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Annual Press Briefing

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The spoken text will prevail.

1. Introduction

Ladies and Gentlemen, good morning.

It is my pleasure to welcome you to the annual press briefing and I would like to thank you for your interest in pbb.

We are reporting today on a financial year that despite being shaped by the impact and consequences of the COVID-19 pandemic, has been showing **clear signs of economic recovery as the year progressed**. The global economy grew by just short of 6% last year, more than making up for the preceding slump in most countries. Demand for real estate as an asset class – and especially for prime or core properties – has also seen a similar recovery, and this has continued to apply during the first quarter of 2022.

Right now, even though we had all hoped for further steps back to normality in the current year, we are appalled by the **war in Ukraine**. The resulting human suffering puts the commercial performance of businesses into perspective, and thus also overshadows the good results pbb has posted. We are aware of this when reporting on our financial statements for the year 2021 today – and on our plans, as well as on the potential economic impact of this crisis.

I will comment on the impact of the war later. At this point, let me just state that **pbb itself is not affected** in Russia and Ukraine. Secondary effects, if at all, are very limited indeed. It is very difficult to assess the collateral damage that sanctions and the geopolitical crisis have on the economy as a whole, in terms of economic performance, supply chains, inflation, and interest rates.

Yet we assume that the usual pattern will emerge during times of significantly heightened uncertainty – a **flight to quality**. This applies to the trends in German government yields and precious metals prices – and this is also likely to apply to the stability of commercial real estate in the prime and core segments, where we are positioned. This is exactly where we should be – in spite of, perhaps exactly because of, difficult times. This gives us confidence to stick with our plans for 2022 and the years beyond. However, the sister of confidence is caution. As we have demonstrated during the course of the COVID-19 crisis, we know exactly which levers to move if necessary.

Let me turn to the Bank's results for the year under review: **pbb has been highly successful in 2021** (Chart #2):

- We increased our **pre-tax profit to €242 million**, exceeding the previous year's figure by 60%. We also clearly outperformed our guidance, which we had already raised during the year to between €180 million and €220 million, and subsequently further specified that we would reach (or even slightly exceed) the upper end of this range.
- This is associated with a marked increase in **new business to €9 billion**, which is around 20% more than in the previous year. We have maintained a conservative risk profile for our exposures; however, margins have declined slightly due to competition.
- This success should also benefit our shareholders – we want to submit a proposal for distribution of a **dividend of €1.18 per share** to the Annual General Meeting.

We have not only achieved a good result but have **also consistently developed pbb further**:

- This relates to the Bank's orientation towards sustainable finance, among other things. Since the start of 2021, we have successfully been issuing **green bonds** and currently record an outstanding volume of €1.75 billion. Moreover, we have been extending **green loans** since autumn 2021; our current volume here is around €685 million.
- We have also continued to pursue digitalisation. Our Client Portal was launched at the end of the first quarter of 2021, as scheduled. It is enjoying fast growing acceptance among our clients and we are constantly expanding the application. The digitalisation of the client and credit process as a logical next step is also making good progress. This will be an important investment focus in the coming years.

For **2022 and subsequent years** we have once again set our sights high

- We want to continue to **grow organically** – but carefully differentiating.

To do this, we will introduce new products that will strategically expand our senior lending-focused services into very conservative **non-senior lending**. We will also further expand the **US business**. Finally, we will originate more new business again through **low-leverage lending**. We are able to do this, in spite of the more difficult situation caused by the war in Ukraine, because i) we continue to maintain a risk conservative approach to risk, ii) our established focus on core assets exactly meets what the market needs and iii) the measures as a whole maintain the bank's well-known risk-conservative profile.
- We are supplementing these measures above with a strong focus on **green loans** - in addition to our responsibility to society as a whole for climate protection, this offers us the opportunity to sustainably expand our business spectrum with green loans, to grow profitably and to support our customers in implementing green standards for their investments.
- As already mentioned, **digitalisation** will continue to play an important role and be a key focus of investment - for improved efficiency, better customer connectivity and increased future viability through, for example, cloud computing.

