and therefore decided late in the year to ease monetary policy somewhat. From September to December 2025, key interest rates fell by 75 basis points to a range of 3.5% to 3.75%. (Source: Bloomberg)

In addition to the ongoing tense geopolitical situation, interest rates on the financial markets were influenced in particular by global inflation trends and the resulting monetary policy responses, but also by fiscal policy. Even though key interest rates fell, interest rates on government bonds tended to move sideways over the course of the year. Interest rates on 10-year government bonds reached around 4.2% in the United States in the fourth quarter of 2025 and 4.5% in the United Kingdom, while interest rates on German government bonds stood at 2.9%. (Source: Bloomberg)

On the currency markets, the euro gained significantly against the US dollar in particular during 2025, and also rose against most other major currencies. By contrast, the Swedish krona and, to a lesser extent, the Swiss franc gained against the European single currency. (Source: Bloomberg)

SECTOR-SPECIFIC ENVIRONMENT

Overall Situation in the Banking Sector

Financial stability remains vulnerable due to uncertainty surrounding geopolitical developments and the impact of tariffs. High valuations, particularly in equity markets, also carry the risk of sharp corrections. In addition, challenging fiscal outlooks in some developed economies could test investor confidence and lead to tensions in the government bond market. Finally, credit risks to tariff-sensitive companies and close financing relationships with non-banks could weigh on banks in the euro area. (Source: ECB 2025)

Inflation rates have continued to fall since the end of 2024 and are likely to stabilise at the ECB's medium-term target of 2% in both Germany and the eurozone by 2027. Financing conditions have remained largely unchanged compared with the previous year. In 2025, the return on equity of banks in the euro area fluctuated around 10%, declining slightly again in the third quarter. For the first time in a decade, the return on equity of listed banks in the euro area exceeded their cost of equity. The resilience of banks was strengthened by capital and liquidity ratios that were well above regulatory requirements. According to the ECB, maintaining this resilience is crucial in view of increased geopolitical and trade policy uncertainty. (Sources: Bundesbank 2024, ECB 2025, Sample: Significant Institutions)

Commercial Real Estate Finance

The year 2025 continued to be characterized by a challenging market environment, but showed more stable trends. Although commercial investment volume in the pbb markets remained at a low level in a historical context, it improved further compared with the previous year. Despite ongoing economic uncertainties and geopolitical tensions, the market proved resilient overall. Declining inflation rates and stable interest rates contributed to calming the situation and improved the conditions for investors. As a result, real estate values rose slightly in 2025. However, the environment remained difficult for real estate developers, as high financing costs and regulatory hurdles made project implementation difficult.

In the reporting year, office space users continued to place great value on high-quality offices in convenient locations, which meant that rental demand in this segment remained high and positive rental developments were recorded. In contrast, letting performance remained low for older office buildings in less sought-after locations. The European logistics rental market remained stable in 2025. Rental demand continued to be driven by e-commerce and the increasing need for more resilient supply chains, but remained below the high levels seen in the record years during the pandemic. This is also reflected in rental trends, which were positive but fell well short of the peak levels of previous years. In the retail sector, lower inflation and rising disposable incomes led to improved consumer sentiment. High-quality, high-traffic locations such as retail parks, prime shopping centers, and central shopping streets benefited particularly from this. The recovery in the hotel market continued in 2025. Although occupancy rates have not yet fully returned to precrisis levels, rising room rates were the main factor driving growth in revenue per available room (RevPAR), with both indicators now above pre-pandemic levels. In 2025, the data center, senior living, and student housing segments continued to gain in importance. The data center market benefited from digitalisation and the focus on sustainability, with energy-efficient data centers powered by renewable energies in particularly high demand. Despite high costs, the senior living segment saw stable demand due to demographic development and the growing need for age-appropriate housing. In the student housing sector, demand for modern, centrally located accommodation remained high, with rents rising moderately.

The situation on the office markets in the US is significantly more challenging than in Europe. At 18.8%, the vacancy rate there is more than twice as high as in Europe. Less attractive and lower-quality office space is particularly affected, with particularly high vacancy rates.

(Sources: CBRE, MSCI, PMA European Investment Overview, Cushman & Wakefield, Wuestpartner, JLL, Savills)

Non-Core

Demand for public investment financing continued to grow slightly in 2025. According to data from the European Commission, the share of public investment measured as a percentage of gross domestic product rose in the EU from 3.5% in 2024 to 3.6% in 2025. This exceeds the levels achieved in the years 2012 to 2021 (3.0%).

Within the EU, growth in public investment expenditure varied. While the level remained unchanged at 4.3% of GDP in France, Germany and Austria increased their share by 0.1 percentage points to 3.2% and 4% respectively. In Spain, the share rose by 0.2 percentage points to 2.9%. Outside the EU, public investment in the United Kingdom remained at 3.2% of GDP. (Source: European Commission 2025)

European public finances deteriorated slightly in 2025. The aggregate budget deficit in the EU rose by 0.2 percentage points to 3.3% of GDP, while debt levels rose from 82.0% of GDP in 2024 to 82.8%. The deterioration in the budgetary situation can be explained by revenue shortfalls, higher interest expenses, and rising defense spending. These factors outweighed the austerity efforts in individual member states. (Source: European Commission 2025)

In 2025, credit spreads in the European periphery tended to narrow. This likely reflects the relative political stability and improving fiscal situation in these countries. But even France, which had experienced a series of political upheavals in the previous year, saw its spread narrow somewhat over the course of the year. Yields rose slightly, driven primarily by the prospect of increased government spending and a corresponding increase in the supply of government bonds. (Source: Bloomberg)

Funding Markets

In 2025, funding markets were once again dominated by geopolitical, macroeconomic, and idiosyncratic factors. Political uncertainties and the economic situation in the eurozone in particular had a significant impact on capital markets and led to high volatility in some cases. The development of inflation remained a key issue. Although it has not yet been completely curbed, inflation rates remained fairly stable throughout the year, in line with the ECB's target. Due to easing price pressures, key interest rates in the eurozone were cut four times in the first half of 2025.

Despite a slow start, it was a successful year for the covered bond market. High demand for covered bonds had a supportive effect on spreads. The outlook was also positive for the unsecured bank bond segment, which likewise saw sustained strong investor demand and a corresponding significant narrowing of spreads over the course of the year. pbb's funding products benefited from this development, but the continuing risks in the commercial real estate market led to higher volatility at times.

Despite lower interest rates, deposits remained attractive for private customers. However, the deposit business in connection with pbb direkt was aligned with refinancing requirements and deliberately reduced.

COURSE OF BUSINESS

Due to the greater uncertainty surrounding the economic position in the US, triggered, for example, by foreign trade policy and the high capital intensity and greater risk associated with US business, pbb Group announced its withdrawal from the US market in an ad hoc announcement on 18 June 2025. The Management Board and Supervisory Board of pbb have decided to sell, securitize, or phase out the US portfolio in a manner that preserves value. As a result, the forecasts for the current financial year were partially adjusted in the interim financial report as of 30 June 2025, and in the quarterly report as of 30 September 2025.

pbb Group's earnings performance in 2025 was impacted by high provisions for loan losses and valuation losses, which were primarily related to the decision to withdraw from the US market. These expenses had a negative impact on the key performance indicators for financial performance, profit before tax, the cost-income ratio, and return on tangible equity before taxes.

At the beginning of the year, **profit before tax** was forecast to be significantly higher than the previous year's figure (2024: €104 million). This forecast was adjusted in the interim financial report as of 30 June 2025. It was now assumed that profit before tax for 2025 would be significantly below the previous year's figure. This adjusted forecast materialised with a loss before tax of €250 million.

At the beginning of 2025, a target range of 47% to 53% was forecast for the **cost-income ratio**. The forecast was adjusted in the interim financial report as of June 30, 2025, as a figure significantly higher than the previous year (2024: 48.9%) was now expected. With a cost-income ratio of 60.9%, pbb Group exceeded the forecast made at the beginning of the year and, as announced in the interim financial report as of 30 June 2025, was significantly above the previous year's figure. The reason for the higher cost-income ratio compared with the forecast at the beginning of the year was that the lower-than-expected general and administrative expenses were unable to offset the proportionally stronger decline in operating income.

At the beginning of the year, **return on tangible equity before tax** was forecast to be in a range of 3.5% to 4.5%. This forecast was also adjusted in the interim financial report as of 30 June 2025. It was now assumed to be significantly below the previous year's figure (2024: 2.7%). Due in particular to the high risk provisions, the return on tangible equity was -9.9%, as reported in the interim financial report as of 30 June 2025, significantly below the figure for 2024 and thus below the forecast communicated at the beginning of the year.

The development in assets was characterized by cautious new business underwriting and the withdrawal from the US business, which had an impact on REF new business volume and REF financing volume.

For the **new business volume REF** (including prolongations of more than one year), a forecast range of €6.5 billion to €7.5 billion was determined at the beginning of 2025, which was reduced to €5.5 billion to €6.0 billion in the quarterly report as of 30 September 2025. The actual new business volume concluded in 2025 amounted to €6.3 billion. This was below the forecast communicated at the beginning of the year, but exceeded the updated upper limit of the range.

Originally, a range of €28.5 billion to €29.5 billion was set for the **REF financing volumes**. In the interim financial report as of 30 June 2025, this was reduced to €28.0 billion to €29.0 billion, and in the quarterly report as of 30 September 2025, it was finally reduced to €27.5 billion to €28.0 billion. At €27.3 billion, it was below both the original lower limit of the range and the updated lower limits of the range.

The key performance indicators of the financial position, risk-bearing capacity, and CET1 ratio benefited from the measures taken to reduce risk.

With regard to **risk-bearing capacity**, the forecasts made at the beginning of 2025 were accurate. From a normative perspective, all regulatory minimum ratios were exceeded as of 31 December 2025, and the risk coverage available after their deduction also covered all other material risks as of the balance sheet date. From an economic perspective, the capital available to cover risks also exceeded the economic capital requirement as of 31 December 2025.

As of 31 December 2025, the **CET1 ratio** stood at 14.9%. Originally, a percentage significantly above the previous year's figure (31 December 2024: 14.4%) had been forecast. In the interim financial report as of 30 June 2025, the forecast was adjusted to a range of 14.0% to 15.5%. The actual figure was within this range, but not significantly above the previous year's figure. On 27 February 2026, at the request of the ECB, the EBA took the view that the data published by the US Federal Reserve should be considered "non-equivalent" for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously used by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in

the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025). Reference is made to the reports on post-balance sheet date events to the consolidated financial statements and the annual financial statements.

DEVELOPMENT IN EARNINGS

Particularly against the backdrop of the decision to withdraw from the US market, net income from risk provisioning was significantly more negative in the reporting year at €-410 million than in the previous year (€-170 million). As a result, loss before tax amounted to €250 million (2024: €104 million). Profit before tax excluding net income from risk provisioning fell to €160 million (2024: €274 million), mainly due to lower income from the disposal of financial instruments and a decline in net interest income. By contrast, general and administrative expenses were reduced, reflecting the pbb Group's cost discipline. The items in the income statement developed as follows:

Deutsche Pfandbriefbank Group (pbb Group)

pbb Group		2025	2024
Operating performance			
Operating income	in € million	422	544
Net interest income	in € million	409	465
Net fee and commission income	in € million	4	5
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement) ¹⁾	in € million	-33	-3
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations) ¹⁾	in € million	22	79
Net income from hedge accounting	in € million	3	3
Impairments on entities accounted for using the equity method	in € million	-8	-
Net other operating income	in € million	25	-5
Net income from allowances on financial assets (Net income from risk provisioning) ¹⁾	in € million	-410	-170
General and administrative expenses	in € million	-236	-245
Expenses from bank levies and similar dues	in € million	-3	-4
Net income from write-downs and write-ups of non-financial assets	in € million	-21	-21
Net income from restructuring	in € million	-2	-
Profit/loss before tax	in € million	-250	104
Income tax	in € million	-34	-14
Net income/loss	in € million	-284	90
Key ratios			
Earnings per share (basic and diluted) ²⁾	in €	-2.30	0.48
Cost-income ratio ³⁾	in %	60.9	48.9
Return on tangible equity before tax ⁴⁾	in %	-9.9	2.7

¹⁾ Solely the condensed and parenthesised line item descriptions are used subsequently.

²⁾ For calculation see note "Earnings per share".

³⁾ Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.

⁴⁾ Return on tangible equity before tax is the ratio of profit before tax minus AT1 coupon to average IFRS equity excluding intangible assets, deferred income tax assets, and AT1 capital.

Net interest income amounted to €409 million, compared with €465 million in the previous year. In addition to higher refinancing costs, this decline is attributable to the lower average volume of real estate finance (REF) financing (€28.2 billion in 2025 compared with €30.0 billion in 2024). The volume-related decline in net interest income was only partially offset by the increase in the average portfolio margin. In addition, the average financing volume in the non-strategic Non-Core (NC) segment decreased to €9.2 billion (2024: €11.1 billion) due to maturities and sales. In particular, the disposal of higher-yielding bonds in 2024 weighed on net interest income in the current year, while no new business was concluded in NC.

At €4 million, net fee and commission income was roughly on par with the previous year (2024: €5 million) and resulted from non-deferrable fees.

Net income from fair value measurement amounted to €-33 million and thus was more negative than in the previous year (2024: €-3 million). At €-32 million, the charges resulted primarily from non-performing loans, which are measured at fair value through profit or loss after restructuring. Loans for US real estate accounted for a net expense of €-20 million, while financing for European real estate accounted for a net expense of €-12 million. The valuation discounts for US loans are attributable, among other things, to a faster liquidation strategy following the decision to withdraw from the US market. The previous year's result was impacted by a portfolio transaction of financial assets in the US and the UK in the amount of €-2 million.

At €22 million, net income from realisations was significantly below the previous year's level (2024: €79 million). This was due to lower income from the sale of financial assets (€8 million; 2024: €36 million) and from the derecognition of liabilities, particularly as a result of redemptions (€2 million; 2024: €37 million). By contrast, income from prepayments of commercial real estate financing rose to €12 million (2024: €6 million).

The net income from hedge accounting amounted to €3 million (2024: €3 million). In the case of largely effective hedges, there were minor effects from different interest rate fixing dates for underlying and hedging transactions.

The impairment losses on companies accounted for using the equity method (€-8 million; 2024: €0 million) related to the associate 161 North Clark Holdco LLC, New York, which was founded in 2024 for the purpose of a salvage acquisition. In the first half of 2025, impairments of €11 million were incurred in connection with the withdrawal from the US market and the associated recognition of short-term disposal proceeds for the property held. Due to improved insights into the sales proceeds, these impairments were reduced by €3 million in the fourth quarter of 2025.

Net other operating income of €25 million resulted primarily from a payment of €16 million as part of a settlement in connection with a legal dispute involving a predecessor company of pbb. Currency translation also resulted in income of €9 million due to the appreciation of the euro against the US dollar. The prior-year result of €-5 million resulted in particular from currency translation.

At €-410 million, the net income from risk provisioning was significantly more negative than in 2024 (€-170 million). The additions were attributable to financing without indicators of impaired credit quality (stages 1 and 2) and with indicators of impaired credit quality (stage 3). The impairments mainly related to real estate financing in the United States.

Net additions to risk provisions for financial assets in stages 1 and 2 amounted to €42 million (2024: net reversals of €14 million). These additions consisted of model-based additions of €18 million (2024: €17 million) and the creation of a management overlay of €26 million (2024: reversal of a management overlay of €31 million). The model-based additions resulted from the assumption of higher probabilities of default (PD) and loss given default (LGD) for financing. The management overlay was created because, in the opinion of pbb's Management Board, the model-based risk provisioning did not adequately reflect the current uncertainties and risks in the development of the economy and the real estate financing markets in the US. On the one hand, the management overlay included an adjustment of the model-based LGDs for the entire non-distressed US business. The LGDs derived from long-term historical averages were replaced by current recovery estimates. On the other hand, US real estate financing without indicators of impaired credit quality was collectively provisioned in the amount of the lifetime expected credit loss and reported as stage 2. The management overlay was originally formed on 30 June 2025, in the amount of €75 million. In the second half of 2025, it was partially reversed by €49 million to €26 million as of 31 December 2025, in particular because the recovery strategy could be adjusted due to the completed significant risk transfer (SRT).

Net additions to risk provisions for financial assets in stage 3 amounted to €372 million (2024: €184 million). At €221 million, the largest portion of stage 3 credit loss allowances was attributable to real estate financing in the US (2024: €108 million). The material additions for the US business were related to the decision taken in June 2025 to withdraw from the US market. Due to the planned shorter-term exit through the sale of non-performing loans and the financed properties, the assumptions for the proceeds from disposal and thus the expected incoming payments were adjusted downwards. Following this valuation adjustment, additions and reversals to risk provisions for US business largely offset each other in the second half of 2025. Net additions for real estate financing in Europe amounted to €151 million (2024: €76 million). These credit loss allowances were attributable to a small number of, in some cases, large-volume financing transactions and, in terms of the volume of loan loss provisions, were largely due to development financing in Germany. The credit loss allowances have specific reasons for the respective loans, such as delays and cost increases in construction or a tense rental situation.

General and administrative expenses amounted to €236 million, and were lower than the previous year's figures (2024: €245 million). Personnel expenses slightly exceeded the previous year's figure (€136 million; 2024: €131 million) with an almost constant average number of employees. This was due to provisions made in connection with the termination of employment relationships. Material expenses were significantly reduced to €100 million (2024: €114 million). This is attributable to lower IT expenses following the internalisation of some IT services and a change of provider.

Expenses for bank levies and similar expenses amounted to €3 million (2024: €4 million), the majority of which was attributable to the German Banks Compensation Scheme.

The net income from write-downs and write-ups of non-financial assets remained unchanged at €-21 million (2024: €-21 million) and included scheduled depreciation and amortization on property and equipment and intangible assets.

The income from restructuring of €-2 million (2024: €0 million) is attributable to personnel measures in connection with the withdrawal from the US market.

Income tax (€-34 million; 2024: €-14 million) consisted of current taxes of €-3 million (2024: €2 million) and deferred taxes of €-31 million (2024: €-16 million). Current tax expense decreased to €6 million (2024: €10 million). Despite the annual loss before income tax, tax expense arose both for foreign entities and in Germany due to temporary differences in the deductibility of risk provisions. This is offset by a reduction in tax income for previous years to €3 million (2024: €12 million) due to aperiodic tax refunds. The increase in deferred tax expense is material due to the effects of the valuation of deferred taxes on loss carryforwards.

Operating Segments

Segment reporting is based on management reporting results. More information on this can be found in the note on “Notes to Segment Reporting by Operating Segment”.

Real Estate Finance (REF)

New business volume (including prolongations with terms of more than one year) amounted to €6.3 billion (2024: €5.1 billion), of which €3.7 billion (2024: €3.8 billion) was attributable to prolongations of more than one year. pbb Group had forecast a profit before tax for 2025, which is mainly attributable to the REF segment. Due to the significant deterioration in the net income from risk provisioning, pbb Group’s loss before tax was attributable to the REF segment.

Real Estate Finance		2025	2024
Operating performance			
Operating income	in € million	393	451
Net interest income	in € million	392	438
Net fee and commission income	in € million	6	6
Net income from fair value measurement	in € million	-33	-2
Net income from realisations	in € million	13	11
Net income from hedge accounting	in € million	2	2
Impairments on entities accounted for using the equity method	in € million	-8	-
Net other operating income	in € million	21	-4
Net income from risk provisioning	in € million	-410	-171
General and administrative expenses	in € million	-221	-231
Expenses from bank levies and similar dues	in € million	-2	-3
Net income from write-downs and write-ups of non-financial assets	in € million	-20	-20
Net income from restructuring	in € million	-2	-
Profit/loss before tax	in € million	-262	26
Key ratios			
Cost-income ratio	in %	61.3	55.7
Return on tangible equity before tax	in %	-10.5	0.1
Balance-sheet-related measures		31.12.2025	31.12.2024
Financing volumes	in € billion	27.3	29.0
Risk-weighted assets ¹⁾	in € billion	17.1	20.2
Equity ²⁾	in € billion	2.6	2.9

¹⁾ Including weighted credit risk positions and capital charges for market risk positions and operational risk, using a scaling factor of 12.5.

²⁾ Excluding intangible assets, deferred tax assets and AT1 capital.

The decline in net interest income is due to higher refinancing costs and lower average financing volumes. Within net income from realisations, higher early repayment penalties more than offset low income from the sale of financial assets and the redemption of liabilities. The other items developed in line with the consolidated figures.

Non-Core (NC)

The financing volume fell by €1.2 billion in 2025. In addition to regular maturities, disposals contributed to the reduction in the portfolio. The resulting earnings contributions were significantly lower than in the previous year. Overall, the segment's profit before tax amounted to €12 million (2024: €78 million).

Non-Core		2025	2024
Operating performance			
Operating income	in € million	29	93
Net interest income	in € million	17	27
Net fee and commission income	in € million	-2	-1
Net income from fair value measurement	in € million	-	-1
Net income from realisations	in € million	9	68
Net income from hedge accounting	in € million	1	1
Net other operating income	in € million	4	-1
Net income from risk provisioning	in € million	-	1
General and administrative expenses	in € million	-15	-14
Expenses from bank levies and similar dues	in € million	-1	-1
Net income from write-downs and write-ups of non-financial assets	in € million	-1	-1
Net income from restructuring	in € million	-	-
Profit/loss before tax	in € million	12	78
Key ratios			
Cost-income ratio	in %	55.2	16.1
Return on tangible equity before tax	in %	43.0	152.6
Balance-sheet-related measures		31.12.2025	31.12.2024
Financing volumes	in € billion	8.5	9.7
Risk-weighted assets ¹⁾	in € billion	0.2	0.2
Equity ²⁾	in € billion	0.1	-

¹⁾ Including weighted credit risk positions and capital charges for market risk positions and operational risk, using a scaling factor of 12.5.

²⁾ Excluding intangible assets, deferred tax assets and AT1 capital.

Net interest income was significantly lower due to the lower average financing volume and higher refinancing costs. Net income from realisations benefited materially less from income from the derecognition of liabilities and the sale of financial assets. Due to higher allocated overhead costs, administrative expenses were slightly above the previous year's level, contrary to the Group's overall performance.

Consolidation & Adjustments (C&A)

At C&A, segment results are reconciled to consolidated results. There were no material income or expenses in 2025. All items in the income statement amounted to less than €1 million.

DEVELOPMENT IN ASSETS

Assets

in € million	31.12.2025	31.12.2024
Cash reserve	1,558	2,010
Financial assets at fair value through profit or loss	912	1,247
Positive fair values of stand-alone derivatives	170	484
Equity instruments	1	-
Debt securities	41	127
Loans and advances to customers	697	633
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,404	1,256
Debt securities	1,404	1,255
Loans and advances to customers	-	1
Financial assets at amortised cost after credit loss allowances	35,638	39,225
Financial assets at amortised cost before credit loss allowances	36,470	39,764
Debt securities	4,839	2,471
Loans and advances to other banks	1,228	1,737
Loans and advances to customers	30,294	35,434
Claims from finance lease agreements	109	122
Credit loss allowances on financial assets at amortised cost	-832	-539
Positive fair values of hedge accounting derivatives	102	135
Valuation adjustment from portfolio hedge accounting (assets)	-31	-43
Investments accounted for using the equity method	4	14
Tangible assets	28	33
Intangible assets	44	51
Other assets	113	72
Current income tax assets	21	51
Deferred income tax assets	88	118
Total assets	39,881	44,169

General Development in Assets

Compared with the end of the previous year, total assets decreased by €4.3 billion. This was mainly due to the decline in financial assets at amortised cost. This is attributable to a lower REF portfolio volume, a decrease in reverse repurchase agreements, and a lower volume of municipal loans. Within the item financial assets at amortised cost, public registered promissory note loans amounting to €2.7 billion were converted into bonds, which led to a shift of customer receivables to the item debt securities. The investment of funds from the credit-linked note issued as part of the significant risk transfer (SRT) for the US business also led to an increase in debt securities of €0.3 billion, which offset the declines in this item due to maturities, among other things. Debt securities measured at fair value through profit or loss decreased due to maturities, while receivables from customers within this valuation category rose slightly due to planned syndication. Financial assets at fair value through other comprehensive income increased due to purchases of (government) bonds within the liquidity reserve.

Investments

Additions to intangible assets amounted to €6 million in the reporting year (2024: €12 million). Third-party services were used for development purposes in relation to internally developed software. The investments were mainly focused on the REF segment.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	31.12.2025	31.12.2024
Financial liabilities at fair value through profit or loss	220	700
Negative fair values of stand-alone derivatives	220	700
Financial liabilities measured at amortised cost	35,816	39,369
Liabilities to other banks	1,364	2,943
Liabilities to customers	16,847	18,091
Bearer bonds	16,965	17,732
Subordinated liabilities	640	603
Negative fair values of hedge accounting derivatives	607	493
Valuation adjustment from portfolio hedge accounting (liabilities)	-26	-2
Provisions	92	115
Other liabilities	58	63
Current income tax liabilities	9	10
Deferred income tax liabilities	1	2
Liabilities	36,777	40,750
Equity attributable to the shareholders of pbb	2,806	3,121
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	898	1,227
Accumulated other comprehensive income	-109	-123
from pension commitments	-54	-73
from cash flow hedge accounting	-44	-41
from financial assets at fair value through other comprehensive income	-11	-9
Additional equity instruments (AT1 capital)	298	298
Equity	3,104	3,419
Total equity and liabilities	39,881	44,169

Liabilities

Compared with 31 December 2024, total liabilities declined significantly. As on the assets side, the maturity of derivatives led to a reduction in financial liabilities at fair value through profit or loss. Liabilities to other banks declined within financial liabilities measured at amortised cost. This was due to a decline in repurchase agreements and cash collateral as well as the maturity of an open market transaction with the ECB. In the area of liabilities to customers, public Pfandbriefe declined due to maturities. In addition, the deposit business in connection with pbb direkt was aligned with funding requirements, which led to a slight decline. The position of bearer bonds declined due to maturities of unsecured debt securities. By contrast, the issue of the credit-linked note in connection with the significant risk transfer (SRT) for the US business increased the position by €0.3 billion.

Equity

The changes in equity are presented in the "Equity" note.

Key Regulatory Capital Ratios

At the balance sheet date, the CET1 ratio amounted to 14.9% (31 December 2024: 14.4%), the own funds ratio to 18.8% (31 December 2024: 17.2%) and the leverage ratio to 7.8% (31 December 2024: 7.5%) (after confirmation of the 2025 annual financial statements less AT1 coupon). Please refer to the Risk and Opportunity Report ("Internal Capital Adequacy Assessment Process (ICAAP)" section) for further information and calculation methodology on the key regulatory capital ratios. There, and also in the reports on post-balance sheet date events to the consolidated financial statements and the unconsolidated financial statements, it is stated that, at the request of the ECB, the EBA took the view on 27 February 2026 that the data published by the US Federal Reserve should be regarded as "not equivalent" for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US used by pbb so far would no longer apply when calculating RWA on this basis (loss of the LGD collateral privilege). pbb

will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025).

Liquidity

Principles and Objectives of Liquidity and Financial Management

The primary objective of pbb Group's liquidity and financial management is to secure and manage the liquidity in such a way that the financing and funding capabilities are assured at all times. Central liquidity management is carried out by raising and investing liquidity on the money and capital markets and on the interbank money market as well as central banks.

Liquidity management within pbb Group is performed centrally by pbb's Treasury division. The sales units are refinanced internally on a one-to-one basis when they enter into new business. This means that risks are bundled and centrally managed.

Asset/liability management for pbb Group is performed by the Group Asset and Liability Committee (ALCO). The maturity structure can be found in the note on "Remaining terms of certain financial assets and liabilities."

Liquidity Ratios

As at 31 December 2025, the liquidity coverage ratio (LCR) was 379% (31 December 2024: 200%) and the net stable funding ratio (NSFR) was 118% (31 December 2024: 116%).

Funding

In financial year 2025, pbb Group placed new long-term funding volume equivalent to €3.1 billion (2024: €2.5 billion) on the market. This was offset by repurchases and terminations totaling €0.3 billion (2024: €1.0 billion), with the volume largely attributable to the repurchase of Tier 2 bonds. Funding activities consisted of Pfandbriefe and unsecured liabilities, which were issued both in benchmark format and in the form of private placements. Pfandbriefe accounted for the majority of the volume at €2.1 billion (2024: €2.0 billion). Unsecured funding is almost evenly balanced between retail deposits (€7.2 billion compared to €7.6 billion as of December 31, 2024) and capital market funding. As part of its ESG strategy, pbb issued a green senior preferred bond (green bond) with a volume of €750 million in the third quarter of 2025. In addition, a subordinated Tier 2 bond in the amount of €300 million was issued. The transactions were predominantly denominated in euros and on a fixed-interest basis. Open interest rate positions are generally hedged by swapping fixed interest rates for variable interest rates. To minimise the currency risk between assets and liabilities, Pfandbriefe with a value of €0.4 billion were issued in Swedish kronor. The foreign currency was converted into euros at the exchange rate valid at the time of issue.

Ratings

The following changes took place for pbb's mandated ratings in the financial year 2025:

On 11 March 2025, S&P raised its previously negative rating outlook to stable primarily due to the expected improvement in portfolio quality.

Following the ad hoc announcements on the withdrawal from the US market and on advanced acquisition talks in Real Estate Investment Management on 18 June 2025, S&P affirmed the Bank's ratings on 24 June 2025 with a stable outlook.

On 21 November 2025, S&P confirmed the bank's ratings, but lowered the rating outlook from stable to negative primarily due to a weaker profit outlook and transition risks.

Senior Unsecured Ratings and Ratings for Pfandbriefe of Deutsche Pfandbriefbank AG (pbb)¹⁾

	31.12.2025		31.12.2024	
	Standard & Poor's	Moody's	Standard & Poor's	Moody's
Long-term Issuer Rating/Outlook	BBB-/negative	-	BBB-/negative	-
Short-term Issuer Rating	A-3	-	A-3	-
Long-term senior "preferred" unsecured debt rating ²⁾	BBB-	-	BBB-	-
Long-term senior "non-preferred" senior unsecured debt rating ³⁾	BB-	-	BB-	-
Mortgage Pfandbriefe	-	Aa1	-	Aa1
Public Sector Pfandbriefe	-	Aa1	-	Aa1

¹⁾ The overview does not include all ratings/outlooks

²⁾ S&P "Senior Unsecured Debt"

³⁾ S&P "Senior Subordinated Debt"

Rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations, and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by pbb

Off-balance sheet commitments

Irrevocable loan commitments represent the material portion of off-balance sheet commitments and amounted to €1.4 billion as of the balance sheet date (31 December 2024: €1.5 billion). Contingent liabilities resulted from guarantees and warranty agreements and amounted to €0.1 billion as of 31 December 2025 (31 December 2024: €0.1 billion). As of 31 December 2025, cash-backed irrevocable payment obligations to the Single Resolution Board (SRB) from the bank levy amounted to €42 million (31 December 2024: €42 million), the Deposit Protection Fund at €3 million (31 December 2024: €3 million), and the German Banks Compensation Scheme at €7 million (31 December 2024: €6 million). The recognition of collateral provided as off-balance sheet commitments was not adjusted in financial year 2025, as it is still considered unlikely that the fund's resources will be utilized and that the outstanding collateral will therefore have to be paid.

MATERIAL RELATED PARTY TRANSACTIONS

No material transactions with related parties were entered into during the financial years 2025 and 2024. Please refer to the note on "Relationships with Related Parties" for more details.

SUMMARY

Particularly against the backdrop of the decision to withdraw from the US market and the associated risk provisioning, profit before tax was significantly more negative in 2025 than in the previous year (€104 million), at a loss of €250 million. The strategic real estate finance volume declined to €27.3 billion (31 December 2024: €29.0 billion), while new business volume increased to €6.3 billion (2024: €5.1 billion).

Risk and Opportunity Report

The Risk and Opportunity Report shows the identified risks and the opportunities for the individual risk types within the framework of the implemented risk management and risk controlling system. For more general or bank-wide risks and opportunities, please refer to the Report on Expected Developments.

ORGANISATION AND PRINCIPLES OF RISK AND CAPITAL MANAGEMENT

pbb had implemented a Group-wide risk management and risk control system, which provides for uniform risk identification, measurement and limitation in accordance with section 91 (2) of the German Public Limited Companies Act (AktG) and section 25a of the German Banking Act (Kreditwesengesetz – “KWG”). pbb, at a single-entity level, applies an exemption according to section 2a (2) of the KWG. The exemption refers to the requirements concerning the risk control function pursuant to section 25a (1) sentence 3 nos. 1, 2, 3b and 3c of the KWG.

Organisation and Committees

The Management Board of pbb is responsible for the risk management system and decides on the strategies and material issues of risk management and risk organisation at pbb Group.

The principles, methods and processes of pbb’s risk management system are specified centrally by Risk Management and Controlling, and are applied throughout pbb Group, subject to any special requirements at single-entity level. The risk management system comprises the plausible and systematic identification, analysis, valuation, management, documentation, monitoring and communication of all major risks.

The following are major components of the risk management system in the responsibility of the Management Board:

- > Defining, updating and communicating business and risk strategies as the basis of business activities and risk acceptance
- > Defining and improving organisation structures within pbb Group and in particular for risk management, which ensures that all major risks are managed and monitored
- > Defining credit competences as a decision-making framework along the credit processes
- > Taking decisions regarding (portfolio) management measures outside the delegated competences

The Management Board notifies the Supervisory Board with regard to significant changes in the business and risk strategies as well as the risk profile of pbb Group. The Risk Management and Liquidity Strategy Committee (RLA) of the Supervisory Board is responsible for controlling the overall risk situation and for monitoring, establishing and improving the risk management system, and is also responsible for the liquidity management and assurance and resolves upon necessary credit approvals for credit decisions. The Management Board notifies this committee of all increases to specific allowances and the creation of new specific allowances (impairment stage 3) in excess of €5 million and also notifies this committee at regular intervals of major exposures with higher levels of risk.

The committees detailed in the following have been set up at pbb Group level with the involvement of the respective decision-makers.

The **Group Risk Committee (GRC)** consists of the CRO (Chairman), the CFO (Deputy Chairperson), the Chief Credit Officer (CCO), the Head of Financial Risk & Control (FR&C), the Head of Non Financial Risk & Control (NFR&C) and one Credit Risk Management (CRM) department head. The committee meets every three months; if necessary, extraordinary meetings can be convened or decisions can be made by means of a circular resolution. The GRC discusses the risk development, adopts guidelines/policies, methods for risk measurement, the related parameters as well as methods of monitoring for all risk types. The GRC is responsible for the development of standard guidelines of risk management and risk controlling across the Group and also monitors the development of the risk-bearing capacity, economic capital, available financial resources as well as the credit portfolio and the compliance with limits. The GRC discusses the portfolio developments. Additional committees have been established beside the GRC, as outlined below.

The **Credit Committee** is chaired by the CRO or the CCO. As a general rule, the committee meets at least once a week and takes credit decisions on new business, prolongations and material changes to loans, and restructuring or workout strategies for problem loans that fall within the scope of its authority. It also votes on all credit decisions which are in the responsibility of the Management Board or which have to be approved by the RLA. It is in the responsibility of the relevant decision-makers to ensure that the credit decisions are consistent with the prevailing business and risk strategy.

The **Watchlist Committee** is chaired by the CCO and meets once a month. It discusses all exposures identified by the early warning system and, if appropriate, decides on individual risk mitigating measures to be implemented by the relevant departments. Where necessary, the committee takes decisions regarding the need to transfer exposures to CRM REF Workout, which then takes the necessary restructuring or workout steps on the basis of an individual exposure strategy and also decides on returning the corresponding transaction back to standard loan management after recovery. It is then the responsibility of each relevant credit department to obtain all the requisite lending decisions for implementing measures, in line with lending authority regulations.

If there are indicators of impaired credit quality for an exposure, the exposure is presented to the **Risk Provisioning Committee (RPC)**. The RPC deals with changes in impairment for stage 3 impaired or individually impaired financial assets at amortised cost and changes in fair value for impaired financial assets at fair value through profit or loss and at fair value with changes recognised in other comprehensive income. It is chaired by the CRO. The RPC takes decisions within the scope of a pre-defined assignment of approval powers and in accordance with IFRS and the German Commercial Code (HGB).

The **New Product Process Committee (NPPC)** comprises representatives from the most important units responsible for infrastructure and controls. The representatives are determined by the RC. The NPPC convenes on an event-driven basis; it is responsible to ensure that, before business commences with new products or in new markets, the resulting risks as well as the related impact on processes, controls and infrastructure are systematically analysed and duly addressed. Only after approval of new product process committee business with new products or in new markets can be started.

The **Group Stress Test Committee** is responsible for the methodology, performance and monitoring of the internal stress tests with a focus on macroeconomic scenarios and climate risks, in particular the definition of plan and stress scenarios. It is chaired by the CRO. It is also responsible for all matters relating to the recovery plan required by law from each institution in the "normal business operations" phase.

Besides the GRC, another key steering committee is the **Asset and Liability Committee (ALCO)**, chaired by the Management Board member responsible for Treasury. The tasks of the ALCO are: managing liquidity as well as pbb Group's balance sheet structure, defining long-term financing strategies, capital management, setting internal fund transfer prices as well as market risk management.

There is also a **Legal and Regulatory Risk Committee (LRRC)**, chaired by the Head of Regulatory Compliance Office, which advises on legal and regulatory requirements, and may assign responsibility for implementation to business divisions, following consultation.

The **Outsourcing Committee**, chaired by the Head of Finance deals with the implementation of regulatory and statutory requirements as well as preparation of, and compliance with, internal guidelines. Moreover, it handles the overall management and monitoring of outsourced activities.

In addition, an **ESG Committee**, which deals with ESG aspects throughout pbb Group, is established. The ESG Committee comprises the entire Management Board and the Heads of Corporate Affairs, Non Financial Risk & Control, Finance, Operations & Digitalisation, Human Resources, Information Technology, Property Analysis & Valuation, Credit Risk Management, Treasury, Financial Risk & Control, Originate & Cooperate, RE Finance Germany, plus the members of the ESG Programme Management team as well as project managers of the various ESG working group streams Product & Portfolio (E&S), Operational E&S Footprint, E(SG) Risks, Governance (G), ESG Reporting & Communication, Business Planning, Management and Portfolio Steering, ESG Strategy and ESG Data. The ESG Committee is primarily responsible for managing the regulatory and legal requirements relating to ESG, developing an ESG business strategy and monitoring the corresponding implementation measures within pbb Group. The Committee develops ESG targets

and the measures required to achieve them. The ESG Committee also deals with the development of ESG key performance indicators and the resulting management.

Organisation of Risk Management

31 December 2025

Risk Management and Liquidity Strategy Committee (RLA) of the Supervisory Board										
Management Board										
Group Risk Committee (GRC)					Asset and Liability Committee (ALCO)	Legal and Regulatory Risk Committee ¹⁾ (LRRC)	Outsourcing Committee (OC)	Environmental, Social and Governance (ESG) Committee		
Credit Committee	Watchlist Committee	Risk Provisioning Committee	New Product Process Committee	Group Stress Test Committee						

¹⁾ Reporting via Compliance.

Chief Risk Officer (CRO)

In addition to the above-mentioned committees, the following organisation units of the CRO, form an integral part of the risk management system:

Organisation of Chief Risk Officer (CRO)

31 December 2025

There was a change in the position of CRO in the first half of 2025.

On 1 June 2025, **Property Analysis & Valuation** was added to the CRO's management division.

On 1 August 2025, the Risk Management & Control division was dissolved and the Financial Risk & Control and Non-Financial Risk & Control divisions were newly created. The former Compliance division is now part of the Non-Financial Risk & Control division.

Chief Risk Officer (CRO)				
Credit Risk Management (CRM)	Financial Risk & Control (FR&C)	Non Financial Risk & Control (NFR&C)	Operations & Digitalisierung	Property Analysis & Valuation (PAV)

The CRO function comprises the following monitoring and back-office units at pbb Group level:

- > The division **CRM**, which is responsible for the analysis of new business and portfolio management. In addition, CRM also comprises the Workout unit, which is responsible for the recovery and workout of all critical exposures, and the central unit Credit Processes, which is responsible in particular for the organisation of the Credit Committee, the continuous improvement of data quality within CRM and implementation of regulatory requirements in the credit processes. In addition, the Credit Competence Center, as a service provider for the division, supports, among other things, the uniform recording of tenant and lease agreement data, the analysis pursuant to Section 18 of the German Banking Act (KWG) for selected customer groups and other administrative tasks. The CRM division also includes Tenant Risk Management, which analyses and assesses risk-relevant tenants and prepares the corresponding reports.

- > The **Financial Risk & Control** division, which monitors financial risks such as market, credit, and liquidity risks at the portfolio level. FR&C is also responsible for monitoring risk-bearing capacity, allocating available capital across risk types, and for risk management and risk control functions for the entire bank. As part of operational control, the modeled, risk-oriented key figures are analysed and monitored. Furthermore, FR&C is responsible for the calculation and methodology of risk provisioning for stages 1 and 2 (IFRS) and the general loan loss provisions (HGB). Risks are reported in order to present the company's risk situation and, in particular, its economic significance to decision-makers and to provide appropriate control and management impetus.
- > The **Non-Financial Risk & Control** division, which acts as a central control and monitoring function to ensure the effective management of non-financial risks and compliance with regulatory requirements. It currently comprises the Regulatory & AFC (Anti-Financial Crime) Compliance Germany, Information Security, Validation & Model Risk Management and the Operational Risk team, thereby making a significant contribution to the stability, integrity, and sustainable business activities of the bank. The departments are represented in various committees and, in addition to the Management Board, also report regularly to the Audit Committee and the Risk Management and Liquidity Strategy Committee of the Supervisory Board. On 1 August 2025, the Control Attestation Process was transferred to the NFR&C division.
- > The division **Operations & Digitalisation**. The Operations sub-division is responsible for the global servicing and administration of the loan portfolio (including technical implementation of loan agreements), settlement of capital markets transactions, administration and processing of the securities and derivatives portfolios, as well for handling domestic and international payments. The Digitalisation sub-division acts as a competence centre for pbb as a whole, and drives pbb's digital transformation. Among other things, the strategic focus is on the digital client interface and intelligent process automation for efficiency gains by utilising new technologies and methods, such as artificial intelligence or agile project management.
- > The division **Property Analysis & Valuation (PAV)**. PAV is responsible for the holistic, risk-oriented analysis and the valuation of properties serving as collateral, using market valuation and loan-to-value methods, as well as for the monitoring (research) of regional real estate markets and the monitoring of financed developments. The property analysis also includes the collection, analysis and evaluation of sustainability information at property level to classify taxonomy compliance, green bond and loan eligibility. In addition, PAV is home to the trustee's office for covering receivables secured by mortgages and receivables from the financing of public sector investment projects in Germany and abroad. The Trustee Office coordinates the collateralisation and ensures compliance with the cover in accordance with the PfandBG.

In addition, the **Regulatory Compliance Office** was created on 1 August 2025, to coordinate and monitor the implementation of regulatory requirements across the bank. It is also responsible for further strengthening the risk culture. It reports directly to the CRO.

Besides the CRO function, the independent **Internal Audit** unit complements the risk management system. Internal Audit comprises risk-oriented regular as well as event-driven audits of processes, controls and systems. This also includes the revision of the risk management system and the internal control system.

Risk Strategy and -Policies

Together with the business strategy, the risk strategy forms the corporate strategy and incorporates the requirements from the planning process. The risk strategy has been defined on the basis of the Group-wide risk appetite; it reflects pbb's strategic direction as a specialist for real estate finance with a focus on Pfandbrief funding. Furthermore, the guidelines and policies, which in their entirety provide the basis for the risk management system and the risk culture, are defined in the risk strategy. Subject to any special requirements at single-entity level, the risk strategy is applicable for pbb Group's operating segments and legal entities. It is reviewed and updated at least annually.

The 2025 risk strategy was adopted by the Management Board in autumn 2024 - in line with the preparation of the business strategy - as part of the annual strategy preparation process for 2025, approved by the RLA and acknowledged by the Supervisory Board. In the second half of 2025, an update was carried out with the involvement of all relevant bodies.

The risk strategy is operationalised via risk policies for the individual operating segments, as well as guidelines/policies, frameworks or instructions for all major risk types set out in the valid risk inventory. The individual policies are reviewed and updated regularly. They contain information on risk measurement, risk monitoring and risk management. The limit-setting process – as well as the escalation process if a limit is exceeded – are also described in the policies.

Risk Reporting

Risk reporting reflects the structure of the operating segments. The Management Board receives regular risk reports which include an extensive overview as well as detailed information concerning the risk situation for each risk type as well as other management-relevant information. The supervisory bodies are also notified of risk-relevant issues at regular intervals. In addition, special reports are prepared on an ad hoc basis or at the request of the Management Board or Supervisory Board; such special reports consider specific and acute risk issues, for instance in relation to critical markets, products or counterparties.

Risk Quantification and Risk Management

For the purposes of systematically identifying and analysing potential risks arising from the business model or pbb Group's external environment, pbb carries out a comprehensive risk inventory at least once a year. The objective of this risk inventory is to establish a full risk profile which identifies any and all risks, provides an assessment as to whether these risks are material for the capitalisation and liquidity status, and scans them for the existence of potential risk concentrations. Where possible, risks are quantified using applicable risk models or other methods.

Risks which cannot be quantified (or only in part) are monitored and managed using dedicated capital buffers or separate management tools, as well as by way of regular, detailed reports and clearly-defined requirements such as the Compliance and Corporate Governance guidelines.

The approach to managing risk, capital and liquidity is based on the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), each of which is seen in a normative and an economic perspective. The normative perspective is geared towards ongoing fulfilment of all of the Bank's capital- and liquidity-related legal requirements and supervisory demands. The economic perspective covers all material risks which might threaten pbb Group's economic viability, with a focus on the present value oriented economic perspective of risks. This present value oriented economic perspective is also supplemented by a full present value economic perspective.

Besides the measurement, limitation and monitoring of risks, all risk management approaches also comprise regular reporting as well as escalation processes; they are supplemented by scenario analyses and stress testing. To adequately monitor ESG risks, various ESG risk factors have been integrated into risk assessment, which also includes monitoring, quantification and reporting. Moreover, climate-specific stress tests and scenario analyses are continuously being further developed, expanded and refined. Within the framework of these strategic management approaches, pbb defines its risk appetite, which sets out the scope within which pbb is prepared to assume risks. This information is used to derive input for operative management, through limit systems, committee decisions, and other management decisions.

Limit and early warning systems have been implemented, in line with the risk appetite, for each type of risk as well as across risk types, at the level of capital steering approaches. The strategy underlying the respective type of risk, together with the associated risk definition, risk calculation methods, and risk reporting systems are described in detail in the following chapters.

ORGANISATION AND PRINCIPLES OF THE INTERNAL CONTROLLING SYSTEM

The chapter “Organisation and principles of the internal controlling system” was not examined by the external auditors.

With the Act to Strengthen Financial Market Integrity, listed public limited companies are not only required to establish an appropriate and effective risk management system (RMS) but must also establish an appropriate and effective internal control system (ICS). The RMS and ICS must comprise a compliance management system (CMS) that is aligned with the company’s risk situation. These systems (RMS, ICS, CMS) are already embedded in pbb’s corporate culture.

Internal control system – concept

The ICS is an integral part of the RMS. It defines all measures that detect risks and errors in the processes, support the reliability of the processes and therefore safeguard the company’s available assets and compliance with legal and regulatory provisions, and that detect or avoid criminal actions.

In connection with the obligation to introduce a Group-wide ICS, pbb’s entire Management Board is also responsible for the design, which comprises the concept, implementation, maintenance and monitoring of an appropriate and effective ICS. The ICS is fully integrated within the structural organisation and processes/workflows. It is a dynamic process that is carried out by the Supervisory Board, the Management Board and employees, and is designed to ensure that the set targets will be achieved with reasonable certainty.

Internal controls and the Three Lines of Defence model are used to ascertain that the processes are effective and in line with the strategies (especially the risk strategy). This requires a clear organisational structure, and clear and transparent embedding of tasks, competencies and responsibilities. In terms of organisational workflows, the ICS is based on an objective of largely standardising the processes and the software in use. An instructions system is in place for core activities and processes.

Implementation of organisational framework – Three Lines of Defence model

An adequate and effective ICS must be monitored internally by the Management Board. By creating the monitoring requirements, the Management Board enables the Supervisory Board to monitor the appropriateness and effectiveness of the ICS at the same time.

Supervisory Board and its committees		
Management Board		
First Line of Defence (1LoD)	Second Line of Defence (2LoD)	Third Line of Defence (3LoD)
Real Estate Financing	FR&C	Internal Audit
Treasury	NFR&C (Compliance, Control Attestation Process/IKS)	
Originate & Cooperate	Corporate Affairs	
pbb invest	Further control units	
Further operating divisions		

The First Line of Defence (1LoD) comprises the operating divisions. This means that risks must be prevented, or recorded and reduced, at the organisational level of the transactions. As “risk owners”, the operating divisions have primary responsibility for the operative implementation of the risk management; in other words, the identification, assessment, management, monitoring, and reduction of risks. All 1LoD employees are required to deal with risks consciously and independently within the scope of their approval powers, comply with laws and internal guidelines and therefore manage risks appropriately. To this end, they define their processes, approval powers, interfaces and separation of functions and ensure that concrete risk management measures are taken and the methodological guidelines of the Second Line of Defence implemented.

