

pbb Deutsche Pfandbriefbank

Annual Results 2022

Press Conference



09 March 2023

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pbb's growth strategy

We are expanding our leading position as a European specialist bank for commercial real estate financing to create added value for all our stakeholders



We intend to **grow** in our **core business** – commercial real estate financing

We are **expanding** our **commission business** based on our core competencies

We are **broadening** our **refinancing activities**



In all we do, we are fully committed to

- **expanding our green business** and footprint
- **digitalising our business** as well as our product and the services we provide and
- implementing our **people strategy** to attract young talent



We intend to remain a **reliable and attractive dividend stock** for long-term investors by playing an active role in driving the resilient development and green transformation of the real estate sector

Our ambition 2026

Building on our conservative-risk approach we want to accelerate growth to reach a higher profitability level with > 10% RoE before tax in 2026

We drive profitability in our core REF business and expand to capital-light business models

> 10% RoE before tax vs. 6.3% in 2022
Translating to > 9% RoE after tax¹ vs. 6.0% in 2022

We grow our franchise to lift profits above our historical target bandwidth of ~ € 200 mn PBT

> € 300 mn PBT vs. € 213 mn in 2022

We continue digitalisation and cost control efforts to maintain our strong efficiency (incl. investments)

< 45% CIR vs. ~ 46% in 2022/~ 40% in 2021

We continue our risk-conservative approach and keep solid capitalization

> 14% CET1 ratio² vs. 16.7% in 2022

We continue our attractive dividend policy (valid 2023-2025) and let our shareholders participate in our success

50% + 25% payout ratio³
Dividend policy of 50% regular dividend plus 25% special dividend

1. Based on CET1 capital 2. Calibrated towards anticipated Basel IV levels (fully loaded) 3. Based on consolidated PAT attributable to shareholders acc. to IFRS and after AT1 coupon

Results 2022

pbb demonstrates resilient business performance thanks to its robust business model



Strong top-line resilience against market trend:

REF portfolio growth of + 6% to € 29.3 bn; stable new business¹ at € 9 bn



Sound operative performance with pre-tax profit of € 213 mn within forecast range



Strong capital base with CET1 ratio of 16.7% (Basel IV-calibrated)² provides flexibility for profitable growth opportunities



Exceptionally strong growth of pbb direkt by 38% to € 4.4 bn



Launch of Real Estate Investment Management to increase capital-efficient income



Attractive shareholder return with dividend proposal of € 0.95 per share (payout ratio³ of 75%)

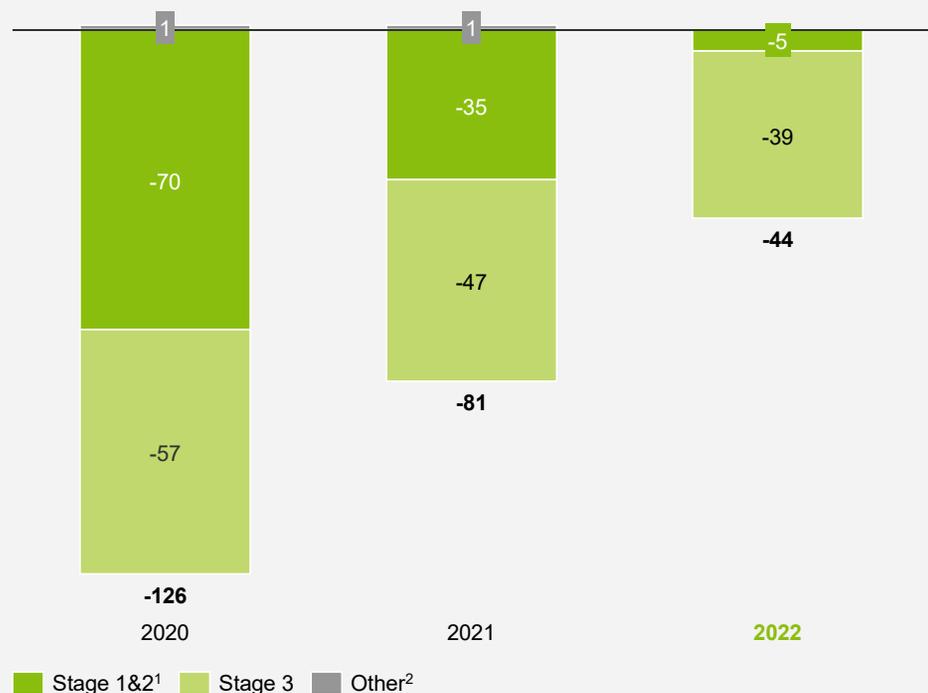
1. Incl. extensions > 1 year 2. Calibrated towards anticipated Basel IV levels (fully loaded) 3. Based on consolidated PAT attributable to shareholders acc. to IFRS and after AT1 coupon