All of this will not be fully implemented in one single year and will not translate into higher revenues or lower costs within one year. We therefore regard 2022 (at least) as a **year of investment** and are aiming for pre-tax profit of between €200 million and €220 million.

- This guidance takes into account the expenses we will incur to sustainably increase our earnings base as well as lower tailwinds than in the previous year from factors such as the ECB's TLTRO funding transactions, prepayment fees and floors on lending rates.

It also does not take into consideration that the management overlay in the loss allowance will be reversed.

- In view of recent events, it would also be conceivable to enter 2022 without a specific guidance. However, we have deliberately chosen to enter the year with guidance that takes into account previous assumptions regarding the development of the overall economy and interest rates, while at the same time reflecting pbb's positioning and the expansion of our business.

It goes without saying that if the crisis were to persist or worsen, new conditions would apply, but these cannot be reliably assessed at present.

In short: 2021 was a very good year for pbb. 2022 will be an important year of transition, shaped by an environment which is obviously difficult and challenging. Nevertheless, we want to post solid results, in the region of €200 million PBT – and thus in line with the levels of recent years prior to the IPO – and to sustainably strengthen our earnings base.

2. Financial Results

Following this introduction, I will now discuss 2021 results. You will find details on the income statement in today's analysts' presentation and in our annual report to be published on 28 March.

All figures relate to pbb Group, and the financial statements have been prepared in accordance with IFRS. Whilst the financial statements have already been audited, they must be formally considered 'preliminary' until they are approved by the Supervisory Board.

2.1 Income from the lending business

At €502 million, **net interest and commission income** exceeded the previous year's figure of €482 million, (chart #3) and has therefore now increased continuously since 2017.

- **Net interest income** of €494 million (2020: €476 million) was helped by the interest rate benefits from participation in the TLTRO III programme. Without this effect, net interest income would have been unchanged from the previous year.

We also continued to profit from higher income from interest rate floors in client business. The higher average portfolio of disbursed (and hence interest-bearing) real estate financings (2021: €27.2 billion; 2020: €26.9 billion) also favoured net interest income as did lower funding costs.

- As in previous years, the positive effects significantly exceeded the still-negative impact from the run-off of the Value Portfolio, in line with our strategy, and from the continuous decline in interest rate-related income from investing equity.

Prepayment fees have also increased – this was a reversal of the previous year's trend.

- In 2020, general uncertainty led to a decline in transaction activity. Liquidity in the market is currently very high and **investors are searching for core real estate assets** in particular, which is driving up the value of such properties.

Due to our conservative risk strategy, these are precisely the properties that we **hold in our credit portfolio**. The appreciation in value makes it attractive for our clients to dispose of these properties, even if they have to pay early termination fees.

- As a result, early repayments of commercial real estate financings increased and hence the prepayment fees, resulting in higher net income from realisations of €81 million (2020: €26 million). Roughly half of this income was attributable to three repayments of financings for residential and office real estate in good locations in Germany and Austria.

2.2 Net income from risk provisioning

Expenses for risk provisioning normalised in 2021, having reached a very high level in 2020 (chart #4). This was despite a so-called management overlay, with which the Management Board offset the reversal of model-based loss provisions at its own discretion. We did not use this in the previous year.

Net income from risk provisioning amounted to €-81 million (2020: €-126 million).

- Model-based loss provisions, for financings without indications for impaired credit quality (**stage 1 and stage 2**), required additions of €35 million (2020: €70 million additions).

Positive macroeconomic expectations led to a reversal of model-based impairments and a reclassification of financial assets from stage 2 to stage 1 impairments. From the Management Board's perspective, however, the underlying assumptions and modelling did not fully cover the situation, which was subject to particularly high uncertainty. We have therefore recognised a management overlay of €54 million.