The task of the Second Line of Defence (2LoD) is to manage and monitor the risk management functions of the 1LoD. This includes determining the methods and procedures for managing risk, the requirements through guidelines/policies and frameworks, the monitoring of risks and reporting to Company management. In this context, the 2LoD is also responsible for reviewing the stage of maturity and further development of the controlling and risk management systems. Within pbb Group, the 2LoD is traditionally formed by the central functions for risk management (FR&C, NFR&C including Information Security and Compliance, Data Protection as part of the legal department, Regulatory Compliance Office, Outsourcing Management and IT Governance).

Internal Audit (IA) forms the Third Line of Defence (3LoD) as an independent, overarching control body. Its responsibilities include risk-oriented regular and event-driven audits of processes, controls, and systems for compliance. The audit activity spans all operational and business workflows, activities and processes. This also includes the review of the effectiveness and appropriateness of the ICS and RMS (detecting weaknesses in the identification, evaluation and reduction of risks). Detailed action plans with specific deadlines are compiled and implemented to deal with any deficiencies detected. As an independent division, IA is not integrated in the work processes, nor is it responsible for the results of the process to be audited. To ensure these tasks are carried out, IA is given complete and unrestricted right to information about the activities and processes, as well as the IT systems. IA also participates in meetings of the various committees, where it can also act in an advisory capacity. It is expected to provide assurances to Company management that the

risks are effectively recognised, evaluated and managed. It submits reports on this at appropriate intervals, but at least quarterly, to the entire Management Board and the Audit Committee of the Supervisory Board. This objective and independent auditing and advisory function allows IA to support the Management Board and the Supervisory Board in their monitoring functions.

As a controlling and advisory body, it is the duty of the Supervisory Board to advise and monitor the Management Board. The Supervisory Board also has audit obligations and has formed an Audit Committee to provide support in this regard. The members of the Audit Committee can obtain information from the heads of the central divisions. The ICS is the subject of the deliberations of the Supervisory Board. The Supervisory Board must have expertise in the areas of accounting, risk management including climate and environmental risks, compliance, internal audit and corporate governance, among others. This requirement is met in pbb Group.

Compliance management system – implementation

The objective of the Compliance function is to ensure compliance with all relevant legal rules and obligations at both national and international level (legal security), Company-specific rules, guidelines/policies and instructions (process security) and ethical and moral standards and norms, and expectations (behavioural security). For this purpose, pbb has established a group-wide CMS that includes all the implemented measures, structures and processes aimed at ensuring compliance with the aforementioned rules.

The CMS forms the organisational and process framework for compliance and the effective integration of regulations and procedures in the processes. It is designed to ensure that the behaviour of the Management Board and employees is in compliance with laws and regulations, and aims to avoid material violations along with associated liability risks, penalties and reputational damage.

A culture of compliance must be promoted for the CMS to be effective. For this purpose, pbb has defined Group-wide binding rules governing the legal and ethical conduct of all employees vis-à-vis clients, business partners, and colleagues in its Code of Conduct. These rules are an essential feature of the day-to-day business. A human rights policy was also established. A whistleblowing system allows for anonymous reporting in the event of a specific suspicion regarding breaches, fraudulent or other illegal activities.

In addition, the Compliance department has established a number of transparent, internal principles in the form of guidelines, frameworks and instructions for specifying the regulations, as well as the appropriate business and client-related security systems. Specific internal requirements as well as audit and reporting processes have been implemented to prevent money laundering and other criminal actions, to ensure adherence to sanctions and embargoes, capital markets compliance, MaRisk compliance and the prevention of insider trading.

By offering revolving training courses and advisory services to employees, and carrying out control activities, the Compliance division works to firmly enshrine the rules and ensure compliance with legal requirements and other obligations considered essential, as well as with the provisions of the Compliance Management System.

Taking into consideration the compliance objectives, violations or breaches of duty in relation to the law and supervisory rules, internal provisions and guidelines, and ethical and moral standards pose the greatest risk. As these could threaten the achievement of objectives, the risks are carefully identified, evaluated and controlled on a regular basis. This facilitates the risk-oriented definition of appropriate measures for risk mitigation or minimisation, as well as the implementation of risk-based control activities.

The Compliance function follows the principle of independence (from the units it monitors) and objectivity with the right of access, information and inspection at any given time. It is integrated extensively in the company organisation and has numerous interfaces with other pbb divisions and subsidiaries (across regions). It is always entitled to participate in the Bank's internal committees and is involved in all relevant processes.

The NFR&C division reports regularly to the Management Board and to the Audit Committee of the Supervisory Board. As a result, these bodies are always informed about current developments and issues and can ultimately convince themselves about the appropriateness and effectiveness of the CMS.

Implementation of organisational framework – Control Attestation Process (CAP)

To strengthen and further expand the ICS, the Management Board has established the CAP function and commissioned it with the CAP. This process is a long-term tried-and-tested, fundamental global management instrument aiming to centrally coordinate and review risk-oriented control activities, and related advisory services for the divisions, on an ongoing basis. It specifically involves recording all essential controls (“key controls”), including a regular downstream control implementation, modification and review process.

For this purpose, all (central and local) divisions identify and define the material division-specific risks within their areas of responsibility, as well as the related controls, and record these in an ICS tool. Risks/Controls relating purely to ESG risks are flagged separately. Once this catalog of key controls (KC) has been defined, the divisions regularly document the implementation of controls in BIC GRC. In this context, the division also checks whether these controls are still fully and unchanged relevant, or whether they had to be modified or there are any deviations. The CAP function also obtains CAP confirmation from the specialist departments once a year and regularly carries out KC testing, thereby monitoring the implemented control process (random sampling with regard to the appropriateness and effectiveness of the KCs) and reporting the results to the Executive Board and the Audit Committee of the Supervisory Board on a regular basis (annually). Non-compliance with the defined procedures can be penalised under disciplinary law. In addition to the audit activities of the CAP function, IA also evaluates and reports within the scope of its audits whether the material risks are adequately addressed through key controls, and whether key controls are implemented effectively.

The CAP was transferred to the NFR&C division as at 1 August 2025.

Control system for the organisational structure – further control activities

Every division also conducts various other controls beyond the CAP. Divisions within the 2LoD also carry out regular controls for material risks. In the Compliance department, these risk-based control activities comprise, in particular, all relevant regulatory requirements (including money laundering and other criminal activities, capital market compliance and the compliance function within the meaning of MaRisk AT). In the event that monitoring or control activities indicate deficiencies, an appropriate course of action is identified.

Dynamic structure

To ensure that risks are identified, assessed and limited as correctly and comprehensively as possible, risk management and the ICS must be dynamic and responsive to changes in the overall environment. Accordingly, the ICS is continuously checked and improved in this respect. The ICS is also adjusted to reflect new circumstances, such as changes in the structure, responsibilities and business model, or new legal requirements. In addition, the control activities performed by the 2LoD as well as audits by IA reveal potential for improvement in terms of both the adequacy (lack of appropriate controls) and effectiveness (inadequate implementation) of controls. Compliance incidents can also lead to potential for improvement.

This routine review is also monitored by the Management Board. The necessary adjustments to processes and IT systems arising from legislative changes are implemented as required in separate projects across divisions – based on a clearly-defined allocation of functions. The ICS is also adapted to the amended regulations as part of the implementation.

APPROPRIATENESS AND EFFECTIVENESS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The chapter "Adequacy and Effectiveness of the internal control and risk management system" was not examined by the external auditors.

The Management Board has a statutory obligation to address the effectiveness of the internal control and risk management systems. Its actions are guided by the conviction that appropriate and effective RMS and ICS are indispensable to ensure the economic success of pbb Group in the long term.

To meet its obligation, the Management Board (and the Supervisory Board as well as the Supervisory Board's Audit Committee as control bodies) receive regular reports on the ICS, the monitoring of the key controls implemented, control system maturity and further development of the ICS. Furthermore, reports are received about the RMS maturity, audit planning (and implementation) and the IA audit results. This enables the Management Board and the Supervisory Board/Audit Committee to review and monitor the effectiveness and appropriateness of the two systems. Based on this reporting, the Management Board is not aware of any circumstances that argue against the appropriateness and effectiveness of these systems.

RISK TYPES

pbb Group distinguishes the following major risk types for its business activities:

- > Credit risk (counterparty risk)
- > Market risk
- > Liquidity and Funding risk
- > Operational risk
- > Business and strategic risk
- > Environmental, social and governance risk
- > Reputational risk
- > Property risk
- > Participation risk
- > Pension risk
- > Securitisation risk

With the 2025 risk inventory, central counterparty risk is no longer considered material and reputational risk is separated from operational risk and categorised as material.

Furthermore, securitisation risk was identified as material in 2025 because pbb uses significant risk transfer (SRT) transactions for portfolio and risk management, among other things. In December 2025, an SRT was signed to hedge the risk of the US portfolio. Detailed information on this is provided in the section "Overview of the Total Exposure of pbb Group."

Credit Risk (Counterparty Risk)

Definitions

The credit risk in general is defined as the risk due to an unexpected default or decline in the market value of a receivable (loan or bond) or a derivative (alternatively of an entire portfolio of claims/derivatives). The reason for this can be either a deterioration in a country's or counterparty's creditworthiness or by a deterioration in collateralization.

The credit risk comprises the default risk, migration risk, realisation risk of defaulted customers, transfer and conversion risk, tenant risk, settlement risk, extension risk as well as concentration risk which are defined as follows in pbb Group's risk strategy:

- > Default risk denotes the risk of a default occurring on receivables. This includes defaults of loans or other credit products (lending risk), or bonds and other securities (issuer risk), as well as the risk of default on receivables under derivatives contracts (counterparty risk/replacement risk) or money market transactions (repayment risk). The possible default of sovereign or regional governments is included as a special case (sovereign default risk).
- > Migration risk is the risk of a loss in value of a receivable caused by rating migration. This includes both the risk of rating migrations of traditional borrowers as well as rating migration of bonds and other securities and receivables from derivatives and money market transactions. The impact of a rating migration concerning sovereign or regional governments as a special case is included, too.
- > Realisation risk of defaulted customers is the risk that the risk provisioning recognised changes over the analysis period, or the risk of actual amounts realised differing from the risk provisioning.
- > Transfer risk is the risk that a government or central bank restricts the use of the currency to their own country. This includes the conversion risk, which is the risk that a government or central bank declares its own currency as non-convertible. Together with the sovereign risk, the transfer and the conversion risk form the country risk.
- > Tenant risk describes the risk that losses in rental income for properties will negatively influence the respective borrowers' debt service capacity. In addition, it includes the secondary concentration risk (tenant cluster risk), which arises when one and the same tenant is involved in multiple properties funded by the pbb.
- > Settlement risk is defined as the risk that the pbb makes a payment or delivers an asset which has been sold to a counterparty but does not receive a payment or the purchased asset.
- > Extension risk is the risk that the holding period of a credit risk related asset is extended by a maximum of one year.
- > Concentration risk is defined as the risk of cluster formation in relation to a risk factor or counterparty, or a strongly correlated group of risk factors or counterparties.

Credit Risk Strategy and Principles

pbb Group has broken down the overall credit portfolio into the segments REF, Non-Core and C&A. The strategic business is attributable to commercial Real Estate Finance (REF). The risk strategy also reflects this structure. It is planned to divide the REF segment into the Real Estate Finance Solutions (REFS) and Real Estate Investment Solutions (REIS) sub-divisions in the future. REFS stands for commercial real estate finance with a focus on Pfandbrief-eligible business. REIS will comprise pbb invest and the new Originate & Cooperate business unit.

Credit Risk Reports

The credit risk reports of pbb provide information about the following main components:

- > The pbb Group Risk Report contains the development in volumes as well as relevant credit risk management indicators such as the development of the expected loss as well as the unexpected loss via value at risk (VaR). The report shows the credit risk at the level of pbb Group in the context of the overall bank risk and the risk-bearing capacity, it reports limit utilisations and violations of existing limits, and also identifies risk concentrations. Key indicators, such as the development of the exposure at default (EaD), the expected loss (EL), the credit value at risk (Credit VaR), the Non Performing Exposure (NPE) as well as the Non-Performing Loans (NPL) are integrated in this report and are discussed by the Management Board; the report is also submitted to the RLA of the Supervisory Board to be noted and dealt with by the RLA regularly in its meetings.
- > CRM REF portfolio reporting provides a breakdown of the REF portfolio (as well as various parameters such as the expected loss in basis points) by country and asset class, and reports about risk monitoring, forbearance, tenant risks and real estate sub-markets, decisions deviating from strategy and maturity profiles. This quarterly reporting package is made available to the CCO, the CRO, the Management Board and the RLA of the Supervisory Board.

- > Non-performing loan (NPL) reporting shows the development of the NPL portfolio and the NPL ratio at pbb. The aim of the reporting is to identify any deviations from the NPL strategy, to check whether the reduction targets defined in the strategy have been triggered, and to propose appropriate countermeasures if necessary. The report is first discussed on a quarterly basis by the NPL Committee (consisting of the CCO, a representative of the FR&C division, and the Head of CRM REF Workout) and then, once approved, made available to the Management Board and the RLA of the Supervisory Board. The NPL Committee analyses the NPL portfolio and its development, derives measures where necessary, and submits these recommendations for action to the management body.
- > CRM Non-REF portfolio reporting reports on the Non-Core segment and C&A. For this purpose, the portfolio is analysed based on various criteria such as countries, remaining term to maturity, type of business partner or product class. Top exposures, risk monitoring, forbearance and financial institutions are also reported on. The reporting package is made available to the CCO, the CRO, the Management Board and the RLA of the Supervisory Board on a semi-annual basis.
- > For decisions to be made regarding new business, or regarding material changes to the credit quality of existing financings (such as a maturity extension), key financial indicators, content and analysis on a case-by-case basis are presented to and discussed by the Credit Committee.
- > In the active business, further regular reports support operational management with regard to the management and timely recognition of risks at the sub-portfolio level.
- > Unusual developments which might result in a major deterioration in the risk position of an individual exposure are ad-hoc reported to a wider group up to the CRO by way of so-called "Credit Issue Notes".

Credit Risk Quantification via Economic Capital and Risk-weighted Assets according to Capital Requirements Regulation (CRR)

CREDIT PORTFOLIO MODEL

For calculating the economic capital for credit risk pbb Group uses a credit portfolio model. For details concerning this model and economic credit risk quantification, please refer to the sections "Internal Capital Adequacy Assessment Process (ICAAP)".

STRESS TESTING

The stress tests for economic capital in credit risk are described in greater detail in the section "Internal Capital Adequacy Assessment Process (ICAAP)".

In addition to the economic capital stress tests, there are reverse stress tests that analyse how much a certain risk parameter can change before a minimum capital ratio (Common Equity Tier 1 (CET1) ratio, Tier 1 ratio or own funds ratio) is no longer met. The minimum ratios are based on the bank-specific SREP ratios.

CREDIT RISK QUANTIFICATION ACCORDING TO CRR

pbb Group determines the risk-weighted assets (RWA) for the majority of commercial financing using the Foundation Internal Rating Based Approach (F-IRB) and, for the remaining positions, using the standardised approach. As of 31 December 2024, the RWA determined using the F-IRB were calibrated to standardized risk parameters, meaning that they are only comparable to a limited extent with the RWA determined for subsequent dates. This calibration has been discontinued since 1 January 2025. Details on RWA are provided in the section "Key Regulatory Capital Ratios."

Credit Risk Management and Monitoring

CREDIT RISK MANAGEMENT

At the portfolio level, the intended portfolio structure is defined in the risk strategy by means of structure components. The limits are also based on the available financial resources, and include for example:

- > Limiting of country risks
- > Definition of strategic risk parameters (e.g. regions, financing duration)

The following reports and measures are key elements for monitoring compliance with the defined limits and the intended risk and return parameters at the portfolio level and also at the level of individual transactions:

- > Analysis of portfolio developments in the Group Risk Committee
- > Determining the credit-VaR at the portfolio level by way of a credit portfolio model and partly limiting at the segment level; analysis of concentration risks and various stress tests
- > Central Group-wide monitoring of risk concentrations by way of special, regular and ad hoc evaluations, such as regional or product-specific evaluations
- > Continuous analysis of the portfolio and the relevant markets by the local CRM units
- > Regular evaluation of the collateral
- > Special reports for exposures which are potentially at risk (e. g. "credit issue notes")
- > Calculation of a risk-adjusted margin using the economic return after tax

The credit authority defines the authority levels for credit decisions at group level for new and existing business as well as for the workout department, depending on the counterparty group, EL class and exposure amount. Credit authority is delegated to individual employees based on their individual experience and qualifications.

CREDIT RISK MANAGEMENT AND MONITORING

At the level of individual transactions, the credit process guidelines define the necessary steps of assessing risk for new business as well as for substantial changes such as prolongations or increase of credit limit in existing business and the processing of exposures in watchlist or non-performing loan management.

Core processes of credit risk management and monitoring as well as the relevant areas which are involved are described in the following:

The CRM entities carry out the initial risk analysis for new business and annual risk analysis for existing business. Probability of default (PD) and loss given default (LGD) rating tools, which are developed in the FR&C division and annually validated and calibrated in the NFR&C division, are used for valuation purposes and for preparing the credit decision in new and prolongation business. PAV provides support for analysing and valuing collateralised properties.

The Legal department, where appropriate together with external lawyers/lawyers' offices, is responsible for the contract and collateral organisation.

Defined early warning indicators are constantly monitored by CRM at the transaction level. If essential problems are identified, an exceptional test is performed on the credit default risk (including a review of the value of collateral) and appropriate alternative actions are discussed. The cases are also presented to the Watchlist Committee. This committee decides whether they are to be included in a monthly or quarterly monitoring cycle, remain in the annual monitoring, or be transferred to the Workout department. In addition, backtesting of the defined early warning indicators takes place at least once a year.

If there are indicators for a deterioration of credit quality, the level of the stage 3 impairment in accordance with IFRS or specific allowance, in accordance with the HGB as well as changes in fair value for non-performing financial assets measured at fair value through profit or loss is calculated. These results are presented to the Risk Provisioning Committee, which decides on the amount of creating or reversing stage 3 impairments/specific allowances and on the amount of changes in fair value.

For exposures that have already been subject to stage 3 allowances (IFRS)/individual allowances (HGB) or that are still to be subject to allowances under IFRS or HGB, probability-weighted scenario analyses on the potential development of the borrower, the collateral or the relevant market are carried out as part of the calculation of risk provisions. These analyses are reviewed regularly or on an event-driven basis. Decisions to this effect are made within the scope of the pbb's valid credit authorities.

Exposures under intensified handling (watchlist) as well as restructuring and workout cases (non-performing loans) are reported on an aggregate basis monthly in the Group Risk Report and in the Group Risk Committee and also, upon request, in special analyses to the Management Board and Supervisory Board.

Stage 3 risk provisioning is backtested annually. The results of the analysis are presented to the RPC for acknowledgement at the start of each new financial year.

Hedging and Minimising Risk by Collateral

In the REF segment, financing arrangements are normally backed by property charges. As part of the decision-making process in the case of new financing, the LTVs (loan-to-value) as well as the property (amongst others micro and macro location, rental situation, condition of property) and market circumstances are discussed and are also taken into consideration as part of the assessment process for individual loans. For existing exposures, this monitoring is carried out on a regular basis, at least annually.

Besides real property liens, collateral provided for financings in the REF segment also includes assignments of rental payments as well as insurance benefits; this is supported by borrowers' extensive information and reporting obligations. Apart from the property charges, only a few more selected securities are considered to be of value in the credit assessment process or in the internal LGD and RWA calculation, and in particular under certain circumstances cash security, bank guarantees as well as guarantees of public and non-public institutions. Corresponding risk buffers are considered in relation to foreign currency collateral, that means in a currency differing from the loan currency, in order to take account of potential exchange rate risks.

In addition, pbb also uses credit insurance solutions for individual loan and portfolio management, which can also have a positive effect on transaction-related RWA allocation and thus on the CET1 ratio. The associated objectives are to offer a broader range of products for controlling and managing individual and portfolio risks and to ensure a solid key performance indicator (KPI) profile, which also includes the targeted capital ratios.

Properties in the REF business are valued using strict quality criteria. Property collateral values are determined when the loan is initially granted, and reviewed at least once a year. With PAV, pbb maintains an independent real estate analysis unit: All staff members in the PAV department who are involved in real estate analysis are certified in accordance with ISO 17024 (HypZert standard), and have usually gained additional qualifications (such as RICS membership). This department is always involved in the initial valuation (when new loans are granted) and regular revaluations, as well as in the monitoring of values carried out at least once a year. In the event of material, negative market changes in regions or segments, this value review can be carried out more frequently (e.g. monthly or quarterly). In addition, PAV is supported by an automatic monitoring solution in the Credit Workplace, which monitors a defined set of market and property data for changes on a daily basis. If one or more of the parameters change materially, a value check by an expert is triggered immediately. If the changes are confirmed as justified and material, revaluations are carried out.

For development financings, regular monitoring comprises the monitoring of planning progress, budget, procurements, construction schedule, sales/letting progress and construction stage. As a rule, for complex developments, monitoring is carried out by external project monitors on the pbb's behalf, on a monthly to quarterly basis (or more frequently in the case of problem loans), coordinated and supervised by PAV. For less complex developments, construction progress is monitored at least every three months, by experienced and specialised internal property analysts. CRM monitors costs, thus facilitating a current overview of actual costs, as well as a cost projection for the project, which is reconciled against the results of internal monitoring (as well as external monitoring, if applicable). This allows for recognition of any divergence from project planning (and hence, project risks during construction) at an early stage.

In public investment financing, guarantees often serve as collateral (e.g. contractual guarantees/guarantees from public bodies, export credit guarantees). In addition, there are often legal framework conditions, such as the maintenance obligation (the so-called "Anstaltslast") in Germany or other direct and indirect cover mechanisms that allow recourse to a public-sector institution in the case of borrowers organised under public law. In some cases, the guarantees or legal framework conditions in the Non-Core segment are flanked by additional financing collateral and information and reporting obligations on the part of the borrower. However, this additional financing collateral is generally not recognised as valuable in the credit assessment or in the internal LGD calculation.

In Treasury, mainly cash contributions and securities are made available or accepted as collateral when trading with other banks. The collateralisation is based on standard agreements, which can be amended in individual cases if required or which can be subjected to individual review by the legal department.

Credit Portfolio

The entire credit portfolio is calculated by using the EaD.

For most products, EaD is equal to the IFRS carrying amount (including accrued interest). Committed, undrawn credit lines are additionally included in EaD with a product-specific credit conversion factor (CCF). The CCF indicates the portion of an undrawn credit line that is expected to be drawn upon within one year before a potential default. Derivatives and repo transactions are an exception since their EaD is not identical to their carrying amount but must be determined, in accordance with the CRR using a different methodology. This applies, for example, to derivatives in accordance with the SA-CRR method.

The Group's credit portfolio had an aggregated EaD of €40.4 billion as of 31 December 2025 (31 December 2024: €43.9 billion).

Overview of the Total Exposure of pbb Group:

The credit portfolio is broken down into two segments:

- > Real Estate Finance (REF) and
- > Non-Core (NC)

In addition, "Consolidation & Adjustments" shows besides the internal reconciliation and consolidation positions, the EaD for transactions which are not directly attributable to the operating segments. These are basically asset positions for asset and liability management.

EaD in C&A as of 31 December 2025 was fully attributable (100%; 31 December 2024: 100%) to EL classes 1 to 8; according to the internal classification, these are considered investment grade.

pbb Group's total exposure (EaD) as of 31 December 2025, decreased by €3.5 billion compared with the end of the previous year. The share of EaD in the strategic REF segment decreased by €1.8 billion, as repayments and currency effects exceeded new business. The non-strategic NC segment decreased by €1.3 billion due to repayments, sales and maturities. EaD in C&A decreased by €0.3 billion due to reduced exposure to central banks. Explanations of the changes in the individual segments can be found in the detailed presentation of the respective segment.

In a press release dated 18 June 2025, pbb announced that it had decided to discontinue its US business and to actively sell, securitise or phase out its US portfolio.

To hedge the risk of the US portfolio, a significant risk transfer (SRT) was signed in December 2025. This includes hedging for a mezzanine tranche of the performing US portfolio in the amount of USD 321 million. The underlying portfolio mainly comprises loans for office buildings.

Total portfolio: EaD according to operating segments

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Real Estate Finance	27.9	29.7	-1.8	-6.1
Non-Core	8.9	10.2	-1.3	-12.7
Consolidation & Adjustments	3.6	3.9	-0.3	-7.7
Total	40.4	43.9	-3.5	-8.0

RISK PARAMETERS

The expected loss (EL) for a time period of one year is calculated for the entire exposure, with the exception of non-performing loans for which a stage 3 impairment has already been recognised. The EL is calculated using the parameters defined under Basel IV, i.e. PD, LGD and EaD. The LGD is determined using an internal model, which is not used in the Pillar I calculation, however, as the pbb portfolio is not subject to the advanced IRB approach ("A-IRB").

As at 31 December 2025, the EL for pbb Group amounted to €314 million (31 December 2024: €221 million). The increase in EL was mainly due to rating downgrades in the REF operating segment.

pbb applies the default definition according to EBA Guideline 2016/07.

Total exposure: expected loss according to operating segments

in € million	31.12.2025	31.12.2024	Change	
			in € million	in %
Real Estate Finance	314	220	94	42.7
Non-Core	-	1	-1	-100.0
Consolidation & Adjustments	-	-	-	-
Total	314	221	93	42.1

Future developments, such as changes in the economic environment or developments concerning individual risks, may result in changes to the EL figures set out above. Furthermore, actual losses incurred may differ from expected losses.

ECONOMIC CREDIT RISK CAPITAL

pbb calculates economic capital for credit risk using a credit portfolio model. For details concerning credit risk quantification, please refer to the section "Internal Capital Adequacy Assessment Process (ICAAP)".

REGIONAL BREAKDOWN OF THE PORTFOLIO

At the reporting date, the main focus of the exposure was unchanged on Western Europe. Germany continued to account for most of the overall exposure, with 43% (€17.2 billion).

The largest item of the category "Other Europe" was the Netherlands with €1.2 billion (31 December 2024: €1.3 billion).

Total portfolio: EaD according to regions

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Germany	17.2	18.8	-1.6	-8.5
France	5.4	5.8	-0.4	-6.9
Austria	3.8	3.8	-	-
USA	3.4	4.2	-0.8	-19.0
Poland	2.0	1.9	0.1	5.3
Other Europe ¹⁾	1.9	2.0	-0.1	-5.0
United Kingdom	1.7	2.0	-0.3	-15.0
Spain	1.6	1.5	0.1	6.7
Sweden	1.2	1.2	-	-
Finland	0.7	0.5	0.2	40.0
Other ²⁾	0.6	0.6	-	-
Italy	0.4	0.5	-0.1	-20.0
Czech Republic	0.3	0.6	-0.3	-50.0
Portugal	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Total	40.4	43.9	-3.5	-8.0

¹⁾ As of 31 December 2025 the category "Other Europe" comprises the Netherlands, Slovakia, Belgium, Ireland, Slovenia, Luxembourg, Romania, Denmark, Switzerland and Latvia.

²⁾ As of 31 December 2025 the category "Other" comprises amongst others Supranationals and Canada.

Depending on the results of the internal rating process, maximum limits are defined for each individual country; these limits restrict pbb Group's business activities. All country limits are monitored daily in the division FR&C.

Real Estate Finance: €27.9 billion EaD

The REF segment comprises real estate loans and related customer derivatives. The EaD of the REF portfolio which – in contrast to the financing volume reported in the section "Development in Earnings" also includes undrawn lines multiplied by a product-specific conversion factor – decreased by €1.8 billion to €27.9 billion compared with 31 December 2024.

In Germany, France, and the United Kingdom, repayments exceeded new business. This resulted in a decline in exposure. Currency effects and repayments also led to a reduction in exposure in the United States. A slight increase in exposure due to new business was recorded in Poland, Spain and Finland.

The largest item of the category "Other Europe" were the Netherlands with €1.2 billion (31 December 2024: €1.3 billion).

Real Estate Finance: EaD according to regions

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Germany	12.9	13.3	-0.4	-3.0
France	3.3	3.4	-0.1	-2.9
USA	3.1	4.2	-1.1	-26.2
Poland	2.0	1.9	0.1	5.3
United Kingdom	1.5	1.9	-0.4	-21.1
Other Europe ¹⁾	1.5	1.6	-0.1	-6.3
Sweden	1.2	1.2	-	-
Spain	0.8	0.6	0.2	33.3
Finland	0.6	0.5	0.1	20.0
Czech Republic	0.3	0.6	-0.3	-50.0
Austria	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Italy	0.1	0.1	-	-
Total	27.9	29.7	-1.8	-6.1

¹⁾ As of 31 December 2025 the category "Other Europe" comprises the Netherlands, Belgium, Slovakia, Luxembourg, Romania, Switzerland and Denmark.

For almost all property types, repayments and currency effects exceeded new business. This led to a decline in exposure in these areas. Most new business in 2025 was generated in the office building category, followed by residential.

Real Estate Finance: EaD according to property type

in Mrd. €	31.12.2024	31.12.2023	Change	
			in Mrd. €	in %
Office buildings	13.7	15.0	-1.3	-8.7
Residential	5.0	5.1	-0.1	-2.0
Logistics/Storage	4.9	5.2	-0.3	-5.8
Retail	2.8	3.1	-0.3	-9.7
Hotel/Leisure	0.7	0.7	-	-
Other	0.6	0.4	0.2	50.0
Mixed use	0.2	0.2	-	-
Total	27.9	29.7	-1.8	-6.1

As at 31 December 2025, the portfolio was still dominated by investment financings at 93% (31 December 2024: 93%); 7% of EaD was attributable to development financings (31 December 2024: 7%). Investment financings are defined as real estate loans, the debt servicing ability of which largely depends upon current cash flows from the property.

Real Estate Finance: EaD according to loan type

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Investment financing	26.0	27.5	-1.5	-5.5
Development financing	1.8	2.2	-0.4	-18.2
Customer derivatives	0.1	0.1	-	-
Other	-	-	-	-
Total	27.9	29.7	-1.8	-6.1

Non-Core (NC): €8.9 billion EaD

The NC portfolio comprises pbb Group's non-strategic exposures.

EaD in the NC segment fell by €1.3 billion compared to the end of the previous year due to repayments, sales and maturities. The largest reduction was in the exposure in Germany.

Non-Core: EaD according to regions

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Austria	3.4	3.5	-0.1	-2.9
France	2.0	2.3	-0.3	-13.0
Germany	1.9	2.6	-0.7	-26.9
Spain	0.7	0.7	-	-
Portugal	0.3	0.3	-	-
Italy	0.3	0.4	-0.1	-25.0
Other Europe ¹⁾	0.1	0.1	-	-
United Kingdom	0.1	0.1	-	-
Other ²⁾	0.1	0.1	-	-
Total	8.9	10.2	-1.3	-12.7

¹⁾ As of 31 December 2025 the category "Other Europe" comprises Belgium and the Netherlands.

²⁾ As of 31 December 2025 the category "Other" comprises mainly Supranationals and Canada.

EaD by counterparty structure is shown including regulatory permitted guarantees or other forms of credit support.

"Public Sector Borrowers" summarises claims against sovereign states, public-sector enterprises, and regional governments and municipalities. The definition also includes exposures guaranteed by these counterparties.

Non-Core: EaD according to counterparty structure

in € billion	31.12.2025	31.12.2024	Change	
			in € billion	in %
Public sector borrowers	8.5	9.8	-1.3	-13.3
Financial institutions ¹⁾	0.3	0.3	-	-
Companies/Special-purpose entities ²⁾	-	0.1	-0.1	-100.0
Total	8.9	10.2	-1.3	-12.7

¹⁾ Spanish covered bonds.

²⁾ Largely collateralised by guarantees and surety bonds.

Structured Products

pbb Group's residual holdings of Collateralised Debt Obligations guaranteed by a regional government had a notional value of €0.1 billion as at 31 December 2025 (31 December 2024: €0.2 billion) and a current fair value of €0.1 billion (31 December 2024: €0.2 billion).

Breakdown of on-balance sheet and off-balance sheet business by rating class

The following tables provide a breakdown of gross carrying amounts of non-derivative financial assets (excluding cash funds), and of default risks in irrevocable loan commitments and contingent liabilities, by internal rating class and impairment level. The breakdown is in line with pbb Group's internal rating classes. The default definition follows Article 178 of the CRR.

Breakdown of non-derivative financial assets (excluding cash funds) by internal rating class and impairment level (as at 31 December 2025)

in € million	Stage 1	Stage 2	Stage 3	FVPL	Total
Class 1	7,936	-	-	173	8,109
Class 2	583	-	-	-	583
Class 3	969	-	-	-	969
Class 4	366	-	-	-	366
Class 5	690	-	-	-	690
Class 6	530	-	-	-	530
Class 7	1,526	-	-	-	1,526
Class 8	832	-	-	-	832
Class 9	721	-	-	3	723
Class 10	313	-	-	-	313
Class 11	835	8	-	-	843
Class 12	1,178	-	-	-	1,178
Class 13	942	70	-	-	1,012
Class 14	919	27	-	-	945
Class 15	2,006	99	-	-	2,105
Class 16	2,294	395	-	-	2,690
Class 17	3,324	616	-	25	3,965
Class 18	2,545	331	-	-	2,876
Class 19	1,384	924	-	-	2,308
Class 20	515	446	-	102	1,063
Class 21	98	426	-	185	710
Class 22	-	942	-	40	982
Class 23	-	493	-	39	532
Class 24	-	240	-	-	240
Class 25	-	193	-	-	193
Class 26	1	1	-	-	2
Class 27	-	62	-	-	62
Defaulted	-	-	2,108	174	2,282
Without rating	-	-	-	5	5
Total	30,506	5,273	2,108	746	38,634

Breakdown of non-derivative financial assets (excluding cash funds) by internal rating class and impairment level (as at 31 December 2024)

in € million	Stage 1	Stage 2	Stage 3	FVPL	Total
Class 1	8,334	-	-	177	8,511
Class 2	346	-	-	-	346
Class 3	1,196	-	-	-	1,196
Class 4	464	-	-	-	464
Class 5	930	-	-	-	930
Class 6	388	-	-	-	388
Class 7	1,359	-	-	-	1,359
Class 8	1,488	-	-	85	1,573
Class 9	907	2	-	3	913
Class 10	794	122	-	-	915
Class 11	1,594	-	-	11	1,604
Class 12	1,102	36	-	-	1,139
Class 13	1,977	185	-	-	2,162
Class 14	1,949	249	-	-	2,198
Class 15	2,960	472	-	-	3,432
Class 16	3,241	628	-	70	3,939
Class 17	2,843	663	-	30	3,536
Class 18	1,731	637	-	-	2,368
Class 19	452	503	-	170	1,125
Class 20	120	446	-	141	707
Class 21	-	585	-	-	585
Class 22	-	223	-	-	223
Class 23	-	91	-	5	96
Class 24	-	56	-	-	56
Class 25	68	119	-	-	187
Class 26	-	9	-	-	9
Class 27	-	-	-	-	-
Defaulted	-	-	1,762	72	1,833
Without rating	-	-	-	14	14
Total	34,244	5,026	1,762	777	41,808

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level (as at 31 December 2025)

in € million	Stage 1	Stage 2	Stage 3	FVPL	Total
Class 1	-	-	-	-	-
Class 2	28	-	-	-	28
Class 3	-	-	-	-	-
Class 4	9	-	-	-	9
Class 5	15	-	-	-	15
Class 6	-	-	-	-	-
Class 7	-	-	-	-	-
Class 8	10	-	-	-	10
Class 9	-	-	-	-	-
Class 10	51	-	-	-	51
Class 11	12	-	-	-	12
Class 12	91	-	-	-	91
Class 13	33	-	-	-	33
Class 14	95	-	-	-	95
Class 15	185	-	-	-	185
Class 16	43	-	-	-	43
Class 17	365	-	-	-	365
Class 18	253	14	-	-	268
Class 19	1	49	-	-	50
Class 20	52	32	-	2	86
Class 21	32	4	-	7	43
Class 22	-	20	-	-	20
Class 23	-	10	-	2	12
Class 24	-	40	-	-	40
Class 25	-	15	-	-	15
Class 26	-	-	-	-	-
Class 27	-	1	-	-	1
Defaulted	-	-	89	22	110
Without Rating	-	-	-	4	4
Total	1,274	186	89	37	1,586

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level (as at 31 December 2024)

in € million	Stage 1	Stage 2	Stage 3	FVPL	Total
Class 1	71	-	-	-	71
Class 2	-	-	-	-	-
Class 3	-	-	-	-	-
Class 4	20	-	-	-	20
Class 5	2	-	-	-	2
Class 6	-	-	-	-	-
Class 7	-	-	-	-	-
Class 8	40	-	-	-	40
Class 9	36	-	-	-	36
Class 10	2	-	-	-	2
Class 11	12	-	-	-	12
Class 12	75	-	-	-	75
Class 13	16	-	-	-	16
Class 14	47	7	-	-	55
Class 15	142	36	-	-	177
Class 16	137	14	-	40	192
Class 17	300	44	-	10	354
Class 18	76	57	-	-	133
Class 19	84	61	-	4	149
Class 20	-	3	-	-	3
Class 21	-	9	-	15	24
Class 22	-	27	-	-	27
Class 23	-	-	-	2	2
Class 24	-	-	-	-	-
Class 25	5	23	-	-	28
Class 26	-	-	-	-	-
Class 27	-	-	-	-	-
Defaulted	-	-	84	63	147
Total	1,065	281	84	134	1,564

Watchlist and Non-performing Loans

EARLY WARNING SYSTEM

The early warning system of pbb Group has defined criteria respectively threshold values (triggers) for including loans in the watchlist and for being classified as restructuring or workout loans (e.g. past due payments, failure to meet financial ratios – e.g. loan-to-value [LTV], interest service coverage [ISC]). It is constantly monitored whether a trigger has been set off. In case of a corresponding indication, the credit exposure is analysed and presented to the Watchlist Committee. Taking into consideration the overall circumstances, the Watchlist Committee then decides whether a prompt transfer of the exposure to watchlist or restructuring and workout loans is appropriate. In this context and in the event of impairment triggers, the financial instruments are reviewed for credit impairment.

Indicators for Watchlist and non-performing loans (restructuring and workout loans) include amongst others:

- > Watchlist Loans: Payments past due by more than 60 days or another defined early warning signal is triggered (for instance insolvency of a main tenant in the REF segment).
- > Restructuring Loans: A default has occurred (for example, due to payments past due by more than 90 days, or the borrower's insolvency), or another contractual or regulatory trigger is applicable. The focus with restructuring is on active implementation of a restructuring concept – with the objective of either returning the exposure to standard loan management, or realising collateral on the market, without enforcement measures. A credit impairment test is always performed and, if necessary, stage 3 impairments (in accordance with IFRS) or specific allowances (in accordance with the HGB) are recognised, or a change in fair value is determined for non-performing financial assets measured at fair value through profit or loss. Value adjustments as well as fair value changes and their underlying assumptions are reviewed regularly and on an ad hoc basis.
- > Workout Loans: There are no indications that the loan can be restructured. Enforcement measures have been or will be introduced. Stage 3 impairments (in accordance with IFRS) or specific allowances (in accordance with the HGB) have been recognised, and the necessary changes for financial assets at fair value through

profit or loss that are in default have been taken into account. Value adjustments and changes in fair value or the underlying assumptions are reviewed regularly and on an ad hoc basis.

CRM REF Workout is responsible for determining and reviewing impairments in accordance with applicable accounting standards (German Commercial Code (HGB) and IFRS) and for determining the amount of impairment of financial assets with impaired credit quality.

Development of Watchlist and non-performing loans of pbb Group

EaD in € million	31.12.2025			31.12.2024			Change	
	REF	NC	Total ¹⁾	REF	NC	Total ¹⁾	in € million	in %
Workout loans	131	-	131	132	-	132	-1	-0.8
Restructuring loans	2,192	-	2,192	1,771	-	1,771	421	23.8
Non-performing loans	2,323	-	2,323	1,903	-	1,903	420	22.1
Watchlist loans	1,317	13	1,330	1,207	18	1,225	105	8.6

¹⁾ No exposure in C&A.

The watchlist and problem loans increased by a net total of €525 million from 31 December 2024 to 31 December 2025.

Watchlist loans increased by a total of €105 million in the reporting period. In the REF segment, exposures totalling €688 million were newly transferred to intensified handling. At €383 million, more than half (around 56%) of these were financings of office buildings in Germany. From the watchlist loan portfolio as at 31 December 2024, financing in the amount of €486 million was transferred to restructuring, the majority of which (around 62%) was financing for office buildings in Germany. Three exposures totalling €121 million were repaid. In addition, there was a net increase in exposure of €28 million, which included currency effects in addition to increases and reductions. Exposure in the NC segment decreased by €4 million.

Non-performing loans increased by a net total of €420 million in the reporting period. In the REF segment, loans totaling €658 million were newly classified as non-performing loans. Almost half of these were loans for office buildings in Germany (around 43%). Financing totaling €118 million was completely repaid from the portfolio of restructuring loans as of 31 December 2024. In addition, there were net exposure reductions of €120 million, which included currency effects in addition to increases and reductions. Of the portfolio of non-performing loans as of 31 December 2025, €909 million related to the US (31 December 2024: €878 million).

Of the restructuring loans portfolio as at 31 December 2025, €0.9 billion is earmarked for resolution (primarily property or loan sales). The majority of this resolution portfolio relates to US business, which pbb has decided to actively sell off or phase out. In addition to the existing collateral, this resolution portfolio has a coverage ratio as defined by the EBA, i.e. stage 3 allowances and fair value adjustments in relation to gross carrying amount, of just under 35%.

Credit loss allowances and Provisions

Details on credit loss allowances and provisions – including their recognition and development – can be obtained from the notes.

Opportunities

The parameters for the risk dimensions for the credit risk are defined using statistical methods on the basis of numerous historical observations. The risk measures also depend on assumptions relating to future developments of macro-economic factors as well as developments on the credit markets. These economic conditions may turn out to be more positive than anticipated; in which case, potential losses from counterparty credit risk may theoretically be lower than quantified by the risk measures. Such potentially positive developments then represent opportunities for pbb Group which can be utilised for reducing risk.

In specific terms, there are opportunities if fewer loans in future are affected by a default in performance than is assumed as part of the risk quantification process. In future, opportunities may also result from a lower than assumed number of migrations to weaker rating classes.

There are also opportunities if the loss ratios of non-performing loans in future are lower than was assumed as part of the risk quantification process. Lower loss ratios may be triggered by various positive developments. Firstly, it is possible that the process of disposing of collateral might generate higher proceeds than was originally assumed in the risk quantification process. Secondly, it is possible that a higher percentage of non-performing loans subsequently become performing loans again without any losses than had been the case in the past.

Besides positive developments in default rates or loss ratios, opportunities may arise in connection with counterparty credit risk – theoretically, and regardless of other corporate objectives – in the event of declining portfolio exposure. This can happen, for example, if borrowers redeem or repay their loans faster than contractually expected or anticipated based on historical experience. Exposure values in the derivatives portfolio may decline where the market values of positions associated with replacement risk decrease, due to changes in certain market parameters such as interest rates or exchange rates.

Market Risk

Definition

Market risk is defined as the risk of a market value loss, or a negative change in net interest income for the period, due to volatility of the market prices of financial instruments. Transactions entered into by pbb Group are mainly exposed to the following types of market risk:

- > General interest rate risk (risk from changes in market interest rates)
- > Basis risk (risk from changes in tenor basis spreads or cross-currency basis spreads)
- > Volatility risk (risk from changes in implied volatility)
- > Credit spread risk (risk from changes in credit spreads)
- > Foreign currency risk (risk from changes in foreign exchange rates)
- > Concentration risk (risk due to a non-diversified portfolio mix)

Market Risk Strategy

pbb adheres to the following fundamental principles in relation to market risks in terms of the present value perspective and of the periodic perspective:

- > The positions are managed by the Treasury. Financial derivatives are mainly used for hedging purposes.
- > Transactions may be conducted exclusively in financial instruments which have successfully passed the new product process, and for which market values are either observable or determinable via a model.
- > Trading-independent risk measurement and monitoring of trigger and limit compliance is carried out. All positions entered into are subject to daily monitoring, in terms of sensitivity, Value-at-Risk and performance, which is independent from trading units.
- > There is a defined escalation process across all decision-making bodies right up to the Management Board.
- > Interest rate risk in the banking book (IRRBB) is identified, measured, managed and monitored using both a present value approach as well as in terms of net income for the period. In this context, the present value approach is the primary approach for operative interest rate risk management, supplemented by the monitoring of interest rate risk of periodic interest income on a quarterly basis. Credit spread risks in the banking book (CSRBB) are also included in the regular risk measurement, controlling and monitoring.

Market Risk Management Organisation

Positions with regard to Market risk are monitored by way of a present value approach by the FR&C division, which is separated from trading in the structural organisation, right through to the Management Board. The Finance department monitors the periodic interest rate risk.

Market Risk Reports

FR&C prepares detailed market risk reports for senior management and operational management purposes, on a daily basis. The daily market risk report, which is primarily addressed to the Management Board, includes:

- > market risk value-at-risk (VaR) and VaR limit utilisations for the entire market risk,
- > CSRBB and IRRBB (and its components of general interest rate risk, basis risk and option/volatility risk),
- > sensitivities of market risk factors at various levels of detail and monitoring of sensitivity triggers and
- > a presentation of the economic performance measurement and the breakdown of the economic performance by individual risk factors.

pbk provides quarterly reports on changes in effects on income, and effects on accumulated other comprehensive income (recognised directly in equity), given pre-defined interest rate scenarios and assuming a dynamically changing balance sheet, to monitor periodic interest rate risk.

Market Risk Measurement and Limits

MARKET RISK VALUE-AT-RISK

FR&C determines VaR attributable to market risk, at an overall as well as partial portfolio level, on a daily basis, using a simulated model based on historical data. The VaR determination includes all positions exposed to market risks. The essential parameters of the market risk VaR model can be summarised as follows:

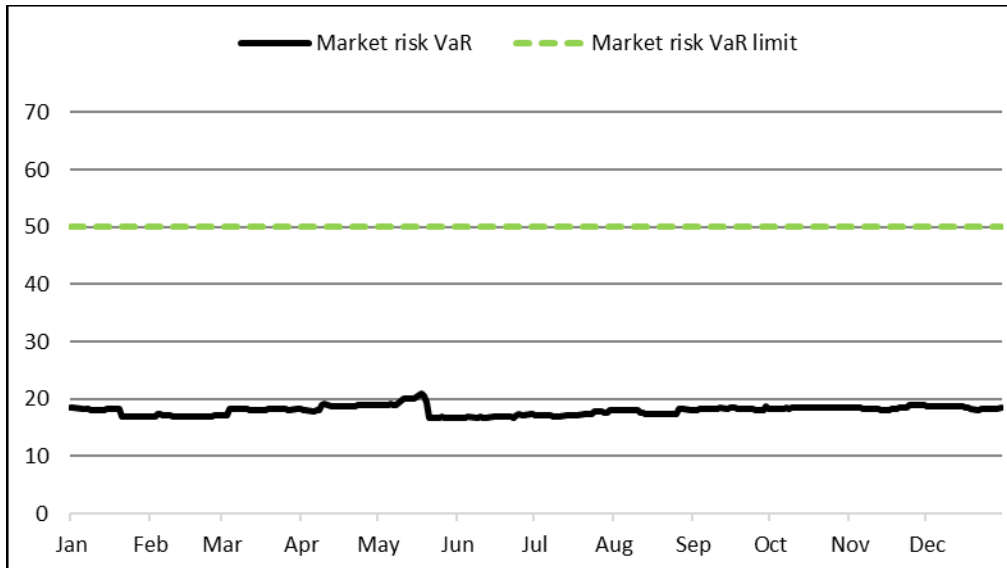
- > The simulation model is based on a one-year market data history which is included in the simulation on an equally weighted basis.
- > Individual types of market risk are aggregated to form a total VaR, which forms the basis of limit monitoring.
- > For the purposes of daily operational risk management, Market risk VaR is determined using a holding period of one day and a 99% confidence interval.

At the end of December 2025, the market risk VaR, taking into account diversification effects between the individual market risk types, amounted to €19 million (year-end 2024: also €19 million). The associated VaR limit for total market risk was €50 million throughout 2025 (year-end 2024: also €50 million). There were no exceeds of the VaR limit during the reporting period.

The following chart shows the development of market risk VaR, compared to the market risk VaR limit during the course of the year:

Market risk VaR and market risk VaR limit January to December 2025

in € million



INTEREST RATE RISK IN THE BANKING BOOK

The consolidated IRRBB VaR of all interest rate risk categories in the banking book (general interest rate risk, tenor basis spread risks, cross-currency basis spread risks, option risks and volatility risks) totalled €9 million at the end of 2025 (comparative figure at the end of December 2024: €13 million). The change in the IRRBB VaR was mainly caused by a decrease in the general interest rate risk. In addition to limiting the market risk VaR, a daily limit is monitored for the IRRBB VaR (limit at the end of December 2025: €30 million).

