Results Q4/FY 2023 – Press Call

7 March 2024

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KEY MESSAGES

pbb is an expert in managing the cycle

pbb remains profitable and well capitalised

- **Pre-provision profit of € ~300 mn** provides for solid risk absorption capacity
- **CET 1 ratio is more than 600 bp (€ 1 bn)** above the regulatory requirement
- In light of the challenging market environment, **2023 profit will be retained** – conditions to pay AT1 coupon are comfortably met

Portfolio remains solid with an avg. LTV of 53%[1]

- **100% senior lender, always first ranking**
- Total LLPs of € 589 mn provide for **~189 bp coverage on REF portfolio**
- **US portfolio 100% revalued** – pro-active workout and restructuring limited NPL increase to € ~300 mn

Pre-funding provides pbb with **strong liquidity position – capital market funding needs for 2024 largely covered**

- **Retail deposit growth** substituted more expensive unsecured wholesale funding (12/23: € 6.6 bn); **no Senior benchmark in 2024** to be issued
- **Secured capital market funding largely covered for 2024,** thanks to strong pre-funding
- **€ >6.0 bn liquidity** – sufficient liquidity well beyond internal stress horizon; **LCR >200%** (02/24)

1. Based on performing investment loans only

HIGHLIGHTS 2023

Strong KPI despite challenging markets

- **Pre-provision profit** of € ~300 mn
- **Strong net interest income** despite loss of TLTRO and floor income
- **pbb's financial strength** is built to manage the cycle

- Selective **REF portfolio growth** with improving margin
- New business with **strong margin uplift**

- **Growth of retail deposits** at favourable funding costs
- **Strong liquidity position**
- pbb well **capitalised**

Profit before taxes

€ 90 mn

(2022: € 213 mn)

Net interest income

€ 482 mn

(2022: € 489 mn)

Portfolio growth

€ +1.8 bn

(12/23: € 31.1 bn, 12/22: € 29.3 bn)

New business margin

+ ~35 bp

(2023: ~205 bp, 2022: ~170 bp)

CET1 ratio

15.7%

(12/22: 16.7%)

Liquidity

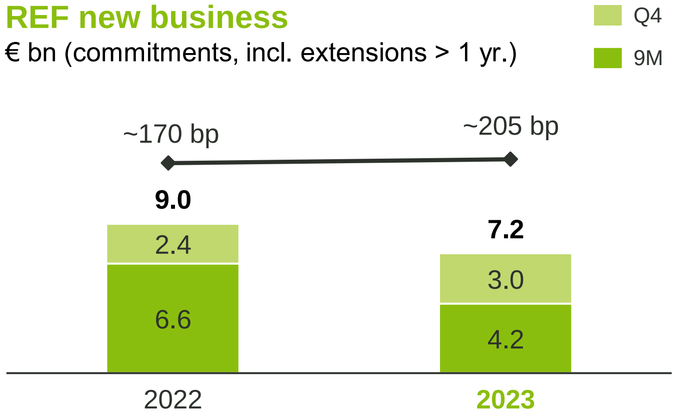
€ >6.0 bn

(02/24)

OPERATING & FINANCIAL OVERVIEW

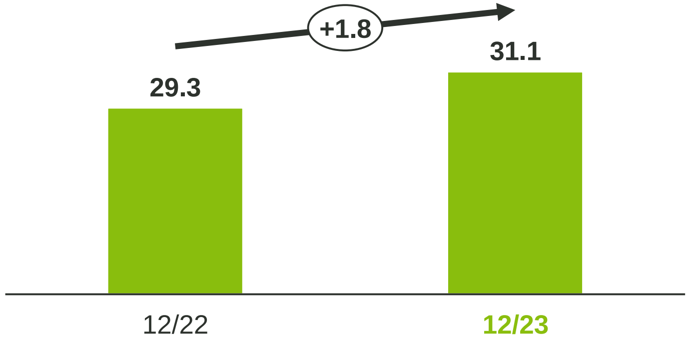
Growing portfolio, rising margins

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



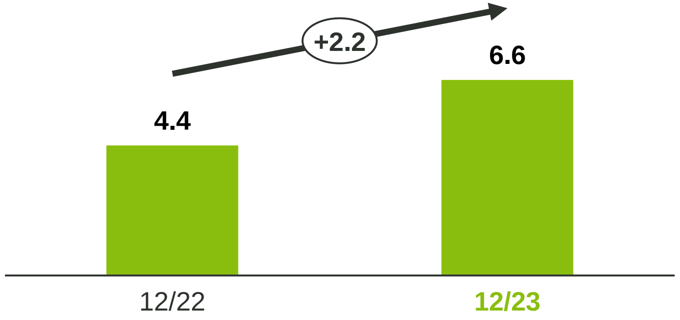
- New business volume adjusted to challenging market environment
- Margin well above plan: +35 basis points

REF portfolio
€ bn (financing volume)



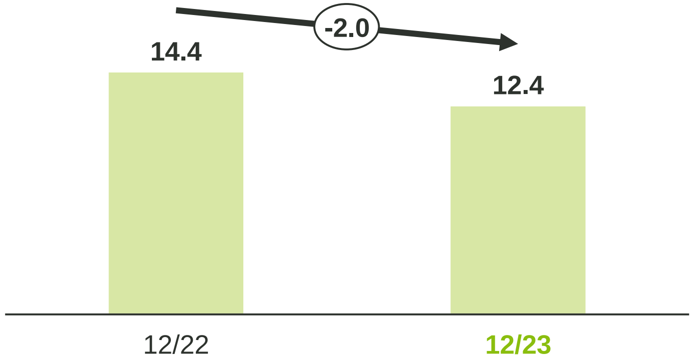
- REF portfolio growth
- Improved portfolio margin

Funding – retail deposits
€ bn



- Growth of retail deposits at favourable costs, well ahead of plan
- Strong liquidity position benefitting from strong pre-funding

Non-Core portfolio
€ bn (financing volume)