- For financial instruments with indications for impaired credit quality (**stage 3**), additions to provisions amounted to €47 million (2020: €57 million additions). They related to a small number of financings, mainly for shopping centres in the UK.
- Income from recoveries on loans and advances previously written off amounted to €1 million (2020: €1 million).

Total loss allowance now stands at €358 million compared with €261 million at year-end 2020 and €135 million at the end of 2019. In other words, the bank has set aside more than €220 million in additional allowances over the past two years, half of which is in the form of stage 1 and stage 2 allowances. Taking our commercial real estate finance portfolio as a basis, this yields a high coverage ratio of 119 basis points.

2.3 General and administrative expenses

General and administrative expenses of €219 million were up slightly on the previous year's figure of €204 million (chart #5).

- **Personnel expenses**, which rose from €122 million to €132 million, include provisions related to one off restructuring measures (according to IAS 19) of €11 million.
- **Other administrative expenses** rose by €5 million to €87 million, due to costs associated with strategic projects and digitalisation projects.

Thanks to the good 2021 result, the **cost/income ratio** declined further in 2021 to a very healthy level of 40%, after 42% in 2020. We therefore remain well below the average market values.

2.4 Result and dividend proposal

All in all, we are posting **pre-tax profits** of €242 million, which – as I stated earlier – exceeds the previous year by 60% (chart #6).

Despite higher profits, **income taxes** fell to €-14 million after €-30 million in the previous year. Current tax expense rose to €46 million (2020: €40 million), which was however offset by income from taxes for previous years in the amount of €8 million (2020: €6 million). In addition, deferred tax income of €24 million was mainly a result of greater recoverability of the deferred tax assets arising from the positive development of the pbb Group that is expected in the forecast period.

After taxes of €-14 million and taking into account the €17 million coupon for Additional Tier 1 (AT1) capital issued by pbb, **€212 million or €1.58 per share is attributable to ordinary shareholders.**

Of this amount, we want to distribute 50% as **dividends** and 25% as special dividends to our shareholders; in other words, a total of €159 million or €1.18 per no-par value share entitled to dividends. The Management Board and the Supervisory Board will submit a corresponding proposal to the Annual General Meeting on 19 May 2022. As it has done in previous years, pbb continues to take into account macroeconomic and sector-specific risks, as well as the regulatory requirements and the communicated target capitalisation levels communicated, including cautious buffers, when setting the ordinary and special dividends. It also takes future investments into consideration.

2.5 Key regulatory capital ratios

Before I move on to the operating business, I want to take a brief look at the key regulatory capital ratios. pbb's **risk-weighted assets (RWAs)**, calibrated to meet expected future Basel IV requirements, declined by the end of the year to €16.8 billion (Sep 2021: €18.1 billion; Dec 2020: €17.7 billion). This was due to methodical changes and maturities that were only partially offset by the increase in the real estate financing portfolio [chart #7].

Own funds rose slightly to €3.8 billion (Sep 2021: €3.6 billion; Dec 2020: €3.8 billion) as a result of taking the retained share of the 2020 and 2021 annual result into consideration.

Capital ratios thus improved:

- The Common Equity Tier 1 ratio (**CET1 ratio**) was 17.1% (Sep 21: 14.9%; Dec 2020: 16.1%) and the **Tier 1 ratio** 18.9% (Sep 21: 16.6%; Dec 2020: 17.8%).
- The **Own Funds Ratio** rose to 22.4% (Sep 2021: 19.8%; Dec 2020: 21.4%).
- The **Leverage Ratio** stood at 6.0% (Sep 2021: 5.7%; Dec 2020: 6.0%).

3. Operating business in 2021

3.1 New business

Ladies and gentlemen,

Demand on the real estate investment markets – as already mentioned – recovered further in the year under review. However, the various type of property continued to record material differences: since the outbreak of the pandemic, demand has strongly focused on first-class office properties with long-term, secure rental contracts. Investors furthermore centred their attention on logistics real estate, residential real estate, and retail real estate with a local supply function, whilst there was hardly any demand for types such as shopping centres and hotels. As a result, returns for the respective types of property were adjusted. Even so, these adjustments were much less pronounced than in the years before the financial crisis.