GENERAL INTEREST RATE RISK

The general interest rate risk or gap risk amounted to €9 million as at the end of December 2025. The decrease compared to the comparative figure of €13 million at the end of 2024 is primarily due to reduced interest rate sensitivity over the course of the year.

BASIS RISKS

Basis risks are defined as tenor basis spread and cross-currency basis spread risks. As at the reporting date, tenor basis spread risks totalling €2 million and cross-currency basis spread risks totalling €1 million were reported (previous year's figures: €1 million tenor basis spread risk and €1 million cross-currency basis spread risk).

VOLATILITY RISKS

Volatility risks amounted to €0.1 million as at the end of December 2025 (year-end 2024: €0.3 million).

CREDIT SPREAD RISK IN THE BANKING BOOK (CSRBB IN ACCORDANCE WITH EBA GUIDELINE EBA/GL/2022/14)

In accordance with the guidelines on the management of interest rate risks and credit spread risks in banking book transactions (EBA/GL/2022/14), the definition of CSRBB at pbb includes all financial instruments whose pricing depends on credit spreads observable on the market. The scope of transactions in the CSRBB thus covers almost all of pbb's assets and liabilities. With regards to the applicable credit spreads, pbb calculates the CSRBB VaR in accordance with the Guideline using risk factors that are defined without idiosyncratic components. At the end of December 2025, this resulted in a CSRBB VaR of €16 million (comparative figure at the end of 2024: €24 million). The decline is primarily attributable to reduced credit spread volatility and a weakening of credit spread sensitivities on the assets side. The CSRBB VaR limit throughout 2025 was €120 million.

The VaR assessment is complemented by additional tools, such as sensitivity analyses and stress testing.

SENSITIVITY ANALYSES

Overnight yield curves are used for the purposes of measurement relevant to sensitivity analyses. Sensitivity analyses quantify the impact of changes in individual market parameters upon the value of positions. For instance, the credit spread sensitivity provides an indication of the change in economic present value which results from an isolated one basis point increase in the credit spreads which are relevant for measurement purposes.

STRESS TESTING

Whilst VaR measures market risk in “normal” market conditions and does not provide a measure for potential maximum losses, internal economic stress scenarios show the market risk under more difficult or even extreme economic conditions. pbb Group employs hypothetical and historical stress scenarios for key risk drivers on a monthly and quarterly basis, to determine the impact of strong to extreme changes in market data as well as assumptions regarding client behaviour on the economic present value.

In addition to the internal economic stress scenarios, external regulatory stress scenarios of the supervisory standard test (supervisory outlier test in accordance with EBA/GL/2022/14) are calculated and analysed.

The Management Board and the executive bodies are informed about the results of stress scenarios on a regular basis. In connection with managing interest rate risk in the banking book (including credit spread risks), the changes in present value of selected internal and external stress scenarios have also been monitored through specific limits or triggers.

BACK TESTING

The quality of the risk measurement methods in use is checked on an ongoing basis by comparing one-day VaR figures to the actual changes occurring in the portfolio's present value on a daily basis. For the qualitative analysis of the risk model the Basel Capital Accord's “traffic light” system is used. For this purpose, the number of outliers detected in backtesting within a period of 250 trading days are counted. One outlier was observed in the 250 trading days up to the end of 2025, which was caused by relatively sharp interest rate increases on 5 March 2025. The risk model therefore has a green traffic light colour in accordance with the traffic light system of the Basel Capital Accord.

PERIODIC INTEREST RATE RISKS

pbb uses a dynamic model for measuring and monitoring periodic interest rate risks (dynamic earnings), thus simulating changes in future income statements and balance sheet developments, which will materialise if the balance sheet develops as planned, and under pre-defined interest rate scenarios. Measurement and monitoring of periodic interest rate risks was carried out at the end of each quarter, for a simulation horizon covering the following four quarters. Negative deviations from the base value were monitored, using a trigger of €60 million for effects on income, and a trigger of €100 million for effects on accumulated other comprehensive income (recognised directly in equity). Both triggers were not exceeded during the period under review.

The Static NII model is also used for the periodic perspective. This simulates changes in periodic net interest income that would result from a constant statement of financial position and given interest rate scenarios. The calculation is performed on a quarterly basis with a simulation horizon of the following four quarters. The negative deviations from the static NII base value represent the Δ risk measure

PERIODIC CREDIT SPREAD RISKS

The periodic credit spread change risk in the internal model approach is measured using delta dynamic earnings (Δ Dynamic Earnings) and is subject to trigger monitoring. The calculation is based on a dynamic statement of financial position. The triggers correspond to those of the dynamic interest rate change model. This means that a trigger of €60 million is used for the effects recognised in profit or loss and another trigger of €100 million is used for the effects in accumulated other comprehensive income (equity). Neither trigger was exceeded in the reporting period.

ECONOMIC CAPITAL FOR MARKET RISK

The chapter “Internal Capital Adequacy Assessment Process (ICAAP)” provides details concerning the calculation as well as the quantification of economic capital for market risk.

Mapping and Recognition of Economic Hedges as On-balance-sheet Hedges

The concept of hedge accounting refers to specific accounting rules applicable to hedge relationships in accordance with IFRS, entered into for the purpose of neutralising the change in value of the hedged underlying transaction against the change in value of the hedging instrument to a large extent. The criteria set out in IFRS must be satisfied for a hedge to be recognised accordingly. To a certain extent, these criteria – such as the requirements relating to hedge effectiveness – are inconsistent with the methods applied to bank management. As a result, there may be differences between economic hedges and hedge relationships recognised on the balance sheet.

Opportunities

As detailed above, the sensitivities result in value at risk: a possible future (economic) loss in the event of an unfavourable market development. The very same sensitivities may also result in economic gains, in the event of a positive market development. For instance, high credit spread sensitivities on the assets side represent a risk as described above. In the event of a narrowing of the relevant credit spreads, these credit spread sensitivities will yield economic profits, constituting an opportunity.

Open interest rate risk exposures (from an economic perspective) may indeed be neutral or even income-enhancing for periodic interest rate risk; this is the case for medium- to long-term fixed-rate loans on the asset-side, for example.

Liquidity and Funding Risk

Definition

Liquidity risk is defined as the risk of not being able to meet the amount and/or due dates of existing or future payment obligations, in full or on time.

Internal Liquidity Adequacy Assessment Process

In accordance with the Supervisory Review and Evaluation Process (SREP), pbb has conducted an Internal Liquidity Adequacy Assessment Process (ILAAP), which was examined and approved by the Management Board. The ILAAP should ascertain that all material liquidity and funding risks can be identified, measured and monitored, and that measures to prevent a liquidity shortage are taken in good time if required.

Liquidity Risk Strategy

The Management Board determines both the risk strategy as well as the risk appetite of pbb. The liquidity risk strategy is a key component of pbb's risk strategy. It is broken down into various modules (comprising various liquidity scenarios, given certain market conditions and stress parameters). This is to ensure that pbb's short- and medium-term funding is monitored and managed by means of a limit system. The limits are defined as part of the annual business planning process, approved by the Management Board.

Organisation of Liquidity Risk Management

FR&C identifies, measures, reports and monitors liquidity risk. The Treasury department, which is independent from FR&C, is responsible for managing liquidity risk. The processes and methods employed are reviewed on a regular basis by the Risk Committee and the Asset Liability Committee. Liquidity Risk cannot be calculated and reported at a business segment level.

Liquidity Risk Report

Liquidity management reports are prepared daily and submitted to the entire Management Board, as well as to the Joint Supervisory Team (JST) of ECB and national competent authorities responsible for pbb. The reports contain up-to-date information on the day's liquidity situation as well as forecasts made using contractual cash flows and in recognition of future events that could potentially influence liquidity developments.

Liquidity Risk Measurement and Limits

To manage liquidity risks, pbb has established a system for measuring and limiting short-term and medium-term variances within cash flows. This incorporates both contractual as well as optional cash flows. The data is subject to regular back-testing.

The liquidity position resulting from the liquidity reserve as well as contractual and optional cash flows is measured in different scenarios, with three liquidity positions being projected on a daily basis. The projections assume:

- > unchanged market and funding conditions (base scenario),
- > a risk scenario (modified [historic] stress scenario) and
- > liquidity stress ([historic] stress scenario).

For instance, the risk and the (historic) stress scenario simulate possible client behaviour in “stress situations”. Historic time series are used to calculate 95% and 99% quantiles.

Liquidity risk triggers (early warning indicators) have been defined for a 24-month horizon in the base scenario. Limits in the risk and the (historic) stress scenario are applicable for a six- respectively three-month horizon.

The limit system consists of:

- > limits relating to the liquidity stress profile (risk scenario and [historic] stress scenario); and
- > triggers for the base scenario as well as the six-month bucket of (historic) stress-scenario.

In addition to reporting, pbb Group uses stress tests, conducted at regular intervals, for investigating the impact of additional stress events on the liquidity position.

Scenario analyses are performed to simulate the potential impact of crises attributable to macro-economic, monetary policy or political crises on the liquidity situation.

The scenarios are reported to the Management Board, as well as to external bodies such as the JST of ECB and national competent authorities responsible for pbb.

Liquidity Risk Monitoring and Management

Monitoring of liquidity risks is ascertained through daily reporting of the liquidity situation and a defined escalation process. A liquidity emergency plan has also been adopted in this context; this plan forms the functional and organisational framework for the handling of any liquidity shortages. The liquidity emergency plan is part of the pbb Recovery Plan and updated at least annually.

Liquidity risk management is based on various interconnected components (daily and monthly liquidity reports), which are based on a “liquidity risk tolerance” defined by the Management Board. This is to ensure that pbb Group has adequate liquidity reserves at its disposal.

Hedging and Reduction of Liquidity Risk

A risk tolerance system is in place, to limit liquidity risk. Risk tolerance is integrated in the liquidity management process by means of triggers (limit system), in order to safeguard a “survival period” for pbb Group in stressed conditions.

The limits applicable for risk tolerance are determined in line with stress scenarios and adjusted at regular intervals.

Development of pbb Group’s Risk Position

The cumulative liquidity position (liquid assets plus projected net cash flows) determined as part of the liquidity risk measurement process as at 31 December 2025 amounted to €3.9 billion for a 12-month horizon in the base scenario. In a comparison with the previous year, there was a decrease of €0.2 billion over the corresponding period. As at 31 December 2025, the cumulative liquidity position in the risk scenario in the 6-month forecast was €1.4 billion (31 December 2024: €2.7 billion). The cumulative liquidity position in the stress scenario in the 6-month forecast was €0.5 billion as at 31 December 2025 (31 December 2024: €1.8 billion). This development is attributable to the planned reduction in excess liquidity due to passive maturities.

Regulatory Liquidity Coverage Requirements (Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR))

The Liquidity Coverage Ratio (LCR) is calculated using the ratio of the liquidity buffer (liquid assets) to net liquidity outflows during a stress period of 30 days. A minimum LCR of 100% is mandatory in regulatory liquidity reporting.

The levels determined during 2025 were at any time clearly in excess of 100%. The Liquidity Coverage Ratio as at 31 December 2025 was 379%.

A NSFR ratio of 100% must be maintained since 30 June 2021. The NSFR shows the ratio of available stable funding (ASF) and required stable funding (RSF) and is designed to secure the medium and long-term structural liquidity.

The figures determined during 2025 were clearly above the ratio required under the regulatory regime. As at 31 December 2025, the NSFR was 118%.

Funding Markets

For details concerning developments on funding markets and changes in funding volumes during the period under review please refer to the chapter Development in financial position in the Report on the Economic position.

Forecast Liquidity Requirement

In addition to the forecast liquidity requirement for new business activities, the extent of future liquidity requirements also depends on numerous external factors:

- > Monetary policy response to the inflationary trend (sudden interest rate hikes) and geopolitical risks and their potential impact on the real economy;
- > potential impact of ESG factors on credit spreads and funding opportunities;
- > future developments of haircuts applied to securities for repo funding on the market, and with central banks;
- > possible additional collateral requirements as a result of changing market parameters (such as interest rates and foreign exchange rates);
- > developments in requirements for hedges;
- > changed requirements from rating agencies regarding the necessary over-collateralisation in the cover pools;
- > refinancing requirements of real estate investors

Funding Risk

The chapter "Internal Capital Adequacy Assessment Process (ICAAP)" provides details concerning funding risk as part of business and strategic risk.

Market Liquidity Risk

For financial instruments, quantitative details for a better assessment of market liquidity risk can be obtained from the presentation of the three levels of the fair value hierarchy in the notes. Generally, there is no intention to sell holdings measured at amortised cost for liquidity management purposes, as liquidity for these holdings can mainly be generated by way of including them in the cover pool, using the funding opportunities provided by the central bank, or using them in repo transactions. Market liquidity risk is included in the internal risk management process as part of market risk.

Opportunities

The cumulative liquidity position in the base scenario shown in the section "Development of pbb Group's Risk Position" basically opens up the opportunity to react flexibly, particularly with regard to potential new business.

If the external factors specified in the section "Forecast Liquidity Requirement" were to develop favourably for pbb, this would result in a lower future liquidity requirement.

Operational Risk

Definition

pbb Group defines operational risk in accordance with the CRR as the risk of losses caused by the inadequacy or failure of internal processes, people, and systems or by external events, which includes in particular legal risk, model risk, and ICT risk, but not strategic risk and reputational risk. Operational risk includes the sub-risk types legal risk – excluding misconduct, legal risk – misconduct (conduct risk), model risk, ICT risk, and outsourcing and ICT service provider risk.

Strategy for Operational Risk

The priority of pbb Group's operational risk management is to prevent operational risk events and to meet the defined risk appetite. Key cornerstones of this strategy are the early recognition, systematic recording and assessment of operational risk, taking measures for risk mitigation as well as an early management reporting. The operational risk management strategy is adopted by the Management Board on an annual basis as part of the overall risk strategy. It describes the management framework and the measures of pbb Group with regard to operational risk.

Organisation of Operational Risk Management

A consistent Group-wide framework is in place, governing responsibilities for managing operational risk based on the principle of the three lines of defence. In this context, heads of divisions – as risk owners – are responsible for managing operational risk, and for implementing risk-mitigating measures within the various business units (first line of defence). The second line of defence is represented in particular by the NFR&C division together with the Operational Risk (all operational risks), Validation & Model Risk Management (model risk), Information Security (ICT risk), Business Continuity Management (BCM risks) and Compliance (compliance risks, legal risk – misconduct) as well as the Finance (outsourcing risk, tax risks), IT (ICT risk) and Legal (legal risk – excluding misconduct, legal risk – misconduct and data protection risk) divisions. Within NFR&C, the Operational Risk unit – as the overarching second line of defence for all operational risks – is responsible for uniform processes, instruments and methods for identifying, assessing, quantifying, monitoring and reporting on operational risk. Internal Audit constitutes the third line of defence.

Risk Reports, Monitoring and Management of Operational Risk

Essential components of operational risk management are as follows: recording, reporting and analysing internal and external loss data, operational risk self-assessments (ORSA) and scenario-based analysis. A structured and central reporting system is used to inform Management Board and division heads, the GRC and other supervisory bodies concerning risk events on a regular, timely and comprehensive basis. Reports are prepared both ad-hoc (where material risk events are escalated) as well as on a monthly basis (Group Risk Report), on a quarterly (Key Risk Indicator Report) or annual (Annual OpRisk Report) basis. Operational risk reporting encompasses material loss events and near-losses, root cause analyses, top risk issues, the development of risk indicators, development of capital requirements as well as the results from ORSA and scenario analyses.

Management of ICT risk, outsourcing and ICT service provider risk is fully integrated into operational risk management, and thus into the pbb's risk and compliance structure. Risk management for ICT risk generally applies at process level. The annual protection requirement analysis, the quarterly reporting of relevant information and metrics such as the key performance indicators (KPIs) as well as the key risk indicators (KRIs), are all essential elements. Key components of outsourcing and ICT service provider risk management include risk assessment of all outsourcing arrangements, which is updated at least annually for significant outsourcing arrangements and critical and important ICT service providers, and at least every three years for non-significant, non-critical, and non-important outsourcing arrangements; ongoing support from the outsourcing accountable person; monitoring using appropriate key risk indicators, and quarterly reporting to the Outsourcing Committee.

pbb Group uses models to quantify risks within the individual risk types, and to measure the fair value of financial instruments, which leads to model risks potentially incurred as a result of models which are incorrectly designed, implemented, or applied. To ensure that model risks are as low as possible, pbb has established a framework for model risk management.

Management of legal risk is aimed primarily at the prevention of losses which could be incurred if business activities of pbb Group are not documented with legal certainty. Wherever possible, a legally compliant organisation of business activities also serves to avoid legal disputes and to protect the integrity and reputation of pbb Group. In order to achieve this goal, the Legal department provides the entire pbb Group with a comprehensive, forward-looking business- and solution-oriented consultancy service. The Legal department assists business divisions by monitoring developments in the relevant legislation and case law, and reviews the effects of such developments on new and existing business. The results are discussed with the responsible divisions and/or in the Legal and Regulatory Risk Committee. The Legal Policy describes the roles and responsibilities of the Legal department within pbb Group and serves as a guideline for employees in the Legal department. Furthermore, the Legal department gives an assessment towards the Finance department whether provisions for pending legal cases have to be recognised. Moreover, the OpRisk loss database captures losses and provisions for legal risks which need to be seen in conjunction with operational risk events. Overall, legal risks are taken into consideration in the existing operational risk management framework, and are an integral part of, inter alia, the Key Risk Indicator Report, the Operational Risk Self-Assessment (ORSA), the analysis and reporting of risk events, as well as for determining economic capital.

ESG risks that have an impact on operational risk are integrated into operational risk management.

Risk Measurement

Please refer to the chapter "Internal Capital Adequacy Assessment Process (ICAAP)" for further details on the quantification of operational risk including legal risks as well as the calculation results of the economic capital for operational risk.

Since March 2025 the regulatory capital requirement for operational risk, which is calculated annually at the end of the year, has been determined in accordance with the amended Capital Requirements Regulation (CRR3) using the new standard approach in accordance with Art. 312 ff. and amounted to €66 million as of 31 December 2025 (31 December 2024: €71 million; or €78 million according to the previous calculation in accordance with Art. 317 ff. CRR).

Operational Risks Profile of pbb Group

In 2025, pbb Group incurred a loss totalling €2.2 million due to operational risk (2024: €0.3 million).

Business and strategic risk

Within pbb Group, business and strategic risk is defined as the risk of negative deviations of income and expenses from the planned figures – as a result of strategic decisions, false assumptions or unexpected changes in the external framework conditions, to the extent that such deviations are not covered by other risk types, such as market risk, credit risk or operational risk. Please refer to the chapter "Internal Capital Adequacy Assessment Process (ICAAP)" for further details on the quantification as well as the calculation results of the economic capital of business and strategic risk.

Environmental, Social and Governance (ESG) risk

Definition

In accordance with the EBA Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms (EBA/REP/2021/18), the 8th MaRisk amendment and the ECB Guidelines on Climate-related and Environmental Risks, pbb Group defines ESG risk as the risk of adverse financial effects on the institution resulting from the actual or expected impact of ESG factors on the Group's counterparties, or on its invested assets. ESG factors are environmental, social or governance aspects that could have a positive or negative impact on the financial performance or solvency of a company, sovereign or individual. ESG risk also encompasses negative financial, economic and social impacts that could arise from the activities of the institution itself.

ESG risks include the following components:

- > **Environmental risks:** Climate and environmental risks refer to risks of losses and negative impacts due to climate change and the destruction of the environment. The general understanding is that climate and environmental risks comprise the following two main risk drivers:
 - > **Physical risk:** Physical risk refers to the financial impact of a changing climate. These impacts include more frequent extreme weather events and gradual changes in the climate, as well as environmental destruction (e.g. in the form of air and water pollution, land contamination, water stress, biodiversity loss and deforestation). A physical risk is considered to be acute if it materialises due to extreme events, such as drought, flooding or storms. If it is the result of gradual changes (such as rising temperatures, rising sea levels, water stress, biodiversity loss, changes in the use of land, destruction of natural habitats and resource scarcity), it is classified as chronic. Impacts can occur directly (e.g. as physical loss or damage or in the form of lower productivity) or indirectly, e.g. as a result of subsequent events such as supply chain disruption.
 - > **Transition risk:** Transition risk describes financial losses that institutions can incur, directly or indirectly, as a result of the process of adjustment leading to a lower-carbon and more environmentally sustainable economy. This risk could materialise, for example, due to political measures adopted at very short notice to protect the climate and the environment, due to technical progress or due to changes in market sentiment and preferences.
- > **Social risks:** pbb Group defines social risks as the risks of an adverse financial impact on the institution resulting from current or future effects of social factors – especially non-compliance with human and employees' rights and matters, any negative impact of business activities on society/communities in general or specifically (such as on indigenous minorities or similar groups), or from product safety and end-customers – on its counterparties or invested assets. Negative effects can also result from social factors associated with the institution's own activities.
- > **Governance risks:** pbb defines governance risks as the risks of a negative financial impact on the institution resulting from current or future effects of governance factors on its counterparties or invested assets. Negative effects can also result from governance factors associated with the institution's own activities.

pbb considers risks from ESG components to be a cross-sectional risk, as the respective risk factors have an impact on other types of risk.

ESG risk identification: materiality analysis and assessment

To ensure that ESG risks are given adequate consideration in the Bank's risk management processes, an identification and assessment process for ESG risk drivers was established as a firm component of the annual risk inventory. The requirements from the EU taxonomy (for climate and environmental aspects) and materiality considerations as defined by the CSRD were included in this process. By identifying and describing the possible impact channels of the ESG risk factors considered, it became clear to what extent the economic and financial activities of a company are affected (financial materiality/outside-in) and how the activities of a company affect ESG factors (ecological and social materiality/inside-out) and in what time frame. The distinction between these two perspectives results from the application of the principle of "dual materiality" and thus also results in two different types of materiality.

Overall, risk factors for climate, environment, social issues and governance were analysed. At the end of the assessment, the influence of the identified potential ESG risk drivers on the individual risk types is analysed and evaluated. All relevant experts are involved in the steps of the assessment process, in particular those with knowledge of lending and property valuation, experts from the HR, legal and NFR&C departments and from the FR&C division. With regard to the materiality of the environmental, social and governance risk factors, the analyses of the risk inventory were interlinked with the results of the materiality analysis from the future CSRD reporting obligation, in which partial results from the CSRD workshops held for this purpose were also considered.

In the ESG materiality assessment, all acute and chronic climate risks are taken into account as far as possible in accordance with the EU taxonomy. The Bank has drawn up and analysed its own list of assessed environmental factors and transitory factors in line with its business activities and regulatory requirements.

In the materiality assessment, suitable data is used for each risk factor for the portfolio (according to pbb's assessment). The assessment of materiality was separated according to pbb's business activities for the REF segment and the NC and C&A. For factors with available ESG risk data, a quantitative materiality threshold was applied. In the case of ESG risk factors without quantitative risk assessment, there is only an expert judgement. Accordingly, the results of the materiality analysis are based on both quantitative and qualitative assessments of the portfolio.

For environmental and climate risk factors, external location-specific risk data from the insurance industry and from public hazard maps were requested and analysed, and quantitative materiality definitions were applied where possible. In order to assess biodiversity and environmental risks, pbb quantitatively analysed suitable public environmental and biodiversity scores for the underlying economic sectors of our customers for the entire portfolio. For the REF segment, a possible contribution to biodiversity loss through land use change was also analysed using satellite data on the type of land cover at the locations of the properties financed in Europe. The materiality of the aforementioned transitory risk factors for the REF segment was determined qualitatively using expert judgement. In addition, possible effects of transitory risk factors identified as material on the counterparty default risk in various (climate) scenarios were quantitatively determined using suitable assumptions as part of the macroeconomic stress test. For the materiality assessment for the NC and C&A segment, relevant transitory risk factors were assessed in terms of their potential impact on credit risk using data-based expert judgement. All governance and social factors were assessed using qualitative expert judgement via the newly designed CSRD workshop process, in which both experts and stakeholders judge materiality in both perspectives.

As a result of the comprehensive, systematic materiality analysis, specific risk factors relating to physical climate and environmental risk, transitory risk and governance risk were categorised as material. Biodiversity risks - both inside-out and outside-in - were not classified as material. In the area of social risk, none of the risk factors analysed were identified as material.

The following table provides an overview in accordance with the risk inventory finalised in December 2025:

Risk	Designation	Portfolio ¹⁾	Time horizon	Perspective
Climate and environment Physical risk: Acute climate hazards	Flood, storm (including cyclone, hurricane, typhoon)	REF/NC/C&A	Medium term (1-5 years)	Financially material (Outside-in)
	Heavy rain fall		Medium to Long term (5-10 years)	
	Heatwave, landslide, forest fire	NC/C&A	Medium term (1-5 years)	
	Drought	NC/C&A	Long term (> 5 years)	
	Tornado	REF	Medium term (1-5 years)	
Physical risk: Chronic climate hazards	None			
Physical risk: Environmental factors	Soiling / contamination	REF	Short term (< 1 year)	Financially material (Outside-in) & Ecologically and socially essential (Inside-out)
	Volcanism	NC / C&A	Short term (< 1 year)	Financially material (Outside-in)
	Earthquakes	REF/NC/C&A	Short term (< 1 year)	Financially material (Outside-in)
	Tsunami	REF	Short term (< 1 year)	Financially material (Outside-in)
Transitory Risk factors	Low energy efficiency / high energy consumption, high CO ₂ footprint (Scope 1, 2, 3 emissions)	REF/NC/C&A	Medium term (1-5 years)	Financially material (Outside-in) & Ecologically and socially essential (Inside-out)
	New sustainability and environmental regulations / CO2 pricing	REF	Medium to Long term (5-10 years)	Financially material (Outside-in)
	Market sentiment			Financially material (Outside-in) & Ecologically and socially essential (Inside-out)
Social Risk factors	None			
Governance Risk factors	Unethical corporate behaviour culture, Unethical corporate behaviour culture - greenwashing, anti-competitive behav- iour and political engagement or lobbying, corruption and bribery		Short term (< 1 year)	Financially material (Outside-in) & Ecologically and socially essential (Inside-out)

¹⁾ Portfolio by operating segment: REF, NC and C&A.

The physical and transitory environmental risk factors have an influence on the creditworthiness of customers and are therefore relevant for the counterparty default risk. The assessment was primarily based on the described impact channels on the financial materiality of the individual potential risk factors in relation to the property portfolio (REF business division) and NC/C&A. In addition, possible effects of transitory risk factors on counterparty default risk in various (climate) scenarios were quantitatively determined using suitable assumptions as part of the macroeconomic stress test. ESG risk is not classified as material in market risk or liquidity and funding risk. There are currently no recognisable direct sustainability risks for either pbb's market risk position or its liquidity position. All material aspects of ESG risk that may be relevant for liquidity risk are currently already taken into account in the known prudential risk types (such as credit risk and market risk).

Some acute physical risk factors (heavy rainfall, storms and tornadoes) could, with a low probability and to a limited extent, lead to damage to property or disruptions to the Bank's business continuity and are therefore relevant to operational risk. There is also a potential impact of transitory, environmental and governance factors on reputational, legal and liability risks as well as business and strategic risk. Overall, the ESG risk is classified as material.

Consideration in economic and regulatory capital

Based on the findings of the materiality analysis and the risk inventory, including the results regarding the impact on the individual risk types, ESG risks were taken into account in the economic and regulatory capital and are thus fully integrated into the ICAAP. Climate and environmental risks are taken into account in regulatory capital (i) by including them in the collateral valuation and (ii) by implementing a technical warning signal and an override option in the rating process in the REF segment. In the property business, these two measures are aimed at taking climate and environmental risks into account both for transactions under the standardised approach and for transactions under the F-IRB approach.

The PD rating procedure for central governments includes a warning signal for ESG risks, which can be activated manually by the rating analyst. The other rating models in the NC segment offer options for manual corrections to the rating results, which can be used to take ESG risks into account if necessary.

For quantification in economic capital, climate and environmental risks are explicitly taken into account in the Pillar II models for operational risk, business and strategic risk and credit risk. For the latter, this was implemented by means of a risk buffer. For other risk types, such as market risk, it was determined as a result of the risk inventory that climate and environmental risk contributions are not relevant.

In addition, climate and environmental risk-related stress effects are taken into account as part of the regular annual stress test programme. The scenarios considered were expanded to cover both physical and transitory risks, and the short-term transition scenario was designed as a reverse stress test.

In order to systematically examine the potential vulnerability of pbb's portfolio and capital position with regard to medium-term transitory climate and environmental risks, a corresponding short-term transition scenario is defined, fully calculated and analysed within the normative and economic ICAAP perspective, and finally firmly integrated into the stress test programme.

A combined long-term transition risk and chronic physical risk scenario was calculated in order to extend the focus to potential events that manifest themselves over a long-term period. In this scenario, the period up to 2050 was considered under different climate transition paths. The impact of acute physical risks was analysed in a dedicated scenario. In addition, the results of pbb's climate and environmental stress tests are limited in terms of capital ratios and therefore relevant for the implementation of its business model and capital management.

Specific models have been used to calculate the effects of the various stress scenarios for the banking business and to manage the risks recognised as a result, taking into account the climate-specific parameters. The results of the three climate risk scenarios have been taken into account in the ICAAP and ILAAP management circles.

Consideration in the ILAAP

As an integral part of the ILAAP, possible risk drivers of ESG risk on liquidity are analysed at least once a year. A standardised, integrated ESG stress test is carried out to identify potential effects. The results from an ILAAP perspective are presented to the GRC and a change to the methodology is proposed if necessary. There are currently no material ESG risks for the ILAAP assessment.

Monitoring and supervision of ESG risk

pbb aims to consider sustainability aspects within all its business activities, and to minimise the risk of negative consequences due to ESG risks. To ensure comprehensive compliance in this respect, appropriate monitoring of ESG risk is essential so that immediate countermeasures can be taken if necessary.

Specific risk indicators have been defined and assigned to the individual components for monitoring the various aspects of the Group's own ESG risk (inside-out perspective). Based on a traffic light system, amber and red thresholds have been defined for these risk indicators. Risk indicator reporting is performed within the scope of the Key Risk Indicator (KRI) report for non-financial risks in the Risk Committee, to the Management Board and to the division heads on a quarterly basis. Both the ESG risk indicators and the internal targets for the various aspects of ESG risk are continuously developed, enhanced and specified.

The monitoring of environmental risk (outside-in perspective) is currently focused in particular on the aspects of mitigation and climate change adaptation associated with (pbb-)financed properties. In internal risk reporting, monitoring has been established with regard to exposures potentially affected by physical and transitory risks as well as the risk of environmental pollution, both for the REF portfolio and for the Non-Core and C&A portfolios. Internal reporting also provides additional transparency with information on E-related market risk sensitivities and ESG-related losses in the case of operational risk in the REF portfolio. Internal reporting is continuously expanded in line with the data situation. The quarterly KRI report contains portfolio information regarding transparency based on the total "scored" share and the share of the portfolio assessed as "green".

The monitoring and management of social and governance risks focusses primarily on governance indicators, such as the prevention of money laundering and terrorist financing, compliance with financial sanctions and embargoes, and the prevention of fraud and other criminal acts, particularly the prevention of corruption. pbb Group has put appropriate safeguards in place in this respect and, in addition to a Compliance Policy and the Code of Conduct, has issued various other internal guidelines, instructions and process descriptions. Compliance is responsible for ensuring due and proper adherence to these requirements. As an investment services provider, pbb also observes a whole range of regulations and requirements, in particular to ensure appropriate client/investor protection and, consequently, also to safeguard its own reputation.

Management of ESG risks

REF

The principle of ecological sustainability of the properties to be financed within pbb Group is based on the close interlinking of the Sales, Credit and Risk Management divisions as well as the appraisers, and is an integral part of the lending decision process. The analysis with regard to taxonomy conformity or defined e-criteria in accordance with the pbb Green Scoring Model with its three pillars: energy efficiency, "green building" certifications and additional sustainability criteria (e.g. distance to public transport, use of green electricity) including the decarbonisation tool, which is based on the CRREM tool, is an integral part of every new business.

At the same time, systematic and comprehensive data on sustainability aspects is collected as part of new business and also from customers with existing financing. As at 31 December 2025, 86% (31 December 2025: 85%) of the real estate portfolio had undergone pbb's "Green" scoring. From 2026 onwards, the aim is to maintain a ratio of at least 85%. Accordingly, pbb Group has gained a meaningful overview of the sustainability of its loan portfolio and the associated risks, and has laid the foundation for the long-term management of ESG risks.

Monitoring is carried out monthly with regard to all properties subject to pbb's "Green" scoring as well as with regard to the scores achieved, the breakdown by asset class and country and the identification of potential risk clusters. Monitoring with regard to early warning indicators and other monitoring aspects is systematically expanded and further developed.

> In order to align the financing portfolio with the 1.5 degree target, pbb Group developed a decarbonisation pathway for the REF portfolio in 2024. Climate targets were defined on the basis of the financing portfolio's greenhouse gas footprint. On this basis, pbb Group aims, among other things, to reduce the greenhouse gas emissions intensity of the REF portfolio to defined interim target values by 2050:

- > In 2027: 39.8 kg CO₂eq/sqm
- > In 2030: 31.4 kg CO₂eq/sqm
- > In 2050: 1.1 kg CO₂eq/sqm

NON-REF

The Non-REF portfolio includes the NC portfolio and C&A. The ESG risk for the Non-REF portfolio is generally classified as low.

The NC portfolio is a wind-down portfolio and therefore, due to the low ESG risk, no active management of ESG risks is planned and is instead reduced through constant redemptions (average remaining term of around 8 years). No new business was conducted in 2024 and 2025.

C&A includes internal reconciliation and consolidation positions as well as asset positions for asset and liability management. ESG risks for this are generally managed by analysing the creditworthiness of business partners and taking into account the separate analysis and assessment of ESG risks by external rating agencies in their rating assignments.

ESG risk is managed in accordance with the "3 Lines of Defence (3 LoD)" principle, with the risk owners of the various specialist departments that are particularly close to customers/public (Sales, PAV, CRM, Communications, Finance, Treasury and Corporate Office) forming the first line of defence. The second line of defence is formed by the FR&C and NFR&C with support functions from Human Resources and IT. Internal Audit represents the third line of defence. The assessment register for the categorised ESG risk factors created as part of the materiality analysis is used as the basis for assigning the specialist areas and associated key controls according to the principle of the three lines of defence.

Opportunities

In general, there is also potential for opportunities in the context of ESG risk. This arises from sector-specific aspects, in particular the offer of sustainable financing solutions ("green loans") and the issue of green bonds.

Overall, on the assets side, the sustainability strategy focuses on support for financing the acquirer of green properties as well as green developments and transformation projects (manage-to-green) such as energy-efficient refurbishments and thus improvements to the energy efficiency of existing buildings. Sustainable financing solutions reduce the likelihood of loan defaults, increase the value of collateral and prevent potential reputational damage. With pbb invest and the new Originate & Cooperate sub-segment, pbb Group is also further expanding its commission business, which will partly consist of green investment products. However, the main focus remains on the existing product range, which is also the primary focus of the sustainability strategy.

Client orientation and internal governance are further fundamental success factors for pbb in order to secure the financing portfolio, and give the Bank the opportunity to set itself apart from its peers, in positive terms, in a direct comparison.

Moreover, the qualifications and satisfaction of our employees are the main foundation for the quality of their work, and thus for the Company's potential.

The sustainability strategy is essentially an integral part of the business strategy and is designed to continue to reinforce ESG as a core brand element, minimise sustainability risks to the greatest extent possible, whilst making use of the different opportunities that arise.

Reputational risk

Reputational risk is defined as a current or future threat to the institution's earnings, equity, or liquidity due to damage to its reputation. Reputational risk is covered by a capital buffer as part of the types of risk that cannot be quantified or can only be partially quantified.

Property Risk

Real estate risk is defined as the potential negative change in value in pbb's own properties due to a deterioration of the real estate market or economic framework, or a negative change in the special characteristics of the individual properties caused by vacancies, change in potential uses, building damage, need for investment, legal and economic frameworks, and other factors.

As at 31 December 2025 as well as at 31 December 2024, pbb did not hold any own properties.

Participation Risk

Consolidated companies are taken into account in the monthly assessment of the capital adequacy of pbb Group or already in the individual risk types via the complete consideration of their assets and liabilities and do not require any further consideration in the participation risk. In order to monitor the risk of changes in the value of participations and affiliated companies, only the participations of pbb Group in non-consolidated companies are therefore considered. The participation risk is considered to be material, as there is currently one participation in the course of restructuring and new participations may arise at any time. The risks are mapped accordingly in the economic perspective.

Pension risk

Pension risk is defined as the risk of incurring additional expenses due to insufficient capitalisation of pension obligations from defined benefit plans. It is considered within the scope of ICAAP. Pension risk is included in the market risk, for details, please refer to the chapter "Internal Capital Adequacy Assessment Process (ICAAP)".

Securitisation risk

According to Article 4(61) of Regulation (EU) No. 575/2013 (CRR), securitisations are defined as follows: "A transaction or structure that divides the credit risk associated with an exposure or pool of exposures into tranches and has the following characteristics:

- > payments made under the transaction or structure depend on the performance of the exposure or pool of exposures;
- > the ranking of the tranches determines the distribution of losses during the life of the transaction or structure."

In pbb Group, securitisation risk is defined as the risk of losses resulting from securitisation transactions. The business strategy provides for securitisation transactions and associated NPPs. These have an impact on the risk types counterparty risk, market risk, operational risk, business and strategic risk, and reputational risk, and thus on economic capital, RWA, and the income statement.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Pursuant to section 91 (2) of the German Public Limited Companies Act (Aktiengesetz – “AktG”) and section 25a (1) of the German Banking Act (Kreditwesengesetz – “KWG”), pbb Group is obliged to establish appropriate and effective internal procedures in order to ensure the Bank’s risk-bearing capacity at all times. The Internal Capital Adequacy Assessment Process (ICAAP) is subject to regulatory review (within the framework of the SREP); it complements the regulatory procedures under Pillar 1 of the Basel III framework, as laid down in the CRR and the CRD.

Pursuant to the „ECB Guide to the internal capital adequacy assessment process (ICAAP)“, published in November 2018, regulatory authorities expect banks to apply two supplementary ICAAP perspectives, one being normative and the other being economic. In line with current ICAAP methodology, the capital adequacy assessment is evaluated from a normative as well as from an economic perspective. Both perspectives are aimed at the sustainability of the business and capital planning, and on the long-term viability of pbb Group.

The normative perspective is geared towards securing the regulatory and supervisory requirements for capital and liquidity over several years. Particular focus is placed on forward-looking compliance with supervisory capital ratio requirements under expected and adverse conditions. The normative perspective also takes into account both the cross-institutional capital ratios required pursuant to the CRR and the bank-specific minimum ratios for own funds according to the ECB’s SREP decision. Capital-related regulatory and legal requirements comprise the CET1 ratio, tier 1 ratio, own funds ratio, Leverage Ratio, as well as rules concerning MREL (Minimum Requirements on Own Funds and Eligible Liabilities) and large loan exposure limits.

The economic perspective is an additional, parallel management approach on an equal footing that monitors capital on an ongoing basis, with reports submitted on a monthly basis. It aims to safeguard the economic viability of the institution, and is therefore geared towards maintaining the institution’s net asset value. For this purpose, all material economic risks are viewed from a present value oriented economic perspective, quantified as far as possible using models, and aggregated to economic capital. Economic capital is defined as the capital required to cover the financial risks, taking into account a confidence level of 99.9% over a one-year horizon. It is calculated for all relevant types of risk, and aggregated to form total economic capital (after diversification effects). The capital available to cover total risk is calculated and compared to economic capital. The supplementary full present value economic perspective takes into account the hidden losses and reserves of all positions, not just the bonds on the assets side.

Risks identified in the risk inventory as material having an impact on capital and income - these are market risk, credit risk, business and strategic risk, operational risk, property risk and participation risk - are included in the ICAAP, using models or other methods to quantify the economic capital of these risk types. Within these risk types, there are further material sub-risks at a granular level, which were recognised as other risks in the ICAAP in the reporting period; these include extension risk, the settlement risk of derivatives, the realisation risk of defaulted customers and ESG risks. Funding risk is included in business and strategic risk.

Over and above the risk-bearing capacity analysis, the ICAAP comprises additional management tools, including a system of limits and early-warning thresholds, as well as a comprehensive monthly monitoring and reporting process. Moreover, key indicators selected within the scope of base and stress scenarios are projected over a period of up to three years, with limits and early-warning thresholds also assigned to these figures. Limit compliance, in combination with a defined escalation process, supports the continuous safeguarding of an appropriate capitalisation.

The results of the ICAAP and of the stress tests are regularly presented to the Management Board and the GRC. The contents of the risk-bearing capacity analysis are discussed there – if necessary, management measures are defined.

The methods of calculating economic capital for the individual risk types, as well as risk indicators as at the reporting date, are described in greater detail in the following sub-sections, and in the chapter "Result of Risk-bearing Capacity Analysis".

Quantification of economic capital for individual risk types

For internal assessment of the Internal Capital Adequacy Assessment Process in line with the economic perspective, economic capital for quantifiable risks is determined using models or scenario analyses, and aggregated into overall bank risk using a mathematical/statistical approach, taking specific correlations between market and counterparty credit risks into account. Thereby risks are calculated for a one-year period, using a confidence level of 99.9%.

The methods of calculating economic capital for the individual material risk types for 2025 are explained below.

Economic capital for Credit Risk

For calculating the credit risk at the portfolio level, a credit portfolio model which is based on the approach of a so-called asset value model is used. The fundamental concept used involves the repeated simulation of correlated rating migrations for borrowers, whereby the associated portfolio revaluation is used to derive a statistical distribution of losses – which is in turn used to derive economic capital in terms of unexpected losses. Economic capital quantifies the maximum unexpected loss, given a pre-defined confidence level, which may be incurred due to rating migrations (including defaults) in the lending business within a single year. Besides the loss distribution of the credit portfolio, as a significant result of this process, credit risk capital can be assigned to individual borrower units in line with the risks involved, using the so-called expected shortfall principle. This ensures a risk-adequate allocation to borrowers, and thus constitutes a major cornerstone in the risk-oriented management of the credit portfolio. During the observation period, correlations between borrowers, borrower groups and regions were updated.

Credit risk reported comprises default and migration risk, transfer and conversion risk, concentration risk and model risk. Certain elements of counterparty credit risk, such as the realisation risk of defaulted customers, settlement risk and extension risk are not reported directly as part of counterparty credit risk, but are regularly updated, constituting a component of overall risk as 'other risks'.

Economic capital for Market Risk (including Pension Risk)

The purpose of calculating economic capital for market risk is to identify potential financial losses resulting from price changes affecting all positions. For this purpose, potential non-systematic losses are derived from an analysis of historical time series of certain influencing (risk) factors such as interest rates, exchange rates or credit spreads over a 10-year period. In addition, stress analyses are used to check whether the risk-bearing capacity is still given when longer time series are taken into account. Ultimately, using a simulation procedure and applying sensitivities of financial instruments to risk factors, the annual loss distribution of portfolio market value is determined, which allows to determine economic capital at the set confidence level. From a full present value economic perspective, the credit spread risks of all positions are also taken into account.

Economic capital for Operational Risk

Within the framework of the ICAAP, operational risk is quantified using the so-called loss distribution approach (LDA), whereby distributions for damage amounts and frequency are determined individually, using internal loss data from the loss database. External and scenario-based data is also included in the modelling approach. The full loss distribution is generated using a Monte Carlo simulation technique; diversification effects between the various sub-types of risk and modelling categories are considered. The economic capital for operational risk includes a buffer for possible model uncertainties. Furthermore, it is ensured that the economic capital figure calculated does not fall short of a specific floor. This floor is in line with the adjusted regulatory capital determined in accordance with the standardised approach pursuant to the CRR.

Economic capital for business and strategic risk

Business and strategic risk is quantified in the ICAAP by means of scenario analyses of all relevant items of the income statement. When deriving available financial resources, pbb Group does not consider any planned profits. This way, a buffer at least equivalent to the amount of positive projected results is reserved for business and strategic risk, since this type of risk is defined as the risk of potential negative deviations from planned income and expenses. In case higher than planned gains are calculated within the scope of quantifying business and strategic risk, the value of business and strategic risk exceeding the planned annual profit of pbb Group is reported as a risk amount.

Liquidity Risk in the ICAAP

Capital backing of liquidity risk in the narrower sense is not possible. Liquidity risk in the broader sense – i.e. the risk of higher funding costs for unexpected potential funding requirements, is shown in economic capital for business and strategic risk.

Result of Risk-bearing Capacity Analysis

Normative perspective

For a detailed description of the regulatory indicators measured as at the reporting date (CET1 ratio, tier 1 ratio, own funds ratio, MREL and Leverage Ratio), please refer to the chapter “Key regulatory capital ratios” in the risk and opportunity report. The requirements for regulatory capital ratios were satisfied at any time throughout the reporting period. In the future-oriented medium-term analysis of key capital ratios required by regulators, these were above the internal limits in the base scenario and in the stress scenarios at the end of the year.

Economic perspective

in € million	31.12.2025	31.12.2024	Change
Credit risk	826	1,017	-191
Market risk	424	407	17
Operational risk	79	80	-1
Business and strategic risk	99	87	12
Property risk	-	-	-
Other risks	135	134	1
Total before diversification effects	1,563	1,725	-162
Total after diversification effects	1,514	1,666	-152
Available financial resources before net hidden losses	2,521	2,786	-265
Net hidden losses	-86	-85	-1
Available financial resources	2,435	2,701	-266
Excess capital	921	1,035	-114
Internal Capital Adequacy ratio in %	161	162	-1

From an economic perspective, the overall risk after diversification effects decreased in the reporting period. The decline in economic capital from credit risk and operational risk was undercompensated by an increase from market risk, business and strategic risk, and other risks. The decline in economic capital in credit risk is mainly driven by the SRT transaction, in which risks in the commercial real estate portfolio in the US were syndicated. Market risk increased due to slightly higher interest rate risks and weaker diversification. The economic capital for operational risk is calculated at least annually and has decreased due to the update of the input data used. pbb still continues to hold no properties during the period under review. The economic capital from investment risks is currently deducted when determining the available financial resources.

The available financial resources decreased in the reporting period, mainly due to increased risk provisions in the commercial real estate portfolio. Compared to the end of 2024, the excess capital has thus decreased, as the decline in the available financial resources was greater than the decline in the associated risks. Overall, risk-bearing capacity was also demonstrated for the economic perspective as of the reporting date.

The results in the full present value economic perspective correspond to those in the present value oriented economic perspective, except for hidden losses and market risk. This results in additional hidden losses of €95 million and an additional market risk of €35 million. The internal risk-bearing capacity ratio in the present value view is therefore 151%.

Should credit spreads widen or credit ratings of European public debtors worsen, owing to economic or political developments, both a corresponding increase in credit risk and a reduction in available financial resources (given an increase in net hidden losses and lower equity) are to be expected, notwithstanding any countermeasures taken. A further deterioration in the real estate markets would lead to a deterioration in the rating of the corresponding debtors and thus to a higher credit risk. In addition, a deterioration in funding spreads could have a negative impact on market risk.

Opportunities

A quick economic recovery would lead to tightening credit spreads and generally improved ratings. This would strengthen available financial resources further and hence, excess coverage in the ICAAP.

Stress testing

Stress tests play a major role, both from a supervisory perspective and for the Bank's internal management. All activities, developments and decisions relating to stress tests are brought together within the GRC and the subordinated Group Stress Test Committee.

As part of an integrated approach, the impact of macroeconomic stress scenarios on the material metrics of the normative and economic perspectives was calculated for a horizon of several years during the period under review. Stress scenarios were developed, particularly in relation to geopolitical conflicts and the development of inflation as well as the resulting macroeconomic developments, and the impact these events could have on the Bank was analysed. Due to the very dynamic development, these scenarios are subject to a high degree of uncertainty.

Furthermore, stress tests relating to economic capital and available financial resources are used to obtain a deeper understanding of the sensitivity of risk-bearing capacity to adverse changes in economic factors. In addition, inverse stress tests are conducted regularly. The results of these tests describe specific constellations of parameters under which the risk-bearing capacity would be at risk.

SREP

The objective of the SREP is a comprehensive analysis of institutions supervised by the ECB – comprising an assessment of the business model, risk and corporate governance, risk situation, as well as capitalisation and liquidity status.

Based on the results of the analysis as well as using benchmark comparison, the ECB may impose minimum capitalisation or liquidity requirements, over and above existing regulatory requirements. As a key result of the SREP, pbb had to maintain a minimum CET1 ratio of 8.83% in 2025 (excluding the countercyclical capital buffer, which varies by country and therefore by portfolio, and the sectoral systemic risk buffer). This requirement consists of a Pillar 1 minimum capital requirement (4.5%), a Pillar 2 capital requirement (P2R: 3.25%) and the capital conservation buffer (CCB: 2.5%). Of the Pillar 2 capital requirement of 3.25%, around 1.83% (56.25%) must be held as Common Equity Tier 1 (CET1) capital and around 2.44% (75%) as Tier 1 capital. In addition, pbb had to fulfil a total capital requirement of 13.75% in 2025 (excluding the countercyclical capital buffer, which varies by country and therefore by portfolio, and the sectoral systemic risk buffer). It comprises a Pillar 1 minimum capital requirement (8.0%), a Pillar 2 capital requirement (3.25%) and the capital conservation buffer (2.5%). pbb complied with both requirements at all times during the year under review.