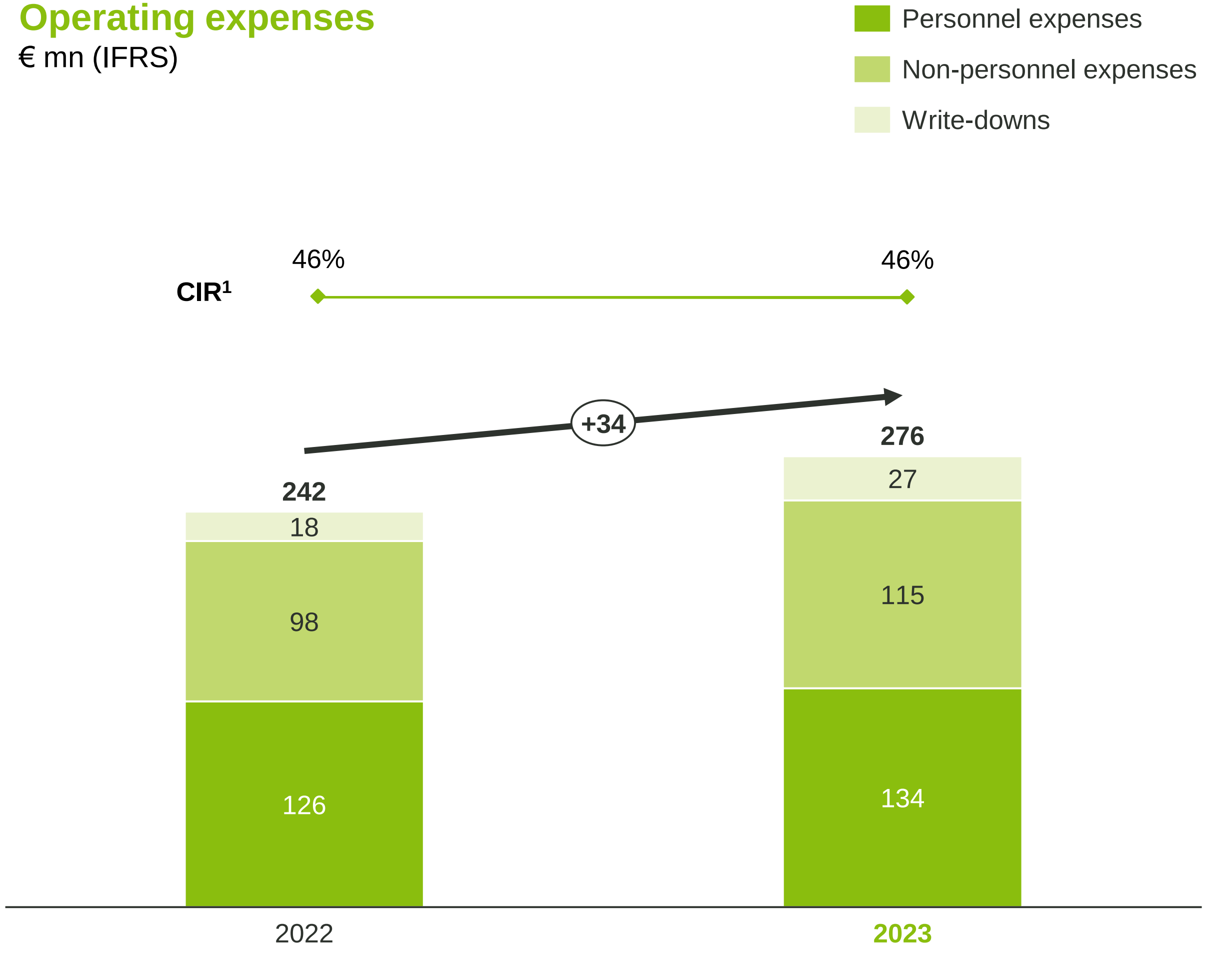
- Optimisation of non-core portfolio ongoing
- Asset reduction accelerated at attractive price level

Note: Figures may not add up due to rounding

OPERATING EXPENSES

pbb invests into process and cost efficiencies

Operating expenses
€ mn (IFRS)



Investments of € 35 mn **in strategic agenda** in 2023

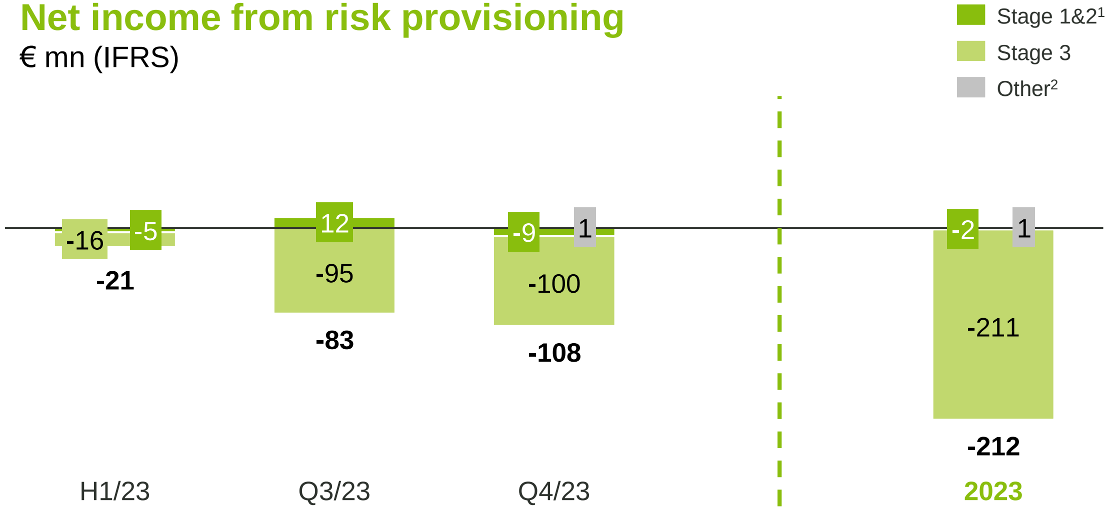
- **IT transformation** (€ 5 mn) to achieve cost savings
  - Insourcing of IT infrastructure and IT personnel
  - Change IT provider – parallel run in 2024 / end of transformation 2025
- **Digitalisation** (€ 10 mn)
  - Development of digital credit workplace
  - Consulting for process streamline
  - One-off write-downs
- **Strategic projects and restructuring** (€ 20 mn)
  - Set-up new business line pbb invest
  - Optimization of office space
  - Severance pays
  - Restructuring provisions