2021 on the whole was defined by a recovery in the new business of lending banks and non-banks compared with the previous year. This was evident, in particular for locations, segments and product types for which there is good demand.

These observations also apply to pbb. It is obvious that we are well positioned, thanks to our fundamentally **risk-conservative approach**.

- We focus on real estate in prime locations, with stable cash flows, good tenants, and low re-letting risks. Furthermore, we rely on professional investors who have gained experience during crises, and we make sure that loan agreements have low loan-to-value ratios and solid covenant structures. We turned away business that did not meet our requirements before the pandemic – and we certainly continue to do so now.
- We did not offer new financing transactions for hotels and shopping centres in 2021 either.

Despite these restrictions, **new business performed very well in 2021** (chart #8):

- We have originated **new commercial real estate finance business** of €9.0 billion, compared to €7.3 billion in 2020 (each including extensions beyond one year).

At approx. 170 basis points, the **average gross margin** remained stable during 2021, albeit slightly below the level of the previous year (2020: approx. 180 bps).

- Most of pbb's new business was originated in the German home market, which accounted for 49%, followed by the US with 15% and France with 13%. The US market once again was pbb's second most important individual market, as was the case already in 2019.

With regard to different property types, the proportion of office properties increased again, to 59%, followed by logistics properties with 16% and residential real estate with 13%.

New business in the **first quarter of 2022** has kicked off in line with expectations up to now.

We have been offering our clients **green loans** since October 2021, whereby we are targeting traditional investment and development loans but also want to support investments in the sustainability of existing properties.

Client demand for these loans is very high, demonstrated by the volume of around €685 million that has been extended up to now. However, given that some transactions have a considerable lead time until they are concluded, I am convinced that this very respectable figure **considerably underestimates actual demand**. I therefore envisage great potential for the product. I will go into this later.

3.2 Funding

During the financial year under review, pbb issued long-term funding instruments amounting to €5.1 billion, thus clearly exceeding the previous year's volume (2020: €3.6 billion). At €3.2 billion (2020: €1.9 billion), Pfandbrief issues accounted for around 60% of the volume. Unsecured funding accounted for €1.9 billion (2020: €1.8 billion), with almost all of the volume being issued as senior preferred bonds (chart #9).

Issuance spreads fell for unsecured issues in particular, to an average spread of 57 bp (2020: 77 bp), whilst spreads for Mortgage Pfandbriefe declined to 13 bp (2020: 16 bp).

The transactions were denominated in **euros, as well as in foreign currencies**: US dollar, British pound and Swedish krona, matching the lending business. We have always used foreign currency issues to minimise currency risks between assets and liabilities.

We also issued **green bonds** for the first time in 2021.

- We achieved a volume of €1 billion with two issues. A further €750 million green bond issue followed in January 2022.
- Up to now, we have issued green bonds exclusively in the form of senior preferred bonds and not as Pfandbriefe. Although this strategy may be counterintuitive to our funding approach, it is a purely economic decision: the 'greenium' – the yield mark-down on green issues – is somewhat higher for unsecured green bonds. We are therefore optimising the funding costs.

While this does not rule out that we will issue green Pfandbriefe, we currently have no plans to do so.

On 24 June 2021, pbb increased the total volume of liabilities under the **TLTRO III programme** by €0.9 billion, to a nominal amount of €8.4 billion. In this context, pbb issued additional Pfandbriefe totalling €0.7 billion to be pledged as collateral with the ECB.

During the current financial year, as usual, we used the issuing windows at the beginning of the year to already **cover a significant portion of our funding requirements**. In fact, we have already issued around €930 million in senior preferred bonds, plus €850 million in Pfandbriefe. These figures include our third green senior preferred bond, through which we raised €750 million, as stated before.