The CET1 minimum capital requirement that applies also represents the threshold for mandatory calculation of a so-called maximum distributable amount (MDA). This generally limits distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional Tier 1 capital (AT1 capital).

The Pillar 2 capital requirement notified to pbb in the ECB's SREP letter dated 28 October 2025 and valid since 1 January 2026 is unchanged at 3.25%. This means that, as of 1 January 2026, the above-mentioned requirements for the CET1 minimum ratio (excluding the countercyclical capital buffer, which varies by country and therefore by portfolio, and the sectoral systemic risk buffer) and for the total capital requirement (excluding the countercyclical capital buffer, which varies by country and therefore by portfolio, and the sectoral systemic risk buffer) apply.

Key Regulatory Capital Ratios

Together with the Capital Requirements Directive (CRD), the CRR forms the basis for determining regulatory capital requirements. Besides the minimum capital ratios, these regulations also govern requirements for the eligibility of capital instruments as well as the mandatory determination of regulatory capital, in line with the accounting standards used. For this reason, pbb has determined its regulatory capital ratios based on IFRS.

With the approval of the ECB, pbb Group uses the waiver rule pursuant to Article 7 (3) of the CRR; the Group is therefore exempt from determining own funds requirements at a single-entity level.

pbb Group determines the risk-weighted position values (risk-weighted assets, RWA) for the majority of commercial financing using the Foundation Internal Rating Based Approach (F-IRB) and, for the remaining positions, using the standardised approach. As of 31 December 2024, the RWA determined using the F-IRB were calibrated to standardized risk parameters, meaning that they are only comparable to a limited extent with the RWA determined for subsequent dates. This calibration has been discontinued since 1 January 2025, resulting in a €3,694 million decrease in RWA and a 2.4 percentage point improvement in the CET1 ratio (pro forma as of 31 December 2024).

The requirements for regulatory capital ratios were satisfied at any time throughout the reporting period.

Own Funds

in € million	31.12.2025 ¹⁾	31.12.2024 ²⁾
CET1	2,609	2,974
Additional Tier 1	298	298
Tier 1	2,906	3,271
Tier 2	389	273
Own Funds	3,296	3,544

¹⁾ After approval of the 2025 consolidated financial statements less AT1 coupon.

²⁾ After approval of the 2024 consolidated financial statements less AT1 coupon and and appropriation of profit.

Risk-weighted assets (RWA)

in € million	31.12.2025	31.12.2024
Credit risk (without Counterparty credit risk)	16,235	19,300
Counterparty credit risk	244	307
Thereof CVA Charge	124	131
Market risk	224	43
Thereof interest rate risks	-	-
Thereof foreign exchange risks	224	43
Operational risk	824	980
RWA total	17,526	20,630

Capital ratios

in %	31.12.2025 ¹⁾	31.12.2024 ²⁾
CET1 Ratio	14.9	14.4
Tier 1 Ratio	16.6	15.9
Own Funds Ratio	18.8	17.2

¹⁾ After approval of the 2025 consolidated financial statements less AT1 coupon.

²⁾ After approval of the 2024 consolidated financial statements less AT1 coupon and and appropriation of profit.

Leverage ratio

in %	31.12.2025 ¹⁾	31.12.2024 ²⁾
Leverage ratio	7.8	7.5

¹⁾ After approval of the 2025 consolidated financial statements less AT1 coupon.

²⁾ After approval of the 2024 consolidated financial statements less AT1 coupon and and appropriation of profit.

A key driver of the RWA and equity impact resulted from the requirements applicable in both the F-IRBA and the standardised approach for determining the RWA of loans secured by real estate. Under certain conditions, these allow for a favourable risk weighting for such risk assets. A favourable treatment is possible, among other things, if the total loss ratios last published by the competent supervisory authorities in the respective commercial real estate market are below certain thresholds (so-called "hard test").

In the following countries, the most recently published total loss ratios in the respective commercial real estate markets were above the regulatory threshold of 0.5% (with the respective impact on RWA and CET1 ratio as of 31 December 2025): Poland 0.501% (RWA +€833 million; CET1 ratio -0.87%); Finland 0.501% (RWA +€171 million; CET1 ratio -0.17%); Austria 0.63% (RWA +€156 million; CET1 ratio -0.15%); Hungary 0.69% (RWA +€61 million; CET1 ratio -0.06%); Italy 0.63% (RWA +€54 million; CET1 ratio -0.05%); Belgium 0.85% (RWA +€29 million; CET1 ratio -0.03%); Romania 1.11% (RWA +€13 million; CET1 ratio -0.01%). No favourable risk weighting could be applied for Switzerland, as no loss data was published by the Swiss supervisory authority that could have been used for the above purpose (RWA +€7 million; CET1 ratio -0.01%). In the case of the United Kingdom, no favourable risk weighting could be applied because the supervisory regime there has not yet been classified by the European Commission as equivalent to the EU supervisory regime (RWA +€671 million; CET1 ratio -0.69%).

On 27 February 2026, at the request of the ECB, the EBA took the view that the data published by the US Federal Reserve should be considered "non-equivalent" for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously used by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025). Reference is made to the reports on post-balance sheet date events to the consolidated financial statements and the unconsolidated financial statements.

MREL (Minimum Requirements for Own Funds and Eligible Liabilities)

Under the European resolution and reorganisation regime, institutions are required to hold liabilities convertible into equity, including regulatory capital, in the amount of the MREL ratio. In the event of resolution, own funds and liabilities can be used for loss absorption and subsequent recapitalisation. There are clear limits to the possibility of converting liabilities (bail-in capability). In particular, there is the principle that no creditor may be placed in a worse position than through the regular insolvency proceedings (NCWO - Principle of No Creditor Worse Off). Furthermore, certain liabilities are excluded from conversion, for example deposits, insofar as they are secured by the national deposit protection fund. As part of the annual redefinition of the minimum requirements by the Single Resolution Board (SRB), several MREL requirements are defined. These relate to own funds and the eligible liabilities on the one hand, and own funds and the subordinated liabilities on the other. The leverage ratio exposure amount (LREA) on the one hand and the total risk exposure amount (TREA) on the other serve as benchmarks for the regulatory minimum requirements. Internal bank management is based on the highest requirement in each case. The MREL requirement in the reporting year was exceeded by more than € 2.2 billion (31 December 2024: € 1.2 billion). With the entry into force of Basel IV on 1 January 2025 and the associated end of the aforementioned calibration, there has been a decline in the MREL requirement in relation to TREA and a corresponding increase in the overfulfillment of the MREL requirement.

Recovery and Resolution Planning

Recovery and Resolution Planning

A uniform bank resolution regime is a key component of European Banking Union. With the BRRD, which has harmonised recovery and resolution tools, and with the Regulation setting up the Single Resolution Mechanism (“SRM”), the legal basis therefore was established. In Germany, the BRRD was implemented by the SAG, while the SRM Regulation applies directly.

Recovery Planning

Pursuant to section 12 (1) of the SAG, every institution must prepare a recovery plan and submit it to the supervisory authorities. pbb’s Recovery Plan is based on the Bank’s accounting and financial reporting in accordance with IFRS; it takes numerous directives and regulations into account, including the BRRD, together with related directives and technical standards published by the European Banking Authority (EBA), the SRM, as well as the SAG. The objective of recovery planning is to develop measures that can be used to safeguard or restore the financial stability of the institution if its assets, financial position and earnings deteriorate significantly in theoretical crisis scenarios and this deterioration could jeopardise its continued existence. A possible impact upon the financial sector as a whole is also considered in this context.

The monitoring of recovery indicators, as well as recovery governance, are enshrined within the organisational as well as operating structures; they form part of the Bank’s overall management.

The Recovery Plan is updated at least once a year, or on an event-driven basis, taking applicable regulatory requirements into account.

Resolution Planning

In contrast to the Recovery Plan, the Wind-down Plan is conceived by the resolution authorities and not by pbb itself. In this context, pbb works closely together with the Single Resolution Board (SRB) and the national resolution authority, the German Federal Financial Supervisory Authority (BaFin). The objective of the resolution plan is to ensure pbb’s resolvability in the event of a failing or likely-to-fail situation.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELEVANT FOR THE CON-SOLIDATED FINANCIAL REPORTING PROCESS

Concept

The risk management system relevant for the consolidated financial reporting process comprise the principles, processes and measures used to ensure the effectiveness and efficiency of financial reporting, as well as to ensure compliance with statutory provisions. Risks that may prevent this overall objective from being achieved are identified and assessed; any risks identified are limited and their effect on the financial statements and their appropriate presentation are reviewed. The internal control system (“ICS”) is an integral part of the risk management system. The implementation of controls is intended to ensure, with sufficient certainty and despite the risks identified, that the financial statements are prepared in compliance with the regulations. However, absolute certainty regarding the achievement of the objectives cannot be given completely. The ICS is fully integrated into the pbb Group’s organisational structure and workflows.

pbb’s Management Board prepares Consolidated Financial Statements and a Combined Management Report. In connection with the requirement to establish a Group-wide ICS, the whole Management Board of pbb is also responsible for the form – i.e. the concept, implementation, maintenance and monitoring – of an appropriate and effective ICS. All strategies are decided on by the whole Management Board on the basis of recommendations made by the Chief Financial Officer (CFO).

The Supervisory Board is tasked with advising and monitoring the Management Board. It also has audit and reporting-related obligations. pbb's Supervisory Board established an Audit and Digitalisation Committee to support its activities in this area. In accordance with section 100 (5) of the Aktiengesetz (AktG – German Stock Corporation Act), at least one member of the Supervisory Board must have expertise in accounting and another member must have experience in auditing. These requirements are met.

Internal Audit supports the Management Board and the Supervisory Board in its control function by performing independent audits.

At 31 December 2025, the CFO was responsible for Treasury, CIO/COO and Finance. As at the reporting date the Finance division comprised the departments Accounting, Financial Reporting, (Out)Sourcing & Cost Management, Regulatory Reporting and Tax. The Finance division prepares pbb's annual financial statements in accordance with the HGB and consolidated financial statements (IFRS) (as adopted by the EU), and provides accounting-related capital market information. In addition, the Finance division centrally prepares the financial statements of the branches and selected subsidiaries of pbb Group in accordance with the respective local legal requirements. For Group accounting purposes, the financial statements are standardised to uniform Group accounting policies in accordance with IFRS. For each consolidated entity, the statement of financial position, the income statement and the notes are then reported to the central Group accounting via the standardised Group consolidation software. In Group Accounting, the data is checked for plausibility, analysed and consolidated. For the annual financial statements, the accounting and valuation methods in accordance with the German Commercial Code (HGB) are standardised in the financial statements of the head office and the branches on the basis of a HGB accounting manual.

The Group Finance Committee (GFC) makes decisions within the scope of its competences and makes recommendations to the Executive Board. This includes defining and monitoring the guidelines and processes for accounting and reporting for all units and segments. The GFC is made up of the members of the Executive Board and the divisional heads of Finance, Financial Risk & Control and Treasury.

With respect to workflows, the ICS is based on the objective of largely standardised the processes and software. Core activities and processes are governed by policies, according to which the four eye principle must be applied in all material transactions. Data and IT systems are protected against unauthorised access. In addition, certain relevant information is only made available to those employees who need it for their work. Where necessary, results are harmonised across divisions.

Implementation

In order to strengthen and further expand the ICS, pbb Group has, among other things, implemented the Control Attestation Process (CAP). As part of this process, all divisions define key controls for managing their significant risks. The key controls are reviewed and confirmed in an annual confirmation process by the divisions. In addition, the controls are reviewed in a downstream process by the Non Financial Risk & Control and Internal Audit divisions.

The qualifications of the employees involved in the accounting process are ensured through appropriate selection and regular training.

There is a clear separation of functions within the Finance division. The GFC and other committees as well as departmental meetings act as a link between the various tasks and ensure the flow of information on both sides. In addition, executive, accounting and administrative activities, such as payments and the posting of payments, are clearly separated or subject to the dual control principle. Furthermore, the financial statements of the reporting units are prepared centrally in one department. This department reports the data included in the consolidated financial statements to another department in the Finance division. This centralisation ensures further processing in a uniform process.

Systems-based and non-systems-based risk management measures and internal controls are used within the workflows. At the systems level, standard software is used as far as possible to post, reconcile, check and report data so as to avoid errors. This also applies to the consolidation and the preparation of the annual report and the annual financial statements. The consolidation software supports the reconciliation of intragroup transactions at a technical level in a clearly defined process, ensuring that these transactions are eliminated correctly and in full. Data from the entities included in the Consolidated Financial Statements are reported using a uniform, standardised chart of accounts. Automated plausibility checks are performed on the data reported by subsidiaries for consolidation purposes, for example. The largest part of assets and liabilities is held by the parent company pbb. The balances carried forward are checked by the system. Extensive validation routines are also anchored in the software that is also widely used on the market to prepare the annual report and the unconsolidated financial statements. To prevent data loss, the data in the consolidation software are backed up on a daily basis and the backup is stored on tape. As a general rule, pbb Group's software is protected against unauthorised access by a clearly defined administration concept and authorisation rules.

In addition to the system-based measures, manual and non-system-based procedures have also been implemented. For example, the notifications are checked for accuracy and completeness in a standardised process. This includes carrying out variance analyses over time. In addition, the consolidated statement of financial position and the consolidated income statement are calculated on a monthly basis. Projections and budgets are also prepared. As a further control measure, the financial instrument items and thus the vast majority of the statement of financial position are broken down to individual transaction level on the basis of the sub-ledgers and reconciled with the consolidated values. In the income statement, for example, net interest income and commission income are reconciled as part of the earnings transparency statement and net income from fair value measurement is reconciled as part of the monthly analyses based on the individual transactions in the sub-ledgers. Another reconciliation relates to administrative expenses, where the consolidated value is reconciled to the individual accounts in the subledger.

Mandatory accounting requirements are defined and communicated, amongst others, by the use of IFRS respectively HGB accounting manuals. These requirements, which include the analysis and interpretation of new and existing IFRS standards and interpretations, enable a group wide consistent accounting and measurement. Generally accepted valuation methodologies are employed. The procedures in place and the underlying parameters are monitored on a regular basis and adjusted if necessary.

The cross-divisional new product process and the review of existing products with veto rights by the Finance and Financial Risk Control divisions serve to ensure the standardised and systematic presentation of products in the balance sheet. Annual and interim report preparation is another example of interdepartmental coordination. The Finance division coordinates the preparation of the group annual report and the unconsolidated financial statements on the basis of contributions from specialists in the relevant divisions. For example, the divisions provide support by preparing data and texts for their respective topics in the consolidated and unconsolidated financial statements and in the combined management report. The sections of the report are coordinated in detail in an editorial meeting attended by these divisions. In addition, the divisions involved must confirm the content of these reports before they are prepared by the Management Board (subcertification process), creating an additional level of control for the products to be disclosed.

Comprehensive data quality management (DQM) has been established within pbb Group as part of and in addition to the ICS. In organisational terms, responsibility for the entire central data governance, including data quality management, is anchored in a separate department as part of pbb Group's "2nd Line of Defence". DQM and data quality reporting make it possible to improve data quality by continuously identifying and rectifying data quality issues. Reliable, high-quality data at all levels of the pbb Group enables more reliable decisions to be made, contributing to improved risk assessment and more effective management. Data quality is measured according to four different dimensions: Completeness, Accuracy, Consistency and Timeliness. pbb Group has various means and measures in place to ensure high data quality. Indirect data quality checks and error prevention assess risks in particular and prevent data quality errors from occurring. Direct data quality checks are controls that actively check data and address existing errors. These can also be part of the ICS process. The Management Board defines its requirements for adequate data quality and promotes the associated DQM and the establishment of a data quality culture at pbb. It is also responsible for ongoing compliance with the regulatory requirements for DQM. The Management Board regularly informs the Supervisory Board about data quality, as well as the implementation status of measures adopted to improve data quality.

pbb Group takes measures to combat fraud and intentional violations that negatively impact the Group. Fraud includes theft, embezzlement, or breach of fiduciary duty, as well as intentional accounting errors in connection with the consolidated financial reporting process.

pbb Group uses IT security management to protect its data and the data of its business partners and employees. The IT systems are protected against unauthorised access or manipulation and data misuse. In addition, this ensures permanent availability and enables security of action.

Maintenance

In order to ensure that risks are identified, evaluated and limited as correctly and comprehensively as possible, pbb Group continually reviews and improves its ICS. This also involves adjustments to the ICS to reflect new circumstances, such as changes in the structure and business model of pbb Group or new statutory requirements.

The risk of fraud and intentional violations is regularly analysed in order to take defensive measures. Factors taken into account include suspicious events and changes in pbb Group's situation and that of individual employees.

Any changes to processes and IT systems required as a result of legislative amendments are implemented as separate interdepartmental projects with a clear allocation of functions. At the same time, the IKS is also adapted to the changes in the amended regulations.

Monitoring

The Internal Audit division is in particular responsible for checking that processes and procedures are carried out in a due and proper manner and identifying inefficiencies, irregularities or manipulation. The Internal Audit division also reviews the effectiveness and appropriateness of the IKS in an independent and risk-oriented manner in line with the rules set out in the Minimum Requirements for Risk Management (MaRisk), and identifies any weaknesses in risk identification, assessment and mitigation. This also includes reviewing the IT systems and the processes and controls of the Finance functions. Concrete action plans with specific deadlines are drawn up and their implementation monitored to remedy the identified shortcomings. Internal Audit as an independent division is not integrated into the workflow, nor is it responsible for the results of the audited process. In order to be able to carry out its duties, Internal Audit has a full and unrestricted right to information on activities, processes and the IT systems.

As the body responsible for supervising and advising the Management Board, the Supervisory Board may inspect and examine the Company's books and assets. In addition, the Management Board reports regularly to the Supervisory Board. Internal Audit reports to the whole Management Board and the Audit and Digitalisation Committee of the Supervisory Board at appropriate intervals, however, at least quarterly. The Supervisory Board discusses the IKS. The Supervisory Board appoints the auditors of the Consolidated Financial Statements, the Unconsolidated Financial Statements and the Combined Management Report. The Supervisory Board approves the Consolidated Financial Statements and the Combined Management Report prepared by the Management Board and audited by the independent auditors.

The auditors of the financial statements attend the Supervisory Board meetings relating to the financial statements and all of the meetings of Supervisory Board's Audit and Digitalisation Committee to report on the material findings of their audit including material weaknesses in the IKS. Where relevant, the auditors immediately report findings and issues that emerge during the audit and that are material for Supervisory Board to carry out their duties. The Supervisory Board discusses the focus of the audit with the auditors in advance.

Report on Expected Developments

MACROECONOMIC FORECAST

The global economy is expected to grow at a similarly moderate pace in 2026 as in the previous year. The International Monetary Fund (IMF) expects global growth of 3.3%, following an estimated growth rate of 3.3% in 2025. The expected economic momentum is being dampened by the consequences of the higher tariffs on exports to the US that have been in place since last year. The effective tariff is now 18.5%, compared with only 2.6% at the beginning of 2025. This is dampening the growth of world trade, which, according to the IMF, will grow at a rate of 2.6% in 2026, down from 4.1% in the previous year. (Sources: IMF 2025, IMF 2026)

This forecast for global trade assumes that the current trading environment will remain unchanged. However, further tariffs cannot be ruled out in the future, either as a means of political pressure, as recently threatened in the Greenland crisis, or in the event that preliminary agreements such as that between the US and the People's Republic of China do not lead to a final agreement. In addition to higher tariffs, export controls on rare earths and semiconductors could also return to the agenda. This uncertainty means that the existing and heightened uncertainty will continue to weigh on economic actors in 2026, thereby hampering global economic growth. (Sources: IMF 2025, IMF 2026)

Another risk to the global economy is growing geopolitical tensions, particularly in the Middle East and Ukraine, which could lead to a renewed increase in existing uncertainty. Possible consequences include financial market turmoil, disrupted supply chains, and sharply rising commodity prices. (Sources: IMF 2025, IMF 2026)

In return, the global economy is being supported by strong growth in investment flowing into the technology sector, loose monetary policy, and growing government spending. In addition, global inflation is likely to continue to fall, from an estimated 4.1% in 2025 to 3.8% this year. The US plays a special role in this context. Inflation there is higher than in the eurozone, for example, and is also likely to fall more slowly than in other major economies. (Sources: IMF 2025, IMF 2026)

The varying levels of inflation and the diverging pace of its decline also have consequences for monetary policy. The European Central Bank already significantly eased key interest rates last year, most recently to 2% for the deposit rate. With inflation at around 2%, there is little need for action. Key interest rates are likely to remain at their current level for the foreseeable future. The situation is different in the UK and the US. Monetary policy there is still slightly restrictive, but further key interest rate cuts by the Bank of England and the Federal Reserve are expected in the course of 2026. (Sources: IMF 2025, IMF 2026)

In addition to monetary policy, the economy is also receiving support from the government. In the US, the One Big Beautiful Bill Act passed in 2025 creates tax incentives for corporate investment. In Germany, the government is investing heavily in infrastructure and defense. Government spending is also rising in other European countries, as can be seen from growing budget deficits and public debt. In the short term, this will boost economic growth, but it could also put pressure on long-term capital market interest rates and thus counteract the desired effect. (Sources: IMF 2025, IMF 2026)

However, higher capital market interest rates are not the only risk to growth. The investment boom in the artificial intelligence sector could also come to an abrupt end if the hoped-for productivity gains fail to materialize. This, in turn, could shake the financial markets and put additional strain on the economy. Last but not least, geopolitical tensions, for example in the Middle East, Ukraine, or Asia, could flare up again or intensify, with corresponding negative consequences for supply chains, commodity prices, the degree of uncertainty among economic actors, and, not least, the propensity to consume and invest. (Sources: IMF 2025, IMF 2026)

The labor market is likely to be an anchor of stability in this uncertain environment. Currently, central banks and institutions such as the IMF predominantly expect unemployment rates to fall slightly in 2026. In the eurozone, the IMF sees the unemployment rate falling by 0.1 percentage points to 6.3%, while for Germany it expects a decline of 0.3 percentage points to 3.4%. For the UK, the IMF forecasts an unchanged rate of 4.7% in 2026, while for the US it expects a decline of 0.1 percentage points to 4.1%. (Source: IMF 2025)

Provided that the risks mentioned do not materialize, the European economy should be able to expand moderately, not least due to the sharp rise in government spending. For 2026, the IMF expects gross domestic product in the euro area to grow by 1.1%. Within the eurozone, it expects economic growth of 0.9% in Germany, 0.8% in Italy, and 0.9% in France. At the same time, Spain is once again expected to see comparatively strong growth of 2.0%. (Sources: IMF 2025, IMF 2026)

For the US, the IMF expects growth to remain equally strong this year, following an estimated 2.1% increase in 2025. US growth is being supported by the ongoing investment boom, falling inflation, and expected interest rate cuts by the Federal Reserve. (Sources: IMF 2025, IMF 2026)

Meanwhile, growth in the UK is expected to be almost as strong as in the previous year, at 1.3% in 2026. Similar to the US, the British economy is likely to benefit from falling inflation and further monetary policy easing. (Sources: IMF 2025, IMF 2026)

In Sweden, the IMF forecasts an acceleration in growth from an estimated 0.7% in 2025 to 1.9% this year. The improved economic momentum can be explained by the significant easing of monetary policy last year and the government's plans for additional public spending and tax cuts in 2026. (Sources: IMF 2025, IMF 2026)

In Eastern Europe, the IMF expects continued strong growth of 3.1% in Poland, 2.0% in Czechia, and 2.1% in Hungary in 2026. The main drivers of growth will be declining inflation, significantly rising wages, and the associated strengthening of consumer purchasing power. (Sources: IMF 2025, IMF 2026, European Commission 2025)

Real Estate Finance

Following a slight upturn in commercial investment volumes last year, investor sentiment in the European real estate investment market is likely to continue improving in 2026, albeit at a rather moderate pace. Investor interest is focused primarily on properties with high levels of sustainability and stable rental income, while yield compression is less of a focus. More favorable financing conditions are likely to further strengthen investor interest and cause both transaction volumes and prices to rise moderately.

For 2026, modest but positive growth expectations, low unemployment figures, and a continuing improvement in consumer confidence will support user demand for real estate. Office markets are likely to see positive net absorption and rental growth again, with prime properties in sought-after locations benefiting in particular. Due to limited supply and a small pipeline of high-quality office space, the vacancy gap between top properties and less attractive buildings is expected to widen further.

In the US, vacancy rates are likely to remain well above European levels for some time to come. Although the limited pipeline of new construction is providing some relief, the recovery is expected to be protracted and will not affect all markets equally.

In the retail sector, retail parks, prime shopping centers, and central high street locations are expected to benefit most from stable or rising sales, while secondary locations across Europe are likely to continue to face challenges. Logistics markets are expected to continue to see rental growth in 2026 due to the ongoing economic recovery and the growth of e-commerce. After years of double-digit growth since the pandemic, moderate performance growth is expected for the European hotel sector in 2026. Older properties are likely to remain under pressure regardless of property type, as user requirements for sustainability, energy efficiency, and modern amenities continue to rise.

The rapidly growing demand for data centers, driven by the rise of artificial intelligence and the ongoing digitalization of the economy, is expected to intensify further in 2026, reducing vacancy rates to a record low. Demand for student accommodation (PBSA) in Europe is also expected to continue to grow significantly, driven by both international and domestic students. This trend is likely to continue, as the number of international students in Europe is expected to increase by around 5% annually until 2030. Senior living is expected to continue to grow in the coming years as the aging population significantly increases the demand for age-appropriate and assisted living.

(Sources: CBRE, European Real Estate Market Outlook 2026, Savills)

Non-Core

Demand for public investment financing in the EU is expected to continue growing in 2026. According to the European Commission's autumn forecast, the share of public investment is set to increase from 3.7% of GDP in 2024 to 3.8% in 2025. Among other things, this reflects the increased use of EU funding. (Source: European Commission)

Within the EU, public investment spending is expected to develop in different directions in the coming year. In Germany, the share is expected to remain at 3.0% of GDP in 2025, while in France it is expected to fall from 4.3% to 4.2%. In Austria and Spain, on the other hand, an increase from 3.7% to 3.8% and from 3.0% to 3.1% respectively is expected. Outside the EU, investment spending in the United Kingdom is expected to fall from 3.3% of GDP in 2025 to 3.2%. (Source: European Commission)

The deterioration in public finances is expected to continue in the EU in 2026. Despite isolated efforts at fiscal consolidation, growing expenditure, particularly on defense and interest payments, will prevail. As a result, the aggregate deficit is expected to rise slightly by 0.1 percentage points to 3.4% of GDP. At the same time, debt levels are expected to rise again, reaching 83.8% of GDP, compared to 82.8% in 2025. (Source: European Commission)

It is uncertain whether the improvement in credit spreads observed in the European periphery last year will continue in 2026. On the one hand, the expected continued improvement in public finances in these countries should be reflected in stable or possibly further narrowing risk premiums, but on the other hand, the multitude of global geopolitical flashpoints could lead to a widening of spreads. The trends are also contradictory for yield levels. Loose monetary policy and low inflation rates should help keep capital market yields stable or perhaps even cause them to fall. On the other hand, investors could once again focus more closely on the budgetary situation of countries that, like France, continue to have high budget deficits and excessive debt, or are politically unstable, thereby putting pressure on yields.

Funding Markets

It can be assumed that capital markets will continue to be driven by geopolitics and macroeconomic factors in 2026. In particular, ongoing geopolitical conflicts could lead to periods of heightened uncertainty and weigh on capital markets.

With regard to the primary markets, pbb Group expects positive sentiment to continue and, not least due to the high volume of maturities, a considerable volume of covered bonds to be brought to market again. Furthermore, refinancing via unsecured bank bonds is likely to remain attractive for issuers due to tight senior covered spreads. Despite significantly tighter spreads, new issues are likely to continue to be well received and enjoy high investor demand. The noticeable recovery in the real estate markets is also likely to have a supportive effect.

Demand from private customers for fixed-income investments, particularly time deposits, should continue unabated. With regard to unsecured refinancing, pbb aims to achieve a balanced ratio between retail deposits and capital market funding.

(Sources: ECB, Bloomberg, vdp)

SECTOR-SPECIFIC FORECASTS

Overall Situation in the Banking Sector

The financial sector will continue to face major challenges in 2026, as uncertainties and new or more frequent shocks require a resilient and adaptable financial system. Geopolitical tensions, erratic trade policies, and structural challenges such as demographic change and digitalization pose significant challenges to the global economy and financial stability, as the Bundesbank emphasizes in its Financial Stability Report. Although the macrofinancial environment has deteriorated noticeably, according to the Bundesbank, there are initial signs that the financial cycle in Germany has bottomed out. (Source: Bundesbank 2025)

The BaFin sees various risks for the financial system looming in 2026. These include risks from significant corrections in the financial markets, corporate loan defaults, cyber incidents, concentrations in the outsourcing of information and communication technology services, and inadequate prevention of money laundering/terrorist financing. In addition, there are risks arising from the commercial real estate markets, as BaFin considers the situation on the commercial real estate market to remain fragile. In addition to these risks, it sees three trends that offer opportunities for the economy and the financial sector, but also entail considerable risks: sustainability, digitalization (such as the growth of stablecoins and the increasing use of artificial intelligence), and geopolitical upheavals. (Source: BaFin 2026)

COMPANY FORECASTS

The forecasts for pbb Group's future development represent estimates that were made on the basis of the information currently available. If the assumptions on which the forecasts are based on do not materialise or if risks and opportunities do not occur to the extent calculated, the actual results may differ significantly from the results currently expected.

Future Developments in Assets, Financial Position and Earnings

The following forecast is made for the most significant key performance indicators defined in the "Management system" section for the 2026 financial year:

Key performance indicator	Initial position (financial year 2025)	Forecast (Financial year 2026)
New business volume Real Estate Finance (including prolongations with maturities of more than one year)	€6.3 billion	€7.5 billion to €8.5 billion
Financing volumes REF/REFS	€27.3 billion	€27.0 billion to €28.0 billion
Profit before tax	€-250 million	€30 million to €40 million
Cost-income ratio	60.9%	70% to 75%
Proportion of net commission income and other revenue from Deutsche Investment Group companies in operating income	0.9%	10% to 15%
Return on tangible equity before tax	-9.9%	0.0% to 1.0%
Assets under Management	0.0 billion €	€3.3 billion to €3.7 billion
CET1 ratio	14.9%	slightly below the 2025 figure

The REFS segment should account for the majority of profit before tax in 2026.

On 27 February 2026, at the request of the ECB, the EBA took the view that the data published by the US Federal Reserve should be considered "non-equivalent" for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously used by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025). This could affect the achievement of the CET1 ratio forecast outlined above. Reference is made to the reports on post-balance sheet date events to the consolidated financial statements and the unconsolidated financial statements.

Opportunities and Risks

Funding and Liquidity

The spreads on secured and unsecured pbb bonds improved overall in the course of 2025. pbb Group continues to have sufficient long-term unsecured refinancing. The price of pbb shares fell in the course of 2025. While Standard & Poor's unsecured issuer ratings (BBB-/A-3) remained unchanged in 2025 compared with 31 December 2024, the rating outlook was initially raised from negative to stable in March 2025, but was lowered again to negative in November 2025.

A renewed deterioration in refinancing spreads, for example as a result of a rating downgrade, would have a negative impact on net interest income. This could also make new business on the assets side unattractive for the pbb Group. A reduction in the market values of the assets in the cover pool, for example as a result of increased credit risk premiums, could also have a negative impact on the pbb Group's secured refinancing instruments.

Even though pbb Group maintains a liquidity buffer and has a broad range of refinancing instruments at its disposal, a liquidity gap could arise in extreme cases. This could be the result of a general drying up of the refinancing markets. The liquidity gap may also result from specific problems faced by the pbb Group, for example in connection with the issuance of secured or unsecured bonds, or directly from pbb. This could also be due to reputational damage, strong market reactions, rating downgrades, or increases in overcollateralization requirements with regard to Pfandbrief ratings. Conversely, a decline in refinancing costs could lead to an improvement in net interest income.

Regulatory Environment

pbb Group is obliged to comply with a large number of legal and regulatory requirements and provisions. The further development of the requirements and potential supervisory measures may have a positive or negative impact on the development in assets, financial position and earnings, on capital requirements, on funding and on the business activities of pbb Group. In addition, costs are generally incurred for implementing and monitoring the requirements.

As part of the SREP, pbb was specified a minimum CET1 ratio and a minimum own funds ratio, as well as an additional recommendation for capital ratios. It cannot be ruled out that the ECB will require a higher capitalisation and higher capital ratios or a change in the RWA calculation in the future. This may have an impact on pbb Group's development in assets, financial position and earnings. In addition, regulatory requirements for refinancing instruments such as Pfandbriefe could change, which could lead to higher liquidity requirements and consequently put pressure on net interest income.

The regulatory requirements and conditions for calculating RWA are subject to change. For example, they provide for a favourable risk weighting for loans secured by real estate under certain conditions. One of the requirements for this is that the risk of the debtor does not correlate materially with the performance of the underlying property, so that the repayment of the loan does not depend materially on the cash flows generated by the property provided as collateral (known as the hard test). However, this requirement may be waived if the losses from mortgage-backed loans are below the thresholds specified by the supervisory authorities. The relevant loss data is usually published annually by the national supervisory authorities. Based on these publications – or if no figures are published by the national supervisory authorities – a higher risk weighting of real estate financing in certain countries may be necessary, which would have an impact on regulatory capital ratios. For non-EU countries in particular, the figures published by the national supervisory authorities there may be deemed inadequate for the purposes of the hard test, resulting in a higher capital requirement. This applies, for example, to the United Kingdom, for which the European Commission has not yet issued an equivalence decision.

On 27 February 2026, at the request of the ECB, the EBA took the view that the data published by the US Federal Reserve should be considered “non-equivalent” for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously used by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly reporting date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as of 31 December 2025). Reference is made to the reports on post-balance sheet date events to the consolidated financial statements and the unconsolidated financial statements. pbb Group has set itself a minimum CET1 ratio target of 13% for the whole of 2026.

Real Estate Markets

The mood on the real estate market in 2025 was still characterised by caution due to economic and geopolitical uncertainties. Although initial signs of recovery were visible last year, transaction volumes remained at a low level by historical standards. Office buildings in particular saw very low investment revenues.

According to pbb, a stable interest rate environment is necessary for a further recovery of the real estate markets, in addition to positive economic development. Positive growth rates ensure higher rental demand, among other things through more employees and improved consumption. Stable interest rates make it easier for investors to plan, as buyers and sellers can calculate with constant capital costs. This brings their price expectations closer together again, which can further stimulate transaction volumes. Structural factors also continue to play a role. Older property portfolios in poorer locations and without modern (ESG) standards are particularly affected by falling demand, as tenants and investors are increasingly focusing on top quality (‘flight to quality’). As new construction activity has declined sharply in recent years, rents and prices for modern, energy-efficient space in prime locations are rising.

A recovery in property values can have a positive impact on new business and lead to less need for risk provisioning. Opportunities may also arise from the origination of financing for third parties. If, on the other hand, the real estate markets do not recover or only recover with a delay, for example due to rising interest rates, this may have a negative impact on pbb Group’s results of operations. The volume of new business might have to be reduced. The pbb Group could also be forced to grant concessions to borrowers, such as payment deferrals or waivers. As a consequence, there may also be an economic necessity to extend financing. It could also become necessary to take collateral as salvage acquisitions on its own statement of financial position. There is a risk that loan defaults will be higher than the risk provisions recognised. Conversely, a faster and significant recovery of the markets may lead to risk provisions being reversed with an effect on income. (Source: JLL)

Politics and Geopolitical Tensions

Geopolitical developments continue to be fraught with risk. The number of international conflicts increased significantly in 2025. A minority of these were fought with weapons. In 2025, customs and trade conflicts were added to the mix. Terrorist attacks can lead to additional uncertainty.

Geopolitical tensions may lead to distortions on the markets relevant for pbb Group, with negative effects on its development in assets, financial position and earnings. A further escalation of wars or their spread to other countries may further burden economic developments. Stricter sanctions and trade conflicts could also have a negative impact. As a result, the financial strength of pbb Group’s financing clients could be significantly weakened, resulting in impairment losses and a lack of demand for financing. Furthermore, reductions of the fair values of pbb Group’s assets or other negative effects may result. (Sources: Michael Bauer International, EZB, Bundesbank)

Economy

Gross domestic product rose only very slightly in Germany in 2025. A continued weak economy in Germany and other countries relevant for pbb Group could lead to higher provisioning requirements, lower fair values of financial assets and a lower volume of new business for pbb Group, thus burdening the development in earnings. On the other hand, a positive economic development in the euro zone and particularly in Germany would probably have a favourable effect on the results of operations, as pbb Group would only have to make moderate provisions for the assumption of credit risks, for example, and the fair values of financial assets could increase. (Source: ifo)

National Debt

Since the beginning of the euro crisis in 2009 and 2010, the state of public finances in Europe has become a much-discussed topic and has remained so ever since. The issue has become even more pressing as a result of the Covid-19 pandemic, its economic implications and the EU's economic aid measures, as well as, most recently, the change to the debt brake in Germany, among other things to finance investments in infrastructure and defence, and the high levels of debt in other countries such as the USA. High levels of debt can lead to a deterioration in the credit rating of public finances or even to insolvency. This could result in a need for credit loss allowances and payment defaults on public financing for the pbb Group. In addition, the budget deficit in Germany and other countries poses a risk to economic development, which could also have a negative impact on the economic development of the pbb Group. (Sources: Federal Statistical Office, Bundesbank, German Economic Institute)

Environmental Risks and Climate Change

Governments around the world have taken steps to shape the transition to a lower carbon and more circular economy and to mitigate climate change. This transformation harbours both opportunities and risks for the economy in general and for pbb Group in particular.

Material damage caused by environmental degradation and climate change can have significant consequences for the real economy and the financial system. For example, there may be increasing damage to real estate or other collateral for financings in the form of floods, storms, droughts or other natural disasters. Although the physical collateral underlying the financings must be insured by pbb Group's customers, negative effects on its net assets, financial position and results of operations cannot be ruled out. (Source: ECB)

The sustainability of properties has an increasing influence on their value when they are let or sold. Therefore, a higher value adjustment may be necessary for non-sustainable properties. (Source: Energy Efficiency Financial Institutions Group)

The necessary transformation towards greater sustainability is likely to trigger considerable financial and capital requirements. Risks may arise, for example, in the form of write-downs of pbb Group's receivables if borrowers are unable to refinance these requirements from their income. However, the transformation may also bring business opportunities. Examples on the assets side include financing for more sustainable buildings or energy-efficient refurbishments, which pbb Group already offers through its Green Loans. On the liabilities side, opportunities may arise from additional issues of green bonds. Opportunities may also lie in advising on the transformation of existing properties into energy-efficient, sustainable buildings.

Interest Rates

Should market interest rates in the euro zone or the USA rise, a higher interest burden for pbb Group's customers could make it more difficult for them to service their payment obligations on time. The reason for this is that some customers are unable to increase their income, for example in the form of rents, as significantly as their expenses in the form of interest increase. Overall, higher interest rates tend to have a negative impact on the market values of properties and thus on the value of the collateral for pbb Group's financings. As a result, pbb Group may need to recognise higher allowances for losses on loans and advances. These increases in allowances for losses on loans and advances may significantly overcompensate for the positive effects of a increasing interest rate level, such as the higher interest income from the investment of the liquidity reserve and own funds. In addition, higher market interest rates may result in additional costs if increased refinancing expenses cannot be passed on in the lending business.

Competition

A decline in the intensity of competition on the financing market can generally have a positive effect on interest margins and thus on the results of operations, whereas a more intense market can have the opposite effect. Another factor influencing pbb Group's competitive strength may be a deterioration in its reputation, for example as a result of negative news in the media.

A change in the market situation can also be caused by company takeovers. This can result in changed business models with increased and decreased market activity. This may also affect pbb Group if it acquires companies or is itself acquired.

Strategic Initiatives

pbb Group plans to increasingly diversify its business model over the coming years, thereby broadening the foundation for future income and earnings growth. In addition to organic growth in the core business with the financing of additional asset classes, important strategic pillars include the significant expansion of the capital-efficient commission business. In all of this, pbb is focusing on green finance and digitalisation across the board. At the same time, attention is being paid to cost discipline.

The strategic initiatives are designed to sustainably increase pbb Group's profitability. Strategic initiatives may also be prompted by regulatory requirements or other external influences. However, as with all projects and programmes, there is a risk that material components cannot be successfully implemented. In this case, there may be a negative impact on pbb Group's profitability.

An important milestone in the context of Strategy 2027 was the acquisition of majority stakes in companies belonging to the Deutsche Investment Group, with closing on 1 January 2026. The acquisition is intended to substantially strengthen investment management and thus the diversification of the pbb Group. The acquisition brings with it the opportunity to generate more commission income that is independent of the balance sheet. As is usual with such transactions, however, there are also acquisition risks, for example if the earnings effects do not materialise as expected. In this case, it may be necessary, among other things, to impair goodwill and intangible and other assets acquired as part of the transaction.

In addition to inorganic growth, the pbb Group is driving organic growth by providing commercial real estate financing for new asset classes, issuing debt funds and giving customers access not only to pbb Group products but also to tailor-made financing solutions from carefully selected institutional financing partners from across the pbb Group's international network. These initiatives also offer the opportunity to diversify and increase earnings potential. This is offset by the risk of a lack of profitability if the expected business volumes and returns are not achieved.

Digitalisation

In view of increasing cost competition in the banking environment and in order to tap new sources of income, digital business processes and models are moving into the focus of pbb Group. Nevertheless, digitalisation may result in opportunities and risks for the Group's development in assets, financial position and earnings in the future, depending in particular on the success of digital business models and the further development of information technology. If the speed of digitalisation is too slow compared to other market participants, this can cause competitive disadvantages and thus negative effects on the earnings position. (Source: Banking Association)

IT and IT Security

The operability and security of the information systems is a high priority for pbb Group. The aim is to operate the IT systems constantly and to prevent unauthorised access to the system and data inventories. Employees of pbb Group may only access data that they need for the tasks assigned to them. Should the risk of loss of confidentiality, integrity and authenticity of data materialise, for example due to (cyber) attacks, this may lead to manipulation and/or an uncontrolled outflow of data, a loss of reputation and thus a negative impact on pbb Group's net assets, financial position and results of operations.

pbb Group has largely internalised its IT operations in recent years. This will save costs. The so-called outsourcing risk is eliminated, but there is a risk of independently caused disruptions in IT operations and IT security.

Human Resources

In recent years, pbb Group has been able to attract highly qualified employees and managers. A modern and flexible working environment, a wide range of training and personnel development programmes, as well as attractive remuneration and fringe benefits contribute to long-term employee retention. Internationalisation is being driven forward by increasing the workforce at the Madrid office, which increases the opportunities for recruiting employees at lower personnel expenses.

However, risks arising from employee departures and the associated loss of knowledge cannot be ruled out. The reduction in jobs as part of strategic programmes and increasing internalisation could, for example, also lead to unintended employee departures.

In order to continue to successfully recruit employees, pbb Group is increasingly focussing on the recruitment and development of young talent and has developed an employer brand that makes greater use of modern recruitment channels. Nevertheless, the general shortage of skilled labour may have a negative impact.

Negative developments in the area of human resources, for example due to a deterioration in pbb Group's reputation, may cause disruptions in business processes and a lack of innovation, and consequently lead to higher costs, for example for recruiting and retaining employees.

The pbb Group uses external service providers for certain activities. These outsourcing arrangements can save costs. However, they may also give rise to operating risks which may burden the results of operations.

Legal and Tax Matters

It is possible that court decisions may turn out differently than expected by pbb Group, with the result that the outflow of resources may deviate positively or negatively from the provisions recognised. This risk also includes audits by tax authorities, which may lead to additional/reduced taxable income. Depending on the nature of the deviation, this may result in opportunities or risks for pbb Group's earnings position.

Bank Levy

pbb Group has taken the opportunity to pay contributions to the European bank levy, the Deposit Protection Fund and the Compensation Scheme of German Banks not exclusively through so-called regular contributions, but partly in the form of an irrevocable payment obligation by providing cash collateral. The pbb Group recognises collateral in accordance with the meeting reports of the Banking Committee of the Institute of Public Auditors in Germany. This states that the transfer of cash as cash collateral at the institution subject to the contribution obligation (collateral provider) leads to the recognition of a financial receivable from the collateral taker (restructuring fund) and the derecognition of the cash. As at 31 December 2025, the collateral provided for the European bank levy amounted to €42 million, for the Deposit Protection Fund to €3 million and for the Compensation Scheme of German Banks to €7 million.

A French bank that is independent of the pbb Group has filed a lawsuit against the Single Resolution Board (SRB) for the European bank levy in order to obtain the return of its cash collateral following the return of its banking licence. On 13 November 2025, the Court of Justice of the European Union (CJEU) dismissed the French bank's appeal in the final instance. The final ruling of the CJEU has no impact on the accounting treatment of the collateral, as the return of pbb's banking licence is neither planned nor likely. In the Bank's opinion, the probability of the SRB calling on the collateral provided as a result of a resolution measure is very low. In the Bank's assessment, the likelihood that the SRB will make use of the collateral provided as a result of a resolution measure is very low. It is therefore not necessary to write down the receivables from collateral provided.

However, recourse to the collateral provided or a change in the legal assessment of the cash collateral cannot be ruled out. This may result in an expense in future periods up to a maximum of the amount of the collateral provided.

For the years 2011 to 2014, the pbb Group paid a total of €37 million in what was then the national bank levy. Other banks have filed lawsuits seeking repayment of this levy and have been successful in the first instance. The defendant has appealed against the judgment. It is possible that the national bank levy will be refunded in the future, which would generate income for the pbb Group.

Corporate Social Responsibility

Corporate social responsibility refers to responsible corporate behaviour that integrates environmental and social concerns and responsible corporate governance on a voluntary basis in business activities and in interactions with interest groups and stakeholders.

pbb would like to contribute to a more sustainable development. This may result in opportunities for pbb Group, for example in the client business and as an attractive employer. Weaknesses in corporate social responsibility, on the other hand, may burden the relationship with the internal and external stakeholders with whom pbb Group interacts, and thus also have a negative impact on its development in assets, financial position and earnings.

SUMMARY

With regard to 2026, the risks of negative developments in the net assets, financial position and results of operations remain high. One of the reasons for this is the uncertainty surrounding the further development of the commercial real estate markets.

Overall, pbb Group expects profit before tax for 2026 of between €30 million and €40 million, taking into account the opportunities and risks.

Commentary on pbb's Annual Financial Statements under HGB

BUSINESS DEVELOPMENT

In the reporting year, pbb posted a net loss of €298 million in accordance with the German Commercial Code (HGB), following a net profit of €40 million in the previous year. This is primarily attributable to significantly higher risk provisions of €410 million (2024: €127 million), which had to be recognised in particular due to the decision to withdraw from the US market. In addition, income from financial investments was significantly lower than in the previous year at €12 million (2024: €116 million). In the previous year, this item benefited significantly from gains on the sale of securities held as fixed assets. Net interest income also fell to €339 million (2024: €387 million). By contrast, general and administrative expenses declined due to lower non-personnel expenses.

DEVELOPMENT IN EARNINGS

in € million	2025	2024
Net interest income	339	387
Net fee and commission income	2	2
Net other operating income	28	3
Net operating income	369	392
General and administrative expenses	-265	-280
Personell expenses	-139	-138
Non-personell expenses (including depreciation and write-offs)	-126	-142
Operating results (before risk provisions)	104	112
Risk provisioning	-410	-127
Net income from financial investments	12	116
Additions to the fund for general banking risks	-	-62
Operating results	-294	39
Extraordinary result	-2	-
Profit/loss before tax	-296	39
Taxes	-2	1
Net income/net loss	-298	40

Net Operating Income

Net interest income fell from €387 million in the previous year to €339 million in 2025. In addition to higher refinancing costs, the decline is also attributable to the lower average volume of real estate finance (REF) financing (€28.2 billion in 2025 compared to €30.0 billion in 2024). The volume-related decline in net interest income was only partially offset by the increase in the average portfolio margin. Furthermore, the average volume of non-core public sector financing decreased to €9.2 billion (2024: €11.1 billion). This development is attributable to maturities and sales. Penalties for prepayment amounted to €9 million, up on the previous year (2024: €3 million). The early settlement of derivatives resulted in an expense of €43 million in the reporting year (2024: €55 million). As in the previous year, net interest income included interest expenses for AT1 capital, which amounted to €25 million (2024: €25 million).

Net commission income from fees remained at the previous year's level at €2 million.

The balance of other operating income/expenses amounted to €28 million (2024: €3 million). In provisions outside the lending business, reversals exceeded additions by €11 million, which was roughly in line with the previous year's figure (2024: €10 million). In addition, the item benefited from a payment of €16 million as part of a settlement in connection with a legal dispute involving a predecessor company of pbb. Expenses and contributions as well as levies for the European bank levy and BaFin remained unchanged at €1 million (2024: €1 million). Net expenses from currency translation amounted to €1 million (2024: €4 million).