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

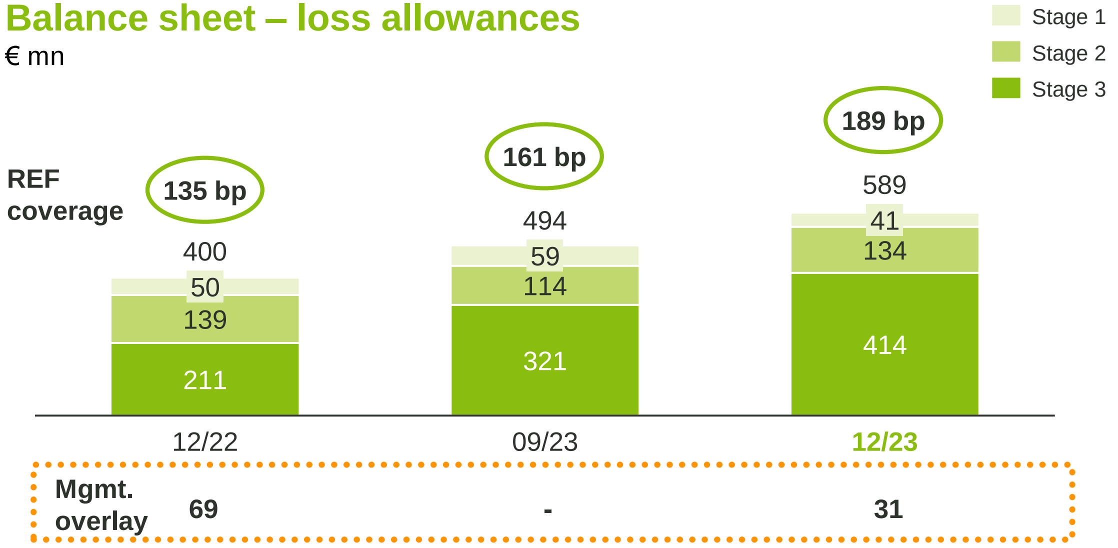
RISK COSTS

Risk provisioning mainly driven by US

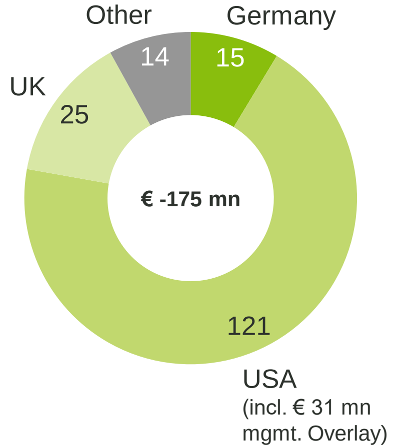
Net income from risk provisioning
€ mn (IFRS)



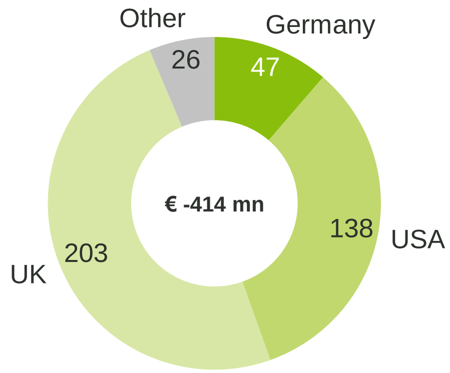
Balance sheet – loss allowances
€ mn



Stage 1&2



Stage 3



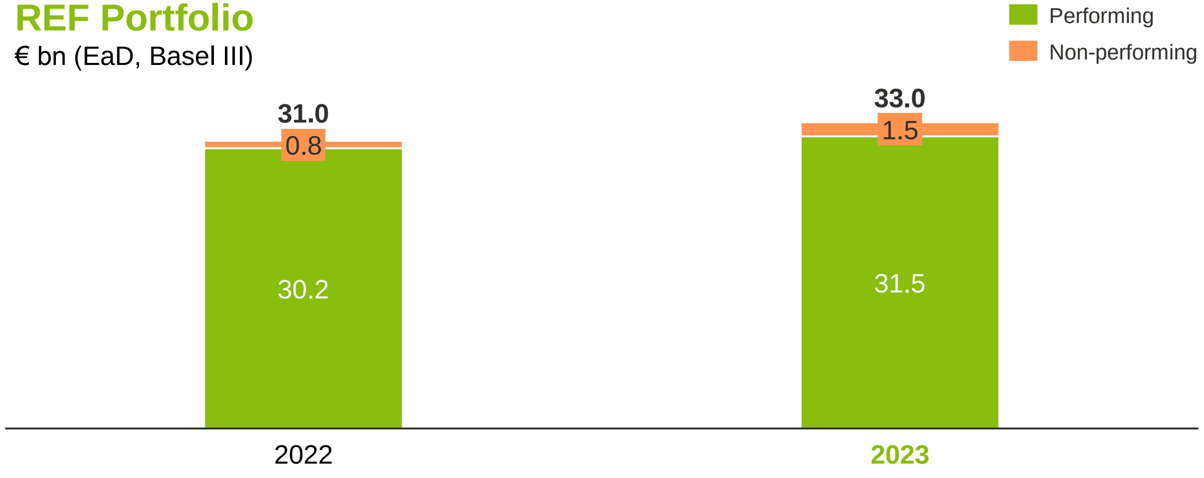
- **Stage 1&2:** € 62 mn additions for US (incl. € 31 mn management overlay) compensated by model based release from improved macroeconomic model parameters in Europe
- **Stage 3:** € 132 mn net additions mainly driven by US office loans
- **US LLPs:** Total LLPs of € 259 mn in place for US – thereof, € 121 mn coverage for performing US portfolio