3.3 Portfolio and the war in Ukraine

The last aspect of our operative business I would like to focus on is our portfolio. In this context, I would like to discuss the impact of the war in Ukraine and the sanctions against Russia. Yet these issues not only affect the portfolio but also our outlook – which is why I will discuss them before turning to strategic initiatives.

3.3.1 Portfolio

The **real estate financing portfolio** increased slightly to €27.6 billion, compared with €27 billion in 2020. Early repayments partially offset the new business in the process of expanding the portfolio.

Our risk-conservative approach in new business is of course reflected in our **portfolio, which is known for its high quality**, with an average volume-weighted loan-to-value ratio of 52% and non-performing loans that account for 1% of the overall portfolio on an EaD basis.

3.3.2 War in Ukraine

Let me once more turn to the war in Ukraine. It goes without saying that we are **appalled about this war**, and condemn the actions taken by Russia. I must say that I didn't expect to ever have to make such a statement at a press conference. We are particularly touched by the fate of people drawn into this conflict – and of course, this goes beyond our colleagues at pbb who are affected in many different ways.

As I said at the outset, our concern for the affected human beings takes priority over the **impact of this war on pbb as an enterprise**. Yet we have to deal with this aspect (chart #10).

- From today's point of view, we believe the **implications for our loan book and our operative business** to be marginal, and more than manageable.

We have no direct exposure to Russia or Ukraine, since neither country is a target market for pbb. Our focus in Central and Eastern Europe is on Poland and the Czech Republic. Likewise, secondary risks are also very much limited.

We also do not have offices in either country, nor do we have local staff. Moreover, we have no currency exposure.

- Even though we have seen some spreads widening on **funding markets**, these have been moderate – and, thanks to our extensive issuance at the beginning of the year 2022, we are not active at present. Also, crisis-proof products such as Pfandbriefe tend to be held in higher esteem.
- But the **macroeconomic perspective** shows a diffused picture.

We will probably have to envisage weaker economic growth, at least in Europe. Inflation is also set to continue rising, due to likely higher prices for energy products. Finally, the impact on monetary policy and interest rates in Europe and the US is not yet quite clear.

It is not so much the implications for the loan book and operating business, nor so far the funding markets, that can have a negative impact, but rather the macroeconomic factors and uncertainty.

- However, we do not envisage any negative impact for **real estate investment markets** where pbb is active. Investment pressure remains unchanged, and stable assets such as real estate are particularly sought after in times of crisis, due to the “flight to quality”.
- This is why we continue to see **good business opportunities for pbb**: with our focus on core properties, with stable cash flows, renowned tenants and low re-letting risks, we are catering precisely to this market. Also, pbb lends to professional, crisis-experienced investors and ensures that loan agreements have low loan-to-value ratios and solid covenant structures.

4. Strategic initiatives

Ladies and gentlemen,

I already explained in my introduction that we have set our sights high for 2022 and subsequent years. We have consistently developed pbb since its IPO. In addition to many optimisations in ongoing operations, we have re-established the business in the US, especially since 2016. This has meanwhile grown to become pbb’s second-largest market. The second key expansion of our business has been the launch of green loans. We want to grow these two activities significantly over the next few years. Further product innovation promises additional **organic growth** (chart #11).

All in all, we want to **sustainably strengthen pbb’s earnings base**. Since the IPO, our earnings have been in the region of €200 million before taxes. We exceeded this level in 2021, not least thanks to favourable developments. Our strategic measures should help us achieve a higher level in the long term.

Digitalisation will continue to play an important role here. Some ten years ago, we made significant investments in our core banking system, which we restructured entirely. We then consolidated our data pool. Our systems environment is up to date and we have an integrated data inventory, something not all banks can claim. Now we are ready to take the next step, in order to maintain our lead.