General and Administrative Expenses

Administrative expenses were reduced to €265 million (2024: €280 million). Personnel expenses remained at the previous year's level at €139 million (2024: €138 million). On the one hand, higher provisions were made for termination benefits. On the other hand, lower provisions for pension obligations were incurred in 2025 as a result of lower pension dynamics (2.0%; 2024: 2.25%, 2023: 2.50%) and a higher discount rate (2.05%; 2024: 1.90%; 2023: 1.82%). Material expenses were reduced in 2025 due to lower IT expenses following the internalisation of some IT services and a change of provider.

Risk Provisioning

A net amount of €410 million was allocated to risk provisioning as the balance of risk provisioning in the lending business and the result from securities and promissory note loans in the liquidity reserve (2024: €127 million). Within the lending business, €384 million was attributable to net additions to specific loan loss provisions (2024: €170 million) and €29 million to net additions (2024: €6 million net reversals) to general loan loss provisions to take account of deferred default risks in the lending business. Net write-ups on third-party securities and debt securities as well as loans from the liquidity reserve resulted in income of €2 million (2024: €36 million). In the 2025 financial year, there were collections of €1 million on written-off receivables (2024: collections of less than €1 million).

At €226 million, specific loan loss provisions were largely attributable to real estate financing in the USA (2024: €111 million). The material additions for the US business were related to the decision taken in June 2025 to withdraw from the US market. Due to the planned shorter-term disposal of non-performing loans and the financed properties, the assumptions for the realisation proceeds and thus the expected incoming payments were adjusted downwards. Net additions for real estate financing in Europe amounted to €158 million (2024: €59 million). These impairments were attributable to a small number of large-volume financing transactions, with the majority of the impairment volume relating to development financing in Germany. The credit loss allowances have specific reasons for the respective loans, such as delays and cost increases in construction or a tense rental situation.

The general credit loss allowances resulted from the assumption of higher probabilities of default (PD) and loss given default (LGD) for financing. As at 31 December 2025, pbb had formed a management overlay of €27 million because, in the opinion of pbb's Management Board, the model-based risk provisioning did not adequately reflect the current uncertainties and risks in the development of the US economy and real estate financing markets. On the one hand, the management overlay included an adjustment of the model-based loss given default (LGD) ratios for the entire high performing US business. The LGDs derived from long-term historical averages were replaced by current realisation estimates. This measurement took into account the realisation strategy through the completed significant risk transfer (SRT). Secondly, US real estate financing without indicators of impaired credit quality was collectively provisioned in the amount of the lifetime expected credit loss.

Net Income from Financial Investments

The result from financial investments amounted to €12 million (2024: €116 million). Net income resulted from gains on the sale of fixed-asset securities amounting to €39 million, while income from investments amounted to €-28 million (2024: net income from gains on the sale of fixed-asset securities amounting to €118 million with income from investments amounting to €-2 million).

Additions to the fund for general banking risks

The fund for general banking risks pursuant to Section 340g of the German Commercial Code (HGB) remained unchanged at €139 million as at 31 December 2025 (€62 million was allocated to this fund in the 2024 financial year).

Extraordinary result

The extraordinary result of €-2 million (2024: €0 million) comprised restructuring expenses of €3 million and reversals of provisions of €1 million and is attributable to personnel measures in connection with the withdrawal from the US market.

Taxes

In the 2025 financial year, tax expense of €2 million mainly resulted from income taxes. In 2024, tax refunds for previous years exceeded tax expense in the current year, resulting in income of €1 million.

DEVELOPMENT IN ASSETS

Development in Assets

in € million	31.12.2025	31.12.2024
Cash reserve	34	69
Loans and advances to other banks	3,123	4,129
Loans and advances to customers	30,318	35,516
Bonds and other fixed-income securities	6,065	3,715
Equity shares and other variable-yield securities	3	2
Investments in affiliated companies	102	82
Intangible assets	41	49
Tangible assets	10	12
Sundry assets	116	117
Prepaid expenses	141	179
Total assets	39,953	43,870

General development of the Financial Position

pbb's total assets amounted to €40.0 billion as at the balance sheet date, which was €3.9 billion less than as of 31 December 2024. The decline was due, among other things, to lower loans and advances to other banks as a result of a smaller portfolio of reverse repurchase agreements and cash collateral. Loans and advances to other banks include overnight balances with the Bundesbank, which fell by €0.4 billion compared with the previous year. Loans and advances to customers declined significantly compared with the previous year. This is attributable, on the one hand, to the strategy-driven decline in public sector financing. On the other hand, the financing volume in real estate finance fell by €1.7 billion. In addition, the conversion of €2.7 billion public registered promissory note loans into bonds led to a shift from loans and advances to customer toward bonds and other fixed-income securities. The investment of funds from the credit-linked note issued as part of the significant risk transfer (SRT) for the US business also led to an increase in debt securities of €0.3 billion.

DEVELOPMENT IN FINANCIAL POSITION

Development in Financial Position

in € million	31.12.2025	31.12.2024
Liabilities to other banks	1,659	3,366
Liabilities to customers	17,169	18,175
Securitised liabilities	17,110	17,927
Sundry liabilities	31	83
Deferred income	216	266
Provisions	211	216
Subordinated liabilities	643	605
Additional regulatory capital instruments	317	317
Fund for general banking risks	139	139
Total liabilities	37,495	41,094
Equity	2,458	2,776
Total liabilities and equity	39,953	43,870

Liabilities

Liabilities amounted to €37.5 billion (31 December 2024: €41.1 billion). This was material due to the decline in liabilities to credit institutions and liabilities to customers. Liabilities to credit institutions fell due to a €0.7 billion decrease in repurchase agreements. In addition, there was still an open market transaction with the ECB amounting to €0.5 billion in the previous year. In terms of liabilities to customers, the volume of public-sector Pfandbriefe declined due to maturities. In addition, the deposit business in connection with pbb direkt was aligned with refinancing requirements, which led to a slight decline. Securitised liabilities decreased due to maturities of unsecured debt securities. By contrast, the issue of the credit-linked note in connection with the significant risk transfer (SRT) for the US business increased liabilities by €0.3 billion.

Among the additional regulatory equity instruments, AT1 capital is reported with a total nominal amount of €300 million and a carrying amount of €317 million, including accrued interest. The bond issued in April 2018 has no maturity date. For the new five-year interest period since 28 April 2023, the coupon is 8.474% p.a. Coupon payments are subject to certain conditions and are otherwise discretionary.

Equity

in € million	31.12.2025	31.12.2024
Share capital	380	380
Additional paid-in capital	1,639	1,639
Retained earnings	439	737
Unappropriated retained earnings	-	20
Equity	2,458	2,776

The share capital remained unchanged at €380,376,059.67 in the 2025 and 2024 financial years, divided into 134,475,308 bearer ordinary shares in the form of no-par value shares with a notional value of approximately €2.83 per no-par value share. The additional paid-in capital remained unchanged. Within the retained earnings, the statutory reserve remained unchanged in the 2025 and 2024 financial years. €298 million was withdrawn from other retained earnings in the 2025 financial year (in 2024, €20 million was added to other retained earnings).

Key Regulatory Capital Ratios

According to Art. 7 (3) of the Capital Requirements Regulation ("CRR"), pbb was exempted from the requirements laid out in parts 2 to 5 and 8 of the CRR; for instance, this includes own funds and capital requirements, large credit exposures and risk positions from transferred credit risk, as well as disclosure requirements. As a result, pbb is also exempt from the requirements of Part 7 of the CRR in accordance with Art. 6 (5) CRR. Reference is made to the supplementary reports to the consolidated financial statements and the annual financial statements.

Disclosures Pursuant to Section 315a Sentence 1 HGB

pbb Group's Supplemental Information according to section 315a sentence 1 of the German Commercial Code (HGB) is equal to pbb's Supplemental Information according to section 289a sentence 1 HGB.

Composition of Subscribed Capital (Section 315a Sentence 1 No. 1 HGB)

The composition of pbb's subscribed capital is disclosed in the Note "Equity". Each bearer share with no par value entitles the shareholder to one vote at the Annual General Meeting. pbb currently does not hold any nonvoting treasury shares. No shareholder and no shareholder group is entitled to special rights, that confer power to control vis-à-vis pbb.

Restrictions Affecting the Voting Rights or the Transfer of Shares (Section 315a Sentence 1 No. 2 HGB)

With respect to the exercise and transfer of voting rights of shares only the statutory provisions apply. The voting rights are not limited by size. All shareholders who register for participation in the Annual General Meeting in time and who have demonstrated their right to participate in the Annual General Meeting and to exercise their voting rights may exercise the voting rights subject to a possible loss of rights in accordance with section 44 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) or section 59 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz; WpÜG) attached to all the shares held and registered by them. Where pbb holds treasury shares, section 71b of the German Stock Corporation Act (Aktiengesetz, AktG) prohibits the exercise of rights vested in such shares.

HRE Holding has committed itself to avoid exercise of control over pbb by entering into a control avoidance agreement with pbb. HRE Holding undertakes to exercise voting rights vested to it at the point in time at which the control avoidance agreement enters into effect, and/or at any subsequent point in time at which HRE Holding holds pbb shares, to a maximum of 49% of the present voting capital at the adoption of resolutions regarding the appointment or removal of Supervisory Board members as well as resolutions taken as part of management decisions according to sections 83, 111 (4) sentences 3 to 5, 119 (2) or 179a of the AktG, not to make any proposals for resolution to pbb's Annual General Meeting, in particular for the appointment of Supervisory Board members, and not to vote for candidates for pbb's Supervisory Board which are not independent from HRE Holding, Finanzmarktstabilisierungsfonds-FMS (FMS), FMSA and the Federal Republic of Germany, with the exception of two Supervisory Board members proposed by FMSA to pbb in line with the new framework agreement.

pbb is not aware of any other restrictions affecting voting rights or the transfer of shares.

Shareholdings Exceeding 10% of Voting Rights (Section 315a Sentence 1 No. 3 HGB)

Aat 31 December 2025, to the best of pbb's knowledge, no shareholder held directly or indirectly at least 10% of the voting rights in pbb.

The notifications published by pbb in accordance with sections 33 et seq. WpHG can be found on the Internet at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/mitteilungen-nach-33-ff-wphg.html and at www.dgap.de.

Shares with Special Rights Conferring Powers of Control (Section 315a Sentence 1 No. 4 HGB)

Shares carrying special rights, which would permit the holder to exercise control, do not exist.

Type of Control of Voting Rights Regarding Shares Held by Employees with their Rights of Control not Being Directly Exercised (Section 315a Sentence 1 No. 5 HGB)

Employees holding pbb shares exercise their rights, like all other shareholders, according to statutory provisions and the Articles of Association.

Statutory Provisions, and Provisions in the Articles of Association Regarding the Appointment and Removal of Members of the Management Board, and Regarding Amendments to the Articles of Association (Section 315a Sentence 1 No. 6 HGB)

In accordance with section 84 of the AktG and section 6 of pbb's Articles of Association, the members of the Management Board are appointed by the Supervisory Board. The number of members of the Management Board is determined by the Supervisory Board. According to the Articles of Association, the Management Board consists of at least two members. Members of the Management Board may be appointed for a maximum of five years. Reappointment or extension of the term of office, in each case for a maximum of five years, is permitted. In urgent cases, the Munich Local Court must appoint a missing member of the Management Board at the request of a party (Section 85 AktG). The Supervisory Board may revoke the appointment as a member of the Management Board and the appointment as Chairman of the Management Board for good cause.

Evidence must be provided to BaFin, the ECB and the Bundesbank that the members of the Management Board are reliable, professionally qualified and have sufficient time available. BaFin may appoint a special representative in accordance with the requirements set out in Section 45c of the German Banking Act (KWG) and delegate the duties and powers of the Management Board to this representative. BaFin may prohibit or restrict members of the Management Board from performing their duties.

In accordance with Section 179 (1) sentence 1 AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting, for which a simple majority of the votes cast is generally sufficient in accordance with Section 17 of the Articles of Association, unless a larger majority is required by law or the Articles of Association. In cases where the law - in a non-mandatory form - prescribes a majority of the share capital represented when the resolution is passed, a simple majority of the share capital represented when the resolution is passed is sufficient. The Supervisory Board is authorised in accordance with Section 9 (3) of the Articles of Association to adopt amendments to the Articles of Association that only affect the wording.

Authorisation of the Management Board to Issue or Repurchase Shares (Section 315a Sentence 1 No. 7 HGB)

AUTHORISED CAPITAL 2025/I

The Management Board is authorised, with the approval of the Supervisory Board, to increase pbb's share capital in the period up to 4 June 2030 by issuing new no-par value shares against cash contributions on one or more occasions, but by a maximum total of €76,075,211.94 (Authorised Capital 2025/I). Shareholders' subscription rights may be excluded under certain conditions. No use has been made of Authorised Capital 2025/I to date.

AUTHORISED CAPITAL 2025/II

The Management Board is authorised, with the approval of the Supervisory Board, to increase pbb's share capital in the period up to 4 June 2030 by issuing new no-par value shares against cash or non-cash contributions, either once or several times, but by a total of no more than €38,037,605.97 (Authorised Capital 2025/II). Shareholders' subscription rights may be excluded under certain conditions. No use has been made of Authorised Capital 2025/II to date.

AUTHORISED CAPITAL 2025/III

The Management Board is authorised, with the approval of the Supervisory Board, to increase pbb's share capital in the period up to 4 June 2030 by issuing new no-par value shares against cash contributions on one or more occasions, but by a maximum total of €38,037,605.97 (Authorised Capital 2025/III). Shareholders' subscription rights may be excluded under certain conditions. No use has been made of Authorised Capital 2025/III to date.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further content of the share rights and the conditions for the issue of shares in the capital measures provided for in § 4 (4), (4a) and (4b) of the Articles of Association (Authorised Capital 2025/I, 2025/II and 2025/III).

CONDITIONAL CAPITAL

Currently there is no conditional capital.

PROFIT PARTICIPATION RIGHTS AND HYBRID BONDS

To issue profit participation rights and other hybrid financial instruments with or without a fixed term. The total nominal amount of the financial instruments to be issued under this authorisation may not exceed €2,000,000,000.00.

TREASURY SHARES

pbb is authorised to buy, for purposes other than securities trading, its own shares in a total volume of up to 10% of the share capital as of 5 June 2025 or – if such amount is lower – of the share capital at the time this authorisation is exercised. Together with other own shares which are in the Company's possession or attributable to the Company pursuant to sections 71d and 71e of the AktG, the own shares purchased on the basis of this authorisation may not at any time exceed 10% of the Company's share capital. This authorisation to acquire own shares may be exercised directly by pbb, Group entities (section 18 (1) of the AktG) subordinated to pbb, or third parties acting on behalf of pbb or on behalf of Group entities subordinated to pbb. This authorisation may be exercised fully or partially, and – in case of a partial exercise – more than once. This authorisation applies until 30 June 2027. The own shares may, at the discretion of the Management Board, be bought through a stock exchange or by means of a public purchase offer or by means of a public invitation to all shareholders to submit tenders described in more detail in the resolution of the Annual General Meeting of 5 June 2025.

The Management Board is authorised, with the consent of the Supervisory Board, to use any shares purchased on the basis of the authorisation described above for a disposal on the stock exchange or for an offer to all shareholders or to dispose against cash payment provided that the price may not be substantially lower than the stock price of the shares of the Company of the same kind by applying section 186 (3) sentence 4 of the AktG analogously, or to dispose against contribution in kind or to redeem the shares. The shareholders' subscription rights may be excluded as described in more detail in the resolution of the Annual General Meeting of 28 May 2020.

As at 31 December 2025, pbb held no treasury shares.

Material Company Agreements which are Subject to Change of Control Clauses Triggered in the Event of a Takeover Offer (Section 315a sentence 1 No. 8 HGB)

pbb did not enter into material agreements which are subject to change of control clauses triggered in the event of a takeover offer.

Compensation Agreements Entered into with Members of the Management Board or Employees in the Event of a Takeover Offer (Section 315a sentence 1 No. 9 HGB)

There are no compensation agreements within the meaning of Section 315 sentence 1 No. 9 HGB that have been concluded with members of the Management Board or employees in the event of a takeover offer.

Corporate Governance Statement

The Corporate Governance Statement is published on pbb's website (https://www.pfandbriefbank.com/fileadmin/user_upload/downloads/Corpoptate_Governance/Corporate_Governance_Statement_2025.pdf).

Consolidated Financial Statements

Income Statement

Income statement

in € million	Note	2025	2024
Net interest income	35	409	465
thereof: interest income from financial instruments not measured at fair value through profit or loss (IAS 1.82a)		1,498	1,954
Net fee and commission income	36	4	5
Net income from financial instruments at fair value through profit or loss (net income from fair value measurement) ¹⁾	37	-33	-3
Net income from derecognition of financial instruments not measured at fair value through profit or loss (net income from realisations) ¹⁾	38	22	79
thereof: from financial assets at amortised cost		20	40
Net income from hedge accounting	39	3	3
Impairments on entities accounted for using the equity method	40	-8	-
Net other operating income	41	25	-5
Net income from allowances for credit losses on financial assets (net income from risk provisioning) ¹⁾	42	-410	-170
General and administrative expenses	43	-236	-245
Expenses from bank levies and similar dues	44	-3	-4
Net income from write-downs and write-ups of non-financial assets	45	-21	-21
Net income from restructuring	46	-2	-
Profit/loss before tax		-250	104
Income tax	47	-34	-14
Net income/loss		-284	90
attributable to:			
Shareholders of pbb		-284	90

¹⁾ Solely the condensed and parenthesised line item descriptions are used subsequently.

Earnings per share

in €	Note	2025	2024
Basic earnings per share	49	-2.30	0.48
Diluted earnings per share	49	-2.30	0.48

Statement of Comprehensive Income

Statement of comprehensive income

in € million	2025	2024
Net income	-284	90
Accumulated other comprehensive income	14	-11
Items that will not be reclassified to profit or loss, net of tax	19	-3
Gains/losses on pension commitments, before tax	20	-4
Income tax relating to items that will not be reclassified to profit or loss	-1	1
Items that may be reclassified to profit or loss, net of tax	-5	-8
Gains/losses on cash flow hedge accounting, before tax	-5	-13
gains/losses reclassified to profit or loss	-5	-13
Gains/losses on financial assets at fair value through other comprehensive income, before tax	-3	3
unrealised gains/losses	-3	3
Income tax relating to items that may be reclassified to profit or loss	3	2
Comprehensive income for the period	-270	79
attributable to:		
Shareholders	-270	79

Statement of Financial Position

Assets

in € million	Note	31.12.2025	31.12.2024	1.1.2024
Cash reserve	9, 50	1,558	2,010	2,728
Financial assets at fair value through profit or loss	10, 51	912	1,247	944
Positive fair values of stand-alone derivatives		170	484	494
Equity instruments		1	-	-
Debt securities		41	127	123
Loans and advances to customers		697	633	324
Shares in investment funds qualified as debt instruments		3	3	3
Financial assets at fair value through other comprehensive income	11, 52	1,404	1,256	1,475
Debt securities		1,404	1,255	1,354
Loans and advances to customers		-	1	121
Financial assets at amortised cost after credit loss allowances	12, 53	35,638	39,225	45,228
Financial assets at amortised cost before credit loss allowances		36,470	39,764	45,811
Debt securities		4,839	2,471	4,014
Loans and advances to other banks		1,228	1,737	2,507
Loans and advances to customers		30,294	35,434	39,155
Claims from finance lease agreements		109	122	135
Credit loss allowances on financial assets at amortised cost		-832	-539	-583
Positive fair values of hedge accounting derivatives	13, 54	102	135	251
Valuation adjustment from portfolio hedge accounting (assets)	14, 55	-31	-43	-56
Investments accounted for using the equity method	15	4	14	-
Property and equipment	16, 56	28	33	20
Intangible assets	17, 57	44	51	53
Other assets	18	113	72	68
Current income tax assets	28	21	51	43
Deferred income tax assets	28	88	118	129
Total assets		39,881	44,169	50,883

Liabilities and equity

in € million	Note	31.12.2025	31.12.2024	1.1.2024
Financial liabilities at fair value through profit or loss	19, 59	220	700	662
Negative fair values of stand-alone derivatives		220	700	662
Financial liabilities measured at amortised cost	20, 60	35,816	39,369	45,913
Liabilities to other banks		1,364	2,943	6,079
Liabilities to customers		16,847	18,091	18,829
Bearer bonds		16,965	17,732	20,402
Subordinated liabilities		640	603	603
Negative fair values of hedge accounting derivatives	21, 61	607	493	789
Valuation adjustment from portfolio hedge accounting (liabilities)	22, 62	-26	-2	-49
Provisions	23, 63	92	115	117
Other liabilities	24	58	63	68
Current income tax liabilities	28	9	10	18
Deferred income tax liabilities	28	1	2	-
Liabilities		36,777	40,750	47,518
Equity attributable to the shareholders of pbb	25, 66	2,806	3,121	3,067
Subscribed capital		380	380	380
Additional paid-in capital		1,637	1,637	1,637
Retained earnings		898	1,227	1,162
Accumulated other comprehensive income		-109	-123	-112
Additional equity instruments (AT1 capital)		298	298	298
Equity		3,104	3,419	3,365
Total equity and liabilities		39,881	44,169	50,883

Statement of Changes in Equity

Statement of changes in equity	Equity attributable to the shareholders							
	Accumulated other comprehensive income (OCI) from:							Additional equity instruments (AT1 capital)
in € million	Subscribed capital	Additional paid-in capital	Retained earnings	Pension commitments	Cash flow hedge accounting	Financial assets at fair value through OCI		
Balance at 1.1.2024	380	1,637	1,162	-70	-30	-12	298	3,365
Distribution (dividend)	-	-	-	-	-	-	-	-
Payment on AT1 capital	-	-	-25	-	-	-	-	-25
Comprehensive income for the period	-	-	90	-3	-11	3	-	79
Net income	-	-	90	-	-	-	-	90
OCI for the period, after taxes	-	-	-	-3	-11	3	-	-11
Balance at 31.12.2024	380	1,637	1,227	-73	-41	-9	298	3,419
Balance at 1.1.2025	380	1,637	1,227	-73	-41	-9	298	3,419
Distribution (dividend)	-	-	-20	-	-	-	-	-20
Payment on AT1 capital	-	-	-25	-	-	-	-	-25
Comprehensive income for the period	-	-	-284	19	-3	-2	-	-270
Net income	-	-	-284	-	-	-	-	-284
OCI for the period, after taxes	-	-	-	19	-3	-2	-	14
Balance at 31.12.2025	380	1,637	898	-54	-44	-11	298	3,104

Statement of Cash Flows

Statement of cash flows¹⁾

in € million	2025	2024
Net income/loss	-284	90
Write-downs and depreciation on tangible and intangible assets	21	21
Write-downs, provisions for losses on, and write-ups of, financial assets at amortised cost	414	207
Impairment / Revaluation on Financial Instruments measured at Fair Value OCI	-	-
Result from the disposal of financial securities at amortised cost	-10	-74
Result from the disposal of securities at fair value through other comprehensive income	-	-2
Change in other non-cash positions	-131	453
Other adjustments	-375	-452
Subtotal	-365	243
Change in assets and liabilities from operating activities after correction of non-cash components		
Increase in assets/decrease in liabilities (-)		
Decrease in assets/increase in liabilities (+)		
Financial instruments at fair value through profit or loss and positive/negative fair values of hedge accounting derivatives	113	-385
Financial assets at fair value through other comprehensive income	1	118
Financial instruments at amortised cost (without payments in/of subordinated capital)	-814	-2,442
Other assets from operating activities	-	-7
Other liabilities from operating activities	-82	-87
Interest income received	2,249	3,032
Interest expense paid	-1,960	-2,654
Taxes on income paid/refund	25	-13
Cash flow from operating activities	-833	-2,195
Proceeds from the sale of securities	1,009	1,986
Payments for the acquisition of securities	-568	-454
Payments for the acquisition of tangible and intangible assets	-7	-24
Pre payments from business combinations	-43	-
Cash flow from investing activities	391	1,508
Proceeds from additional equity instruments (AT1)	-	-
Disbursement of dividends	-20	-
Payments in/of subordinated liabilities	40	-
Payments from Leasing Liabilities	-5	-6
Payment on AT1 capital	-25	-25
Change non-controlling interest	-	-
Sale of shares of consolidated subsidiaries	-	-
Cash flow from financing activities	-10	-31
Cash and cash equivalents at the end of the previous period	2,010	2,728
+/- Cash flow from operating activities	-833	-2,195
+/- Cash flow from investing activities	391	1,508
+/- Cash flow from financing activities	-10	-31
Cash and cash equivalents at the end of the period	1,558	2,010

¹⁾ Explanations in Note "Notes to the Items in the Consolidated Statement of Cash Flows".

Notes

1. General Information

Deutsche Pfandbriefbank AG (pbb), with its registered office in Munich, Germany, is a public limited company and a leading provider of commercial real estate finance and public investment finance. The Company is registered in the commercial register of the Munich local court (Amtsgericht München) under registration number HRB 41054; it is the parent company of Deutsche Pfandbriefbank Group (pbb Group). The address of the principal place of business is Parkring 28, 85748 Garching, Germany.

The financial statements are stated in euros, the presentation currency of pbb Group, and principally rounded to millions of Euro (€ million). Information is presented in accordance with the principle of materiality. Minor differences may occur regarding the figures and totals stated due to rounding. Items under €500,000.00 are presented as zero respectively zero balances are denoted by a dash.

The Management Board of pbb prepared these consolidated financial statements on 3 March 2026 and approved them for publication.

ACCOUNTING POLICIES

2. Principles

pbb has prepared the present Consolidated Financial Statements for the period ending 31 December 2025 in line with EC ordinance No. 1606/2002 of the European Parliament and Council of 19 July 2002 in accordance with International Financial Reporting Standards (IFRS). The IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). These are the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the IFRS Interpretations Committee (formerly IFRIC) respectively the former Standing Interpretations Committee (SIC); they are also based on the regulations of commercial law which are applicable in accordance with Section 315e (1) HGB (German Commercial Code).

The Consolidated Financial Statements are based on IFRS as adopted in European law by the European Commission as part of its endorsement process. With the exception of certain regulations on fair value hedge accounting for a portfolio hedge of interest rate risks in IAS 39 Financial Instruments: Recognition and Measurement, all the IFRS published by the IASB and required to be applied were fully endorsed by the European Union (EU). According to the option pursuant to IFRS 9.7.2.21 pbb Group still applies the requirements of IAS 39 for hedge accounting instead of the requirements in chapter 6 of IFRS 9. Within the framework of fair value hedge accounting for a portfolio hedge of interest rate risks, pbb Group applies a part of the exemptions permitted under European law. Therefore, the present consolidated financial statements comply with IFRS applicable in the EU, but not with IFRS as a whole as promulgated by the IASB.

Initially Adopted IFRS, Interpretations and Amendments in 2025

In financial year 2025, pbb Group has applied all mandatory standards, interpretations and amendments to the extent that they have been endorsed by the European Union. However, in order to ensure the comprehensibility and information content of these consolidated financial statements, the pbb Group has omitted disclosures on non-relevant or non-material matters where appropriate. The following amendments were applied for the first time:

- > Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability: The amendments to IAS 21 are intended to help companies determine whether a currency can be exchanged for other currencies and what accounting treatment should be applied in the event of a lack of exchangeability. As the pbb Group only has assets and liabilities in currently convertible currencies, the application of the amendments had no impact on its net assets, financial position and results of operations.

Standards, interpretations and amendments adopted into European law that are not yet mandatory

pbb Group does not plan to early apply standards and amendments that have been adopted into European law as at the balance sheet date, but whose adoption is not mandatory until later financial years. The following standards and amendments had been adopted into European law as at the balance sheet date, but their application was not yet mandatory:

Designation	Publication	Initial application	Expected effects
Annual Improvements Volume 11	18.7.2024	1.1.2026	The improvements made by the IASB, which are summarised in a collective amendment standard, are limited to less urgent but nevertheless necessary changes and corrections to the IFRS. Annual Improvements Volume 11 comprises amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. None of these amendments are expected to have a material impact on the net assets, financial position and results of operations of the pbb Group.
Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity –	18.12.2024	1.1.2026	These amendments and clarifications relate to the accounting treatment of electricity supply contracts. According to the amendments, the so-called own use exemption in IFRS 9 also applies to electricity supply contracts where the actual quantity supplied is uncertain due to natural factors and where partial sales are made as a result of this natural uncertainty and are unavoidable due to market conditions. The amendments and clarifications also include the application of hedge accounting and additional disclosures for such contracts. As the pbb Group does not have any electricity supply contracts where the actual quantity supplied is uncertain due to natural factors, the initial application is not expected to have any impact on the net assets, financial position and results of operations.
Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments	30.5.2024	1.1.2026	One focus of the amendments is on rules for applying the cash flow criterion for the purpose of categorising financial instruments, for example with ESG conditions or non-recourse assets, as well as contractually linked instruments. Another focus concerns the derecognition of financial liabilities that have been settled using an electronic payment system. In addition, new disclosure requirements have been included. Based on the pbb Group's portfolio as at 31 December 2025, the pbb Group does not expect the amendments to have any material impact on its net assets, financial position and results of operations.

IFRS, Interpretations and Amendments issued but not yet endorsed by the EU

The following amendments have not yet been endorsed by the European Union at the balance sheet date:

Designation	Publication	Initial application	Expected effects
IFRS 19: Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 19	9.5.2024 and 21.8.2025	1.1.2027	IFRS 19 and the related amendments introduce material relief from disclosure requirements for subsidiaries that are not subject to their own public accountability and whose parent companies apply IFRS for their disclosed consolidated financial statements. As pbb is a company with no subsidiaries relevant to this standard and the related amendments, no impact is expected.
IFRS 18: Presentation and Disclosure of Financial Statements	9.4.2024	1.1.2027	IFRS 18 will replace the previous standard IAS 1 – Presentation of Financial Statements. It is intended to improve the presentation of financial information and make financial statements more transparent and comparable. Among other things, the new standard introduces three new categories in the income statement: operating, investing and financing. For pbb as a bank, the regulations are relevant for companies whose main business activity is providing financing to customers, as they specify the particularities of allocating income and expenses to the three categories. In addition, IFRS 18 contains new and expanded disclosure requirements for management-defined performance measures (MPMs) that are publicly communicated. IFRS 18 will change the structure of the pbb Group's income statement and require new disclosures in the notes. IFRS 18 was transposed into European law on 16 February 2026..
Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency	13.11.2025	1.1.2027	The aim of the amendments is to clarify how companies should translate amounts from a non-hyperinflationary functional currency into a hyperinflationary presentation currency. As the pbb Group does not have a hyperinflationary presentation currency, the application of the amendments is not expected to have any impact on its net assets, financial position or results of operations..

Statement of compliance for the German Corporate Governance Code

Company's Management Board and the Supervisory Board published a statement of compliance for the German Corporate Governance Code according to section 161 AktG in this annual report as well as on pbb's website (<https://www.pfandbriefbank.com/en/the-company/corporate-governance.html>).

Combined Management Report

The combined management report meets the requirements of section 315 (1) and (2) HGB and the from Deutschen Rechnungslegungs Standards Committee (DRSC) published DRS 20. It comprises fundamental information about the Group, a report on the economic position, a risk and opportunity report, a report on expected developments and commentary on pbb's unconsolidated Annual Financial Statements under HGB and supplemental information. The risk and opportunity report contains information which, under IFRS 7, is required to be disclosed.

3. Consistency

pbb Group applies its accounting policies on a consistent basis in accordance with the Conceptual Framework for Financial Reporting, as well as IAS 1 and IAS 8. The same accounting policies were applied as in the consolidated financial statements as at 31 December 2024:

4. Consolidation

Number of subsidiaries/entities ¹⁾	Subsidiaries			
	Fully consolidated subsidiaries		Not fully consolidated subsidiaries	
	Total	Thereof: special purpose entities	Total	Thereof: special purpose entities
1.1.2024	1	-	-	-
Additions	4	4	1	-
Disposals	-	-	-	-
Mergers/ accruals	-	-	-	-
31.12.2024	5	4	1	-
1.1.2025	5	4	1	-
Additions	5	3	1	1
Disposals	-	-	-1	-
Mergers/ accruals	-	-	-	-
31.12.2025	10	7	1	1

¹⁾ Without pbb.

A subsidiary is an entity that is controlled by another entity. Control is deemed to exist if pbb has decision-making powers to manage relevant activities, has a right to significant returns from the subsidiary, and can use its decision-making powers to influence the amount of significant variable returns.

Structured entities are entities in which voting rights or similar rights are not the dominant factors in determining control, such as if the voting rights relate merely to administrative duties and the relevant activities are governed by contractual agreements. In 2025 and 2024, pbb did not have any consolidated companies for these reasons.

In March 2025, pbb Invest GmbH was founded with its registered office in Munich. Its sole shareholder is pbb Beteiligungs GmbH, based in Munich, a wholly owned subsidiary of pbb. The company's share capital amounts to €25,000. pbb Beteiligungs GmbH, which was not material in the previous year, and pbb Invest GmbH were included in the consolidated financial statements for the first time as at 31 December 2025.

During the reporting period, the wholly-owned subsidiaries Alabama Four Asset Management LLC, Alabama Five Asset Management LLC, Alabama Six Asset Management LLC and Alabama Seven Asset Management LLC, based in Atlanta, USA, were established. The companies were established to restructure pbb's real estate financing in the USA. Alabama Four Asset Management LLC, Alabama Five Asset Management LLC and Alabama Six Asset Management LLC were included in the consolidated financial statements for the first time as at 31 December 2025. Alabama Seven Asset Management LLC had no material assets, liabilities or equity as at 31 December 2025 and was therefore not included in the consolidated financial statements as at 31 December 2025.

Uniform Consolidated Accounting

The unconsolidated financial statements of the consolidated companies are incorporated in the consolidated financial statements of pbb using uniform accounting and measurement principles. Assets, liabilities, income, expenses and cash flows of the parent company and all of its subsidiaries are shown as if it is one single entity. Business relations within the group of consolidated companies are offset against each other for consolidation purposes.

Business relationships within the scope of consolidation are offset and interim results from intra-group transactions are eliminated.

5. Disclosures of Interests in Subsidiaries

These Consolidated Financial Statements include a list of shareholdings in the Note "Holdings of pbb" containing subsidiaries and other shareholdings. The financial year for all fully-consolidated companies is the calendar year.

Significant Restrictions with respect to the Usability of Assets within the Group

Statutory, contractual or regulatory restrictions and protective rights of non-controlling interests may limit the Group in its ability to obtain access to the assets and to easily transfer them to respectively from another company or other companies and settle the Group's liabilities. There were no non-controlling interests as at the balance sheet date.

6. Disclosures of Interests in Associates

In January 2024, pbb acquired 21.7% of the shares in the company 161 North Clark Holdco LLC, New York City, USA, via its own established and consolidated subsidiary Niagara Asset Management LLC, Atlanta, USA, as part of a salvage acquisitions carried out with syndicate partners. pbb Group accounts for the shares in 161 North Clark Holdco LLC using the equity method. In accordance with IAS 1.54, the pbb Group recognises these shares in the statement of financial position in the line item "Investments accounted for using the equity method". In the income statement, the equity method of accounting resulted in impairments of €8 million in 2025, which are reported under 'Impairments on companies accounted for using the equity method'. In addition, there was a share of profit or loss from associates of €0 million in 2025 (2024: €0 million).

The shareholding in Eco Estate GmbH, based in Frankfurt am Main, which is not accounted for using the equity method due to its immaterial significance and is therefore measured at fair value through profit or loss in accordance with IFRS 9, was increased from 35% to 45% in January 2025.

7. Financial Instruments

According to IAS 32, a financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and Derecognition

pbb Group recognises a financial asset or a financial liability in its statement of financial position if a Group company becomes party to the contractual provisions of the financial instrument.

The purchases or sales of financial instruments are recognised on the trading date. Premiums and discounts are recognised in accordance with the accrual concept in the position net interest income. In accordance with the primary derecognition concept of IFRS 9, a financial asset has to be derecognised if all risks and rewards have substantially been transferred. If the main risks and rewards of ownership of the transferred financial asset are neither transferred nor retained, and if control over the transferred asset is retained, the Company has to recognise the asset to the extent of its continuing involvement. There are no transactions within pbb Group which result in partial derecognition due to a continuing involvement. Compensation for voluntary early repayment of receivables by customers is reported as net income from realisations for reasons of transparency.

In case of genuine repurchase agreements and synthetic securitisations the assets transferred do not qualify for derecognition because derecognition criteria of IFRS 9 are not met.

Collateral with the same counterparty and same conditions (e.g. ISDA master agreement) must be netted. Accordingly, only the net amount is disclosed.

Classification and Measurement of Financial Instruments

A financial asset or a financial liability shall be measured at its fair value at initial recognition plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The amortised costs are the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortisation using the modified effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial instruments at fair value are measured on the basis of stock market prices or other market prices, if existent (Level 1). If a price is not available from an active market, observable market prices from comparable financial instruments are used (Level 2). If prices from comparable financial instruments are not available, valuation models are used that are based on observable market parameters. If these parameters are not observable at the markets, the measurement of the financial assets is based on models with non-market-observable parameters (Level 3). The measurement models used are, in general, market standard models. A description of these models and the products is given in the Note "Fair Values of Financial Instruments".

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If pbb Group determines that the fair value at initial recognition differs from the transaction price the financial instrument will be measured at fair value at initial recognition if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 1) or based on a valuation technique that uses only data from observable markets (Level 2). pbb Group records the difference as a gain or loss in these cases. In all other cases the difference between the fair value and the transaction price (so called day one profit) is deferred. In the financial years 2025 and 2024 there were no day one profits.

For the purposes of subsequent measurement, financial assets must be divided into the following three categories:

- > at fair value through profit or loss (FVPL)
- > at fair value through other comprehensive income (FVOCI)
- > at amortised cost (AC)

The categorisation of financial assets depends on the entity's business model for managing financial assets (business model criterion) and the contractual cash flow characteristics of the financial asset (contractual cash flow criterion) at initial recognition.

A financial asset shall be measured at amortised cost (AC) if both of the following conditions are met:

- > the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- > the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset shall be measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- > the financial asset is held within a business model whose objective is achieved by both collecting cash flows and selling financial assets; and
- > the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset shall be measured at fair value through profit or loss (FVPL) unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. pbb Group holds equity instruments of an insignificant amount. These are measured at fair value through profit or loss.

In the first step the financial assets are categorised based on business model criterion. An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation. For this purpose, the entity must consider all relevant evidence that is available at the date of assessment. Such relevant evidence includes, but is not limited to:

- > how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- > the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- > how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- > the expected frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activities.

Principally, pbb Group aggregates its financial assets for the determination of the business model criterion on the level of segments. However, in the Real Estate Finance (REF) segment, the transactions to be syndicated form a special portfolio. In addition, the Non-Core (NC) segment is divided into a portfolio with the intention to hold and a portfolio with the intention to hold and sell. In addition, Consolidation & Adjustments (C&A) includes portfolios with an intention to hold as well as the liquidity portfolio, for which there is an intention to hold and sell.

In accordance with IFRS 9 B4.1.3A, the business model may be to hold assets to collect contractual cash flows even if the entity sells financial assets in certain situations. Such exceptions may be due to an increased credit risk of the financial asset, which the pbb Group measures by the loan to value of the financing or a change to non-investment grade, among other things. Other exceptions are sales of financial assets with a short remaining term, provided that the realisable proceeds approximate the remaining cash flows. In addition, sales of financial assets are consistent with the business model of holding assets to collect contractual cash flows if the sales are infrequent (even if of significant value) or if they are not significant both individually and in aggregate (even if frequent). To determine significance, pbb Group compares, among other things, the volume of the holdings sold with the total volume of the portfolio to which the assets belonged.

If cash flows are realised in a way that differs from pbb Group's expectations at the time the business model was assessed, this does not result in a prior period error in the entity's financial statements, nor does it change the classification of the remaining financial assets held under this business model. The prerequisite is that pbb has considered all relevant information that was available at the time the business model was assessed. There may be a deviation from the business model if, for example, more or fewer assets are sold than assumed when the assets were classified. Such a deviation exists in the pbb Group for the financial assets measured at amortised cost in the NC segment. As all relevant information available at the time of the assessment was taken into account for these assets, they continue to be measured at amortised cost.

pbb Group has to reclassify financial assets if it changes the business model for managing those financial assets. Such changes according to IFRS 9B4.41 which are expected to be very infrequent are determined by the senior management as a result of externally or internally significant changes and externally demonstrable changes. Examples may be in the context of business combinations or shut downs of operations. There have not been reclassifications of financial assets in the years 2025 and 2024.

In the second step of the categorisation an entity has to classify a financial asset on the basis of the contractual cash flow characteristics (contractual cash flow criterion). For this, an entity shall assess whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (for example, liquidity risk) and costs, as well as a profit margin. When assessing the contractual cash flows pbb Group also considers derivatives embedded in a host contract. For example, if leverage increases the volatility of the contractual cash flows the contractual cash flow criterion will not be fulfilled. Furthermore, for financings of structured entities without the right of recourse on specific assets of the borrower or payments from these assets has to be assessed whether primarily a loan risk or an investment risk exists. If there is primarily an investment risk but not primarily a loan risk the contractual cash flow criterion will not be fulfilled. pbb Group assesses this distinction on the basis of the loan to value at the date of the initial recognition of the financial asset.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the resulting gains and losses on different bases (so called fair value option). pbb Group does not use the fair value option for financial assets.

Non derivative financial liabilities have to be measured at amortised cost, unless they are held for trading purposes or are designated at fair value through profit or loss. As of 31 December 2025 and 31 December 2024 pbb Group has not issued compound financial instruments with multiple embedded derivatives.

The amount of change in the fair value of financial liabilities designated at fair value through profit or loss (fair value option) that is attributable to changes in credit risk of that liability shall be presented in other comprehensive income and the remaining amount of change in profit or loss. pbb Group does not have non-derivative financial liabilities measured at fair value through profit or loss and does not use the fair value option for financial liabilities. Derivatives have to be measured at fair value through profit or loss unless they are used as hedging instruments in the scope of cash flow hedge accounting.

According to IFRS 9 the non-derivative financial instruments of pbb Group are aggregated, classified and measured as follows:

- > Segment Real Estate Finance (REF): Non-derivative financial instruments are principally measured at amortised cost (business model: financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows). The exceptions are
 - > financial assets or parts of financial assets, for which there is an intention to syndicate (business model: financial asset is neither held within a business model whose objective is to hold financial assets in order to collect contractual cash flows nor within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets). These have to be accounted for at fair value through profit or loss.
 - > Financing of structured entities without recourse rights to other assets of the debtor or payments from these assets, where there is primarily an investment risk. These must be recognised at fair value through profit or loss.
- > Non-Core (NC) segment: Non-derivative financial instruments are principally measured at amortised cost (business model: financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows). Exceptions are:
 - > Financial assets or parts of financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These are measured at fair value through other comprehensive income.
 - > Financial assets which do not fulfill the contractual cash flow criterion and therefore have to be measured at fair value through profit or loss.
- > Portfolios in Consolidation and Adjustments (C&A): Non-derivative financial instruments are principally measured at amortised cost (business model: financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows). Exceptions are:
 - > Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. These financial assets of the liquidity portfolio are measured at fair value through other comprehensive income.

The European Market Infrastructure Regulation (EMIR) imposes a clearing obligation for standardised Over-The-Counter (OTC) derivatives. pbb uses Eurex Clearing as central clearing agent for derivatives. For Eurex cleared transactions, pbb applies on-balance sheet netting. On-balance sheet netting is applied for each currency, and comprises the carrying amounts of the derivatives as well as the margins calculated (and collected or credited) by Eurex Clearing. The net book values are disclosed under "positive fair values of hedge accounting derivatives" or "negative fair values of hedge accounting derivatives".

In alignment with the customer the contractual cash flows of a financial instrument in the existing business may be renegotiated or otherwise modified. Such changes made to existing terms of a contractual relationship during the contract term are called modifications. Modifications may be market-driven commercial renegotiations or can be performed to avoid larger credit defaults. It is necessary to check whether the modification is significant or insignificant.

Significant modifications are substantial to the extent that they, in essence, constitute a new financial instrument. The modification can be significant due to qualitative (for example change of counterparty or of currency) or due to quantitative reasons. In case of significant modifications the old financial instrument has to be derecognized and a modified new financial asset has to be recognized as a new asset.

In case of insignificant modifications the agreed amendments to the contractual cash flows have to be discounted and the difference between the present value of the modified contractual payments determined in this way and the carrying amount (present value of the contractual payments before modification) are recognized through profit or loss.

Loans at risk of default are restructured by pbb Group if the borrower's financial position has deteriorated but a positive going-concern forecast for the loan exposure can still be expected. This is carried out by changing the underlying terms and conditions or side agreements by means of a unilateral or mutual declaration of intent. Restructuring agreements should maximise opportunities to realise its outstanding loans or at least minimise the risk of default of the loan exposure. These generally include inter alia standstill agreements, maturity extensions, changed interest payment/repayment terms, interest/repayment reductions or the suspension of contractual agreements (e.g. financial covenants) so that the borrower is again able to meet their payment obligations. The credit risk associated with restructured loans is managed by the Group's Credit Risk Management units.

Accounting of Impairment

The regulations regarding impairments in accordance with IFRS 9 are relevant for assets measured either at "amortised cost" or at "fair value through other comprehensive income" as well as for off-balance sheet obligations, such as loan commitments and financial guarantees. The rules do not have to be applied for equity instruments. An impairment is implied for financial assets measured at fair value through profit or loss at subsequent measurement. IFRS 9 contains a model according to which provisions for credit losses may be created upon initial recognition of the financial asset (or on the date when the Group becomes a contracting party of the loan commitment or financial guarantee) on the basis of credit losses expected at that time. According to IFRS 9.5.5.17 this is an unbiased and probability-weighted amount that is determined by evaluation of a range of possible outcomes and scenarios. It will be clarified that this is a probability weighted average and not the most probable amount.

Upon initial recognition, the impairments in lending business are based on expected credit losses within the following twelve months (so-called stage 1). The 12-months expected credit loss is part of the lifetime expected credit losses and corresponds to the expected credit losses from defaults that may occur for the financial instrument within twelve months after balance sheet date. In case of a significant increase in the financial asset's credit risk within the context of subsequent measurement (stage 2) or in case of a credit impairment (stage 3), the impairment has to reflect the lifetime expected credit losses. pbb Group does not apply the simplified approach for loans from lease agreements but also differentiates these into the impairment stage 1 and 2.

The same definition of default is used for IFRS 9 as for regulatory purposes. For this a default is defined if

- > it is unlikely that the borrower can fully fulfil its payment obligations, or
- > the borrower has material past dues of more than 90 days.

Group determines the expected credit losses on an individual basis.

pbb Group developed check criteria for the allocation to the three impairment stages of IFRS 9 which is very closely linked to the methods and instruments for credit and risk monitoring. In addition, the practice of credit risk management leads to an intensification of supervision with increasing impairment stage. Each financial asset which does not have to be measured at fair value through profit or loss has to be allocated to stage 1 at initial recognition if it is not credit-impaired. A financial asset moves to stage 2 if the credit risk has increased significantly but is not credit-impaired. This is the case if

- > as rebuttable presumption there is a past due of more than 30 days; or
- > the financial asset is non-investment grade and the multi-year probability of default at balance sheet date exceeds the multi-year probability of default at initial recognition of the financial asset by a factor of at least 2.5.
- > any forbearance measures were implemented for a performing financial instrument.

The criterion of 30 days past due can be rebutted for example in the case of so called technical past dues. This can be the case if the borrower transfers the amount owed to a wrong account and corrects this at short notice.

Counterparties of loans and securities which credit has deteriorated compared with the date of initial recognition but which still have an investment grade rating and which do not have a payment past due of more than 30 days are assessed as very low-risk in the allocation to the impairment stages.

A financial asset will have to be moved to stage 3 if it is credit-impaired. A deal will be credit-impaired if one or more events that have detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- > significant financial difficulty of the issuer or the borrower;
- > a breach of contract, such as a default or past due event;
- > pbb Group, for economic reasons or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that pbb Group would not otherwise consider;
- > it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- > the disappearance of an active market for that financial asset because of financial difficulties;
- > the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

For purchased or originated credit-impaired financial assets (POCI) only the cumulative changes in lifetime expected credit losses since initial recognition have to be recognised as a loss allowance at balance sheet date. For such financial assets expected credit losses shall be discounted using the credit-adjusted effective interest rate determined at initial recognition. The credit-adjusted effective interest rate has to be applied to the amortised cost from initial recognition. The recognition of interest income will have to be determined this way for the entire maturity also if the borrower recovers. The interest income is attributed to the POCI-asset, received repayments have to be recognised as repayments. pbb Group did not purchase or originate credit-impaired financial assets as of 31 December 2025 and as of 31 December 2024.

pbb Group principally uses a model-based approach for determining the amount of expected credit losses. Regulatory risk parameters (probability of default/PD, loss given default/LGD) and contract information, for example the contractually agreed cash flows, are used as a basis for determining the amount of credit losses of the stage 1 and stage 2 financial instruments. The exposure size results from the comparison of the contractually agreed cash flows and the expected cash flows. The risk parameters listed above are linked to the exposure size to determine the expected losses. Among other things expectations about prepayments (so called prepayment rates), expected prolongations of loans (so called prolongation rates) and expected drawings of undrawn parts of a commitment (so called credit conversion factor/CCF) are considered in the expected cash flows. The risk parameter PD is determined for each borrower with the aid of customer specific rating methods. Several customer specific risk factor for example the debt ratio, return indicators and similar quantitative indicators are input factors of the rating methods. The risk parameter LGD is determined with the aid of specific LGD models in which especially expected recovery ratios from the disposal of collaterals or other parts of the asset, the transaction specific ratio of current collaterals and the book value of the loan as well as the expected time till receipt of payments are material input factors. These PD rating methods and LGD models are also methods used as an approach for risk assessment and risk controlling.