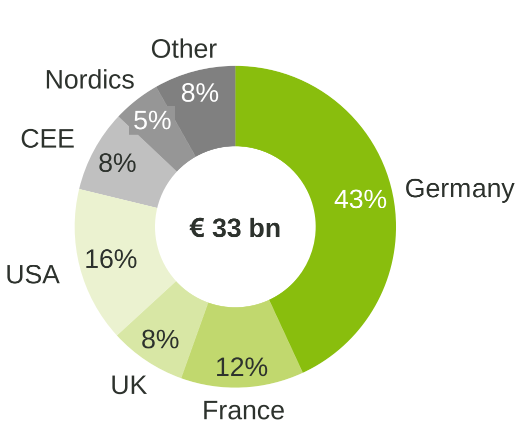
1. Incl. provisions in off balance sheet lending business 2. Recoveries from written-off financial assets

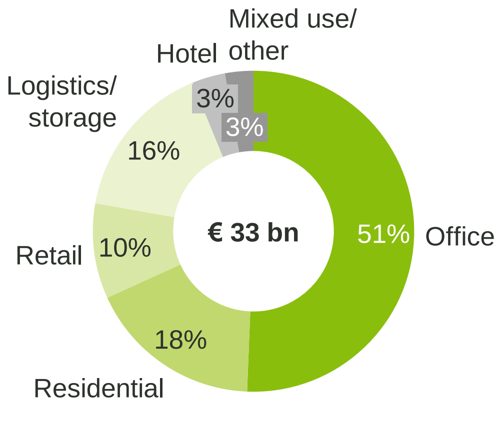
REF PORTFOLIO

Portfolio quality remains solid

REF Portfolio
€ bn (EaD, Basel III)

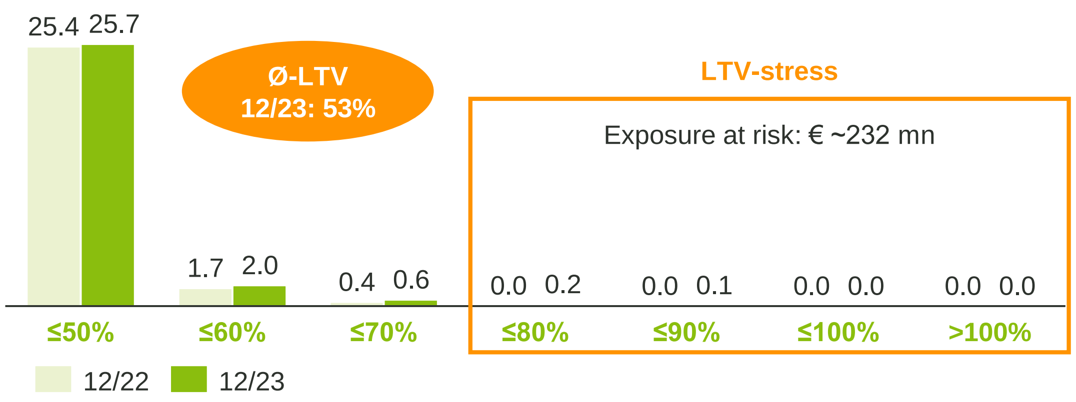






- **Portfolio quality** remains solid – focus on prime properties in core locations
- **Collateral values of entire portfolio reviewed in 2023** – low average loan-to-value (LTV) of 53% already reflects 2023 valuation reduction, esp. for office properties – in line with pbb's core markets
- **LTV-stress: Exposure at risk** only ~0.8% of portfolio[1]; **coverage ratio** of ~75% via existing stage 1&2 LLPs of € 175 mn

Layered LTV – based on performing investment loans only
31/12/2023 (€ bn, commitments, Basel III)



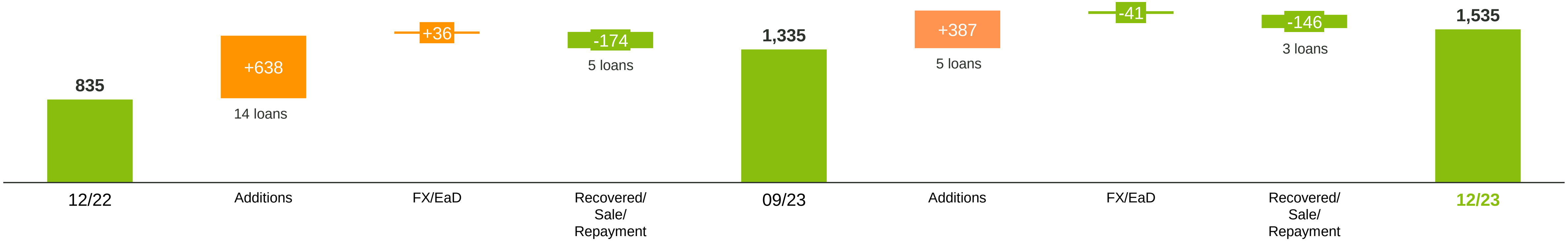
Note: Figures may not add up due to rounding   1. performing investment loans, based on commitments

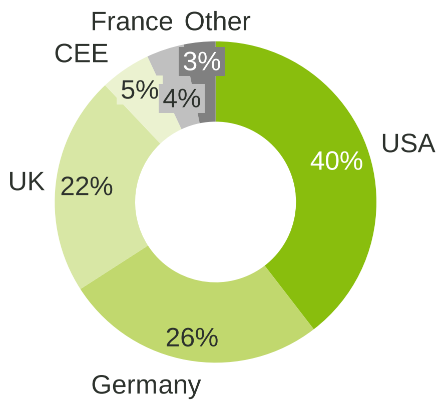
NPL PORTFOLIO

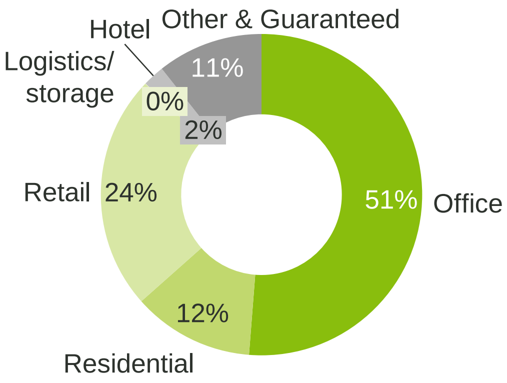
Pro-active non-performing loan management