Risk provisioning

Level of risk provisioning confirms risk conservative positioning throughout the cycle

Net income from risk provisioning

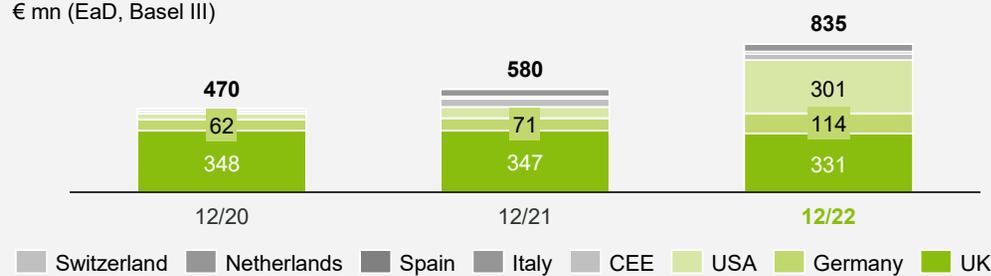
€ mn (IFRS)



- Stage 1&2: Net additions of - € 5 mn (Q4/22: net release € 7 mn) – improved macro and model parameter compensate for stage movements and increase in Management Overlay (€ 69 mn, covering potential office market risks incl. ESG transformation, potential deterioration and stagflation risks)
- Stage 3: Net additions of - € 39 mn (Q4/22: - €13 mn) mainly driven by shopping centers (esp. UK in H1/22)
- Non-performing loans (NPLs) up y-o-y by € 255 mn to € 835 mn due to new NPL loans (mainly US office in Q4/22) with almost no provisioning need
- NPL ratio³ of 1.6% remains on low level (09/22: 1.1%; 12/21: 1.0%)

Non-performing loans – regions

€ mn (EaD, Basel III)



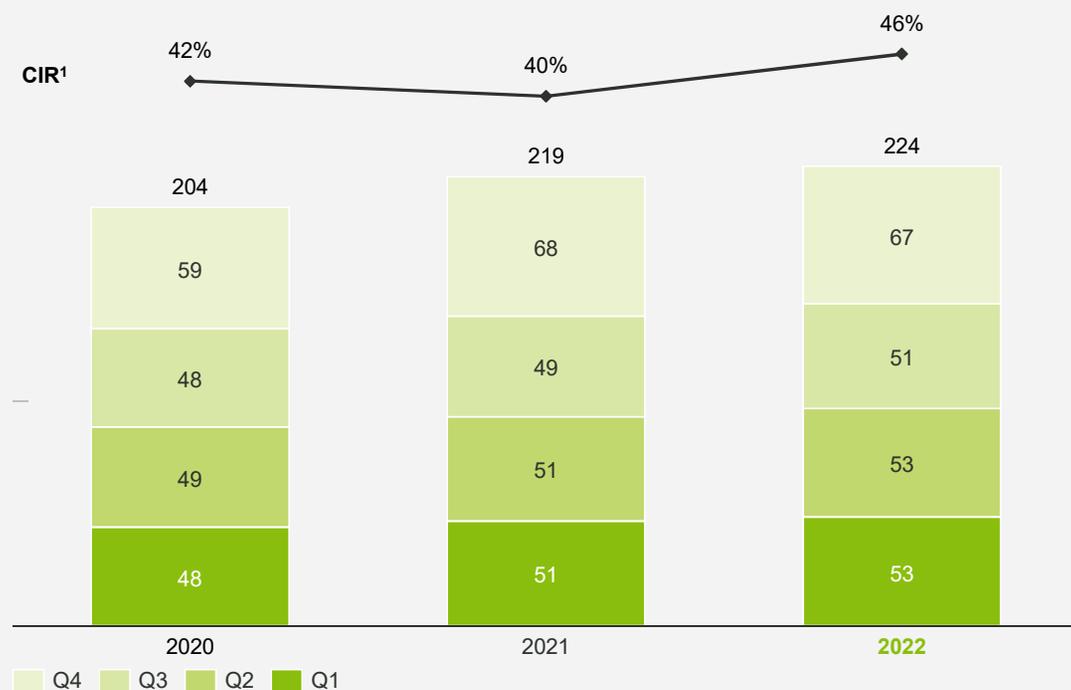
1. Incl. provisions in off balance sheet lending business 2. Recoveries from written-off financial assets 3. NPL ratio = NPL volume/total assets
Note: Figures may not add up due to rounding