The regulatory risk parameters are transformed adequately so that the requirements of IFRS 9 are fulfilled. These include the deduction of conservative adjustments which are used for regulatory purposes, the consideration of macro-economic factors for the purpose of the so called point in time transformation and the transition from the regulatory discount rate to the effective interest rate required by IFRS 9. Particularly the transformations ensure that the risk parameters are unbiased. Historic data about rating migration together with forecasts of macro-economic developments (for example the economic growth per country, 5-year swap rate per currency and – for real estate financings – the development of collateral market values differentiated by object types and regions) are used for the determination of multi-year probabilities of default. For this information according to the type of customer are used. pbb Group forecasts relevant indicators on the basis of internal analyses and externally available data. The interest income is calculated by applying the effective interest rate on the financial asset, therefore on the gross book value (book value before risk provision).

In determining point-in-time default probabilities, macroeconomic projections issued, for example, by the ECB, other central banks and economic research institutions in relation to the gross domestic product are used. Only the forecast for the year 2026 is used for transactions included in Stage 1 allowances. The forecasts until the year 2029 are used for transactions of Stage 2 allowances. As from 2030, a model for convergence to the long-term average will be applied.

As at 31 December 2025, pbb Group recognised a temporary adjustment to expected credit losses in the form of a management overlay to reflect the current risk situation for real estate financing in the United States. The management overlay is described in detail in the note 'Financial assets at amortised cost after credit loss allowances (including claims from finance lease agreements)'. As at 31 December 2024, pbb Group had not made any adjustments to expected credit losses in the form of a management overlay, as it believed that the model-based risk provision adequately reflected the current risk situation.

The expected credit loss for stage 3 impairment is determined on the basis of individual cash flows in several probability-weighted scenarios. The risk provision corresponds to the difference between the carrying amount of the asset and the present value of the expected future cash flows. The latter is calculated using the original effective interest rate. The expected future cash flows take into account the realisability of the collateral provided, such as land charges/mortgages. Interest income is calculated using the effective interest rate on the amortised cost of the financial asset.

Climate-related uncertainties are risk drivers that are generally implicitly included in the models used to determine expected credit losses. In the REF segment, for example, loans are secured by the financed properties. Long-term risks in pbb's portfolio primarily relate to selected physical risks and transitory risks that may arise from new sustainability and environmental regulations, CO2 pricing and changes in market sentiment. Due to the cover pool requirements in the Pfandbrief business, the borrower is generally required to take out adequate insurance against damage resulting from physical risk events. Transitional risks are indirectly reflected in the market values of the properties. As property market values are generally derived from comparable transactions on the property market, the proportion of climate-related uncertainties in expected credit losses cannot be separated. Accordingly, it is generally not possible to determine whether or which property financing arrangements have changed impairment levels as a result of climate-related uncertainties.

A financial asset has to be written-off by using the existing booked impairment if a recovery is not feasible based on adequate judgement. This is generally the case if in the process of a realization of the collateral a residual claim remains and if it is foreseeable that no further amounts are expected from the borrower (for example due to insolvency/lack of funds). pbb groups attempts to collect the remaining claim completely or at least partly by enforcement activities for written-off loans in justified exceptions.

In June 2025, pbb decided to completely discontinue its US business and intends to reduce, securitise or sell its portfolio there in a manner that preserves value. As part of this process, pbb completed a significant risk transfer (SRT) on a synthetic basis in December 2025 with several funds managed by Oaktree Capital Management, L.P. ("Oaktree"), a global investment manager headquartered in the US. Oaktree has assumed credit risk hedging for a mezzanine tranche of the majority of pbb's non-performing US portfolio in the amount of approximately USD 321 million. The underlying US portfolio mainly comprises loans secured by office properties. As at 31 December 2025, the underlying loans had a carrying amount of €1,791 million and a fair value of €1,758 million, 95% of which is recognised in the significant risk transfer. The mezzanine tranche is effective after a first loss piece to be borne by pbb. The underlying loans were provided for with stage 2 credit loss allowances as at 31 December.

As part of the SRT transaction, Oaktree subscribed to an interest-bearing credit-linked note issued by pbb and secured in cash by Oaktree in the amount of the mezzanine tranche. The underlying loans remain on the pbb Group's statement of financial position and continue to generate interest income, whereas the premium for the SRT will be interest expense. Risk provisions must continue to be made for the underlying loans. If a reimbursement from the SRT can be expected, a separate asset must be capitalised. This means that potential loan defaults are largely covered by the existing risk provisions and the SRT. Potential expenses from future risk provision additions are partially offset by the capitalisation of reimbursement claims.

Hedge Accounting

As long as regulations on accounting for macro hedges have not yet been adopted, the IASB provides the possibility by an option to apply the former rules pursuant to IAS 39. For hedge accounting pbb Group exercised the accounting option and retains the current regulation of IAS 39. The accounting of hedge relationships is shown in the section "Notes to Derivative Transactions and Hedged Items".

Disclosure/Notes

IFRS 7 (Financial Instruments: Disclosures and IFRS 13 (Fair Value Measurement) required disclosures according to classes of financial instruments. pbb Group mainly defined the measurement categories according to IFRS 9 – sub divided in the products loans and advances and debt securities as well as liabilities to other banks, liabilities to customers, bearer bonds and subordinated liabilities – irrevocable loan commitments, financial guarantees, hedging derivatives and cash reserve as well as claims from finance lease agreements.

Specific disclosures required by IFRS 7 are shown in the risk and opportunity report for example about credit risk, market risk and liquidity risk.

8. Leases

According to IFRS 16, a lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

pbb Group as a Lessor

Upon initial recognition of a lease, lessees recognise a lease liability as well as a right-of-use asset. The lease liability is discounted using the present value of future lease payments; simultaneously, lessees recognise a right-of-use asset in the amount of the discounted lease liability. Discounting is based on the interest rate underlying the lease or, if this rate is not readily available, on the incremental borrowing rate of pbb Group for the respective lease. Usually, right-of-use assets are depreciated on a straight-line basis over the projected term of the lease. All payment obligations of the lessee resulting from leases are subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured when the future lease payments are modified due to a change in the index rate, or when pbb Group changes its assessment as regards the exercise of extension or termination options. In case of such a remeasurement of the lease liability, the carrying amount of the right-of-use asset is also adjusted accordingly.

pbb Group discloses right-of-use assets in tangible assets, while lease liabilities are disclosed under other liabilities. Depreciation of right-of-use assets is recognised in the note on net gains and losses from write-downs and write-ups of non-financial assets. Interest expenses resulting from lease liabilities are disclosed in net interest income.

pbb Group as a Lessee

As a lessor, pbb Group has entered into finance leases only. Regarding finance leases, substantially all risks and rewards incidental to ownership of the leased asset are transferred to the lessee. The lessor recognises receivables in the amount of the net investment value. Lease payments received are divided into an interest portion, which is recognised through profit or loss, and a principal portion.

pbb Group discloses loans and advances from finance leases under financial assets at amortised cost. Interest income from finance leases is disclosed in net interest income.

9. Cash Reserve

Cash reserve contains balances with central banks which are measured at cost.

10. Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss consist of positive fair values of stand-alone derivatives and the following non-derivative financial assets:

- > Loans and advances, debt securities, shares in investment funds and in entities which are not measured at equity due to their immateriality which do not fulfil the contractual cash flow criterion.
- > Parts of financial assets, for which there is an intention to syndicate.

Financial assets of this balance sheet position are measured at fair value. Changes of the fair value within a period affect profit or loss in the line item net income from fair value measurement of the income statement. The payments and amortisation of interests from this position are shown in net interest income.

11. Financial Assets at Fair Value through Other Comprehensive Income

The position financial assets at fair value through other comprehensive income consists of loans and advances as well as securities of the measurement category at fair value through other comprehensive income. These are non-derivative financial assets which fulfil the contractual cash flow criterion of IFRS 9 and which are held within a business model whose objective is achieved by both collecting cash flows and selling financial assets. Parts of the debt securities and loans and advances of the Value Portfolio and Consolidation & Adjustment fulfil these criteria.

Financial assets of this balance sheet position are measured at fair value. Changes of the fair value within a period are shown in accumulated other comprehensive income of equity without affecting profit or loss. The payments and amortisation of interests from these positions are shown in net interest income. Impairments of all three stages according to IFRS 9 are shown in net income from risk provisioning of the income statement and in accumulated other comprehensive income in the statement of financial position. Gains or losses from derecognition of financial assets measured at fair value through other comprehensive income are shown in net income from realisations.

12. Financial Assets at Amortised Cost after Credit Loss Allowances

The position financial assets at amortised cost after credit loss allowances contains loans and advances as well as securities of the measurement category at amortised cost. These are non-derivative financial assets that meet the cash flow criterion of IFRS 9 and are held as part of a business model whose objective is to collect the contractual cash flows. Debt securities and receivables in the Real Estate Finance segment meet the criteria provided they are not intended for syndication and provided they are not non-recourse financing of structured entities with no recourse to specific assets of the debtor or payments from these assets, where there is primarily an investment risk. In addition, those parts of the Non-Core and Consolidation & Adjustments segments that meet the cash flow criterion and are held as part of a business model whose objective is to collect the contractual cash flows are recognised at amortised cost.

Financial assets of this balance sheet position are measured at amortised cost. Interest income and expenses from this position is shown in net interest income. Impairments of all three stages according to IFRS 9 are shown in net income from risk provisioning of income statement. The assets are shown before and after impairments in the income of financial position. Gains or losses from derecognition of financial assets measured at fair value through other comprehensive income are shown in net income from realisations.

13. Positive Fair Values of Hedge Accounting Derivatives

The position positive fair values of hedge accounting derivatives contains the fair value of derivatives which are subject to hedge accounting and which are positive. As pbb Group does not designate derivatives in cash flow hedge accounting anymore the position only includes derivatives of the micro fair value hedge accounting and of the portfolio hedge of interest rate risks to a lesser extent, currency risks. These derivatives are measured at fair value. Changes of the fair value within a period affect profit or loss and are disclosed in the position net income from hedge accounting in the income statement. The interest payments and amortisations of these positions are shown in net interest income.

14. Valuation Adjustment from Portfolio Hedge Accounting (Assets)

The position valuation adjustment from portfolio hedge accounting (assets) contains the fair values subject to the hedged risks in the hedged cash flows of the portfolios of hedged items on the asset side. In the context of portfolio hedge accounting interest rate risks from loans and advances as well as from liabilities are hedged on a portfolio basis.

15. Investments accounted for using the equity method

The item Investments accounted for using the equity method includes shares in associated companies that are included in the consolidated financial statements using the equity method due to their materiality. Write-downs and write-ups on associated companies are reported in the line Impairment losses on companies accounted for using the equity method.

16. Tangible Assets

Tangible assets are generally measured at cost of purchase or cost of production.

The carrying amounts are depreciated on a straight-line basis in accordance with the expected useful lives of the assets. In addition, property and equipment are tested annually or whenever there is an indication that the asset may be impaired for impairment or reduction in remaining useful life. If the reasons for the impairment no longer exist, an amount not exceeding amortised cost or cost of production is reversed through profit or loss. For fixtures in rental buildings calculations are based on the term of the contract, taking into account any extensions options if this term is shorter than the normal useful economic life.

The normal useful economic life amounts to:

- > Fixture in rental buildings: 5-15 years
- > IT equipment (broad sense): 3-5 years
- > Other operating equipment: 3-25 years

Subsequent cost of purchase or costs of conversion are capitalised if an additional economic benefit is generated for the Company. Maintenance expenses of tangible assets are recognised in profit or loss of the financial year in which they arose.

Right-of-use assets from leasing are disclosed in "tangible assets". The accounting of the right-of-assets is described in the note "leases".

17. Intangible Assets

Purchased and internally generated software are the main items recognised as intangible assets. Goodwill, brand names and customer relations are not capitalised.

Software is an intangible asset with a finite useful life. Purchased software is measured at the amortised purchase cost. Internally generated software will be capitalised if it is probable that future economic benefits is generated for the Group and the expenses can be measured reliably. Expenses eligible for the capitalisation of internally generated software include external, directly attributable costs of materials and services as well as personnel expenses for employees directly associated with the creation of software used by the Company. Software is amortised on a straight-line basis over expected useful lives of three to eight years. In addition, intangible assets with a finite useful life are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired or its useful life has reduced.

18. Other Assets

Other assets comprise the collaterals pledged for the banking levy. The collaterals are accounted for at amortised cost. The balance sheet value of the collateral is shown in the note "Assets pledged as collateral". The recognition of collateral is shown in the note "Contingent liabilities, other obligations and contingent assets".

In addition, the item includes the payment of the base purchase price on 30 December 2025 in the amount of €43 million for the acquisition of the following companies of the Deutsche Investment Group: 89.9% of Deutsche Investment Kapitalverwaltung AG, 74.9% of Deutsche Investment Retail GmbH, 100% of EB Immobilienmanagement GmbH, 100% of B worx Project GmbH and 100% of B worx Service GmbH. B worx Service GmbH holds 100% of B worx Facility Management GmbH. The transfer of legal ownership and control of the companies took place after the balance sheet date.

19. Financial Liabilities at Fair Value through Profit or Loss

The financial liabilities at fair value through profit or loss contain the negative fair values of stand-alone derivatives. Financial liabilities of this balance sheet position are measured at fair value. Changes of the fair value within a period affect profit or loss in the line item net income from fair value measurement of the income statement. The payments and amortisation of interests from this position are shown in net interest income.

20. Financial Liabilities at Amortised Cost

The position financial liabilities at amortised cost consists of all non-derivative financial liabilities. Financial liabilities of this balance sheet position are measured at amortised cost. Interest income and expenses from this position is shown in net interest income. Gains or losses from derecognition of financial liabilities measured at amortised cost are shown in net income from realisations. Such derecognitions may result from prepayments of borrowers.

Amongst others the position financial liabilities at amortised cost contains subordinated liabilities. In the event of insolvency or liquidation subordinated liabilities may only be repaid after all non-subordinated creditors have been satisfied. For some instruments of subordinated liabilities the holders participate in any net loss or inappropriate retained earnings. In addition, the interest entitlement can be ceased or reduced under specific conditions. For other instruments the interest payment ceases only in case of a net loss respectively inappropriate retained earnings which can be recovered depending on the structuring.

Pursuant to IAS 32 the subordinated capital instruments issued by companies of pbb Group were classified as financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

21. Negative Fair Values of Hedge Accounting Derivatives

The position negative fair values of hedge accounting derivatives contains the fair value of derivatives which are subject to hedge accounting and which are negative. As pbb Group does not designate derivatives in cash flow hedge accounting anymore the position only includes derivatives of the micro fair value hedge accounting and of the portfolio hedge of interest rate risks and, to a lesser extent, currency risks. These derivatives are measured at fair value. Changes of the fair value within a period affect profit or loss and are disclosed in the position net income from hedge accounting in the income statement. The interest payments and amortisations of these positions are shown in net interest income.

22. Valuation Adjustment from Portfolio Hedge Accounting (Liabilities)

The position valuation adjustment from portfolio hedge accounting (liabilities) contains the fair values subject to the hedged risks in the hedged cash flows of the portfolios of hedged items of the liability side. In the context of portfolio hedge accounting interest rate risks from loans and advances as well as from liabilities are hedged on a portfolio basis.

23. Provisions

A provision is a liability of uncertain timing or amount. A provision shall be recognised when an entity has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. According to IAS 37.15 in rare cases it is not clear whether there is a present obligation. In these cases a past event is deemed to give rise to a present obligation if, taking into account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period. In rare cases, for example in a law suit, it may be disputed whether certain events have occurred or whether those events result in a present obligation. In such a case, pbb determines whether a present obligation exists at the end of the reporting period by taking into account all available evidence, including, for example, the opinion of experts.

Under IAS 37.36 et seq., the best estimate is used for measuring provisions for contingent liabilities and contingent losses attributable to pending transactions. Long-term provisions are generally discounted with an interest rate that reflects the current assessments of the time value of money and the risks specific to the liability and if the interest rate is positive.

Provisions for commitments and guarantees given are booked on the basis of impairment rules of IFRS 9 and disclosed under provisions.

Provisions for defined benefit plans are calculated on the basis of actuarial reports in accordance with IAS 19. They are measured using the projected unit credit method. The amount of the provision equals the so-called net defined benefit liability which is the difference between the present value of the defined benefit obligation and the fair value of plan assets. pbb has concluded plan assets in the form of a qualifying insurance policy to hedge parts of the risk from the defined benefit obligations. The reinsurance is pledged to the plan beneficiaries.

The determination of the net defined benefit liability is based on demographic and financial actuarial assumptions. A demographic assumption for example is the mortality for which pbb uses guidance tables. For financial actuarial assumptions the discount rate has the greatest effect on the amount of defined benefit liability. The interest rate used for the measurement is determined by reference to market yields at the end of the reporting period on high-quality, fixed-interest corporate bonds.

Net interest on the defined benefit liability is determined by multiplying the defined benefit liability with the discount rate. The determination is done at the beginning of the financial year taking into account any changes in the net defined benefit liability as a result of contribution and benefit payments during the period. Net interest on defined benefit liability are shown together with all other effects on income statement from the defined benefit obligations and the plan assets in the position pension expenses and related employee benefit costs in general and administrative expenses.

Remeasurements of the net defined benefit liability result from actuarial gains and losses and the return on plan assets excluding amounts included in net interest on the net defined benefit liability. Remeasurements of the net defined benefit liability are shown in equity in the position profit/losses from pension obligations. Changes of remeasurements of the net defined benefit liability within a period are shown as a component of the statement of comprehensive income. Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation due to changes of actuarial assumptions and experience adjustments. Changes of the discount rate usually have the biggest effect on the actuarial gains and losses.

Along with other German financial institutions, pbb Group is a member of the pension fund BVV Versorgungskasse des Bankgewerbes e. V. ("BVV"). Both pbb Group as an employer and the eligible employees make regular contributions to the BVV pension schemes. BVV insurance tariffs are calculated and designed to provide fixed pension payments, plus profit participations. Every BVV member entity has a subsidiary responsibility for the pension claims of its eligible employees. pbb Group classifies the BVV pension scheme as a defined benefit plan, but discloses it as a defined contribution plan for accounting purposes because the information available is not sufficient to recognise it as a defined benefit plan. pbb Group considers the risk of becoming liable to pension obligations due to its subsidiary responsibility as very remote, and does not recognise any provisions in this respect.

24. Other Liabilities

Accruals are one position in other liabilities. This also includes short-term liabilities to employees, for instance flexitime credits and vacation entitlements. The accrued liabilities are recognised at the amount likely to be utilised. If the obligations listed at this note cannot be quantified precisely on the balance sheet date and if the criteria specified in IAS 37 for recognising provisions are satisfied, these items have to be disclosed as provisions. Leasing liabilities are a further position in Other Liabilities whose accounting is described in the note "leases".

25. Equity

The equity includes the equity attributable to the shareholders, the additional equity instruments (AT1 capital). The equity attributable to the shareholders consists of the subscribed capital, additional paid-in capital, retained earnings, consolidated profit and accumulated other comprehensive income. The accumulated other comprehensive income contains the reserves for remeasurements of defined benefit commitments (gains/losses from pension obligations), for cash flow hedge accounting and for financial assets at fair value through other comprehensive income (FVOCI).

The AT1 capital is classified as equity since there is neither an obligation to repay the capital nor is there an obligation for ongoing debt service. The transaction costs directly attributable to the issue of the AT 1 capital and paid coupons are deducted directly from equity.

26. Share-based Payment

Since the financial year 2016 in line with the German Regulation of Remuneration in Financial Institutions (Institutsvergütungsverordnung – InstVergV), the payout structure of pbb Group's performance-related remuneration for members of the Management Board and certain employees whose services have a significant influence on the overall risk profile of pbb Group is divided into a disbursement portion and a so-called deferral portion. 50% of the payout portion is paid out in cash in the following financial year. The remaining 50% of the payout portion is economically influenced by the performance of pbb's share price and is paid out after a holding period. The deferral period for the deferral portion is four years or five years. If the deferred remuneration components become an entitlement, half of the respective deferral portion is paid out in cash. The other half is in turn economically influenced by the performance of pbb's share price and is also paid out after the expiry of a holding period.

The aforementioned deferral portion of the variable remuneration which are influenced in financial terms by the development of the pbb share price, represents share-based remuneration. This share-based payment does not represent an option programme for physical shares, but rather for virtual shares where the amount set accordingly is converted into an equivalent number of virtual shares. This equivalent number corresponds to the number of virtual shares granted in the reporting period. The calculation of the number of virtual shares is based on the average Xetra closing price of the pbb share in February of the year subsequent to the financial year for which the variable remuneration is granted (subscription price). The resulting number of virtual shares is automatically converted into a cash amount after a holding period of one year, and paid out. In the year of payment, these virtual shares are presented as "exercised in the reporting period". The conversion is based on the average Xetra closing price of the pbb share in February of the disbursement year (disbursement price). Therefore, half of the variable remuneration of the employees concerned is linked to the performance of the pbb share price as part of the sustainability component.

The share-based remuneration may be forfeited after granting if the beneficiary was significantly involved in or responsible for conduct that led to significant losses or a significant regulatory sanction for the institution, or if he or she seriously violated relevant external or internal regulations regarding suitability and conduct (§§ 18 (5), 20 IVV).

When, in the context of share-based payment, the service is provided by the beneficiary, the resulting liability of pbb Group is recognised at fair value through profit or loss. The fair value of the liability is remeasured as at each reporting date, taking into account pbb's share price, until the liability is settled, with all changes in fair value being recognised in profit or loss. The volume of share-based payment is disclosed in Note 'Related parties disclosures'.

27. Currency Translation

Currency translation is carried out in accordance with the regulations of IAS 21. On the balance sheet date, monetary items in a foreign currency are translated into the functional currency. The reporting currency is Euro. Non-monetary items which were stated in a foreign currency using historical cost of purchase are measured using the exchange rate applicable at date of purchase.

Income and expenses attributable to currency translation are generally recognised in profit or loss in net other operating income/expenses.

All entities of the Group have Euro as the functional currency. Therefore, the group of consolidated companies does not include any companies from hyperinflationary countries.

28. Income Taxes

Income taxes are accounted for and measured pursuant to IAS 12 and according to IFRIC 23. Apart from the exceptions defined in the standard, deferred taxes are calculated for all temporary differences between the IFRS values and the tax values (balance sheet method). Deferred tax assets arising from non-utilised losses carried forward, interest assets carried forward and tax credits are recognised if required in accordance with IAS 12.34 et seq.

Deferred taxes are calculated using the respective national tax rates applicable at the time when the differences are likely to be offset. The effects of changes in tax rates or tax laws on deferred tax assets and liabilities are generally recognised in the period in which the substantive legislative process is completed. The gradual reduction in the corporation tax rate by one percentage point per annum for the financial years 2028 to 2032, which has been decided for Germany, has been taken into account.

If it is unlikely that the amounts disclosed in pbb's tax declarations will be realised (uncertain tax positions), tax liabilities are recognised. The liability amount is derived as being the best possible estimate of the expected tax payment (expected amount or most likely amount of tax uncertainty). Tax claims from uncertain tax positions are recognised if they will likely be realised.

The pbb Group applies the exemption from accounting for deferred taxes resulting from the implementation of global tax regulations on minimum taxation by the respective countries. The pbb Group has disclosed the disclosure requirements relating to the IAS 12 amendments in the note 'Income tax' in the section 'Information on the income statement'.

29. Non-current Assets Held for Sale

In accordance with IFRS 5, a non-current asset or disposal group must be classified as held for sale if the related carrying amount is primarily realised by a disposal transaction and not by continued use. To reclassify an asset as held for sale, certain conditions must be met on a cumulative basis. Above all, there must be a specific intention to sell, the asset must be immediately available and the disposal must be highly probable. As at 31 December 2025 and at 31 December 2024 pbb Group did not own any assets held for sale.

30. Judgements and estimations

When preparing the financial statements, pbb Group makes future-related judgements as well as estimations, which may carry a considerable risk of a major change to the disclosed assets and liabilities becoming necessary during the next financial year. The assumptions and parameters underlying the estimates to be made are based on the exercise of appropriate judgement. The macroeconomic and industry-specific conditions and forecasts are presented in the management report. These may have an impact on discretionary decisions and estimates.

Going-Concern

The Consolidated Financial Statements of pbb are based on the judgement of going-concern. The conditions of going-concern are described in the report on expected developments.

Classification of Financial Instruments (Business model criteria)

For measurement purposes the financial assets have to be classified into the three measurement categories at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. The classification depends amongst others on the contractual cash flow criterion. The assessment of this criterion is based on judgements which are described in the note "Financial Instruments". For example, this relates to the assessment of the intention to hold financial assets in the future.

Allowances

pbb must recognise an impairment loss for expected credit losses on a financial asset measured at amortised cost or at fair value through other comprehensive income, on a receivable from leases, or on certain loan commitments and financial guarantees. Appropriate and reliable information, including forward-looking information, must be taken into account.

Expected credit losses are a probability-weighted estimate of credit losses, i.e. the present value of expected cash shortfalls, over the life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that entity is expected to receive. Upon initial recognition, the impairments in lending business are based on expected credit losses for twelve months (so-called stage 1). The 12-month expected credit loss is that part of the lifetime expected credit losses, which is equal to the expected credit losses from defaults that may occur for the financial instrument within twelve months after balance sheet date. In case of a significant increase in the financial asset's credit risk within the context of subsequent measurement (stage 2) or in case of a credit impairment (stage 3), the impairment has to reflect the expected default events over the life of the transaction (lifetime expected credit loss).

The methods and judgements, including forward-looking information, for the determination of a change of an impairment stage and estimation of the amount of impairment are reviewed at least annually. This may result in a temporary adjustment of expected credit losses in the form of a management overlay. As at 31 December 2025, pbb Group did this for its non-performing real estate financing in the United States in order to reflect the current risk situation of real estate financing in the United States.

In accordance with IAS 8.34, accounting estimates must be revised if the circumstances on which the estimate was based change or as a result of new information or increasing experience. The determination of credit loss allowances on financial instruments is based on accounting estimates. In 2025, the pbb Group made an accounting estimate change in the measurement of credit loss allowances for financial instruments not impaired (stage 1 and 2).

The risk parameters probability of default (PD) and loss given default (LGD) are used as a basis for determining the amount of stage 1 and 2 credit loss allowances. The longer-term view across economic cycles (through-the-cycle) is transformed into a point-in-time estimate of the current situation required by IFRS 9.

For its REF business, the pbb Group has previously applied the three point-in-time transformation parameters of 5-year swap rate per currency, development of collateral market values differentiated by property type and region, and unemployment rate. An analysis showed that the influence of the unemployment rate parameter on the probability of default has declined in recent years in a changed market environment, particularly against the backdrop of new work. It is no longer statistically significant and has therefore been removed from the point-in-time transformation. As a result, it is no longer used for the point-in-time transformation; instead, only the two parameters 5-year swap rate per currency and development of collateral market values differentiated by property type and region are used.

The change in accounting estimates resulted in a reversal of risk provisions and thus a net income from risk provisioning of €1 million, which was attributable to financial assets.

Fair Values of Original and Derivative Financial Instruments

The fair value of financial instruments that are not listed on active markets is measured using valuation models. In such cases, a check is performed regularly to assess whether the valuation models provide a comparable benchmark for current market prices. The valuation models can only take into account quantifiable factors (e.g. cash flows and discount rates) that also require estimates. Changes in estimations of these factors might have an impact on the fair values of the financial instruments.

Criteria in the area of environment, social and governance (ESG) should have a growing influence on the fair values of financial instruments in the future. This could lead to adjustments in estimates and measurement models.

Hedge Accounting

Relations between hedged items and hedging instruments can be presented in hedge accounting. A relationship only qualifies for hedge accounting when certain conditions specified under IAS 39.88 are satisfied. Amongst others the hedge has to be very efficient with regard to achieving compensation for the risks resulting from changes in the fair value or the cash flow in relation to the hedged risk.

The determination of the effectiveness of the risk hedge depends on risk measuring methods, the parameters which are used and estimations relating to the probability of occurrence. These methods and parameters are continuously developed in line with the risk management objectives and strategies.

Intangible Assets, Tangible Assets including Right-of-Use assets from Leases

Intangible assets and tangible assets include right-of-use assets from leases are subject to estimation uncertainties, particularly in the determination of the useful life of assets respectively the expected contractual period of the lease and the associated amount of depreciation/amortisation recognised per period.

The pbb Group aims to reduce greenhouse gas emissions along a defined climate path. To this end, the REF portfolio is actively managed with a view to reducing CO₂ emission intensity. Greenhouse gas emissions and other aspects of the environmental footprint from its own operations are considered immaterial. Therefore, there is no impact on the carrying amounts of the pbb Group's property, plant and equipment and intangible assets. The assessment is subject to uncertainties.

Provisions

Estimates are used in the measurement of provisions at pbb Group. Estimation uncertainties arise in particular during assessment of the amount of the future cash outflows, the time horizon and the discount rate. The assessment of whether, taking into account all available substantial evidence, there is more to suggest the existence of a present obligation at the reporting date than not is also subject to uncertainty.

As with the assessment of the carrying amounts of property and equipment and intangible assets, climate risks have no impact on the recognition and measurement of provisions by the pbb Group. This assessment is also subject to uncertainty.

Bank Levy

pbb Group has utilised the option of paying contributions to the European bank levy, the deposit protection fund and the compensation scheme of German banks not exclusively by means of so-called regular contributions, but partly in the form of an irrevocable payment obligation by providing cash collateral. pbb Group recognises collateral in accordance with the meeting reports of the Banking Committee of the Institute of Public Auditors in Germany. It is stated therein that the transfer of cash as cash collateral leads to the recognition of a financial receivable from the collateral taker (restructuring fund) and to the derecognition of the cash. In pbb Group's opinion, no provisions need to be recognised as it is unlikely that the collateral will be utilised by the SRB.

The accounting method is based on discretionary decisions. It cannot be ruled out that the assessment may change.

Income Taxes

pbb Group is subject to a wide range of national tax regulations with regard to the calculation of income taxes. In order to measure the tax expenses, it is necessary to make estimates that are calculated with the existing knowledge as of the balance sheet date and closely related to the tax return prepared in the following financial year. In some countries, the current tax charges attributable to the current financial year can only be definitely finalised after the corresponding tax audit has been completed. The variances with regard to the estimated tax burden may have a positive or negative influence on the tax burden in future years.

With regard to the capitalisation of deferred taxes on loss carryforwards and other tax credits, the extent as well as the actual availability of such tax benefits are subject to estimation. These estimates are subject to change based on new information and findings. Major losses carried forward are subject to national German tax law, and their availability depends inter alia on the restrictions set out in Sections 10 d EStG, 8 c KStG as well as Section 10 a GewStG restrictions. Deferred tax assets arising from losses carried forward are therefore recognised to the extent as it is likely that future taxable income will be available to offset the non-utilised tax losses carried forward. The actual tax result situation in future periods - and thus the actual usability of loss and interest carryforwards - may differ from the estimate at the time the deferred taxes are recognised.

Consolidation

Companies and structured entities must be consolidated if pbb has direct or indirect control over them. Control is deemed to exist if pbb has decision-making powers to manage relevant activities, has a right to significant returns from the subsidiary and can use its decision-making powers to influence the amount of the significant variable returns. The level of control is assessed on the basis of contractual and economic relationships to the company or the structured entity. The assessment whether pbb exerts control or substantial influence over the company may result in judgement leeway.

31. Notes to segment reporting by operating segment

Segment reporting for the 2025 financial year was prepared in accordance with IFRS 8 Operating Segments. In line with the Management Approach under IFRS 8, segment reporting discloses segment-specific, management-relevant financial information that is also regularly used by Management Board (Chief Operating Decision Maker) when deciding on the allocation of resources, and for assessing the earnings power of segments. Based on the organisational structure, which is aligned to the various products and services offered, two business segments have been determined in line with internal management reporting.

Within segment reporting, income is determined by deducting matched-maturity funding rates prevailing at the time of concluding a transaction from the interest rate charged to the client. The input parameters required for this purpose are set at the time of originating a new business transaction, within the scope of accounting for individual transactions. In addition, income from investing the Bank's own funds is included at segment level. The allocation of liquidity costs to the operating segments is based on the transfer price mechanism for the individual transaction. The income of pbb Group's operating segments is based exclusively on transactions with external customers. For this reason, pbb does not present income per business segment separately according to internal and external income. The interest income generated and the related interest expenses are reported as net interest income, as the management of the operating segments is based on this net figure.

Income or expenses that cannot be allocated directly to a specific Segment (in particular, the results from disposal of assets held for liquidity management, from market-induced effects on net income from fair value measurement, hedging relationships, the reversal or addition of provisions in the non-lending business as well as the bank levy) are allocated to the business segments, usually on a pro-rata basis, in line with financing volumes.

The allocation of general and administrative expenses to the operating segments differentiates between expenses which can be directly attributed and those which are not directly attributable. Expenses (of the sales units, for example) which are directly attributable can be clearly assigned to the segments via the cost centre. Expenses that cannot be directly allocated (for example central divisions) are distributed to the segments using allocation keys for each cost centre.

Segment risk-weighted assets (RWA) are determined in accordance with the allocation of individual transactions (credit risk, for example) and with the allocated risk types (operational risks, for example). Risk types that are not directly attributable are allocated to the segments according to defined keys.

The allocation of balance sheet equity to the segments is carried out in accordance with the bottleneck principle on the basis of RWA.

Real Estate Finance (REF)

The REF operating segment comprises financing for professional property investors subsumed under Real Estate Finance Solutions (REFS). These include national and international property companies, institutional investors and property funds as well as medium-sized companies and regionally oriented customers, particularly in Germany. The properties financed are mainly office buildings, residential properties, retail and logistics properties and (business) hotels. Due to their still small size, the earnings components of the Real Estate Investment Solutions division, including pbb Invest, are also reported in the REF segment until further notice.

Non-Core (NC)

The non-strategic operating segment NC includes financing eligible for Pfandbrief cover primarily for the provision and improvement of public infrastructure and non-earmarked financing to the public sector (budget financing).

Consolidation & Adjustments (C&A) reconciles the sum of the segment results to the consolidated result. The column includes income from the investment of allocated equity.

The new **Real Estate Investment Solutions (REIS)** business segment is not yet shown as a separate segment, as neither its operating income, profit before tax nor assets account for at least 10 per cent of the cumulative assets of all operating segments. Instead, it was part of REF. REIS is intended to broker commercial real estate and commercial real estate financing or place and manage them in the form of funds. As with REF, the economic characteristics of REIS are therefore dependent on commercial real estate and its financing.

32. Income statement by operating segment

Income/expenses

in € million		REF	Non-Core	C&A	pbb Group
Operating income	2025	393	29	-	422
	2024	451	93	-	544
Net interest income	2025	392	17	-	409
	2024	438	27	-	465
Net fee and commission income	2025	6	-2	-	4
	2024	6	-1	-	5
Net income from fair value measurement	2025	-33	-	-	-33
	2024	-2	-1	-	-3
Net income from realisations	2025	13	9	-	22
	2024	11	68	-	79
Net income from hedge accounting	2025	2	1	-	3
	2024	2	1	-	3
Impairments on entities accounted for using the equity method	2025	-8	-	-	-8
	2024	-	-	-	-
Net other operating income	2025	21	4	-	25
	2024	-4	-1	-	-5
Net income from risk provisioning	2025	-410	-	-	-410
	2024	-171	1	-	-170
General and administrative expenses	2025	-221	-15	-	-236
	2024	-231	-14	-	-245
thereof personnel expenses	2025	-127	-9	-	-136
	2024	-123	-8	-	-131
thereof non-personnel expenses	2025	-94	-6	-	-100
	2024	-108	-6	-	-114
Expenses from bank levies and similar dues	2025	-2	-1	-	-3
	2024	-3	-1	-	-4
Net income from write-downs and write-ups of non-financial assets	2025	-20	-1	-	-21
	2024	-20	-1	-	-21
Net income from restructuring	2025	-2	-	-	-2
	2024	-	-	-	-
Profit/loss before tax (segment result)	2025	-262	12	-	-250
	2024	26	78	-	104

Key ratios

in %		REF	Non-Core	pbb Konzern
Cost-income ratio ¹⁾	2025	61.3	55.2	60.9
	2024	55.7	16.1	48.9
Return on tangible equity before tax ²⁾	2025	-10.5	43.0	-9.9
	2024	0.1	152.6	2.7

¹⁾ Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.

²⁾ Return on tangible equity before tax is the ratio of profit before tax minus AT1 coupon to average IFRS equity excluding intangible assets, deferred income tax assets and AT1 capital.

33. Balance-sheet-related measures by operating segment

The Management Board controls balance-sheet-related measures by operating segments based on financing volumes, on risk-weighted assets and on equity.

Balance-sheet-related measures

in € billion		REF	Non-Core	C&A	pbb Group
Financing volumes ¹⁾	31.12.2025	27.3	8.5	-	35.8
	31.12.2024	29.0	9.7	-	38.7
Risik-weighted assets ²⁾	31.12.2025	17.1	0.2	0.2	17.5
	31.12.2024	20.2	0.2	0.2	20.6
Equity ³⁾	31.12.2025	2.6	0.1	-	2.7
	31.12.2024	2.9	-	0.1	3.0

¹⁾ Notional amounts of the drawn parts of granted loans and parts of the securities portfolio.

²⁾ Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.

³⁾ Excluding intangible assets, deferred income tax assets and AT1 capital.

34. Breakdown of operating income

Operating income by products

Operating income by products

in € million		Real estate financing	Other Products	pbb Group
Operating income	2025	393	29	422
	2024	451	93	544

Operating income by regions

pbb Group differentiates between the regions Germany, Rest of Europe and USA. Allocation of values to regions is based on the location of the registered offices of the Group companies or their branches/representative offices.

Operating income by regions

in € million		Germany	Rest of Europe	USA	pbb Group
Operating income by regions	2025	421	25	-24	422
	2024	504	33	7	544

Operating income by customers

There were no significant customers within the meaning of IFRS 8.34 in the financial years 2025 and 2024.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

35. Net interest income

Net interest income

in € million	2025	2024
Interest income	2,217	2,951
from financial assets at fair value through profit or loss	716	994
from financial assets at fair value through other comprehensive income	33	32
from financial assets at amortised cost	1,465	1,922
from other assets	3	3
Interest expenses	-1,808	-2,486
from financial liabilities at fair value through profit or loss	-763	-1,067
from financial liabilities measured at amortised cost	-1,036	-1,161
Hedge accounting derivatives (net)	-8	-257
from other liabilities	-1	-1
Total	409	465

36. Net fee and commission income

Net fee and commission income

in € million	2025	2024
Fee and commission income	11	11
from financial assets at amortised cost and financial liabilities not at fair value through profit or loss	11	11
Other lending business	11	11
Fee and commission expenses	-7	-6
from financial assets at amortised cost and financial liabilities not at fair value through profit or loss	-7	-6
Securities and custodial services	-5	-5
Other lending business	-1	-1
Trust, fiduciary and other services	-1	-
Total	4	5

Fee and commission income is recognised at a point in time when the performance obligation is satisfied, i.e. the service is provided, by pbb Group. Fee and commission income is generated mainly in the REF segment.

37. Net income from fair value measurement

Net income from fair value measurement

in € million	2025	2024
Net income from stand-alone derivatives	6	3
Interest derivatives	6	3
Net income from other financial assets at fair value through profit or loss	-39	-6
From equity instruments	-1	-
From debt instruments	-38	-6
Debt securities	-6	3
Loans and advances	-32	-9
Total	-33	-3

38. Net income from realisations

Net income from realisations

in € million	2025	2024
Income from derecognition of financial instruments	23	116
from financial assets measured at fair value through other comprehensive income	-	2
from disposal	-	2
from financial assets at amortised cost	21	75
from disposal	8	69
from early repayment	12	6
from other income	1	-
from financial liabilities measured at amortised cost	2	39
from early repayment	2	39
Expenses from derecognition of financial instruments	-1	-37
from financial assets at amortised cost	-1	-35
from disposal	-	-35
other expenses	-1	-
from financial liabilities measured at amortised cost	-	-2
from early repayment	-	-2
Total	22	79

39. Net income from hedge accounting

Net income from hedge accounting

in € million	2025	2024
Net income from micro fair value hedge accounting	2	-3
from hedged items	174	-225
from hedging instruments	-172	222
Net income from portfolio hedge accounting	1	6
from hedged items	-42	-56
from hedging instruments	43	62
Total	3	3

40. Impairments on entities accounted for using the equity method

Impairment losses on companies accounted for using the equity method (€-8 million; 2024: €0 million) related to the associate 161 North Clark Holdco LLC, New York, which was established in 2024 for the purpose of a salvage acquisition. In the first half of 2025, impairments of €11 million were incurred in connection with the withdrawal from the US market and the associated recognition of short-term disposal proceeds for the property held. Due to improved insights into the sales proceeds, these impairments were reduced by €3 million in the fourth quarter of 2025.

41. Net other operating income

Net other operating income

in € million	2025	2024
Net income from foreign currency translation	9	-7
Net income from provisions in non-lending business	-3	-3
Miscellaneous other operating income	19	5
Total	25	-5

42. Net income from risk provisioning

Net income from risk provisioning

in € million	2025	2024
From financial assets	-413	-172
Stage 1	-9	2
Stage 2	-32	10
Stage 3	-372	-184
Income from recoveries from written-off financial assets	1	-
Net income from provisions in off balance sheet lending business	-1	2
Net income from modifications of financial instruments	3	-
Total	-410	-170

Net income from risk provisioning from financial assets resulted almost completely from financial assets 'at amortised cost'.

43. General and administrative expenses

General and administrative expenses

in € million	2025	2024
Personnel expenses	-136	-131
Wages and salaries	-107	-108
Social security expenses	-17	-17
Pension expenses and related employee benefit expenses	-8	-9
Other personnell expenses/income	-4	3
Non-personnel expenses	-100	-114
Office and operating expenses	-5	-8
Consulting expenses	-33	-27
IT expenses	-45	-64
Other non-personnel expenses	-17	-15
Total	-236	-245

44. Expenses from Bank Levies and Similar Dues

Expenses from bank levies and similar dues¹⁾

in € million	2025	2024
Bank levies	-1	-
Compensation scheme of German banks	-2	-4
Total	-3	-4

¹⁾ Includes cost allocations invoiced for the dues/levies.

45. Net Income from Write-downs and Write-Ups of Non-financial Assets

Net income from write-downs and write-ups of non-financial assets

in € million	2025	2024
Depreciation or amortisation	-21	-21
Tangible assets	-8	-8
Thereof: Right-Of-Use of lease assets	-5	-6
Intangible assets	-13	-13
Total	-21	-21

46. Net income from restructuring

Net income from restructuring

in € million	2025	2024
Income from reversals of restructuring provisions	1	-
Expenses from additions to restructuring provisions	-3	-
Total	-2	-

Net income from restructuring is attributable to personnel measures in connection with the withdrawal from the US market.

47. Income Tax

Breakdown

in € million	2025	2024
Current taxes	-3	2
Deferred taxes	-31	-16
Thereof: Deferred taxes on losses carried forward	-30	-18
Total	-34	-14

Actual taxes include tax income for previous years amounting to €3 million (2024: €12 million). Tax income for previous years is material and results from tax refunds for previous years and the continuation of tax audit risks.

Deferred taxes were calculated for domestic companies using a future average corporation tax rate of 14.42 per cent plus the applicable solidarity surcharge of 5.5 per cent and the trade tax rate depending on the respective assessment rate (the benchmark figure is 3.5 per cent). This results in a total deferred tax rate of 27.06% for pbb (2024: 27.67%). The decision to gradually reduce the corporation tax rate by one percentage point per annum for the financial years 2028 to 2032 in Germany was taken into account.

The following overview shows the development of the deferred taxes recognised in the financial statements:

Development of deferred taxes

in € million	2025	2024
Deferred taxes recognised in the statement of financial position	87	116
Difference to prior year	-29	-13
Thereof: Recognised in profit or loss	-31	-16
OCI from pension commitments	-1	1
OCI from financial assets at fair value through OCI	1	-
OCI from Cash flow hedge accounting	2	2

Overall, deferred taxes credited directly to equity increased by €2 million (2024: €3 million).

Reconciliation

in € million (unless otherwise indicated)	2025	2024
Profit or loss before tax	-250	104
Applicable (legal) tax rate in %	27.67	27.67
Expected (computed) tax expense	69	-29
Tax effects		
arising from tax rate reductions	-2	-
arising from deductible and non-deductible items	-2	8
arising from valuation adjustments and non-application of deferred taxes	-102	-5
arising from prior years	3	12
Reported income taxes	-34	-14
Group tax ratio in %	-13.60	13.46

On a euro-for-euro basis, the Group's effective tax rate was -13.74% (2024: 13.53%).

The tax rate applicable for the reporting year, including the solidarity surcharge, was 27.67% (2024: 27.67%) and comprised the currently applicable German corporation tax rate of 15.0%, the solidarity surcharge of 5.5% applicable to this, and the average trade tax rate of 11.84% (2024: 11.84%).

Foreign tax rates range from 20.6% to 28.11%. In Germany, the effective current tax burden, comprising corporation tax, the solidarity surcharge and trade tax, stands at 9.49% (2024: 9.49%) due to the utilisation of loss carry-forwards under the German minimum taxation regime.

The group tax rate is calculated as the ratio of reported income tax (current and deferred tax) to profit/loss before tax.

The negative tax rate results from the loss before income tax, as well as current and deferred tax expenses. The deferred tax expense is materially attributable to the effects of the measurement of deferred taxes. Due to temporary differences in the tax treatment of risk provisioning, a tax expense also arose in Germany, as was the case for foreign entities.

The effects of tax additions and deductions relate primarily to tax surpluses and deficits, as well as non-tax-deductible operating expenses for which no deferred tax liabilities were recognised due to the permanent difference, but which have reduced or increased the tax base.

The item 'Effects of valuation adjustments and the non-application of deferred taxes' includes the effects of the recognition and write-off of deferred tax assets relating to balance sheet differences and tax loss carryforwards.

The item 'Effects from prior years' comprises actual taxes from prior years, which are material due to tax refund claims and the reassessment of tax audit risks.

The deferred tax liabilities or deferred tax assets relate to the following items:

Deferred tax liabilities/assets

in € million	2025	2024
Financial assets and liabilities at fair value	115	181
Financial assets at amortised cost after credit loss allowances	46	3
Positive fair values of hedge accounting derivatives	11	8
Other assets/liabilities	16	17
Deferred tax liabilities before offsetting	188	209
Offsetting	-187	-207
Deferred tax liabilities after offsetting	1	2
Financial assets and liabilities at fair value	102	147
Financial assets and liabilities at amortised cost	112	65
Positive/negative fair values of hedge accounting derivatives	37	49
Other assets/liabilities	10	17
Provisions	4	6
Losses carried forward	10	40
Deferred tax assets before offsetting	275	324
Offsetting	-187	-207
Deferred tax assets after offsetting	88	117

The assessment of the recoverability of deferred tax assets on deductible temporary differences and on loss carryforwards is based on tax planning derived from the general corporate planning.

As at the reporting date, unused tax loss carryforwards totalled €2,566 million for corporation tax (31 December 2024: €2,453 million) and €2,784 million for trade tax and similar local taxes (31 December 2024: €2,632 million), for which no deferred tax assets were recognised. The loss carryforwards can be utilised indefinitely, subject to any detrimental change in ownership. Of the unused tax loss carryforwards for which no deferred tax assets were recognised, €67 million related to local tax loss carryforwards, €7 million to corporate income tax loss carryforwards of the US permanent establishment and €5 million to corporate income tax loss carryforwards of the Spanish permanent establishment (31 December 2024: €6 million to loss carryforwards for the permanent establishment in Spain). In addition, no deferred tax assets were recognised on deductible temporary differences that can be carried forward indefinitely in the amount of €522 million (31 December 2024: €257 million). The recognition and reversal of temporary differences resulted in a deferred tax expense of €2 million (2024: €2 million tax income).

Changes in tax rates did not result in any material deferred tax expenses or income in either the current or previous year.

The utilisation of previously unrecognised tax losses did not result in any reduction in actual income tax expense (2024: €14 million reduction). The utilisation and loss allowances for previously recognised loss carryforwards resulted in deferred tax expense of €30 million (2024: €17 million).

In 2025 and 2024 there were no differences associated with investments in subsidiaries.

Global minimum tax

The pbb Group falls within the scope of the global minimum taxation rules. The global minimum tax is levied at the level of Deutsche Pfandbriefbank AG as the ultimate parent company for the reporting period in Germany. In addition, pbb is also subject to comparable rules in the United Kingdom, France, the Netherlands, Spain and Sweden.

No minimum tax was incurred in any country during the reporting period.