NPL Portfolio

€ mn (EaD, Basel III)







- Active **management of NPL portfolio** with 8 loans (€ 320 mn) successfully restructured/worked out in 2023
- 4 loans (€ 201 mn) recovered to performing and 4 loans (€ 119 mn) repaid at or above internal valuation marks
- **NPE[1] ratio** 3.0% / **REF NPE[1] ratio** 4.6%
- **Coverage ratio** of ~27% via existing stage 3 LLPs of € 414 mn

Note: Figures may not add up due to rounding; 1. Non-Performing Exposure ratio = Non-performing loans and bonds / total portfolio (EaD); NPL ratio (EBA definition) 12/23: 3.7% (NPL ratio = gross carrying amount of non-performing loans and advances (incl. loans in forbearance cure-period) / total gross carrying amount of loans and advances)

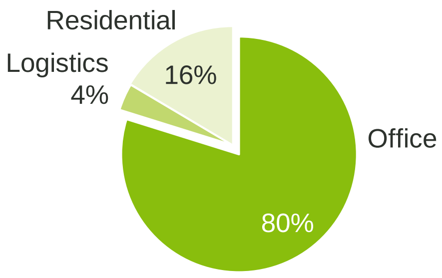
FOCUS: US – PERFORMING

Entire portfolio revalued in 2023

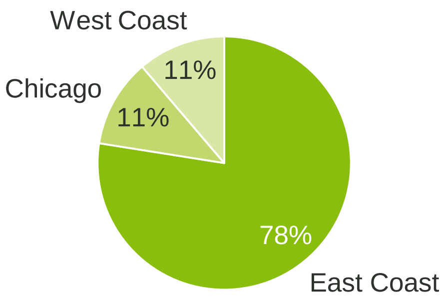
Performing Portfolio
€ bn (EaD, Basel III)

- **USA largest liquid and transparent CRE market** – low market share of pbb allows for selective business. pbb focuses only on **7 gateway-cities** (CBDs) and predominantly on **East Coast** office
- Fully focused on **risk mitigation** in existing portfolio, no new commitments this year
- **100% of portfolio revalued** with avg. **revaluation** of around -19% – in line with markets we are operating in. 9% of the portfolio to mature in 2024 and 17% in 2025
- **LTV-stress: Exposure at risk** only 3.0% of portfolio[1]; **coverage ratio** of ~121% via existing stage 1&2 LLPs of € 121 mn

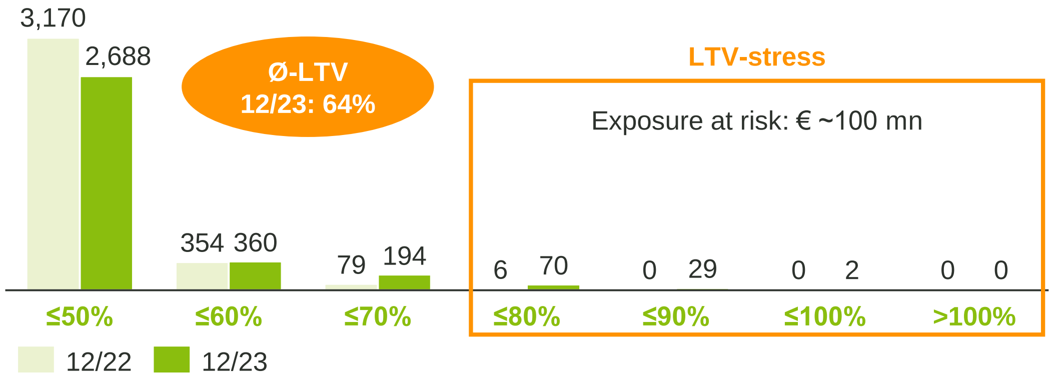
Property types
31/12/2023: € 4.5 bn (EaD, Basel III)



Office – Regions
31/12/2023: € 3.6 bn (EaD, Basel III)



Office – Layered LTV – based on performing investment loans only
31/12/2023 (€ mn, commitments, Basel III)



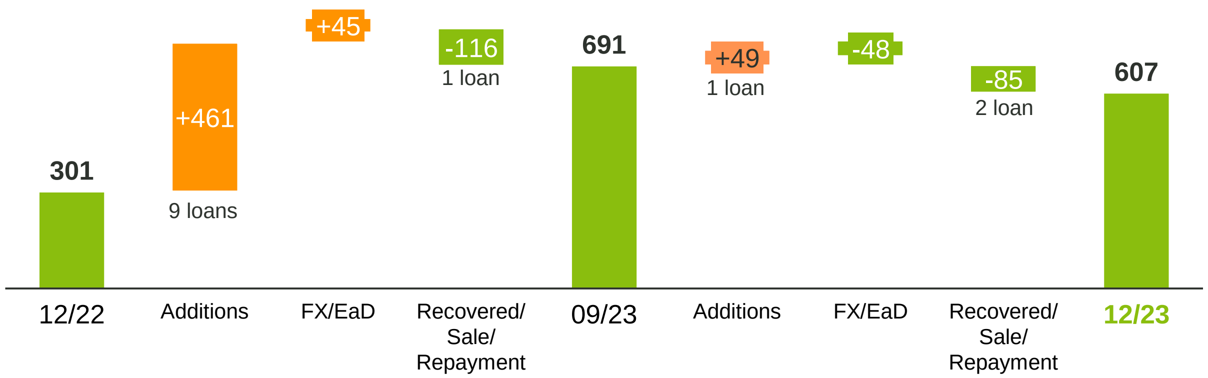
Note: Figures may not add up due to rounding; 1. performing investment loans, based on commitments