4.1 Organic growth

We want to **continue to grow organically in our core business.**

- We are therefore further developing our product range and to include conservative **non-senior lending products.**

This will include **loan-on-loan financings.** In this context, rather than extending loans directly to real estate investors, pbb acts as a loan-to-loan lender and provides a loan to a third party, the loan-on-loan borrower. The latter lends to the real estate investor and enriches the financing structure through additional equity, for example from a debt fund. Together with the real estate investor's equity, this results in loan-to-value ratios that are within the scope of pbb's conservative risk strategy. These financings open up a new market segment for pbb, with an attractive risk-return profile.

In addition, we also plan to offer **mezzanine finance** in the US, within a clearly-defined framework; this means with defined volumes and on the conservative side of the mezzanine segment, that is, with comparatively low loan-to-value ratios.

- We also want to **further step up business in the US.** We are confident of being able to generate more volume, given the absolute size of the market and the better penetration we have achieved since entering the market in 2016. However, we do not want to extend our coverage to additional regional markets beyond the seven gateway cities we are currently focused on – at least not in a first step.
- Last but not least, we want to generate more new **low-leverage-lending** business. The margins here are lower but so is the risk (and hence capital backing requirements), and we can implement a much more standardised and therefore more cost-effective credit process.
- In this way, we expect to increase the volume of our **commercial real estate finance portfolio to around €32 billion by 2024/2025.** This figure includes the effects from green loans, which I will now elaborate on.

4.2 Green finance

As one of the leading providers of commercial real estate finance, pbb is an important partner for the real estate industry. As a bank, **our ecological footprint** is naturally relatively small: we endeavour to avoid harming the environment, preventing CO₂ emissions wherever possible, whilst partially offsetting such emissions where they are unavoidable.

In contrast, by constructing and operating buildings, the real estate industry is currently responsible for around 40% of global CO₂ emissions. By adopting a comprehensive approach for sustainable financing, we can therefore make a difference: our objective is to steer funds into climate-neutral investments – for pbb this means in **more environmentally friendly buildings**. We therefore support the EU Commission's European Green Deal, a growth initiative that aims to make Europe the first climate-neutral continent by 2050.

Supporting this shift in the real estate industry is an **obligation to society** and an important **business opportunity** at the same time. We will extend our business potential and protect our balance sheet against assets that will probably lose value due to poor sustainability in the long term.

pbb extends **green loans** for standard investment loans and development financings for green real estate. Given the sustainability of green real estate projects, which should feature higher value stability and therefore proportionally lower risks, the Bank will also extend loans with higher loan-to-value ratios. pbb also plans to finance its clients' investments in the sustainability of real estate held in pbb's credit portfolio. By mid-February, we had already granted €680 million in green loans, only around four months after market launch.

We want to continuously increase the share of green real estate in our credit portfolio – to around **30 per cent** by 2024/2025 – and build up a corresponding position of green bonds on the liabilities side of our balance sheet. At the same time, we want to collect more data about pbb's ecological footprint, reduce our environmental impact and extend our reporting to take sustainability and ESG into account.

Green bonds, which we use to refinance green assets, enable us to complete the circle of our sustainable financial activities: we offer institutional investors a sustainable investment opportunity and are tapping into new investor groups. We currently have €1.75 billion outstanding in green bonds and view them as an integral element of our funding strategy.

Green finance – issuance of green loans and green bonds – is a component of **pbb's comprehensive ESG strategy**. We base our business activities on environmental and social criteria, adhere to the standards of good corporate governance and place ESG requirements at the centre of what we do. We adjust our risk management and the management of our risk standards, giving adequate consideration to ESG risks within the meaning of the regulatory requirements. Since the 2021 financial year, our internal ESG programme has bundled all ESG-related topics that are of relevance to pbb.

4.3 Digitalisation

We have concerned ourselves with digitalisation for some time now and have made good **progress** here:

- We launched our **Client Portal**, which digitalises the interface between our clients and pbb in the first quarter of 2021. We are consistently developing this portal, adding markets, products and functionality.