48. Net Gains/Net Losses

The income statement contains the following net gains/net losses recognised in profit or loss by measurement categories:

Net Gains/Net Losses by measurement categories

in € million	2025	2024
Financial assets		
at fair value through profit or loss	-33	-3
from stand-alone derivatives	6	3
from equity instruments	-1	-
from debt instruments	-38	-6
at fair value through other comprehensive income	-	2
at amortised cost	-391	-132
Financial liabilities		
at amortised cost	2	37

The net gains and losses shown in the table include additions to and reversals of credit loss allowances, derecognition gains and losses as well as the fair value measurement results from financial instruments recognised in profit or loss.

49. Earnings Per Share

Earnings per share

		2025	2024
Net income attributable to shareholders of pbb	in € million	-284	90
Thereof: attributable to the ordinary shareholders	in € million	-309	65
Thereof: attributable to the AT1 investors	in € million	25	25
Average number of ordinary shares issued	pieces	134,475,308	134,475,308
Adjusted average number of ordinary shares issued	pieces	134,475,308	134,475,308
Basic earnings per share	in €	-2.30	0.48
Diluted earnings per share	in €	-2.30	0.48

Earnings per share are calculated in accordance with IAS 33 by dividing net income/loss attributable to the ordinary shareholders by weighted average number of ordinary shares. Net income/loss is allocated under the assumption of after-tax interests for the AT1 capital, which are accrued pro rata temporis as well as assuming full operation of the discretionary AT1-coupon.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ASSETS)

50. Cash reserve

Cash reserve

in € million	31.12.2025	31.12.2024
Balances with central banks	1,558	2,010
Total	1,558	2,010

Cash on hand as of 31 December 2025 amounts to €0 million as on the previous year's reporting date.

51. Financial assets at fair value through profit or loss**Financial assets at fair value through profit or loss**

in € million	31.12.2025	31.12.2025
Positive fair values of stand-alone derivatives	170	484
Equity instruments	1	-
Shares in corporated companies	1	-
Other financial interest	1	-
Interests in companies and funds qualified as debt instruments	3	3
Shares in investment funds	3	3
Debt securities	41	127
Bonds and notes	41	127
Public-sector issuers	-	87
Other issuers	41	40
Loans and advances to customers	697	633
Public-sector loans and advances	132	135
Real estate loans and advances	565	498
Total	912	1,247

52. Financial assets at fair value through other comprehensive income**Financial assets at fair value through other comprehensive income**

in € million	31.12.2025	31.12.2024
Debt securities	1,404	1,255
Bonds and notes	1,404	1,255
Public-sector issuers	553	369
Other issuers	851	886
Loans and advances to customers	-	1
Public-sector loans and advances	-	1
Total	1,404	1,256

53. Financial assets at amortised cost after credit loss allowances (including claims from finance lease agreements)**Financial assets at amortised cost before credit loss allowances**

in € million	31.12.2025	31.12.2024
Debt securities	4,839	2,471
Money market instruments	273	-
Public-sector issuers	273	-
Bonds and notes	4,566	2,471
Public-sector issuers	4,425	1,763
Other issuers	141	708
Loans and advances to other banks	1,228	1,737
Public-sector loans and advances	546	547
Investments in money	101	407
Other loans and advances to other banks	581	783
Loans and advances to customers	30,294	35,434
Public-sector loans and advances	3,555	6,907
Real estate loans and advances	26,688	28,491
Other loans and advances to customers	51	36
Claims from finance lease agreements	109	122
Total	36,470	39,764

Development in risk provisioning

in € million	1.1.2025	Trans-fer Stage 1	Trans-fer Stage 2	Trans-fer Stage 3	New Busi-ness and additions	Repay-ments and derecogni-tions	Amounts used	Changes of credit risk (net)	Other changes	31.12.2025
Allowances for credit losses on financial assets	-539	-	-	-	-14	17	121	-416	-1	-832
measured at amortised cost	-539	-	-	-	-14	17	121	-416	-1	-832
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	-539	-	-	-	-14	17	121	-416	-1	-832
Stage 1	-37	-1	13	-	-14	6	-	-1	1	-33
Stage 2	-91	1	-13	20	-	11	-	-43	7	-108
Stage 3	-411	-	-	-20	-	-	121	-372	-9	-691
Provisions for off-balance-sheet lending business (contingent liabilities and other commitments)	-4	-	-	-	-1	1	-	-1	1	-4
Stage 1	-1	-	-	-	-1	-	-	1	-	-1
Stage 2	-3	-	-	-	-	1	-	-2	1	-3
Total	-543	-	-	-	-15	18	121	-417	-	-836

Development in risk provisioning

in € million	1.1.2024	Trans-fer Stage 1	Trans-fer Stage 2	Trans-fer Stage 3	New Busi-ness and additions	Repay-ments and derecogni-tions	Amounts used	Changes of credit risk (net)	Other changes	31.12.2024
Allowances for credit losses on financial assets	-583	-	-	-	-14	12	250	-170	-34	-539
measured at amortised cost	-583	-	-	-	-14	12	250	-170	-34	-539
Debt securities	-1	-	-	-	-	1	-	-	-	-
Stage 1	-1	-	-	-	-	1	-	-	-	-
Loans and advances to customers	-582	-	-	-	-14	11	250	-170	-34	-539
Stage 1	-38	-10	6	-	-14	5	4	10	-	-37
Stage 2	-130	10	-6	21	-	6	8	4	-4	-91
Stage 3	-414	-	-	-21	-	-	238	-184	-30	-411
Provisions for off-balance-sheet lending business (contingent liabilities and other commitments)	-6	-	-	-	-	2	-	-	-	-4
Stage 1	-2	-	-	-	-	1	-	-	-	-1
Stage 2	-4	-	-	-	-	1	-	-	-	-3
Total	-589	-	-	-	-14	14	250	-170	-34	-543

Loss allowances on financial assets measured at fair value through other comprehensive income and on receivables from finance leases amounted to less than €1 million as at 31 December 2025 and 31 December 2024.

As at 31 December 2025, pbb Group had formed a management overlay of €26 million, as the Management Board of pbb believed that the model-based risk provisioning did not adequately reflect the current uncertainties and risks in the development of the economy and the real estate financing markets in the United States. On the one hand, the management overlay included an adjustment of the model-based loss given default (LGD) rates for the entire high performing US business. The LGDs derived from long-term historical averages were replaced by current realisation estimates. Secondly, US real estate financing without indicators of impaired credit quality was collectively provisioned in the amount of the lifetime expected credit loss and reported as stage 2.

The management overlay was originally formed on 30 June 2025 in the amount of €75 million. In the second half of 2025, it was partially reversed by €49 million to €26 million as at 31 December 2025, in particular because the recovery strategy could be adjusted as a result of the significant risk transfer (SRT) that was completed. As at 31 December 2024, pbb Group had not adjusted its model-based risk provisioning through a management overlay.

If all Level 1 financial assets were on Stage 2, the balance of credit loss allowances would increase by €45 million as at 31 December 2025 (31 December 2024: €44 million). For off-balance-sheet business, this would also result in an increase of €3 million as at the balance sheet date (31 December 2024: €2 million).

If all Level 2 financial assets were on Stage 1, the balance of credit loss allowances would decrease by €46 million (31 December 2024: €38 million). For off-balance sheet business, there would also be a reduction of €1 million (31 December 2024: €1 million).

pbb Group has used a base scenario with a weighting of 55% (31 December 2024: 55%), a positive scenario with a weighting of 5% (31 December 2024: 5%) and a negative scenario with a weighting of 40% (31 December 2024: 40%). If the positive scenario were weighted at 100%, the credit loss allowances would be reduced by €20 million (2024: €17 million). If the negative scenario were weighted at 100%, the credit loss allowances would increase by €19 million (2024: €10 million).

In accordance with IFRS 9.5.5.17, information about past events, current conditions and forecasts of future economic developments is included in the determination of credit loss allowances. Material parameters for economic development are expectations regarding the development of property prices. The pbb Group has used the following values as a basis:

Forecasts of five-year swap rate in percent

Currency/year	Positive			Basis			Negative		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
EUR	2.5	2.7	2.9	2.7	2.9	3.0	3.1	3.2	3.3
GBP	3.6	3.8	4.0	3.8	4.0	4.1	4.1	4.3	4.4
USD	3.3	3.5	3.7	3.5	3.7	3.9	3.9	4.0	4.2
CHF	0.4	0.6	0.7	0.5	0.6	0.8	0.6	0.8	0.9
SEK	2.6	2.8	3.0	2.8	3.0	3.1	3.2	3.3	3.4

Forecasts of real estate property prices in percent

Country/year	Property type	Scenario								
		Positive			Basis			Negative		
		2026	2027	2028	2026	2027	2028	2026	2027	2028
Germany	Office	2	4	3	0	2	2	-7	-5	0
	Retail	2	3	2	0	1	1	-4	-2	0
	Residential	4	4	4	2	2	3	0	1	2
	Logistics	4	5	3	2	3	2	-7	-4	1
	Hotel	3	4	3	1	2	2	-2	-1	2
France	Office	2	4	3	0	2	2	-8	-8	-1
	Retail	4	5	4	2	3	3	-3	-4	-1
	Logistics	4	4	3	2	2	2	-5	-6	0
United Kingdom	Office	4	4	3	2	2	2	-9	-6	0
	Retail	3	3	2	1	1	1	-7	-6	0
	Logistics	4	4	3	2	2	2	-10	-6	1
	Hotel	3	4	3	1	2	2	-3	-2	0
USA	Office	3	3	4	1	1	3	-8	-3	2
	Residential	4	5	4	2	3	3	-2	-2	1

Development in gross carrying amounts

in € million	1.1.2025	Trans-fer Stage 1	Trans-fer Stage 2	Trans-fer Stage 3	New Busi-ness and additions	Repayments and derecogni-tions	Direct write-offs	Other	31.12.2025
Gross carrying amounts of financial assets	41,031	-	-	-	5,771	-8,311	-99	-504	37,888
measured at fair value through other comprehen-sive income	1,267	-	-	-	300	-135	-	-14	1,418
Debt securities	1,266	-	-	-	300	-134	-	-14	1,418
Stage 1	1,266	-	-	-	300	-134	-	-14	1,418
Loans and advances to other banks	-	-	-	-	-	-	-	-	-
Loans and advances to customers	1	-	-	-	-	-1	-	-	-
Stage 1	1	-	-	-	-	-1	-	-	-
measured at amortised cost	39,764	-	-	-	5,471	-8,176	-99	-490	36,470
Debt securities	2,471	-	-	-	2,949	-725	-	144	4,839
Stage 1	2,471	-	-	-	2,949	-725	-	144	4,839
Loans and advances to other banks	1,737	-	-	-	311	-815	-	-5	1,228
Stage 1	1,737	-	-	-	311	-815	-	-5	1,228
Loans and advances to customers	35,434	-	-	-	2,211	-6,622	-99	-630	30,294
Stage 1	28,646	-2,834	705	-	2,153	-5,339	-	-418	22,913
Stage 2	5,026	2,834	-1,424	17	-	-1,039	-	-141	5,273
Stage 3	1,762	-	719	-17	58	-244	-99	-71	2,108
Claims from finance lease agreements	122	-	-	-	-	-14	-	1	109
Stage 1	122	-	-	-	-	-14	-	1	109
Off-balance-sheet business ¹⁾	1,430	-	-	-	1,008	-750	-	-139	1,549
Stage 1	1,065	-161	22	-	983	-613	-	-22	1,274
Stage 2	281	161	-26	-	-	-121	-	-109	186
Stage 3	84	-	4	-	25	-16	-	-8	89
Total	42,461	-	-	-	6,779	-9,061	-99	-643	39,437

¹⁾ Notional amount of contingent liabilities and other commitments.

Development in gross carrying amounts

in € million	1.1.2024	Trans-fer Stage 1	Trans-fer Stage 2	Trans-fer Stage 3	New Busi-ness and additions	Repayments and derecogni-tions	Direct write-offs	Other	31.12.2024
Gross carrying amounts of financial assets	47,302	-	-	-	4,329	-10,591	-259	250	41,031
measured at fair value through other comprehen-sive income	1,491	-	-	-	450	-645	-	-29	1,267
Debt securities	1,370	-	-	-	450	-527	-	-27	1,266
Stage 1	1,370	-	-	-	450	-527	-	-27	1,266
Loans and advances to customers	121	-	-	-	-	-118	-	-2	1
Stage 1	121	-	-	-	-	-118	-	-2	1
measured at amortised cost	45,811	-	-	-	3,879	-9,946	-259	279	39,764
Debt securities	4,014	-	-	-	-	-1,375	-	-168	2,471
Stage 1	4,014	-	-	-	-	-1,375	-	-168	2,471
Loans and advances to other banks	2,507	-	-	-	499	-1,266	-	-3	1,737
Stage 1	2,507	-	-	-	499	-1,266	-	-3	1,737
Loans and advances to customers	39,155	-	-	-	3,380	-7,292	-259	450	35,434
Stage 1	30,972	-1,816	1,034	-	3,352	-4,857	-19	-20	28,646
Stage 2	6,697	1,747	-1,786	119	-	-2,099	-16	364	5,026
Stage 3	1,486	69	752	-119	28	-336	-224	106	1,762
Claims from finance lease agreements	135	-	-	-	-	-13	-	-	122
Stage 1	135	-	-	-	-	-13	-	-	122
Off-balance-sheet business ¹⁾	2,288	-	-	-	371	-1,104	-	-125	1,430
Stage 1	1,896	-264	16	-	365	-943	-	-5	1,065
Stage 2	320	233	-37	-	-	-115	-	-120	281
Stage 3	72	31	21	-	6	-46	-	-	84
Total	49,590	-	-	-	4,700	-11,695	-259	125	42,461

¹⁾ Notional amount of contingent liabilities and other commitments.

In contrast to the amount reported in the statement of financial position, the gross carrying amount of financial assets at fair value through other comprehensive income did not include the cumulative changes in fair value of €-14 million (31 December 2024: €-12 million).

The maximum credit risk to which the pbb Group is exposed is reflected in the net carrying amounts shown in the statement of financial position for financial assets at amortised cost and in the fair values shown in the statement of financial position for financial assets at fair value through other comprehensive income. The collateral consists predominantly of land charges. As at the balance sheet date, stage 3 loans and advances to customers were secured in the amount of €1,417 million (31 December 2024: €1,351 million).

In the pbb Group, financial assets that were written off in 2025 and are still subject to enforcement measures had contractually outstanding amounts of €0 million (31 December 2024: €0 million).

The pbb Group had not recognised any stage 3 loss allowances on financial instruments with impaired credit quality with a carrying amount of €222 million as at 31 December 2025 due to the collateral (31 December 2024: €426 million). Of this amount, €0 million (2024: €255 million) was transferred to stage 3 in the reporting year. The collateral includes, for example, land charges on properties in good locations and government guarantees.

In 2025 and 2024, pbb Group did not receive any financial or non-financial assets that meet the recognition criteria of IFRS by taking possession of collateral held in the form of collateralised assets or by utilising other loan collateral.

54. Positive fair values of hedge accounting derivatives

Positive fair values of hedge accounting derivatives

in € million	31.12.2025	31.12.2024
Positive market values of hedge accounting derivatives	102	135
Total	102	135

55. Valuation adjustment from portfolio hedge accounting (assets)

The line item valuation adjustments from portfolio hedge accounting includes the positive fair values in relation to the hedged risks in the portfolios of hedged items. They amounted to €-31 million as at 31 December 2025 (31 December 2024: €-43 million).

56. Tangible assets

Development of tangible assets

in € million	2025			2024
	Operating equipment	Right of Use assets (IFRS 16)	Total	Total
Acquisition/production costs				
Balance at 1.1.	22	44	66	59
Additions	1	3	4	21
Disposals	-	-3	-3	-14
Balance at 31.12.	23	44	67	66
Depreciation and write-ups				
Balance at 1.1.	-10	-23	-33	-39
Amortisation	-3	-5	-8	-8
Disposals	-	2	2	14
Balance at 31.12.	-13	-26	-39	-33
Carrying amounts				
Balance at 31.12.	10	18	28	33

57. Intangible assets

Development of intangible assets

in € million				2025	2024
	Software ac- quired	Internally deve- loped Software	Other intangible assets	Total	Total
Acquisition/production costs					
Balance at 1.1.	69	112	12	193	182
Additions	2	1	3	6	12
Reclassifications	6	6	-12	-	-
Disposals	-	-	-	-	-1
Balance at 31.12.	77	119	3	199	193
Amortisation and write-ups					
Balance at 1.1.	-41	-101	-	-142	-129
Amortisation	-6	-7	-	-13	-13
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balance at 31.12.	-47	-108	-	-155	-142
Carrying amounts					
Balance at 31.12.	30	11	3	44	51

Research and development expenditure recognised as an expense amounted to €17 million (2024: €22 million).

58. Repurchase agreements

As a pledgor of genuine repurchase agreements, the pbb Group has pledged assets with a carrying amount of €0.3 billion (31 December 2024: €0.5 billion). The securities are still part of the assets. The consideration received amounted to €0.3 billion (31 December 2024: €1.5 billion). They are reported exclusively under financial liabilities measured at amortised cost. Assets in repurchase agreements are the only transferable assets the acquirer can sell or repledge in the absence of default.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EQUITY AND LIABILITIES)

59. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

in € million	31.12.2025	31.12.2024
Negative fair values of stand-alone derivatives	220	700
Total	220	700

60. Financial liabilities at amortised cost**Financial liabilities at amortised cost**

in € million	31.12.2025	31.12.2024
Liabilities to other banks	1,364	2,943
Liabilities to central banks	-	502
Registered Mortgage Pfandbriefe	232	310
Registered Public Pfandbriefe	359	393
Other registered securities	183	193
Other liabilities to other banks	590	1,545
Liabilities to customers	16,847	18,091
Registered Mortgage Pfandbriefe	3,276	3,484
Registered Public Pfandbriefe	3,711	4,251
Other registered securities	1,738	1,840
Other liabilities to customers	8,122	8,516
Bearer bonds	16,965	17,732
Mortgage Pfandbriefe	10,888	10,699
Public Pfandbriefe	1,604	1,731
Other bearer bonds	4,473	5,302
Subordinated liabilities	640	603
Securitised subordinated liabilities	625	578
Non-securitised subordinated liabilities	15	25
Total	35,816	39,369

61. Negative Fair Value of Hedge Accounting Derivatives**Negative fair values of hedge accounting derivatives**

in € million	31.12.2025	31.12.2024
Negative market values of hedge derivatives	607	493
Total	607	493

62. Valuation adjustment from portfolio hedge accounting (liabilities)

The item "Valuation adjustment from portfolio hedge accounting (liabilities)" comprises negative fair values as regards the hedged risks in the hedged portfolios of hedged items. They totalled €-26 million as at 31 December 2025 (31 December 2024: €-2 million).

63. Provisions**Provisions**

in € million	31.12.2025	31.12.2024
Provisions for pensions and other post employment defined benefit obligations	43	65
Restructuring provisions	2	-
Provisions for off-balance-sheet lending business	4	4
Other provisions	43	46
Total	92	115

There are defined contribution and defined benefit plans for the employees of pbb Group. In the defined contribution plans pbb makes payments for commitments by industry-wide organisations. In almost all non-German entities, a defined percentage of fixed salary is paid into externally managed pension funds for employees as part of defined contribution pension schemes. Expenses in respect of defined contribution plans amounted €5 million (2024: €5 million). The expense is expected to remain largely constant in 2026. Expenses in respect of defined contribution plans for persons with a key function in pbb Group, amounted to €1 million (2024: €1 million). The employer's contribution to the statutory pension insurance amounted to €6 million (2024: €6 million).

There are defined benefit pension commitments for many employees in Germany. There are no defined benefit pension commitments in the non-German entities. For the defined benefit plans the employees receive a direct commitment from their respective company. The receipt of retirement pensions or disability pensions starts after a vesting period is fulfilled, at the earliest after reaching a minimum age in the case of part of full incapacity for work, at the latest when going into retirement, usually after completion of the 65th year of life. In case of active employees, there are predominantly modern modular pension plans. For the other eligible persons there are also final salary-based defined benefit plans. The annual pension module depends, among other things, on the gross annual salary paid and the member's length of service. The surviving dependant's pension usually amounts to 60% of the pension of the spouse respectively the entitlement on that. The pension plan is administered by pbb itself with the aid of an external service provider.

Pension provisions are recognised for obligations arising from direct commitments. The defined benefit plans have been principally closed for new entrants since 1 April 2004. There have been no plan amendments, curtailments and settlements in the years 2025 and 2024.

The risk of insolvency is covered within the framework of legal requirements by Pensionsversicherungsverein a.G. in relation to the total amount of pension obligations.

The following actuarial assumptions were used to measure the defined benefit pension obligations:

Actuarial assumptions

in %	31.12.2025/ 1.1.2026	31.12.2024/ 1.1.2025
Discount rate	4.20	3.48
Rate of increase in pension obligations	2.00	2.25
Rate of increase in future compensation and vested rights ¹⁾	2.50	2.50

¹⁾ pbb Group expects a rate of increase in future compensation and vested rights of 0% for the active Management Board members in the financial years 2025 and 2024.

The rate of increase in career for members of the Management Board amounts 0.0% (31 December 2024: 0.0%), for directors and non-pay-scale staff 1.5% (31 December 2024: 1.5%) and for pay-scale staff 0.5% (31 December 2024: 0.5%). The guidance tables 2018G from KLAUS HEUBECK AG were used as the biometric basis.

The defined benefit pension commitments of pbb do not contain any unusual or entity-specific risks. pbb is faced by the common demographic risks, for example from longevity or invalidity of the entitled employees, and common financial risks like for example a change of the discount rate. pbb took out reinsurance to protect itself against parts of these risks. The reinsurance is a qualifying insurance policy in accordance with IAS 19 and thus is a plan asset. The fair value of plan assets is a component of the net liability from defined benefit plans which is deducted from the present value of the defined benefit obligation. The reinsurance does not consist of any unusual or plan-specific risks.

Principally, the pension payments of the reinsured pension obligations are funded by the income from the plan assets. If the income does not cover the pension payments pbb has to pay the pensions out of its own funds. For the non-reinsured pension obligations the payments are also made out of own funds.

Statement of financial position items (net defined benefit liability)

in € million	31.12.2025	31.12.2024
Present value of defined benefit obligation	201	229
Fair value of plan assets	-158	-164
Total	43	65

Development of net defined benefit liability

in € million	2025	2024
Balance at 1.1.	65	62
Pension expenses	3	4
Remeasurements	-19	4
Reclassifications in reimbursements	-	-
Direct payments to beneficiaries	-6	-5
Balance at 31.12.	43	65

Development of defined benefit obligation

in € million	2025	2024
Balance at 1.1.	229	232
Current service costs	1	2
Interest expenses	8	8
Remeasurements	-23	1
Actuarial gains/losses from demographic assumptions	-	-
Actuarial gains/losses from financial assumptions	-22	-4
Actuarial gains/losses from experience assumptions	-1	5
Payments to beneficiaries	-14	-14
Balance at 31.12.	201	229

Plan assets consist exclusively of reinsurance pledged to plan beneficiaries. The plan assets accordingly do not contain any own financial instruments or any own used tangible assets. No further material contributions to the plan assets are aimed in 2026. pbb does not use special asset-liability matching strategies to manage the pledged reinsurance.

Development of fair value of plan assets

in € million	2025	2024
Balance at 1.1.	164	170
Interest income	6	6
Remeasurements	-4	-3
Payments to beneficiaries	-8	-9
Reclassifications in/from reimbursements	-	-
Balance at 31.12.	158	164

Development of pension expenses

in € million	2025	2024
Service costs	1	2
Current service costs	1	2
Net interest expenses	2	2
Interest expenses on defined benefit obligation	8	8
Interest income on plan assets	-6	-6
Total	3	4

Pension expenses are expected to be similar in 2026 compared to 2025. Pension expenses are part of general and administrative expenses.

Remeasurements of the net defined benefit liability result from actuarial gains and losses and the return on plan assets excluding amounts included in net interest on the net defined benefit liability.

Remeasurement recognised in other comprehensive income (equity)

in € million	2025	2024
Actuarial gains/losses from demographic assumptions	-	-
Actuarial gains/losses from financial assumptions	22	4
Actuarial gains/losses from experience assumptions	1	-5
Remeasurements from plan assets	-4	-3
Total	19	-4

Development of reimbursement

in € million	2025	2024
Balance at 1.1.	1	1
Additions	-	-
Disposals	-	-
Balance at 31.12.	1	1

The reimbursements result from unpledged reinsurance policies.

The quantitative sensitivity analysis – which uses the same measurement methods as the obligation recognised in the statement of financial position – for the material actuarial assumptions is as follows:

Actuarial assumptions

			Gross obligation	
in € million	Change of sensitivity level (+ increase/- decrease)		31.12.2025	31.12.2024
Basic value of the calculation of sensitivity			201	229
Discount rate	in percentage points	+ 0.5	191	216
	in percentage points	- 0.5	213	243
Rate of increase in pension obligations	in percentage points	+ 0.5	210	241
	in percentage points	- 0.5	192	219
Rate of increase in future compensation and vested rights	in percentage points	+ 0.5	201	229
	in percentage points	- 0.5	201	229

The assumption of mortality only has an immaterial effect because the risk of longevity is mainly covered by plan assets.

The weighted average duration of the defined benefit obligations amounted to 11 years at 31 December 2025 (31 December 2024: 12 years).

Development of restructuring provisions and other provisions

in € million	Restructuring provisions	Other provisions
Balance at 1.1.2024	-	49
Additions	-	21
Reversals	-	-8
Amounts used	-	-16
Reclassifications	-	-1
Other	-	1
Balance at 31.12.2024	-	46
Balance at 1.1.2025	-	46
Additions	3	29
Reversals	-1	-13
Amounts used	-	-19
Reclassifications	-	-1
Other	-	1
Balance at 31.12.2025	2	43

Provisions in off-balance sheet lending business primarily comprise provisions for guarantee risks, letters of credit and irrevocable loan commitments. The development of these provisions is presented in detail in the Note "Financial assets at amortised cost after credit loss allowances (including claims from finance lease agreements)".

The provisions for obligations from share-based payment transactions, reported as part of other provisions, are described in the Note "Related parties disclosures".

Other provisions include provisions for variable remuneration of €12 million (31 December 2024: €19 million), for termination benefits of €16 million (31 December 2024: €12 million), for legal and tax risks of €5 million (31 December 2024: €3 million) and for legal expenses of €1 million (31 December 2024: €1 million).

Legal Risks (Litigation Risks)

Given the nature of business and international expansion of activities and the large number of relevant requirements and regulations, pbb is involved in litigation, arbitration and administrative proceedings in some countries. pbb recognises provisions for the uncertain obligations arising from these proceedings if the potential outflow of resources is sufficiently likely and the amount of the obligation can be estimated. The probability of outflow of resources, which often cannot be estimated with certainty, is highly dependent on the outcome of the proceedings. The assessment of this probability and the quantification of the obligation are largely based on estimates. The actual liability can vary considerably from this estimate. Accounting for the individual legal procedure, pbb analyses developments of the individual case as well as of comparable cases. Depending on the significance and complexity of the respective case, pbb is drawing on its own expertise or opinions by external consultants and in particular by legal advisors. The provisions recognised for the proceedings are not reported separately as pbb believes that the outcome of the proceedings would be seriously compromised by their disclosure.

No legal proceedings exist for which the Management Board believes the probability of an outflow of resources – or another impact on pbb Group's business activities – to be likely or which are of material significance to pbb Group for other reasons with a provision requirement in excess of €5 million. However, pbb is subject to prudential proceedings, which bear the risk of a material outflow of resources, or another impact on pbb Group's business activities.

64. Other liabilities

Other liabilities include lease liabilities of €17 million. (31 December 2024: of €19 million).

65. Maturities of specific financial assets and liabilities

Maturities of specific financial assets and liabilities (without derivatives and without finance lease)

in € million	31.12.2025					Total
	repayable on demand/ unspecified	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	
Cash reserve	1,558	-	-	-	-	1,558
Financial assets at fair value through profit or loss	8	75	167	491	-	741
Debt securities	-	-	-	41	-	41
Loans and advances to customers	5	75	167	450	-	697
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	19	-	1,004	381	1,404
Debt securities	-	19	-	1,004	381	1,404
Financial assets at amortised cost before credit loss allowances	634	3,012	7,013	18,047	7,655	36,361
Debt securities	-	374	251	712	3,502	4,839
Loans and advances to other banks	581	2	350	295	-	1,228
Loans and advances to customers	53	2,636	6,412	17,040	4,153	30,294
Total financial assets	2,200	3,106	7,180	19,542	8,036	40,064
Financial liabilities at amortised cost	998	2,264	6,537	16,475	9,541	35,815
Liabilities to other banks	67	27	509	530	231	1,364
Thereof: registered securities	-	22	181	400	170	773
Liabilities to customers	923	1,411	2,292	4,823	7,397	16,847
Thereof: registered securities	-	278	257	1,561	6,630	8,726
Bearer bonds	8	807	3,686	10,862	1,602	16,965
Subordinated liabilities	-	19	50	260	311	640
Total financial liabilities	998	2,264	6,537	16,475	9,541	35,815

Maturities of specific financial assets and liabilities (without derivatives and without finance lease)

31.12.2024

in € million	repayable on demand/ unspecified	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
Cash reserve	2,010	-	-	-	-	2,010
Financial assets at fair value through profit or loss	4	65	95	599	-	763
Debt securities	-	-	87	40	-	127
Loans and advances to customers	1	65	8	559	-	633
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	74	76	507	599	1,256
Debt securities	-	74	76	506	599	1,255
Loans and advances to customers	-	-	-	1	-	1
Financial assets at amortised cost before credit loss allowances	825	3,891	5,842	19,769	9,315	39,642
Debt securities	-	75	178	1,392	826	2,471
Loans and advances to other banks	783	410	-	250	294	1,737
Loans and advances to customers	42	3,406	5,664	18,127	8,195	35,434
Total of financial assets	2,839	4,030	6,013	20,875	9,914	43,671
Financial liabilities at amortised cost	1,150	4,935	4,775	18,745	9,764	39,369
Liabilities to other banks	282	1,393	324	645	299	2,943
Thereof: registered securities	-	22	166	490	218	896
Liabilities to customers	859	1,799	2,240	5,119	8,074	18,091
Thereof: registered securities	-	297	467	1,691	7,121	9,576
Bearer bonds	9	1,727	2,201	12,416	1,379	17,732
Subordinated liabilities	-	16	10	565	12	603
Total of financial liabilities	1,150	4,935	4,775	18,745	9,764	39,369

66. Equity

Share capital equals the maximum liability of the shareholder for the liabilities of the corporation to its creditors. The share capital as of 31 December 2025 and during the entire financial year 2025 amounted to €380,376,059.67 which is divided into 134,475,308 ordinary bearer shares with no par value representing a theoretical interest in the share capital of approximately €2.83 per share. In the fiscal years 2025 and 2024, pbb did not hold any treasury shares.

Please refer to the disclosures pursuant to section 315a (1) HGB included in the "Supplemental Information" section of the Combined Management Report for information on authorised and contingent capital.

Additional paid-in capital includes contributions from a previous financial year as well as premiums from the issue of shares; except for an amount of €25,383,131.91 (31 December 2024: €25,383,131.91) the additional paid-in capital was freely available pursuant to section 272 (2) no. 4 HGB. Retained earnings were generally created only from net income/loss of the current financial year or previous periods including the current consolidated profit/loss.

The net loss of €-284 million had a particularly negative impact on the development of equity. In contrast, actuarial losses from pension obligations fell by €19 million, mainly due to the discount rate used for valuation (31 December 2025: 4.20%; 31 December 2024: 3.48%), which increased in line with market interest rate developments. The accumulated other comprehensive income from financial assets at fair value through other comprehensive income decreased by €2 million compared with the end of the previous year due to interest and credit-induced effects.

The additional equity instruments include Additional Tier 1 (AT1) capital in the total nominal amount of €300 million less transaction costs of €2 million. AT1 capital, in general, qualifies as equity because there is no obligation to repay, or to make debt servicing payments on an ongoing basis. The bond issued by pbb in 2018 carries an initial coupon of 5.75% and has no final maturity. The coupon for the new five-year interest period from 28 April 2023 is 8.474%. There are certain conditions attached to the coupon payments. The coupon on the AT1-capital of €25 million payed in April 2025 reduced retained earnings and is disclosed separately in the statement of changes in equity.

Dividends

	2025	2024
Dividends recognized as distributions to owners in € per share	0.15	0.00
Dividends proposed or declared but not recognized as distributions to owners prior to approval of the financial statements for publication, in € million	0.00	20
Dividends proposed or declared but not recognized as distributions to owners prior to approval of the financial statements for issue, in € per share	0.00	0.15

67. Trust Business

As at 31 December 2025 and 31 December 2024, there were no trust assets or liabilities reported in the statement of financial position.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

68. Disclosures to the items in the consolidated statement of cash flows

The consolidated statement of cash flows shows the cash flows of the financial year broken down by operating activities, investing activities and financing activities. Cash and cash equivalents correspond to the balance sheet item cash reserve, and include cash in hand and credit balances at central banks.

Operating activities are defined broadly, and correspond to operating result. Cash flow from operating activities includes payments (inflows and outflows) attributable financial assets at fair value through profit or loss/positive fair values of hedging derivatives, financial assets at fair value through other comprehensive income, financial assets at amortised cost and other assets. Inflows and outflows attributable to financial liabilities measured at fair value through profit or loss/negative fair values from hedging derivatives, liabilities measured at amortised cost (without inflows/outflows from subordinated liabilities) and other liabilities are also included under operating activities. The interest and dividend payments resulting from operating activities are shown under cash flow from operating activities. This also relates to cash flows from subordinated liabilities. In addition, payments for the interest portion of lease liabilities as well as short-term lease contracts with a maturity of less than 12 months are part of the cash flow from operating activities.

Cash flow from investing activities comprises payments for investment and security holdings as well as for tangible and intangible assets.

Cash flow from financing activities comprises payments and receipts relating to subordinated liabilities, payments for the repayment portion of lease liabilities, and payments for dividends and AT1 capital.

Liabilities development from financing activities

in € million

	2025	2024
Subordinated liabilities		
Balance at 1.1.	603	603
changes from financing cash flows	37	-1
Other changes	-	1
Balance at 31.12.	640	603

NOTES TO DERIVATIVE TRANSACTIONS AND HEDGED ITEMS IN HEDGE ACCOUNTING

Risks are the possibilities to deviate from the planned future targets resulting from unpredictability of the future and disruptions. Interest rate risks and foreign exchange risks are primarily relevant for pbb Group. These arise from open positions for example in the case of mismatches of maturities or the variability respectively fixing of interest rates. Interest rate risks and in to a lesser extent foreign exchange risks are accounted in hedge accounting. Other risks of the hedged items like for example credit risk are not accounted in hedge accounting but are controlled throughout the Group.

Generally pbb Group hedges interest rate risks. However, in individual cases this may not be possible or sensible. The hedge ratio is determined in relation to the expectation for example of the interest rate development or the costs of hedging. If the risk is not hedged completely for example because the interest rate of the underlying asset does not match completely with the interest rate of the hedging instrument hedge ineffectiveness may arise. A further source of ineffectiveness may be different credit risks of the counterparties of the hedged item and hedging instrument.

Hedging relationships between financial instruments are classified as a fair value hedge, a cash flow hedge or hedge of a net investment in a foreign operation in accordance with IAS 39. Hedging instruments used to hedge interest rate risks are mainly interest rate derivatives, for example interest rate swaps and interest rate options.

Specific disclosures required by IFRS 7 are shown in the risk and opportunity report, amongst others about credit risk, market risk and liquidity risk.

FAIR VALUE HEDGE ACCOUNTING

Under IAS 39, with a fair value hedge, a recognised asset, a recognised liability, offbalance-sheet fixed obligation or a precisely designated part of such an asset, liability or obligation, is hedged against the risk of a change in fair value which is attributable to a specific risk and possibly has an effect on profit or loss for the period.

If the hedge of the fair value in the course of the reporting period meets the criteria of IAS 39.88, the hedge is accounted as follows:

- > The profit or loss arising when the hedging instrument is remeasured at fair value (for a derivative hedging instrument) or the currency component of its carrying amount measured in accordance with IAS 21 (for non-derivative hedging instruments) is recognised in profit or loss for the period and
- > The carrying amount of a hedged item is adjusted affecting profit or loss by the profit or loss arising from the hedged item and attributable to the hedged risks. This is applicable if the hedged item is otherwise measured at cost. The profit or loss attributable to the hedged risk is recognised in profit or loss for the period if the hedged item is an a financial asset measured at fair value through other comprehensive income. The amortisation of the hedge adjustment is started on the date of the revoking of the hedge relationship.

pbb Group uses fair value hedge accounting for micro-hedge and macro-hedge relationships. With the focus of asset and liability management on macro interest rate management of the banking book, fewer micro fair value hedges are being recognised, so that the portfolio of micro hedge relationships is continuously decreasing.

Interest rate risks are hedged under micro fair value hedge accounting. Any ineffectiveness within the permissible range pursuant to IAS 39 is reported under net income from hedging relationships. Positive and negative market values of hedging instruments are reported at fair value in positive fair value of hedge accounting derivatives or negative fair values of hedge accounting derivatives, respectively. The adjustment of the hedged item's carrying amount by the profit or loss attributable to the hedged risk directly affects the hedged item. The retrospective effectiveness test is conducted using the regression analysis. The dollar-offset method is used to quantify prospective ineffectiveness. If the hedge relationship is terminated for reasons other than the derecognition of the hedged item, the difference between the carrying amount of the hedged item at that point and the value at which it would have been carried, had the hedge never existed (the unamortised fair value adjustment), is amortised through profit or loss over the remaining term of the original hedge and recognised in net interest income. If the hedged item is derecognised, for example due to disposal or repayment, the unamortised fair value adjustment is recognised immediately in profit or loss.

In the context of portfolio hedge accounting within the meaning of IAS 39, interest rate risks from loans and advances as well as from liabilities are hedged on a portfolio basis. The portfolio hedge accounting is aimed to account the effects from the macro interest steering for hedged positions. The fair values as regards the hedged risks in the hedged cash flows of the portfolios of hedged items are reported either on the assets or on the liabilities side as valuation adjustments from portfolio hedge accounting. The changes in the fair value of hedged risks from the portfolios of hedged items are recognised in net income from hedging relationships. The market values of hedging instruments are recognised in statement of financial position at fair value in positive fair values of hedge accounting derivatives or negative fair values of hedge accounting derivatives, respectively. The changes in value are shown in net income from hedging relationships, thus largely compensating the effect on profit or loss from the valuation of the cash flows from the portfolios of hedged items. The cash flows from the portfolios of hedged items are determined monthly within the framework of a dynamic hedge designation and discontinuation process. The resulting valuation adjustments are amortised over the remaining term of the time band and recognised in net interest income. In case of a derecognition of cash flows of hedged items from the portfolio of hedged items, the associated valuation adjustment is reversed on a pro-rata basis and recognised in net income from realisations.

Embedded floors for credit transactions can be designated as part of portfolio hedge accounting in accordance with IAS 39. In portfolio hedge accounting, there is no regular designation, but a one-off designation. Value adjustment items are amortised over the remaining term from early termination.

CASHFLOW HEDGE ACCOUNTING ACCORDING

In accordance to IAS 39, a cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with the recognised asset or liability (for instance some or all future interest payments on variable-interest debt) or a highly probable forecast transaction that could affect profit or loss.

Under cash flow hedge accounting, hedging instruments are measured at fair value. The measurement result has to be broken down into an effective and an ineffective portion of the hedge relationship. As at 31 December 2025, and 31 December 2024, pbb Group did not designate any derivatives to cash flow hedges. The cash flow hedge reserve remaining from designations will be reversed in line with the hedged cash flows from underlying transactions. In this context, a prospective effectiveness test is carried out on a quarterly basis and, in the event of ineffectiveness, the cash flow hedge reserve is reversed through profit or loss accordingly.

69. Derivative transactions

In order to minimize (reduce) both the economic and the regulatory credit risk, bilateral netting agreements have been concluded. By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under the master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. Through this netting process, the credit risk is limited to a single net claim on the party to the contract.

For both regulatory reports and the internal measurement and monitoring of the credit commitments, such risk-reducing techniques are utilised only if they are considered to be enforceable under the respective legal system in the event that the business associate becomes insolvent. Legal advice is taken in order to check enforceability.

Similar to the master agreements, pbb Group concludes collateral agreements with its business associates to collateralise the net claim or liability remaining after netting (obtained or pledged collateral). Usually, this collateral management (by depositing cash collateral) reduces credit risk by means of prompt measurement and adjustment of the exposure to the customers.

Volume of derivatives as of 31 December 2025	Nominal amount			Fair value/carrying amount		Fair value change for effectiveness calculation	
	Remaining maturities			Total	positive		negative
	up to 1 year	more than 1 to 5 years	more than 5 years				
in € million							
Stand-alone derivatives ¹⁾	6,418	9,691	1,310	17,419	170	220	
Interest rate derivatives	3,231	8,896	1,310	13,437	136	209	
OTC derivatives	3,231	8,896	1,310	13,437	136	209	
Interest rate swaps	740	4,715	1,290	6,745	127	199	
Interest rate options	2,491	4,181	20	6,692	9	10	
Currency derivatives	1,963	-	-	1,963	5	7	
OTC derivatives	1,963	-	-	1,963	5	7	
Forward currency transactions	1,963	-	-	1,963	5	7	
Other derivatives	1,224	795	-	2,019	29	4	
Cross currency basis swaps	1,224	795	-	2,019	29	4	
Derivatives in fair value hedge accounting ²⁾³⁾	4,137	12,113	10,552	26,802	102	607	-172
Interest rate derivatives	4,137	12,113	10,552	26,802	102	607	-172
OTC derivatives	4,137	12,113	10,552	26,802	102	607	-172
Interest rate swaps	4,131	10,912	10,204	25,247	102	606	-173
Interest rate options	6	1,201	348	1,555	-	1	1
Other derivatives	-	-	-	-	-	-	-
Cross currency basis swaps	-	-	-	-	-	-	-

¹⁾ Recognised in the statement of financial position under "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

²⁾ Recognised in the statement of financial position under "Positive fair values of hedge accounting derivatives" or "Negative fair values of hedge accounting derivatives".

³⁾ Including exposure to Eurex Clearing AG after offsetting derivatives and cash collateral. Due to offsetting with Eurex derivatives in the amount of €10.6 billion, a reclassification was made from stand-alone derivatives to derivatives in fair value hedge accounting.

Volume of derivatives as of 31 December 2024	Nominal amount			Fair value/carrying amount		Fair value change for effectiveness calculation	
	Remaining maturities			Total	positive		negative
	up to 1 year	more than 1 to 5 years	more than 5 years				
in € million							
Stand-alone derivatives ¹⁾	7,251	9,992	1,455	18,698	484	700	
Interest rate derivatives	4,415	8,467	1,455	14,337	469	620	
OTC derivatives	4,415	8,467	1,455	14,337	469	620	
Interest rate swaps	1,726	4,839	1,435	8,000	446	595	
Interest rate options	2,689	3,628	20	6,337	23	25	
Currency derivatives	1,974	-	-	1,974	4	28	
OTC derivatives	1,974	-	-	1,974	4	28	
Forward currency transactions	1,974	-	-	1,974	4	28	
Other derivatives	862	1,525	-	2,387	11	52	
Cross currency basis swaps	862	1,525	-	2,387	11	52	
Derivatives in fair value hedge accounting ²⁾³⁾	6,124	13,672	12,636	32,432	135	493	222
Interest rate derivatives	6,124	13,672	12,636	32,432	135	493	220
OTC derivatives	6,124	13,672	12,636	32,432	135	493	220
Interest rate swaps	6,124	13,159	11,947	31,230	135	488	219
Interest rate options	-	513	689	1,202	-	5	1
Other derivatives	-	-	-	-	-	-	2
Cross currency basis swaps	-	-	-	-	-	-	2

¹⁾ Recognised in the statement of financial position under "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

²⁾ Recognised in the statement of financial position under "Positive fair values of hedge accounting derivatives" or "Negative fair values of hedge accounting derivatives".

³⁾ Including exposure to Eurex Clearing AG Eurex Clearing AG after offsetting derivatives and cash collateral. Due to offsetting with Eurex derivatives in the amount of €13.8 billion, a reclassification was made from stand-alone derivatives to derivatives in fair value hedge accounting.

The change in fair value for the calculation of the effectiveness of derivatives in the hedge accounting portfolio amounted to €43 million and arose from interest rate derivatives/interest rate swaps (2024: €62 million from interest rate derivatives/interest rate swaps).

Counterparties	31.12.2025		31.12.2024	
	Fair value		Fair value	
	positiv	negativ	positiv	negativ
in € million				
Central governments and central banks of OECD member states	2	-	2	-
OECD banks	259	741	602	1,076
OECD financial institutions	-	34	-	20
Other companies and private individuals	11	52	15	97
Total	272	827	619	1,193

The reserve for cash flow hedge accounting, in which no derivatives were designated in the 2025 and 2024 financial years, amounted to €-44 million after deferred tax (31 December 2024: €-41 million). In 2025, €-3 million (2024: €-11 million) after tax was reclassified from the cash flow hedge reserve to net interest income.

70. Hedged items under Hedge Accounting

Hedged items under Hedge Accounting 31 December 2025	Micro fair value hedge				Portfolio hedge	
	Carrying amount	thereof:			Valuation adjustment	Change for effectiveness calculation in reporting period
Carrying amount		hedge adjustment included in carrying amount	hedge adjustment remaining after discontinuation of hedging relationship	Value change for the effectiveness test in the period		
in € million						
Financial assets at fair value through other comprehensive income	457	-3	5	-6	-	-
Interest related hedge accounting	457	-3	5	-6	-	-
Financial assets at amortised cost	7,909	-99	246	-7	-31	-50
Interest related hedge accounting	7,909	-99	246	-7	-31	-50
Currency related hedge accounting	-	-	-	-	-	-
Financial liabilities measured at amortised cost	17,933	-562	109	187	-26	8
Interest related hedge accounting	17,933	-562	109	187	-26	8

Hedged items under Hedge Accounting 31 December 2024	Micro fair value hedge				Portfolio hedge	
	Carrying amount	thereof:			Valuation adjustment	Change for effectiveness calculation in reporting period
Carrying amount		hedge adjustment included in carrying amount	hedge adjustment remaining after discontinuation of hedging relationship	Value change for the effectiveness test in the period		
in € million						
Financial assets at fair value through other comprehensive income	470	3	9	3	-	-
Interest related hedge accounting	470	3	9	3	-	-
Financial assets at amortised cost	9,127	-107	335	-4	-43	-24
Interest related hedge accounting	9,127	-107	335	-2	-43	-24
Currency related hedge accounting	-	-	-	-2	-	-
Financial liabilities measured at amortised cost	19,872	-370	122	-224	-2	-32
Interest related hedge accounting	19,872	-370	122	-224	-2	-32

The item "Valuation adjustment from portfolio hedge accounting (assets)" comprises fair values as regards the hedged risks in the hedged cash flows from the portfolios of hedged items (assets). The item "Valuation adjustment from portfolio hedge accounting (liabilities)" comprises fair values as regards the hedged risks in the hedged cash flows from the portfolios of hedged items (liabilities).

Ineffectiveness of the hedge ¹⁾

in € million	2025	2024
Result from micro fair value hedge accounting (interest rate risk)	2	-3
Result from portfolio hedge accounting (interest rate risk)	1	6
Total	3	3

¹⁾ Reported in net income from hedge accounting.

Interbank offered rates (IBOR) are used as reference rates for pricing and calculating payment flows for a large number of financial instruments. Due to the weaknesses of the previous interbank rates revealed for the first time as part of the LIBOR scandal, legislators and supervisory authorities worldwide are working towards establishing a system with transaction-based, risk-free reference rates (RFR) or reforming the calculation of reference rates.

The European Money Markets Institute (EMMI) revised the calculation methodology of the EURIBOR interest rate in 2019 and switched to a hybrid method. EMMI has been calculating and publishing the reformed EURIBOR interest rate since July 2019. The EU-BMR conformity of the revised EURIBOR interest rate enables market participants, and thus also pbb, to use EURIBOR interest rates as a reference rate for both existing and new contracts until further notice. pbb expects that the EURIBOR interest rate will remain the reference interest rate for at least the next few years.

In September 2019, the Financial Reporting Committee (FAB) of the Institute of Public Auditors in Germany (IDW), together with the IDW's Banking Committee (BFA), published the accounting note "Handelsbilanzielle Folgen der Änderung bestimmter Referenzzinssätze ("IBOR-Reform") für Finanzinstrumente" (IDW RH FAB 1.020) on the possible effects of the IBOR reform on the commercial balance sheet. pbb has taken this accounting note into account in the preparation of the 2025 annual financial statements.

OTHER NOTES TO THE FINANCIAL INSTRUMENTS

71. Undiscounted cash flows of financial liabilities

Contractually agreed undiscounted cash flows of the financial liabilities according to IFRS 7.39

in € billion	31.12.2025	31.12.2024
Up to 3 months	3	6
From derivative financial instruments	-	-
From non-derivative financial instruments	3	6
More than 3 months to 1 year	7	5
From derivative financial instruments	-	-
From non-derivative financial instruments	7	5
More than 1 year to 5 years	19	21
From derivative financial instruments	-	-
From non-derivative financial instruments	19	21
More than 5 years	13	13
From derivative financial instruments	1	1
From non-derivative financial instruments	12	12
Total	42	45

The undiscounted cash flows are presented in accordance with the contractually maturity, meaning that options or termination rights are not taken into account. This presentation does not reflect the economic management which is based on expected cash flows. The liquidity risk strategy and management is described in the Risk and Opportunity Report.