FOCUS: US – NON-PERFORMING

Pro-active workout and restructuring limited NPL increase to € ~300 mn

US NPL Portfolio

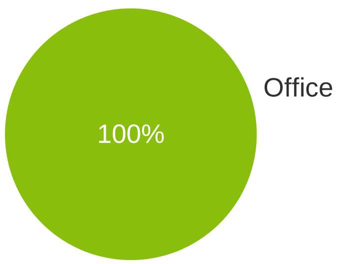
€ mn (EaD, Basel III)



- Active **management of NPL portfolio** with 3 US loans (€ 201 mn) successfully restructured/worked out in 2023
- 2 loans (€ 172 mn) recovered to performing and 1 loan (€ 29 mn) repaid at or above internal valuation marks
- **US NPE[1] ratio** 12%
- **Coverage ratio** of ~23% via existing stage 3 LLPs of € 138 mn
- Avg. **revaluation** of around -35% in 2023. Portfolio LTV and existing stage 3 LLPs cover for further valuation reduction of between 30-40%

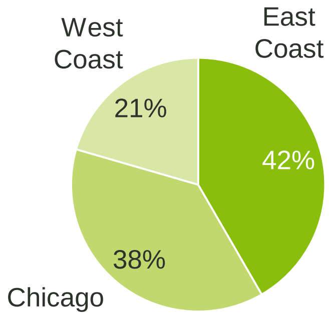
Property types

31/12/2023: € 607 mn (EaD, Basel III)



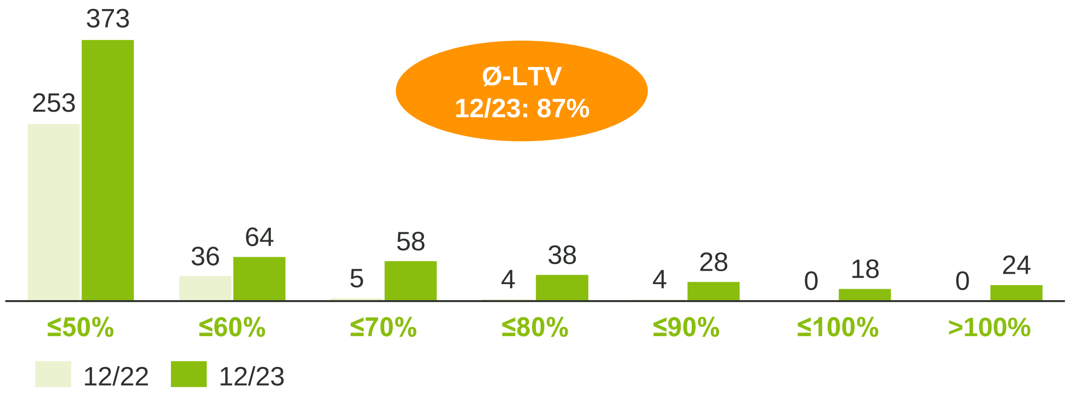
Office – Regions

31/12/2023: € 607 mn (EaD, Basel III)



US NPL – Layered LTV – based on investment loans only

(€ mn, commitments, Basel III)



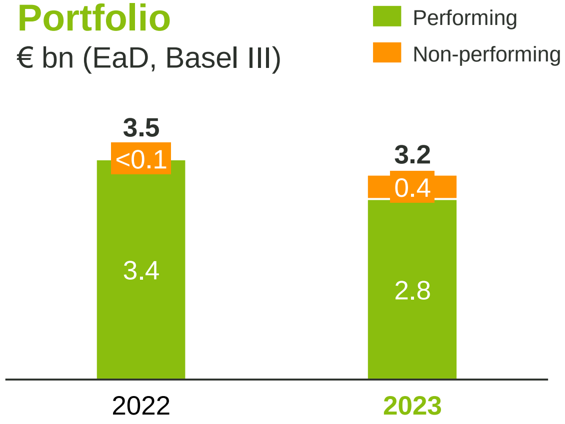
Note: Figures may not add up due to rounding

1. Non-Performing Exposure ratio = Non-performing loans and bonds / total US portfolio (EaD)

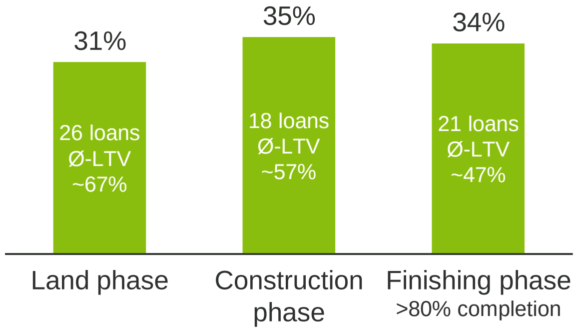
FOCUS: DEVELOPMENT PORTFOLIO

Strict underwriting standards

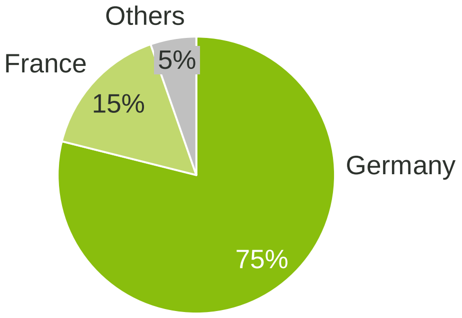
Portfolio
€ bn (EaD, Basel III)



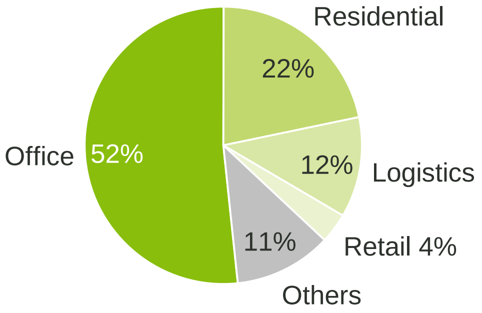
Phase
31/12/2023 (commitments, Basel III)