GAE

Costs under control while investing in strategic development

General and admin. expenses

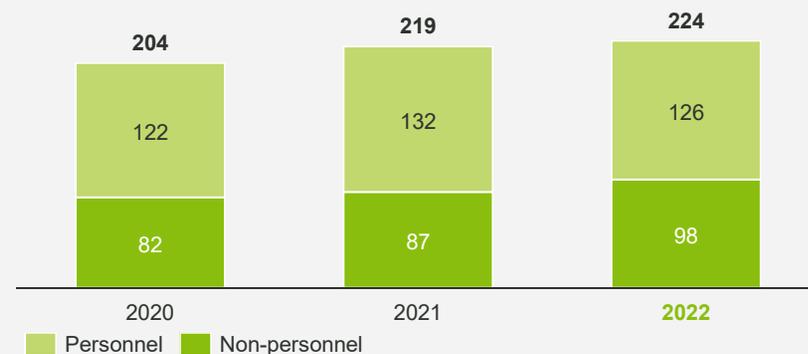
€ mn (IFRS)



- Cost discipline to remain integral part of strategy
- CIR on competitive level
- Investment in strategic projects to continue in difficult times, e.g., client portal, digital credit workplace, ESG program, Real Estate Investment Management

Personnel vs. non-personnel expenses

€ mn (IFRS)



1. CIR = (GAE + net income from write-downs and write-ups on non-financial assets)/operating income
 Note: Figures may not add up due to rounding

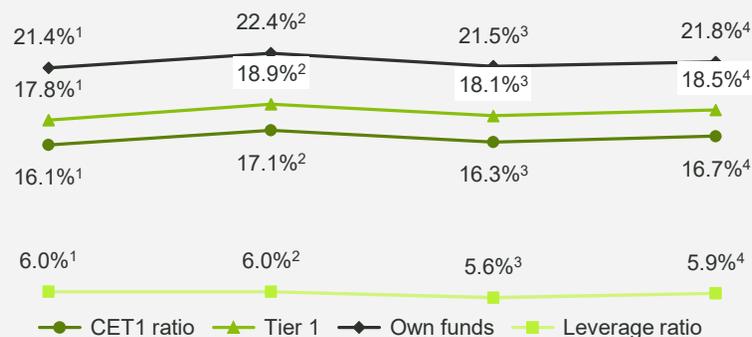
Capital

Strong capital base allows taking advantage of profitable growth opportunities even in current market environment

Basel III: RWA
€ bn (IFRS)



- RWA already calibrated towards anticipated Basel IV levels (fully loaded)
- RWA up y-o-y mainly due to
 - increase in REF portfolio and FX effects
 - only partly compensated by maturity, interest rate movements, reclassification and syndication effects
 - no material RWA effect from individual rating deteriorations