72. Assets assigned or pledged as collateral

Assets (without cash collaterals) have been pledged as collateral for the following liabilities and received collaterals:

Liabilities

in € million	31.12.2025	31.12.2024
Financial liabilities measured at amortised cost	453	1,688
Total	453	1,688

The following assets were pledged as collateral for the aforementioned liabilities:

Assets pledged

in € million	31.12.2025	31.12.2024
Financial assets at fair value through other comprehensive income	269	230
Financial assets at amortised cost	503	433
Total	772	663

The transfers of collateral result primarily from repurchase agreements. The transactions were carried out under the customary terms and conditions for repurchase agreements and concluded on an arm's-length basis. In addition, €273 million was transferred as collateral within financial assets at amortised cost under the SRT.

In addition, cash collateral was provided in respect of irrevocable payment obligations for the bank levy in the amount of €42 million (31 December 2024: €42 million), for the deposit protection fund in the amount of €3 million (31 December 2024: €3 million) and for the German Banks Compensation Scheme in the amount of €7 million (31 December 2024: €6 million). The accounting treatment of the collateral provided is presented in the note 'Contingent liabilities, other obligations and contingent assets'.

73. Collaterals permitted to resell or repledge

The fair value of collateral received for which there is a right to resell or rehypothecate without default by the collateral provider comprises exclusively collateral from reverse repo transactions. As the collateral taker, pbb Group has the right to realise or rehypothecate the collateral provided that it returns equivalent securities upon termination of the transaction. As at 31 December 2025, the fair value of the collateral received amounted to €101 million (31 December 2024: €405 million), of which €0 million (31 December 2024: €405 million) was re-pledged.

74. Transfer of financial assets

When pbb Group transfers financial assets that do not qualify for derecognition (see also Note "Financial Instruments"), they continue to be reported in the statement of financial position.

Transfer of financial assets as of 31 December 2025

in € million	Transferred financial assets that are not derecognised in their entirety			
	Transferred assets		Corresponding liabilities	
	Carrying amounts	thereof: Repo transactions	Carrying amounts	thereof: Repo transactions
Financial assets at fair value through other comprehensive income	269	240	230	230
Debt securities	269	240	230	230
Financial assets at amortised cost	230	73	223	70
Debt securities	73	73	70	70
Loans and advances to customers	157	-	153	-
Total	499	313	453	300

Transfer of financial assets as of 31 December 2024

in € million	Transferred financial assets that are not derecognised in their entirety			
	Transferred assets		Corresponding liabilities	
	Carrying amounts	thereof: Repo transactions	Carrying amounts	thereof: Repo transactions
Financial assets at fair value through other comprehensive income	230	230	220	220
Debt securities	230	230	220	220
Financial assets at amortised cost	433	246	413	230
Debt securities	246	246	230	230
Loans and advances to customers	187	-	183	-
Total	663	476	633	450

The fair value of financial assets at amortised cost amounted to €494 million as at the balance sheet date (31 December 2024: €409 million). The fair value of the associated liabilities amounted to €491 million (31 December 2024: €400 million). The net position from the fair values of the assets and liabilities at amortised cost amounted to €3 million (31 December 2024: €9 million). The pbb Group does not derecognise the financial assets as not substantially all the risks and rewards of ownership (in particular the credit risk) have been transferred.

In addition, securities with a carrying amount of €59 million (31 December 2024: €56 million) were transferred to Eurex as collateral for default fund contributions and initial margins for derivative transactions.

In principle, pbb Group has no continuing involvement in transferred and derecognised financial assets.

75. Fair values of financial instruments

The fair value of financial instruments, in the opinion of pbb Group, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (exit price). The fair values were determined as of the balance sheet date based on the market information available and on valuation methods described here.

All financial assets and liabilities that are measured at fair value are grouped into the three fair value hierarchies by pbb Group. Reclassifications within the fair value hierarchy are made at the end of the reporting period. The three-level hierarchy is based on the degree to which the input for the fair value measurement is observable:

- > Level 1 – quoted priced (unadjusted) in active markets for identical financial assets or financial liabilities (market prices)
- > Level 2 – inputs that are observable either directly or indirectly, other than quoted prices included within Level 1
- > Level 3 – valuation techniques that include inputs that are not based on observable market data (unobservable inputs)

Fair values and fair value hierarchy of financial instruments	31.12.2025				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
in € million					
Assets in the scope of IFRS 13	39,583	39,100	4,335	7,744	27,021
Measured at fair value in the statement of financial position	2,418	2,418	1,387	465	566
Financial assets at fair value through profit or loss	912	912	3	343	566
Positive fair values of stand-alone derivatives	170	170	-	170	-
Equity instruments	1	1	-	-	1
Debt securities	41	41	-	41	-
Loans and advances to customers	697	697	-	132	565
Shares in investment funds qualified as debt instruments	3	3	3	-	-
Financial assets at fair value through other comprehensive income	1,404	1,404	1,384	20	-
Debt securities	1,404	1,404	1,384	20	-
Positive fair values of hedge accounting derivatives	102	102	-	102	-
Not measured at fair value in the statement of financial position	37,165	36,682	2,948	7,279	26,455
Cash reserve	1,558	1,558	1,558	-	-
Financial assets at amortised cost ¹⁾	35,638	35,124	1,390	7,279	26,455
Debt securities	4,839	4,753	815	3,402	536
Loans and advances to other banks	1,228	1,223	542	642	39
Loans and advances to customers	29,462	29,036	33	3,123	25,880
Claims from finance lease arrangements	109	112	-	112	-
Valuation adjustment from portfolio hedge accounting (assets)	-31	-	-	-	-
Liabilities in the scope of IFRS 13	36,617	36,112	14,423	13,326	8,363
Measured at fair value in the statement of financial position	827	827	-	827	-
Financial liabilities at fair value through profit or loss	220	220	-	220	-
Negative fair values of stand-alone derivatives	220	220	-	220	-
Negative fair values of hedge accounting derivatives	607	607	-	607	-
Not measured at fair value in the statement of financial position	35,790	35,285	14,423	12,499	8,363
Financial liabilities measured at amortised cost	35,816	35,285	14,423	12,499	8,363
Liabilities to other banks	1,364	1,340	68	969	303
Liabilities to customers	16,847	16,504	2	8,693	7,809
Bearer bonds	16,965	16,790	14,037	2,631	122
Subordinated liabilities	640	651	316	206	129
Valuation adjustment from portfolio hedge accounting (liabilities)	-26	-	-	-	-

¹⁾ Less credit loss allowances.

In the reporting year, the level classification of financial assets at fair value through other comprehensive income in the amount of €20 million changed from Level 1 to Level 2.

Fair values and fair value hierarchy of financial instruments

31.12.2024

in € million	Carrying amount	Fair value	Fair Value		
			Level 1	Level 2	Level 3
Assets in the scope of IFRS 13	43,830	43,021	5,065	9,444	28,512
Measured at fair value in the statement of financial position	2,638	2,638	1,255	881	502
Financial assets at fair value through profit or loss	1,247	1,247	3	746	498
Positive fair values of stand-alone derivatives	484	484	-	484	-
Debt securities	127	127	-	127	-
Loans and advances to customers	633	633	-	135	498
Shares in investment funds qualified as debt instruments	3	3	3	-	-
Financial assets at fair value through other comprehensive income	1,256	1,256	1,252	-	4
Debt securities	1,255	1,255	1,252	-	3
Loans and advances to customers	1	1	-	-	1
Positive fair values of hedge accounting derivatives	135	135	-	135	-
Not measured at fair value in the statement of financial position	41,192	40,383	3,810	8,563	28,010
Cash reserve	2,010	2,010	2,010	-	-
Financial assets at amortised cost ¹⁾	39,225	38,373	1,800	8,563	28,010
Debt securities	2,471	2,386	1,033	1,216	137
Loans and advances to other banks	1,737	1,728	746	945	37
Loans and advances to customers	34,895	34,133	21	6,276	27,836
Claims from finance lease agreements	122	126	-	126	-
Valuation adjustment from portfolio hedge accounting (assets)	-43	-	-	-	-
Liabilities in the scope of IFRS 13	40,560	39,607	14,280	14,011	11,316
Measured at fair value in the statement of financial position	1,193	1,193	-	1,193	-
Financial liabilities at fair value through profit or loss	700	700	-	700	-
Negative fair values of stand-alone derivatives	700	700	-	700	-
Negative fair values of hedge accounting derivatives	493	493	-	493	-
Not measured at fair value in the statement of financial position	39,367	38,414	14,280	12,818	11,316
Financial liabilities measured at amortised cost	39,369	38,414	14,280	12,818	11,316
Liabilities to other banks	2,943	2,903	282	1,001	1,620
Liabilities to customers	18,091	17,560	2	8,163	9,395
Bearer bonds	17,732	17,393	13,996	3,169	228
Subordinated liabilities	603	558	-	485	73
Valuation adjustment from portfolio hedge accounting (liabilities)	-2	-	-	-	-

¹⁾ Less credit loss allowances.

According to the general principles of IFRS 13 concerning fair value measurement techniques, an entity shall, in all cases, maximise the use of relevant observable inputs and minimise the use of unobservable inputs. All financial assets and liabilities measured at fair value are assigned to one level of the fair value hierarchy, depending on the respective inputs used.

Credit-impaired financial assets at fair value through profit or loss are assigned to measurement level 3.

Disclosures to the measurement methods and input parameters

Both the Finance and the Financial Risk & Control divisions play a role in the measurement process. The Finance division supplies accounting data. This includes:

- > identification data, such as business identification numbers or International Securities Identification Numbers (ISINs)
- > static data such as notional amounts, name and country of the counterparty and (remaining) terms
- > accounting data such as carrying amounts, accruals and the effects of hedge accounting

Financial Risk & Control calculates additional data used to measure fair value such as interest rates, credit spreads and market prices, as well as internal ratings and LGDs for certain financial instruments.

Financial Risk & Control uses the determined input parameters to calculate (and provide to Finance) the fair value or measurement price of financial instruments based on accepted and validated measurement methods. Finance consolidates the data received from Risk Management & Control with the data held for accounting and reporting purposes, and verifies completeness.

Level 2 instruments measured at fair value as of 31 December 2025

Measurement methods	Observable parameter
DCF methods (discounted cash flow)	Euro zone inflation rates
	Reference interest rates
	Seasonalities of Euro zone inflation rates
	Spot market exchange rates
	Yield curves
Option pricing models	Cap volatilities
	CMS spread options (strike price)
	CMS spread options (option price)
	Euro zone inflation rates
	Reference interest rates
	Seasonalities of Euro zone inflation rates
	Swaption volatilities
	Spot market exchange rates
	Exchange rates volatilities
	Yield curves

Level 3 instruments measured at fair value as of 31 December 2025

Measurement methods	Non-observable parameters	Observable parameter
DCF methods	PD/LGD model spread	+/-2 rating levels for PD; +/-0,1 for LGD
Proxy model	Proxy models	+/- triple standard deviation

Financial instruments not measured at fair value as of 31 December 2025

Measurement methods	Observable parameter (level 2)	Non-observable parameter (level 3)
DCF-Methoden	(Own) credit spreads and Liqui-AddOns, if necessary	Internal rating classes
	Reference interest rates	Recovery rates
	Risk-free interest rate	Estimated remaining maturities
	Observable future cash flows	Estimated future cash flows
	Benchmark interest rates	(Own) credit spreads (secondary market grid)
Bachelier cap-floor model (for floored plain vanilla floater)	Additional cap volatilities including smile	Additional cap volatilities including smile
Bachelier cap-floor model (for fixed coupons options)	Additional swaption volatilities including smile	Additional cap volatilities including smile
Prices on non-active markets	Prices of proxy trades	-

Sensitivities

The calculation of sensitivity is based on shock scenarios for correlations and volatilities pursuant to the level 3 measurement methods table. These amounts were calculated independently from each other.

Non-observable spreads in a PD (probability of default)/LGD (loss given default) model are used for the valuation of intended syndication transactions. The application of alternative spreads results in a change in fair value of €+8 million and €-15 million, respectively.

Alongside this, FVOCI securities and FVOCI receivables are measured using a proxy approach. The alternative scenario shows an only minor fair value change (plus or minus less than €1 million).

Changes in level 3 instruments measured at fair value

in € million	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
Balance at 1.1.2024	187	10	-
Profit or loss/OCI	-8	-	-
Additions (new business)	452	-	-
Disposals/repayments	-133	-6	-
Balance at 31.12.2024	498	4	-
Balance at 1.1.2025	498	4	-
Profit or loss/OCI	-23	-	-
Additions (new business)	147	-	-
Disposals/repayments	-56	-4	-
Balance at 31.12.2025	566	-	-

The changes in profit or loss amounting to €-26 million in the recognised Level 3 items for financial assets at fair value through profit or loss result, among other things, from market value changes amounting to €-35 million and interest accruals amounting to €+9 million.

76. Contractual Modifications

The amortised cost of financial assets in impairment categories 2 and 3, for which the contractual cash flows were changed to a non-significant extent in the reporting period, amounted to €859 million before the modification (31 December 2024: €1,034 million). This resulted in a net modification result of €3 million for the financial year after taking into account risk provisions (2024: €0 million). The modifications involved concessions (forbearance) on the part of the pbb Group, particularly in the form of deferrals.

As at 31 December 2025 and 31 December 2024, there were no financial assets in the portfolio that were not subject to significant modifications during the current year while assigned to impairment stage 2 and were transferred to impairment stage 1 regardless of the modification due to a lower default risk. No financial assets in stage 3 were transferred to stage 1 in 2025 and 2024 following a non-significant modification.

77. Netting of financial instruments

The following tables show the gross carrying amounts of recognised financial assets respectively liabilities, the gross carrying amounts of the items offset in the statement of financial position and the net amounts of the financial assets and liabilities recognised in the statement of financial position. They also show the rights of set-off that did not lead to an offsetting in the statement of financial position, the collateral received for financial assets, the collateral pledged for financial liabilities and the net amounts of financial assets and liabilities remaining following the application of the netting agreements and deduction of the collateral.

Gross carrying amounts of the items offset in the statement of financial position

Derivatives settled via Eurex Clearing AG led to a reduction in total assets of €0.7 billion as at 31 December 2025 (31 December 2024: €1.0 billion) due to offsetting in the balance sheet.

Netting agreements

In order to minimise the legal risk as well as the economic and regulatory counterparty default risk, standardised bilateral netting agreements in the derivatives business are concluded. The national respectively international agreements used are the German, the French and the Spanish Master Agreement for Financial Futures and the ISDA Master Agreement issued by the International Swaps and Derivatives Association. The derivatives cannot be offset in the statement of financial position since their conditions are not identical (for example different terms or currency underlyings).

Collateral

In addition, pbb Group also enters into collateral agreements to hedge the net receivables and net liabilities arising following offsetting according to the netting agreements (collateral received or pledged). The collateral used is primarily cash collateral; however, securities are sometimes also used by way of title transfer.

Netting of financial instruments as of 31.12.2025

in € billion	Gross carrying amounts of recognised financial assets/liabilities	Gross carrying amounts of the items offset in the statement of financial position	Net amounts presented in the statement of financial position	Rights of set-off that did not lead to an offsetting in the statement of financial position	Received respectively pledged collateral	Remaining net amount
Financial assets	1.0	0.7	0.3	0.2	0.1	-
Positive fair values of derivatives	1.0	0.7	0.3	0.2	0.1	-
Financial liabilities	1.5	0.7	0.8	0.2	0.6	-
Negative fair values of derivatives	1.5	0.7	0.8	0.2	0.6	-

Netting of financial instruments as of 31.12.2024

in € billion	Gross carrying amounts of recognised financial assets/liabilities	Gross carrying amounts of the items offset in the statement of financial position	Net amounts presented in the statement of financial position	Rights of set-off that did not lead to an offsetting in the statement of financial position	Received respectively pledged collateral	Remaining net amount
Financial assets	1.6	1.0	0.6	0.3	0.3	-
Positive fair values of derivatives	1.6	1.0	0.6	0.3	0.3	-
Financial liabilities	2.2	1.0	1.2	0.3	0.9	-
Negative fair values of derivatives	2.2	1.0	1.2	0.3	0.9	-

OTHER NOTES

78. Contingent liabilities and other commitments

Irrevocable loan commitments form the largest part of other commitments. Irrevocable loan commitments comprise all commitments of a creditor which can grant a loan and advance at a later date and which can cause a credit risk. These are mainly credit commitments which are not fully drawn.

Contingent liabilities and other commitments represent the maximum default risk within the meaning of IFRS 7. pbb Group has a claim for reimbursement of expenses in case a contingent liability is utilised.

Contingent liabilities and other commitments

in € million	31.12.2025	31.12.2024
Contingent liabilities	149	99
Guarantees and warranties	149	99
Other commitments	1,437	1,465
Irrevocable loan commitments	1,433	1,465
Miscellaneous commitments	4	-
Miscellaneous commitments	52	51
Collateral pledged	52	51
Total	1,638	1,615

As at the balance sheet date, the fair value of contingent liabilities amounted to €149 million (31 December 2024: €99 million) and the fair value of irrevocable loan commitments amounted to €1,445 million (31 December 2024: €1,437 million).

As at 31 December 2025, there were no more contingent assets (31 December 2024: €15 million), as a payment was made in August 2025 as part of a settlement in connection with a legal dispute involving a predecessor company of pbb.

The obligations arising from bank levies include cash-collateralised irrevocable payment obligations to the Single Resolution Board (SRB) arising from the bank levy, the Deposit Protection Fund and the German Banks Compensation Scheme. These result from the use of the option to pay contributions not in full, but in part in the form of an irrevocable payment obligation by providing cash collateral. As at 31 December 2025, the collateral provided for the European bank levy amounted to €42 million (31 December 2024: €42 million), €3 million for the Deposit Protection Fund (31 December 2024: €3 million) and €7 million for the German Banks Compensation Scheme (31 December 2024: €6 million). In 2025, the collateral for the German Banks Compensation Scheme was increased by €1 million (2024: increase for the German Banks Compensation Scheme of €2 million). In addition, the pbb Group is obliged to make additional contributions upon request.

pbb Group accounts for collateral in accordance with the meeting reports of the Banking Committee of the Institute of Public Auditors in Germany. These reports stipulate that the transfer of cash as collateral to the contributing institution (collateral provider) results in the recognition of a financial receivable from the collateral taker (restructuring fund) and the derecognition of the cash. The reporting institution must also check on each balance sheet date whether there is a sufficient probability of a claim being made. If, in this case, a claim or an economic burden from the irrevocable payment obligation is expected, a provision must be recognised.

A French bank that is independent of the pbb Group has filed a lawsuit against the Single Resolution Board (SRB) for the European bank levy in order to obtain the return of its cash collateral following the return of its banking licence. On 13 November 2025, the Court of Justice of the European Union (CJEU) dismissed the French bank's lawsuit in the final instance. In the opinion of pbb Group, no provision needs to be made, as pbb considers it unlikely that the SRB will call on the collateral. The pbb Group's business operations are designed to continue (going concern assumption), which means that the return of the banking licence with the possible consequence of payment of the outstanding collateral is also considered unlikely.

79. Leases

Operate lease as a lessee

As a lessee, pbb Group currently exclusively recognises right-of-use assets referring to land and buildings used in line with IFRS 16. pbb Group entered all of its rental contracts on an arm's length basis. Some of these contracts contain renewal options potentially extending the lease term for several periods, price adjustment provisions in the form of stepped rents or index clauses, as well as early termination provisions. Regarding lease extension options, and early termination options, pbb Group took what is presently considered the most likely scenario into consideration. pbb Group measured lease liabilities at the corresponding lease payments, which were discounted with the incremental borrowing rate applicable to the respective liability. pbb Group has not made use of rent concessions that would have been granted as a result of the COVID-19 pandemic.

IFRS 16 provides options to exclude leases with a lease term of 12 months or less, as well as low-value assets (defined with a threshold value of €5,000 at pbb Group) from the scope of application. pbb Group has applied these options: expenses for this kind of leases were recognised through profit or loss on a straight-line basis over the contractual term of the underlying asset. Such expenses were disclosed as other operating expenses, or administrative expenses if the payments referred to rental expenses for business premises.

pbb Group discloses right-of-use assets in 'tangible assets' (see 'tangible assets' note), while lease liabilities are disclosed under 'other liabilities' (see 'other liabilities' note). Depreciation of right-of-use assets is recognised in the note on 'net income from write-downs and write-ups of non-financial assets' (see respective note). Immaterial interest expenses resulting from lease liabilities are disclosed in 'net interest income'.

For further information on the depreciation, additions or other adjustments made to right-of-use assets, please refer to the statement of changes in tangible assets as disclosed in the “tangible assets” note.

Contractual maturities of undiscounted cash flows from lease liabilities

in € million	31.12.2025	31.12.2024
up to 1 year	5	4
more than 1 year to 5 years	11	14
more than 5 years	3	3
Total	19	21

Lease in the income statement

in € million	2025	2024
Depreciation	5	6
Interest expense	1	-
Short term leases, less than 12 month	-	1
Total	6	7

Lease in the statement of cash flows

in € million	2025	2024
Payments for short term leases, less than 12 month (Cash flow from operating activities)	-	-
Interest portion of lease liabilities payments (Cash flow from operating activities)	-	-
Repayments portion of lease liabilities payments (Cash flow from financing activities)	5	6
Total	5	6

Finance lease as a lessor

The finance lease receivables due from the lessee are broken down in the following tables by gross and net investment value and by the corresponding maturities.

in € million	31.12.2025	31.12.2024
Gross investment	124	141
Unearned finance income	-15	-19
Net investment/present value of minimum lease payments	109	122

Allocation by maturities

in € million	31.12.2025	31.12.2024
Gross investment	124	141
up to 1 year	17	16
more than 1 year to 2 years	17	17
more than 2 years to 3 years	17	17
more than 3 years to 4 years	17	17
more than 4 years to 5 years	18	18
more than 5 years	38	56
Present value of minimum lease payments	109	122
up to 1 year	13	12
more than 1 year to 2 years	14	13
more than 2 years to 3 years	14	14
more than 3 years to 4 years	15	15
more than 4 years to 5 years	16	15
more than 5 years	37	53

pbb Group's finance leases refer to the financing structure for an office building.

In the financial year under review and the previous financial year, no any sale-and-leaseback transactions or third-party sublease agreements were entered into.

80. Key regulatory capital ratios

The Management Board manages the Group's capitalisation, based on regulatory capital ratios in accordance with the CRR and additional regulations for capitalisation announced by the ECB (Supervisory Review and Evaluation Process – "SREP").

Please refer to Risk and Opportunity Report for capitalisation management as well as for key regulatory capital ratios.

81. Group auditor's fee**Group auditor's fee**

in € thousand	2025	2024
Audit services	2,101	1,844
Other assurance services	252	180
Tax advisory services	-	-
Other non-audit services	21	-
Total	2,374	2,024

In addition, a fee of €76 thousand (2024: €71 thousand) was incurred internationally for the auditor's network companies for audit services.

The fee for auditing services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements and the annual financial statements, including statutory and contractual extensions of pbb's engagement. In addition, reviews of interim financial statements were performed.

Other assurance services primarily involved the issuance of a comfort letter in connection with the issue of debt securities and the audit pursuant to Section 89 of the German Securities Trading Act (WpHG).

Other services related to the BaFin audit pursuant to Section 107 of the German Securities Trading Act (WpHG).

The auditor's independence was not impaired by the services provided outside the audit.

82. Related parties disclosures

According to IAS 24 (Related-Party Disclosures), a party is related to an entity if, directly or indirectly through one or more intermediaries, the party controls or is controlled by the reporting entity, has an interest in the entity that gives it significant influence over the entity or has joint control over the entity as well as associates and joint ventures. In addition, retirement benefit schemes for postemployment benefits for employees are also included under related parties.

Related Entities

As at the balance sheet date, pbb Group had no receivables (31 December 2024: €0 million) and, as before, no liabilities in respect of associates not accounted for using the equity method.

As at the balance sheet date, pbb Group had a receivable (including pro rata interest) of €20 million (31 December 2024: €23 million) and, as before, no liabilities from the associate 161 North Clark Holdco LLC, which is accounted for using the equity method.

Liabilities to defined contribution pension plans amounted to €1 million as at 31 December 2025 (31 December 2024: €1 million).

Management in key positions

Management in key positions are persons who are directly or indirectly responsible for planning, directing and controlling the activities of pbb Group; for pbb Group, this means the members of the Management Board and the Supervisory Board.

For 2025, pension payments for former members of the Management Board and their surviving dependants amounted to €4,932 thousand (2024: €4,867 thousand). The remuneration of the members of pbb's Supervisory Board in office during the reporting year amounted to €754 thousand (2024: €729 thousand); this consisted exclusively of fixed remuneration for Supervisory Board activities (including remuneration for committee activities).

Vested remuneration claims of related persons¹⁾

						2025	2024
in € thousand	Short-term benefits ²⁾	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments ²⁾	Total	Total
Total	5,258	1,312	253	555	672	8,050	8,674

¹⁾ The reporting follows the so-called "vesting principle": the remuneration components that were earned in the relevant reporting period 2025 are reported.

Pension obligations to related persons

in € thousand	31.12.2025	31.12.2024
Total¹⁾	60,251	68,260

¹⁾ Of this amount, €50,637 thousand (2024: €51,687 thousand) is for beneficiaries, pensioners and their surviving dependants.

DISCLOSURE PURSUANT TO SECTION 314 NO. 6 OF THE HGB, BY GROUPS OF INDIVIDUALS

Remuneration paid to Management Board members

in € thousand	2025 ¹⁾	
	Remuneration	Total
Management Board members who were in office during the financial year 2025	4,852	4,852
Management Board members who retired prior to the financial year 2025	-	-
Total	4,852	4,852

¹⁾ The remuneration of the members of the Executive Board in office in 2024 amounted to €4,747 thousand for 2024. In 2024, members of the Executive Board who left before the 2024 financial year did not receive any remuneration.

As of the balance sheet date, there were no receivables to related persons from loans or advances or other commitments.

Provisions for pensions

in € thousand	2025 ¹⁾	
	Additions/ reversals	Total
Management Board members who were in office during the financial year 2025	-7,015	9,199
Management Board members who retired prior to the financial year 2025	-1,050	50,637
Total	-8,065	59,836

¹⁾ Provisions for pensions for members of the Executive Board serving in the 2024 financial year amounted to €16,214 thousand as at 31 December 2024. Provisions for pensions for members of the Executive Board who left before the 2024 financial year amounted to €51,687 thousand as at 31 December 2024.

Remuneration paid to Supervisory Board members of pbb¹⁾

in € thousand	2025 ²⁾	
	Total fixed remuneration	
Supervisory Board members who were in office during the financial year 2025	754	
Supervisory Board members who retired prior to the financial year 2025	-	
Total	754	

¹⁾ The remuneration of the employee representatives on the Supervisory Board, which they received independently of their Supervisory Board activities on the basis of their employment contracts, is not reported.

²⁾ The remuneration of the Supervisory Board members in office in the 2024 financial year amounted to €729 thousand for 2024. In 2024, Supervisory Board members who left before the 2024 financial year did not receive any remuneration.

With the exception of the employee representatives on the Supervisory Board, who are remunerated by pbb for their activities under their employment contracts, members of the Supervisory Board of pbb did not receive any remuneration for personal services rendered in 2025.

STATEMENT ACCORDING TO ARTICLE 19 MMVO

Dr Louis Hagen, Chairman of the Supervisory Board, acquired shares in the company with a total value of €20,556.80 at a price of €4.672 per share on the XETRA trading system on 7 March 2024 (see announcement dated 12 March 2024, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

On 14 August 2025, Kay Wolf, Chairman of the Management Board, acquired shares in the company with a value of €55,594.15 at a price of €5.55 respectively €5.56 per share on the Frankfurt Stock Exchange (see announcement dated 19 August 2025, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

Jörn Joseph, member of the Management Board, acquired shares in the company with a value of €38,437.84 at a price of €5.49 per share on the XETRA trading system on 15 August 2025 (see announcement dated 19 August 2025, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

Marcus Schulte, member of the Management Board, acquired shares in the company with a value of €54,700.00 at a price of €5.47 per share in the XETRA trading system on 15 August 2025 (see announcement dated 19 August 2025, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

On 14 August 2025, Dr Pamela Hoerr, member of the Management Board, acquired shares in the company with a value of €27,119.99 at a price of €5.41 per share on the XETRA trading system (see announcement dated 19 August 2025, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

Jörn Joseph, member of the Management Board, acquired shares in the company with a total value of €16,156.88 at a price of €4.034, €4.038 respectively €4.032 per share respectively in the XETRA trading system (see announcement dated 25 November 2025, published at www.pfandbriefbank.com/investoren/pflichtveroeffentlichungen/directors-dealings-Management-Board-Supervisory-Board.html and at www.dgap.de).

Apart from this, i) to the best of pbb's knowledge, the members of the Management Board and Supervisory Board and persons closely associated with them did not hold any pbb shares in a reportable amount on 31 December 2025 and 31 December 2024, and ii) to the best of pbb's knowledge, no shares in pbb or related instruments were acquired or sold in 2025 and 2024 by members of the Management Board and Supervisory Board or persons closely associated with them in a quantity that would be subject to disclosure requirements.

AMOUNT OF CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The total amount of outstanding virtual shares in relation to the share-based payment arrangements developed as follows:

Amount of cash-settled share-based payment transactions

Quantity (number)	2025	2024
Balance (outstanding) at 1.1.	548,750	423,503
granted during the reporting period	262,669	300,537
expired during the reporting period	-	-
exercised during the reporting period	220,234	175,290
Balance (outstanding) at 31.12.	591,185	548,750
of which: exercisable	-	-

The fair value of the virtual shares granted in the reporting period amounted to €2 million as at the balance sheet date (2024: €1 million). The obligation arising from share-based payment transactions amounted to €4 million as at 31 December 2025 (2024: €4 million). It is reported in the statement of financial position under provisions.

The virtual shares exercised in the reporting year were exchanged at a weighted average price of €5.73 per pbb share (2024: €4.29).

In the 2025 financial year, total expenses from share-based compensation transactions amounted to €1 million (2024: less than €0.5 million).

Less than €0.5 million was spent on former members of the Management Board (2024: €0 million).

83. Employees

Average number of employees

	2025	2024
Employees (excluding apprentices)	826	831
Thereof: senior staff in Germany	16	16
Total	826	831

84. Members of the Supervisory Board and of the Management Board

Supervisory Board of pbb in financial year 2025

Name	Principal occupation	Supervisory Board memberships and other directorships in 2025
Age as at 31 December 2025 Function in Supervisory Board Initial appointment	Functions in the Committees of the Supervisory Board	
Dr Louis Hagen 67 years Chairman 25.5.2023	Lawyer and former Chairman of the Management Board of Münchner Hypothekenbank eG Chairman of the Executive and Nomination Committee and of the Remuneration Control Committee; Member of the Audit Committee and of the Risk Management and Liquidity Strategy Committee	LBBW Asset Management Investmentgesellschaft mbH, Stuttgart – Member of the Supervisory Board Baader Bank AG, Unterschleißheim – Member of the Supervisory Board (since 30.1.2025 Chairman)
Hanns-Peter Storr 66 years Member: Deputy Chairman 12.5.2021	Entrepreneur Chairman of the Risk Management and Liquidity Strategy Committee; Member of the Audit Committee and of the Executive and Nomination Committee (from 5 June 2025)	BHW Bausparkasse AG, Hameln – Member of the Supervisory Board
Karim Bohn 54 years Member 30.11.2023	Chief Financial Officer der Canyon Bicycles GmbH Member of the Audit Committee and of the Risk Management and Liquidity Strategy Committee	-
Gertraud Dirscherl 67 years Member 2.2.2022	Entrepreneur Chairwoman of the Audit Committee; Member of the Remuneration Control Committee, of the Risk Management and Liquidity Strategy Committee and of the Executive and Nomination Committee	Hans DEHN SE, Neumarkt i.d. Oberpfalz – Member of the Supervisory Board DEHN SE, Neumarkt i.d. Oberpfalz – Member of the Supervisory Board
Prof Dr Kerstin Hennig 61 years Member 19.7.2022	Professor Frankfurt School of Finance & Management University Professor Frankfurt School of Finance & Management (since 1.11.2023) Member of the Risk Management and Liquidity Strategy Committee	DWS Grundbesitz GmbH, Frankfurt/Main – Member of the Supervisory Board and from June 2025 Chairwoman of the Audit Committee Ehret & Klein AG, Starnberg – Member of the Supervisory Board (13 February 2024 to 31 January 2025)
Susanne Klöß-Braekler 61 years Member (until 5.6.2025) 12.5.2021	Independent Supervisory and Advisory Board Member, Investor, Senior Advisor Member of the Executive and Nomination Committee and of the Remuneration Control Committee (until 5 June 2025)	ING-DiBa AG, Frankfurt/Main – Chairwoman of the Supervisory Board Oddo BHF SE, Frankfurt/Main – Member of the Supervisory Board Cembra Money Bank AG, Zürich – Member of the Supervisory Board
Theresia Kirmaier 55 years Employee Representative (from 5.6.2025) 5.6.2025	Bank employee Member of the Executive and Nomination Committee (from 5 June 2025)	-
Georg Kordick 65 years Employee Representative (until 5.6.2025) 22.2.1990	Bank employee Member of the Executive and Nomination Committee (until 5 June 2025)	-
Britta Lehfelddt 60 years Member (from 5.6.2025) 5.6.2025	Supervisory Board Member Member of the Remuneration Control Committee (from 5 June 2025)	V-Bank AG, Munich – Member of the Supervisory Board
Olaf Neumann 49 years Employee Representative 12.5.2021	Bank employee Member of the Audit Committee	-
Jennifer Wendels 32 years Employee Representative 1.10.2024	Bank employee Member of the Remuneration Control Committee	-

Management Board of pbb in financial year 2025

Name	Function in the Management Board	Supervisory Board memberships
Kay Wolf	CEO CRO (16 March to 31 May 2025)	-
Thomas Köntgen	Deputy CEO Real Estate Finance Solutions	-
Dr Pamela Hoerr	Member Real Estate Investment Solutions	-
Jörn Joseph	Member since 1 June 2025 CRO	-
Andreas Schenk	Member until 15 March 2025 CRO	-
Marcus Schulte	Member CFO/Treasurer	-

85. Holdings of pbb**Holdings of pbb as of 31 December 31.12.2025**

Additional statement according to HGB Name Place of business and country	Purpose of business	Interest in %			Currency	Equity in thousands	Net income/ loss in thousands
		Total (Sec 16 (4) Aktienge- setz)	Of which held indirectly	Differing voting rights in %			
Consolidated companies							
IMMO Invest Real Estate GmbH ¹⁾ Munich, Germany	Purchase of salvage acquisiti- ons	100.00	-	-	EUR	948	-
Niagara Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	30,431	-8,214
Alabama One Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	103	-3,887
Alabama Two Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	-10	-5,020
Alabama Three Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	36,512	-2,875
Alabama Four Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	34	-16
Alabama Five Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	30	-6,281
Alabama Six Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	35	-5,743
pbb Beteiligungs GmbH ¹⁾ Munich, Germany	Investment company	100.00	-	-	EUR	44,150	-
pbb invest GmbH ¹⁾ Munich, Germany	Investment company	100.00	100.00	-	EUR	44,125	-
Non-consolidated companies							
Alabama Seven Asset Management LLC, Atlanta	Other company	100.00	-	-	USD	-	-
Associated companies							
161 North Clark Holdco LLC, New York, USA	Purchase of salvage acquisiti- ons	21.74	21.74	-	USD	27,304	-35,499
Associated companies not measured at equity due to minor significance							
Eco Estate GmbH Frankfurt/Main, Germany	ESG consulting	45.00			EUR	152	-451

¹⁾ Profit transfer by shareholders on the basis of profit and loss transfer agreement.

²⁾ Financial figures from the 2024 financial year.

³⁾ Information on the companies' equity and results is taken from the financial statements prepared in accordance with IFRS accounting standards (where available).

86. Report on Post-balance Sheet Date Events

On 1 January 2026, the owner of the majority of the following companies in the Deutsche Investment Group was transferred: 89.9% of Deutsche Investment Kapitalverwaltung AG, 74.9% of DIR Deutsche Investment Retail GmbH, 100% of EB Immobilienmanagement GmbH, 100% of B worx Project GmbH and 100% of B worx Service GmbH, as well as indirectly via B worx Service GmbH, 100% of B worx Facility Management GmbH. The acquirer was pbb invest GmbH (a wholly-owned subsidiary of pbb Beteiligungs GmbH, which in turn is a wholly-owned subsidiary of pbb). The voting rights correspond to the capital shares.

As a result of the acquisition of ownership, pbb has controlled the acquirees since 1 January 2026. The acquisition serves to diversify sources of income and strengthen the Real Estate Investment Solutions segment. Deutsche Investment Kapitalverwaltung AG is a capital management company that launches and manages real estate funds. The other companies support it with asset, investment, property and facility management services or offer services in these areas to external third parties.

pbb invest GmbH already paid the agreed base purchase price of €43 million in cash on 30 December 2025. This amount will be adjusted in accordance with the closing accounts mechanism agreed with the sellers based on the annual financial statements of the acquired companies as at 31 December 2025. In addition, there may be a further purchase price component in the low single-digit million euro range upon acquisition of a third portfolio.

As part of the initial consolidation of the acquired companies, the acquired identifiable assets, assumed liabilities and all non-controlling interests in equity will be capitalised or recognised as liabilities separately from goodwill. Items not previously recognised in the separate financial statements of the acquired companies, such as intangible assets and other assets, as well as contingent liabilities and deferred taxes, must also be recognised. Based on expected future earnings contributions, positive goodwill is assumed. The pbb Group's income situation is expected to benefit in particular from commission income and other operating income from the acquired companies, while their general and administrative expenses will have a negative impact. In addition, personnel expenses in the form of an earn-out payment of up to a low double-digit million euro amount may arise, which, depending on the probability of payment, is to be deferred over a period of five years. As at the reporting date of the pbb consolidated financial statements, annual financial statements as at 31 December 2025 were not yet available for all acquirees. Accordingly, the determination of the fair value of the consideration transferred, the assets and liabilities, and the amount of the non-controlling interest in equity had not yet been completed and it was not possible to disclose this information. Based on the preliminary figures, the companies' statements of financial position consisted primarily of receivables and liabilities in the low double-digit million euro range.

There are plans to adjust the structure of the internal organisation from the first quarter of 2026. As a result, the pbb Group will split the existing Real Estate Finance (REF) segment into the Real Estate Finance Solutions (REFS) and Real Estate Investment Solutions (REIS) segments. REFS comprises commercial real estate financing and REIS comprises off-balance sheet commission business. The acquired companies of the Deutsche Investment Group will be part of the REIS segment.

On 27 February 2026, at the request of the ECB, the EBA expressed the view that the data published by the US Federal Reserve should be considered 'non-equivalent' for the purposes of the so-called hard test (EBA Q&A 2026_7688). As a result, the preferential treatment of real estate in the US previously applied by pbb in calculating RWA would no longer apply on this basis (loss of LGD collateral privilege). pbb will carefully review this assessment and, if appropriate and binding, adjust its RWA calculation accordingly for the next quarterly report date. This adjustment would result in additional RWA of approximately €800 million and a reduction of approximately 1.2 percentage points in the CET1 ratio (indicative figure based on the portfolio as at 31 December 2025).

Furthermore, no events with a material impact on the net assets, financial position and results of operations of the pbb Group occurred after 31 December 2025.

Munich, 3 March 2026

Deutsche Pfandbriefbank AG
The Management Board



Kay Wolf



Thomas Köntgen



Dr. Pamela Hoerr



Andreas Schenk



Marcus Schulte

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, 3 March 2026

Deutsche Pfandbriefbank AG
The Management Board



Kay Wolf



Thomas Köntgen



Dr. Pamela Hoerr



Andreas Schenk



Marcus Schulte

Independent Auditor's Report

To Deutsche Pfandbriefbank AG, Munich/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Deutsche Pfandbriefbank AG, Munich/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2025, and the notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the combined management report for the parent and the group of Deutsche Pfandbriefbank AG, Munich/Germany, for the financial year from 1 January to 31 December 2025. In accordance with the German legal requirements, we have not audited the content of the sections "Most Important Intangible Resources", "Organisation and Principles of the Internal Controlling System" and "Appropriateness and Effectiveness of the Internal Control and Risk Management System" of the combined management report, which are marked as "unaudited", nor the content of the combined corporate governance statement in accordance with Section 289f and Section 315d German Commercial Code (HGB), including the further reporting on corporate governance included therein, and the separate combined non-financial report in accordance with Section 315b (3) and Section 289b (3) HGB, which are made reference to in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- > the accompanying consolidated financial statements comply, in all material respects, with the IFRS® Accounting Standards issued by the International Accounting Standards Board (IASB) (hereinafter "IFRS Accounting Standards") as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2025 and of its financial performance for the financial year from 1 January to 31 December 2025, and
- > the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the content of the sections "Most Important Intangible Resources", "Organisation and Principles of the Internal Controlling System" and "Appropriateness and Effectiveness of the Internal Control and Risk Management System" of the combined management report referred to above, nor the content of the combined corporate governance statement stated above, including the further reporting on corporate governance included therein, and of the separate combined non-financial report stated above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law and the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other German professional responsibilities in accordance with these requirements and the IESBA Code. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the determination of risk provisioning in the lending business, which we have determined to be a key audit matter in the course of our audit.

Our presentation of this key audit matter has been structured as follows:

- a) description (including reference to corresponding information in the consolidated financial statements)
- b) auditor's response

Determination of risk provisioning in the lending business

- a) As at 31 December 2025, a total of bEUR 35.6 in "Financial assets at amortised cost after credit loss allowances" are recognised in the consolidated financial statements of Deutsche Pfandbriefbank AG, which makes up 89.2% of total assets. The existing risk provisioning of mEUR 832 has already been deducted from these assets. Risk provisioning includes both individually determined stage 3 specific allowances of mEUR 691 and stage 1 and 2 credit loss allowances determined using a model-based approach of mEUR 141 that include a management overlay of mEUR 26 on account of the uncertainties and risks regarding the development of overall economy and the US property markets. Additional contingent liabilities and other commitments amount to bEUR 1.6, for which provisions of mEUR 4 have been made in the lending business, which fully relate to stage 1 and 2 portfolio allowances determined using a model-based approach.

The Bank assesses the recoverability of loans and advances in the lending business on a regular basis and whenever there are objective indications that the assets may be impaired. The expected stage 3 credit loss is determined based on individual cash flows in several probability-weighted scenarios. The amount of risk provision equals the difference between the carrying amount of the asset and the present value of the expected future cash flows. The latter is calculated based on the initial effective interest rate. The expected future cash flows take into account the marketability of collaterals such as land charges/mortgages. Where applicable, corresponding provisions are made for off-balance sheet transactions subject to either an imminent risk of utilisation by doubtful borrowers (guarantees, warranties) or to expected impairments due to payment obligations (irrevocable loan commitments).

Upon initial recognition of the loans and advances, the risk provisioning in the lending business is based on expected credit losses for twelve months (stage 1). The twelve-month expected credit loss is that part of the lifetime expected credit losses that is equal to the expected credit losses from defaults that may occur statistically within twelve months after the reporting date. In case of a significant increase in the financial asset's credit risk within the context of subsequent measurement (stage 2), the risk provisioning has to reflect the expected default events over the transaction's lifetime. For determining stage 1 and 2 credit losses, the Bank generally uses a model-based procedure based on the internal risk parameters (probability of default, loss given default) and on the rules agreed in the loan agreements underlying the loans and advances, such as contractually agreed cash flows. The internal risk parameters are transformed by taking into account forward-looking information. Stage 1 and 2 risk provisions are measured using different scenarios weighted by their probability of occurrence.

As at the balance sheet date 31 December 2025, a management overlay of mEUR 26 is included in the stage 1 and 2 credit losses. To determine the management overlay for financial instruments of the non-impaired US portfolios, the loss given default as derived from long-term historical averages and calculated using a model-based approach is replaced with current realisation estimates. Furthermore, pbb Group sets aside provisions for all financial instruments in the US portfolio in the amount of the expected loss over the residual term of the instruments by collectively transferring these transactions to stage 2.

Given the fact that the lending business is one of the Bank's core business activities and both individual and model-based measurements of loans and advances as well as the determination of the settlement amount of provisions as is necessary according to the impairment rules under IFRS 9 require the executive directors to make judgements and estimates, for example with respect to the design of the measurement models, estimates such as the expected future payments received, the measurement of collateral or other expected defaults, there is a higher risk that the amount of the credit loss allowances, if necessary, may not be appropriate. This matter was of particular relevance as part of our audit since the recoverability of loans and advances in the lending business and, in correspondence with that, the appropriate determination of allowances is prone to uncertainties.

The disclosures on the determination of allowances in the lending business can be found in the notes to the consolidated financial statements in note 7 "Financial Instruments", subsection "Accounting of Impairment", in note 30 "Judgements and Estimations", subsection "Allowances", as well as in note 53 "Financial Assets at Amortised Cost after Credit Loss Allowances (Including Claims from Finance Lease Agreements)", subsection "Development in risk provisioning".

- b) Based on our risk assessment, our risk-based audit approach involved an examination of the relevant system of internal control and the performance of substantive procedures. The test of design and implementation and of operating effectiveness comprised the controls with respect to the processes for identifying indications for impairment (risk early recognition process), customer ratings as well as cash flow-based determination of impairment (stage 3 risk provisions or specific allowances). Moreover, we conducted a test of design and implementation and of operating effectiveness of the controls with respect to the determination of stages 1 and 2 risk provisions.

In addition, we conducted an evaluation of the appropriate identification of indications for impairment based on individual cases selected according to risk aspects, as well as of the measurement of loans and advances for which the Bank considered it necessary to carry out an impairment test, including the acceptability of the estimated values. Within the scope of this evaluation, we particularly reviewed those methods, assumptions and data used by the Bank for determining the estimated values. With respect to the measurement of loans and advances, we reviewed the underlying assumptions, especially the amount and timing as well as the discounting of expected future payments received in the different scenarios as well as their weighting. In this context, we also evaluated the measurement of collateral taken into account in the scenarios.

Furthermore, we traced the determined stage 1 and 2 credit losses based on a representative sample and evaluated the methodology for deriving the management overlay and the appropriateness of the underlying

assumptions, especially with respect to the identified credit portfolio and the adjustments of losses given default, in respect of current realisation estimates.

For the purpose of assessing the determination of stage 1 and 2 risk provisions and assessing the measurement of collateral, we called in our internal specialists for property valuation and credit risk model assessment.

In addition, we audited the accuracy and completeness of the disclosures made in the notes to the consolidated financial statements.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- > the report of the supervisory board,
- > the combined corporate governance statement in accordance with Section 289f and Section 315d HGB including the further reporting on corporate governance included therein, to which reference is made in the combined management report,
- > the combined separate non-financial report in accordance with Section 315b (3) and Section 289b (3) HGB, to which reference is made in the combined management report and which is published together with the combined management report,
- > the executive directors' confirmations pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB regarding the consolidated financial statements and the combined management report, and
- > the unaudited content of the combined management report marked as "unaudited", and
- > all other parts of the annual report,
- > but not the consolidated financial statements, not the audited content of the disclosures in the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement in accordance with Section 161 German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the corporate governance statement. Otherwise, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- > is materially inconsistent with the consolidated financial statements, with the audited content of the disclosures in the combined management report or our knowledge obtained in the audit, or
- > otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary

to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- > identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of internal control or these arrangements and measures of the Group.
- > evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- > conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- > evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- > plan and perform the audit of the consolidated financial statements in order to obtain sufficient appropriate audit evidence regarding the financial information of the entities or of the business activities within the Group, which serves as a basis for forming audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and review of the audit procedures performed for the purposes of the group audit. We remain solely responsible for our audit opinions.
- > evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- > perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Assurance Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 01d5291a91754d8014efbb91bb5cfac6e7a2f74512e26af78576c8b088564f3e, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this assurance work only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2025 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Assurance Conclusion

We conducted our assurance work on the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Assurance Standard: Assurance Work on the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AsS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the requirements of the IDW Quality Management Standards.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- > identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- > obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- > evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- > evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- > evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 5 June 2025. We were engaged by the supervisory board on 13 and 22 August 2025. We have been the group auditor of Deutsche Pfandbriefbank AG, Munich/Germany, since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the assured ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek

Munich/Germany, 4 March 2026

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Martin Kopatschek
Wirtschaftsprüfer
(German Public Auditor)

Isabelle Maurer
Wirtschaftsprüferin
(German Public Auditor)

TRANSLATION

– German version prevails –

Future-oriented Statements

This report contains future-oriented statements in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates and predictions currently available to the management board of pbb. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include for example geopolitical crises, the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading companies, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.

Imprint

Deutsche Pfandbriefbank AG (Publisher)
Parkring 28
85748 Garching
Germany

T +49 (0)89 2880 - 0
info@pfandbriefbank.com
www.pfandbriefbank.com

The German version of this Annual Report is the authoritative version and only the German version of the Combined Management Report and the Consolidated Financial Statements were audited by the auditors.