Regions
31/12/2023 (EaD, Basel III)



Property types
31/12/2023 (EaD, Basel III)



Note: Figures may not add up due to rounding

- **Portfolio** significantly **reduced** since 2019 (12/19: € 4.7 bn, 12/23: € 3.2 bn) – **turnover** of € 6.3 bn due to repayment (~70%) or transfer to investment loan (~30%)
- **Senior lending** only – no exposure in unsecured/subordinated instruments
- Cooperation only with selective and well **experienced large developers**
- Focus on **office, residential and logistics** in major urban locations (very good locations) in Germany (only big 7) and Europe
- 2/3 in **land and finishing phase**, therefore no or only little immediate construction risk – risk management **focus on loans in construction phase**
- **NPL portfolio** of € 382 mn with coverage ratio of ~12% via existing stage 3 LLPs of € 45 mn – 2023: 5 new cases (€ 351 mn)
  - All Germany; very good inner city locations
  - 3 cases in land phase
  - 2 cases in construction phase (1 residential/1 retail)

Strong liquidity position – 2024 largely covered

Capital market funding needs for 2024 largely covered

- **Pre-funding** across toolbox and moderate new business result in lower 2024 funding needs
- **No Senior Unsecured benchmark in 2024** to be issued, substituted by retail deposit growth (€ 6.9 bn 02/24 near FY target)
- **Secured** pre-funding with six Pfandbrief benchmarks (in total € 2.7 bn) issued since summer 2023 until 2024 year-to-date

Strong liquidity position

- Strong regulatory ratios with both **LCR and NSFR** significantly above minimum requirements of 100%
- **€ >6.0 bn liquidity** – sufficient liquidity well beyond internal stress horizon (i.e. six times the regulatory requirements)

Liquidity Coverage Ratio
>200%
(02/24)

Net Stable Funding Ratio
111%
(12/23)

Retail deposits
€ 6.9 bn
(02/24)

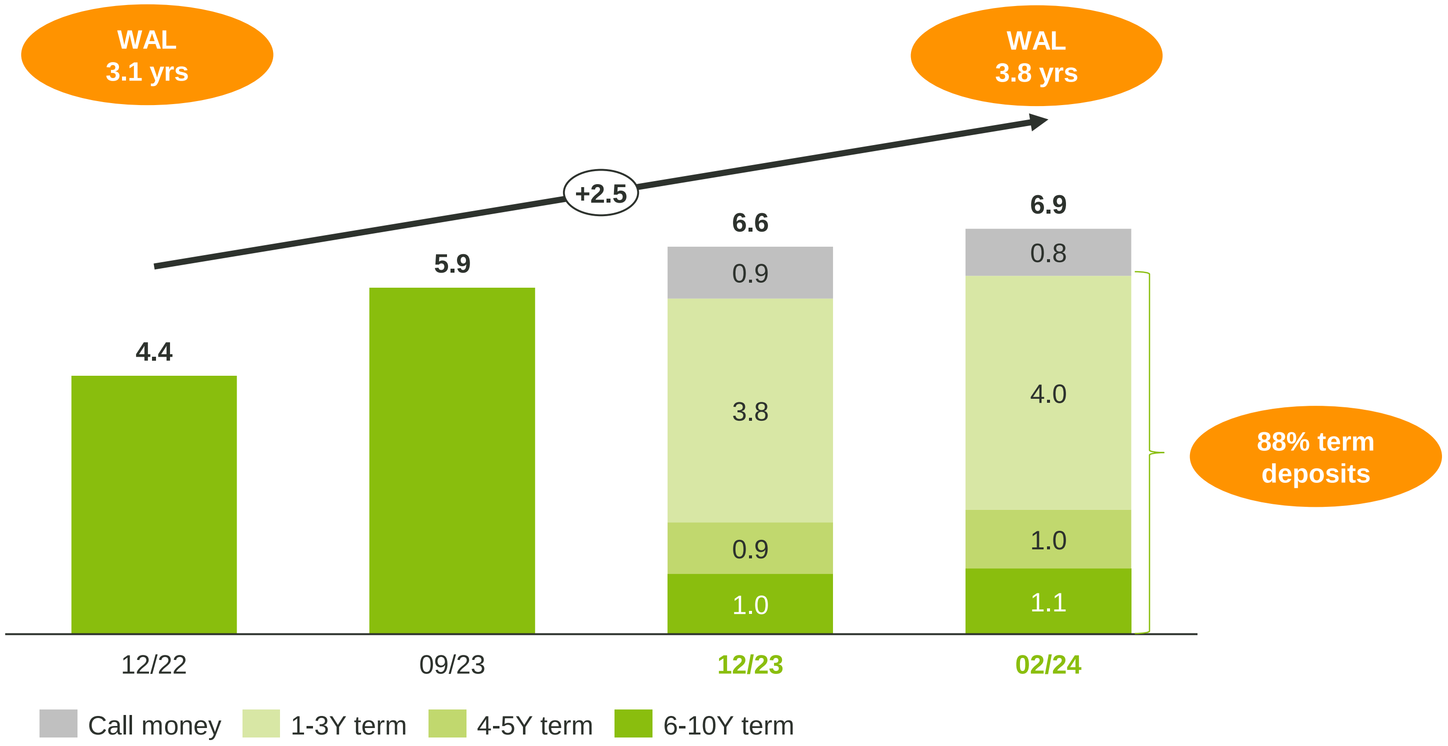
Liquidity
€ >6.0 bn
(02/24)

RETAIL DEPOSITS

Retail deposits continue to grow

Retail Deposits – development & maturity profile[1]

€ bn



pbb direkt[3]	12/22	12/23	02/24
Number of Clients	~60,000	~91,900	~97,000
Avg. deposit amount per client (€)	~68,000	~64,000	~63,000