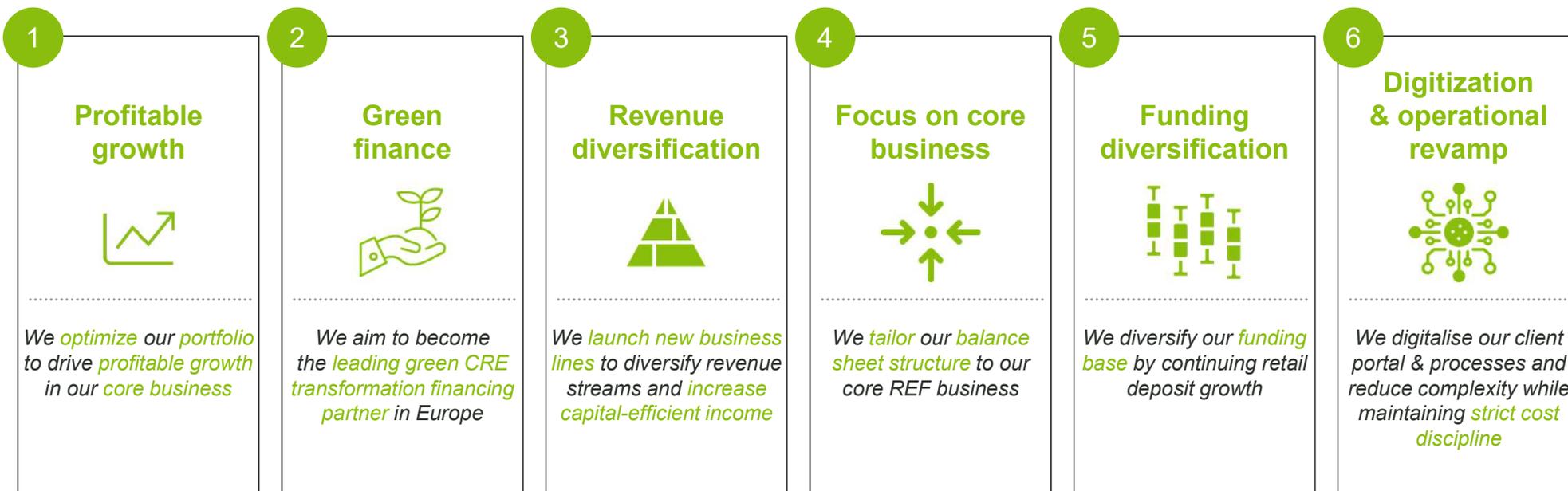


- CET 1 ratio down to 16.7%⁴ y-o-y due to increase in RWA and slight decrease in regulatory capital
- Strong capital base provides comfortable buffer
 - for expected rise in RWA from macroeconomic and Real Estate sector uncertainties
 - to take advantage of profitable growth opportunities

1. After approved year-end accounts, 2020 result not included 2. Incl. full-year result, post dividend 2021 3. Excl. interim result 4. Incl. full-year result, post proposed dividend 2022 5. CRR=Capital Requirements Regulation
Note: Figures may not add up due to rounding

pbb's path to a > 9% RoE after tax¹ by 2026

We have put concrete initiatives in motion to further strengthen pbb's profitability growth trajectory and adapt our strategic focus to changing market conditions



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

1. Based on CET1 capital

1 Profitable growth

We accelerate profitable, organic growth in our core business

Strategic Rationale

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

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

Measures

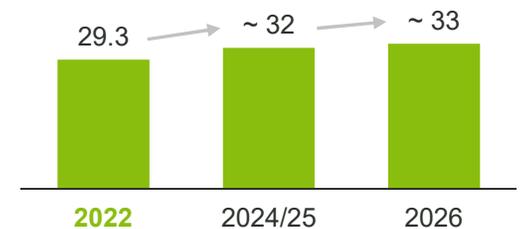
We re-allocate portfolios to continue to improve our margins based on current market opportunities across our asset classes

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

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

KPIs

REF portfolio (€ bn)



Gross revenue margin¹ uplift of REF new business



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

2 Green Finance

Become the leading green CRE transformation financing partner in Europe

Strategic Rationale

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

ESG being a responsibility and opportunity at the same time

We establish pbb with sustainability expertise and profile beyond lending

Measures

Green Lending

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

Green Bonds

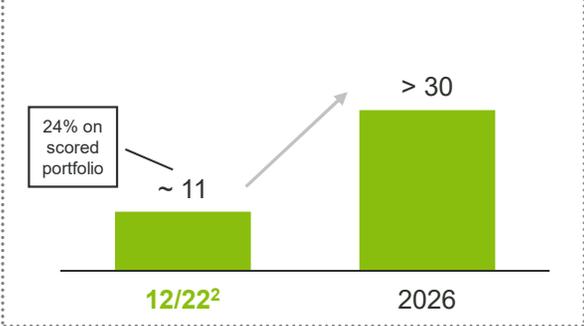
- We are a **leading issuer of green senior unsecured bonds**

Green Consulting

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

KPIs

Green REF portfolio share¹ (%)



Achievement green bonds



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

3 Revenue diversification

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

Strategic Rationale

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

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

Measures

pbb Real Estate Investment Management (IM)

- We **finalize the ramp-up** of our new business model
- Experienced **new board member** already hired¹ and further hiring of senior IM experts
- Establish **distribution partnership** with an industry leader
- Complement in-house capabilities with **fund administration partner (Universal Investment)**
- Setup dedicated brand “**pbb invest**”, with IM subsidiary to follow in the medium term
- We build a comprehensive **CRE product suite entailing** CRE equity investments and expand to debt investments