With the portal, we can simplify document management and increase transparency in the credit process for our clients. In doing so, we are also taking a first step towards digitalising our workflow: alongside building the Client Portal, we are already streamlining our internal processes.

- As a logical next step, we are now working on the **digitalisation of our client and credit process**. We started working on this project, which is planned over a period of at least three years, in 2021. We aim for a modular system with a consistent workflow that is efficient and improves transparency, not least for our clients.

We see potential for many digital solutions, from automatic data extraction to the use of artificial intelligence through the support of analyses and decision-making, especially for the routine tasks that are mostly conducted manually. We are already implementing individual solutions here, applying best agile practice.

We are joining forces with Fintech and PropTechs companies; property valuations, for example, offer opportunities in this context.

We are confident of becoming **quicker and more efficient** through more digitalisation, and of being able to process more transactions.

As a matter of course, we are also very closely monitoring the topic of **credit platforms** for commercial real estate finance. To date, we have not seen any shift in the business with professional real estate investors to platforms. This is probably due to structural reasons: standardisation is low and the number of transactions comparatively low, too – both of these contradict the economics of a platform.

As one of the leading providers of commercial real estate finance, we want to support digital developments and not leave them to others. We are therefore consistently forging ahead with digitalisation and have already put **key building blocks** in place for a platform option, with the Client Portal, the digital credit process and our CAPVERIANT platform for municipal financing.

5. Goals for 2022

Ladies and gentlemen,

As usual, I would like to conclude my comments by giving an outlook on the current year (chart #12). Even discounting the usual uncertainty any forecast is subject to, the impact of the war in Ukraine is particularly difficult to foresee.

- In the current financial year 2022, we plan to originate between €9.5 billion and €10.5 billion in **new commercial real estate finance business**, which represents a slight increase over 2021's figure of €9 billion (each including extensions beyond one year).

We will continue to forge ahead in the core segment. As we anticipate strong competition in this segment, we continue to expect pressure on gross margins in new business, which will probably fall slightly as a result. Whilst we will seek to counter this effect through selective new business as much as possible, we will not compromise on quality.

The average financing volume of the real estate financing portfolio is also expected to rise slightly.

- We anticipate **pre-tax profit** in a range between €200 million and €220 million, thus aiming for a result in line with the levels seen in recent years, despite incurring expenses for expanding the business and weaker tailwinds from favourable effects.

The latter are likely to result in a slight decline in **net interest income**, given that the TLTRO programme is expiring, and because lending floors only have an effect when capital market yields are negative.

We estimate that **risk costs** will fall further in 2022 and remain well below the level registered in 2021. This of course requires markets to continue recovering. A reversal of the management overlay, which would support results, is not included here.

We want to maintain stable **administrative expenses**, despite the investment-related expenses.

- However, this earnings forecast cannot yet reflect the possible **negative consequences of the Ukraine war and the sanctions** measures against Russia.

The result is expected to be higher again in the **coming years**, thanks to a series of initiatives we are implementing.

6. Conclusion

Ladies and gentlemen,

if I may summarise:

- Having generated **profit before taxes of €242 million**, 2021 was an extremely successful year for pbb. We clearly exceeded the earnings level of around €200 million achieved in recent years, not least thanks to favourable developments, and despite having further strengthened loss allowance in the form of the management overlay.

Our shareholders should benefit from this success with a **dividend of €1.18 per share**.

- We will employ a series of measures to **sustainably strengthen our earnings base in the coming years**.

We plan to **grow organically** in the established markets and anticipate growing demand for green financings. Product innovations and the expansion of business in the US promise additional growth in the core business.

- We are aiming for a good result at the level of previous years of €200 million to €220 million, although we still see at least **2022 as a year of investment**, which at the same time will be influenced by a more difficult interest rate environment and may be characterized by macroeconomic uncertainty due to the geopolitical situation.

Thank you very much for your attention. I now look forward to your questions.