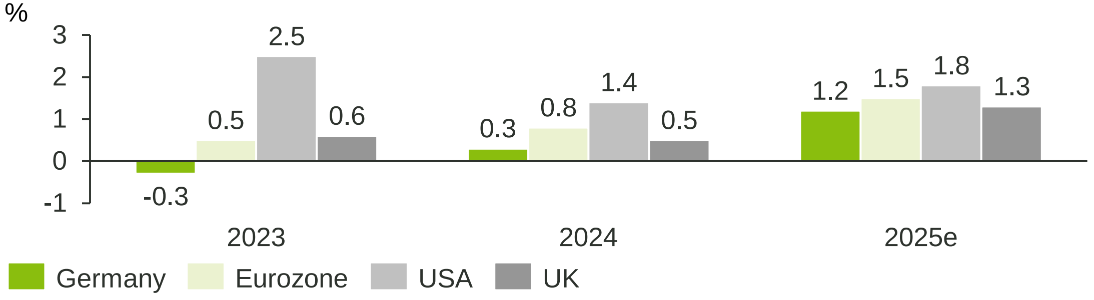
- **Granular, long-term and deposit insured**
  - Granular: € 63,000 average deposit (pbb direkt)
  - Long-term: 88% with 3.8 yrs weighted average life (WAL)
  - Deposit insured[2]: nearly 100%
- **Call money only 12% / € 800 mn** at any time well covered by liquidity reserves
- **Cost efficient** – more than 180 basis points cheaper than senior preferred funding in 2023
- **Elastic source of funding:** rates lowered twice in Jan and Feb 2024; currently paying 3% for 5Y and 10Y deposits; room to grow
- **Co-operations broadened** with CHECK 24 and Raisin / Weltsparen added in 2023 – total brokered deposits € 0.9 bn, 100% term

Note: Figures may not add up due to rounding;
1. Initial weighted average life 3.8 years, remaining average time to maturity 2.6 years; 2. Statutory deposit protection scheme in combination with the voluntary protection scheme of German Banks; 3. only pbb direkt clients without co-operations

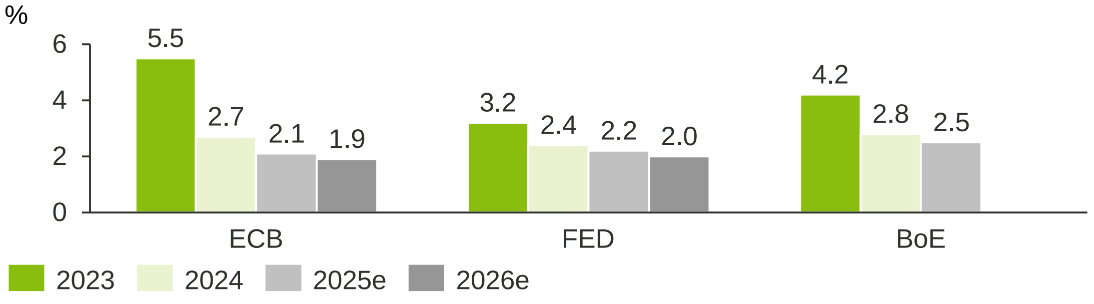
ECONOMIC OUTLOOK

Base case: modest economic growth outlook

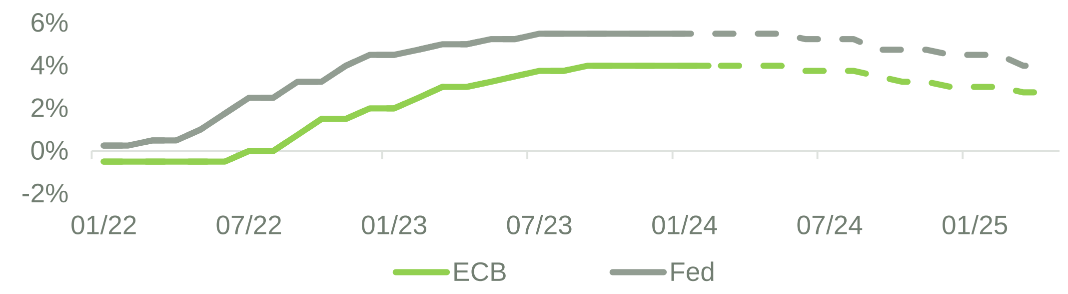
GDP growth picks up moderately in Europe



Inflation on track to return to 2% target by 2026



Economists expect several rate cuts 2024



- In 2024 and 2025, pbb expects **GDP growth** in **Continental Europe**, while the UK is expected to grow again by ~0.5% this year, and ~1.3% in 2025. **US** GDP is expected to expand solidly over the next two years.
- **Inflation** developments are key for this year's outlook. Market consensus expects that central banks will begin **lowering interest rates in mid-2024** amid inflation on track to return to the 2% target. This interest rate development in Europe and the US will help to **stabilise the real estate market**.
- Therefore, **the first half 2024 should remain challenging**. pbb expects to see **further valuation corrections for US office properties**, but lower than 2023.
- Due to different market structures, pbb does **not expect a spillover from the US to Europe** to the same degree.
- In Europe, the "**flight to quality" trend is expected to remain intact** – this also holds true for the US, but on a lower level.
- In Europe, office space **demand for prime properties in core inner-city locations is expected to continue to be strong**, especially when ESG standards are high.

Sources: Bloomberg Survey as of January 26 (Fed) and February 12 (ECB), European Commission

GUIDANCE 2024

Solid operating income strength – PBT expected significantly above 2023 level

REF Portfolio	**New business** (incl. extensions > 1 year)	€ 6-7 bn
	Financing volume	€ 30-31 bn
P&L	**Operating Income**	€ 525-550 mn
	thereof: NII + NCI	€ 475-500 mn
	Loan Loss Provisions (LLP)	<< 2023
	Cost Income Ratio (CIR)	~50%
Profitability	**Pre-tax profit**	>> 2023
	RoE/RoCET1 after taxes	>> 2023
Capitalisation	**CET 1 ratio**	≥14%

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