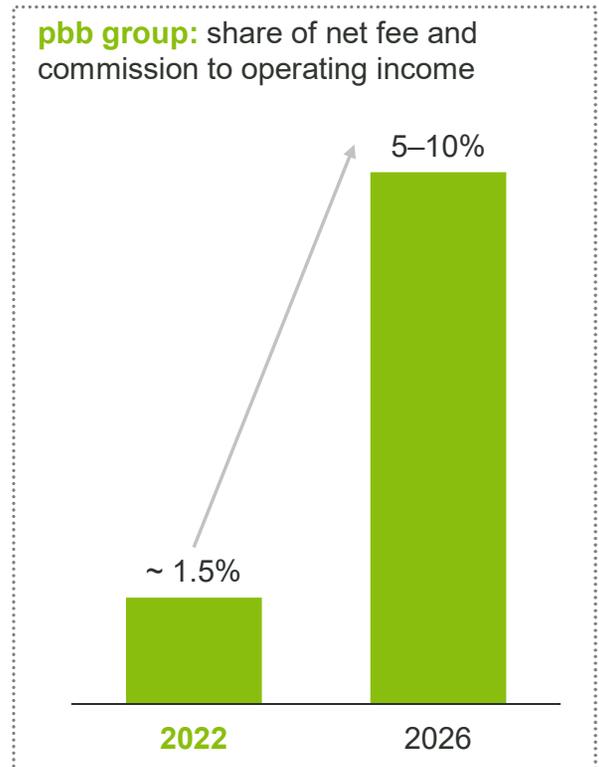


pbb Debt Products

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

KPIs

pbb group: share of net fee and commission to operating income



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

4/5 Focus on core business and funding diversification

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

4 Focus on core business

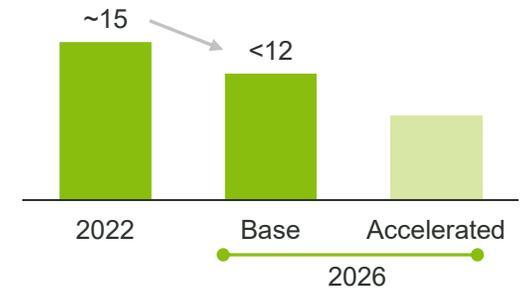
We optimize our balance sheet structure for our core business

Measures

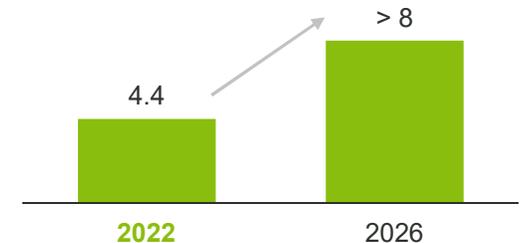
- We focus on our REF core business and merge our PIF & VP segments into one non-core unit
- In light of re-allocating resources to our core business we minimize overcollateralization of public sector cover pool and thereby lower funding costs
- We follow a value-preserving approach considering opportunistic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

KPIs

Total assets PIF & VP (€ bn)



Retail deposits (€ bn)



5 Funding diversification

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

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

6 Digitalisation & operational revamp

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

Digitalisation

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

Measures

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

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

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

Cost control

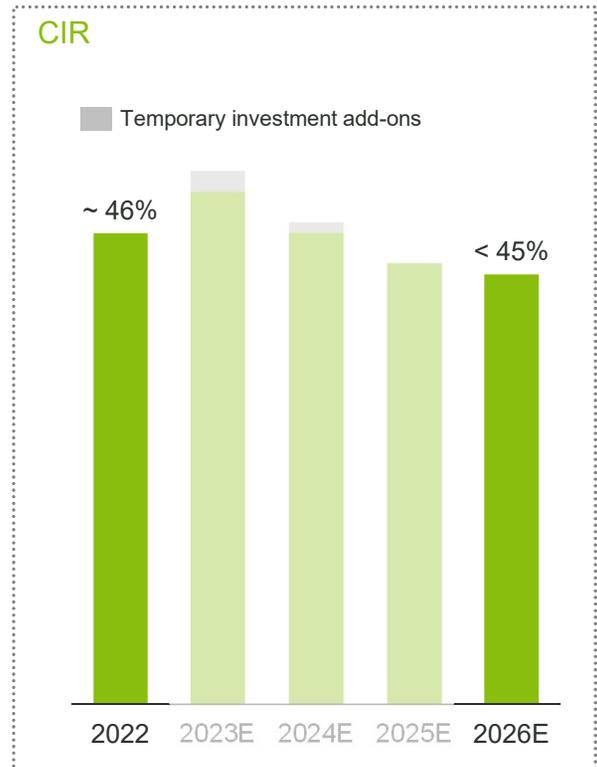
We retain cost control and carefully allocate costs to value-creating activities

We leverage selective cost measures to finance investments in growth opportunities

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

KPIs

CIR



The road ahead

We aim to deliver our plan in three phases by 2026

2023

Invest into our business

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

2024 & 2025

Accelerate our performance

Harvest first benefits to lift our performance beyond past levels

2026 & beyond

Release our full potential

Further scale up our growth initiatives beyond 2026

We will continuously report progress towards our goal