Annual Financial Statements

2021

Deutsche Pfandbriefbank AG

Combined Management Report

The Management Report of Deutsche Pfandbriefbank AG (pbb) and the Group Management Report are combined pursuant to section 315 (5) of the German Commercial Code (Handelsgesetzbuch – HGB) in connection with section 298 (2) HGB and is published in the Annual Report 2021 of Deutsche Pfandbriefbank Group (pbb Group).

The Annual Financial Statements and the Management Report combined with the Group Management Report for the financial year 2021 will be published by the operator of the German Federal Gazette (Bundesanzeiger).

pbb's Annual Financial Statements and pbb Group's Annual Report are also available online at www.pfandbriefbank.com.

Annual Financial Statements

Income Statement

Income Statement of Deutsche Pfandbriefbank AG for the time from 1 January to 31 December 2021

in € million			**2021**	**2020**
1. Interest income from				
a) lending and money market business	1,914			1,968
b) fixed-income and government-inscribed debt	243	2,157		276
2. Interest expenses		-1,574		-1,721
			583	523
3. Current income from				
a) equity shares and other variable-income securities		-		-
b) participating interests		-		-
c) investments in affiliated companies		-		-
			-	-
4. Income from profit pooling, profit transfer or partial profit transfer agreements			-	-
5. Commission income		9		8
6. Commission expenses		-3		-2
			6	6
7. Other operating income			22	35
8. General and administrative expenses				
a) personnel expenses				
aa) wages and salaries	-113			-99
ab) social security contributions and expenses for pensions and other employee benefits	-22	-135		-18
thereof: for pensions €7 million (31.12.2020: €4 million)				
b) other administrative expenses		-106		-99
			-241	-216
9. Amortisation/depreciation and write-downs of intangible and tangible assets			-5	-4
10. Other operating expenses			-58	-39
11. Write-downs of claims and certain securities as well as additions to provisions in the lending business		-85		-153
12. Income from write-ups of claims and certain securities as well as reversals of provisions in the lending business		-		-
			-85	-153
13. Write-downs and impairments to participating interests, investments in affiliated companies and securities treated as fixed assets		-2		-
14. Income from write-ups to participating interests, investments in affiliated companies and securities treated as fixed assets		-		1
			-2	1
15. Additions to the fund for general banking risks			-	-
16. Expenses from assumption of losses			-	-5
17. Result from ordinary activities			220	148
18. Extraordinary income			-	-
19. Extraordinary expenses			-	-
20. Extraordinary result			-	-
21. Income taxes		-38		-35
22. Other tax unless reported under item no. 10		-		-1
			-38	-36
23. Net income/loss			182	112
24. Profit/loss carried forward from the previous year			37	121
			219	233
25. Withdrawals from additional paid-in capital			-	-
26. Withdrawals from participatory capital			-	3
27. Allocation to retained earnings			-60	-121
28. Replenishment of participatory capital			-	-
29. Unappropriated retained earnings			**159**	**115**

Balance Sheet

Annual Balance Sheet of Deutsche Pfandbriefbank AG as at 31 December 2021

Assets

in € million			31.12.2021	31.12.2020
1. Cash reserve				
a) cash on hand		-		-
b) balances with central banks		6,607		5,376
thereof: with the Deutsche Bundesbank €6,607 million (31.12.2020: €5,376 million)				
			6,607	5,376
2. Loans and advances to other banks				
a) mortgage loans		-		-
b) public-sector loans		550		550
c) other loans and advances		2,934		2,272
thereof: repayable on demand €1,579 million (31.12.2020: €1,964 million)				-
thereof: collateralised by securities €0 million (31.12.2020: €0 million)				
			3,484	2,822
3. Loans and advances to customers				
a) mortgage loans		27,280		26,768
b) public-sector loans		9,849		10,485
c) other loans and advances		277		62
thereof: collateralised by securities €0 million (31.12.2020: €0 million)				
			37,406	37,315
4. Bonds and other fixed-income securities				
a) money market instruments				
aa) of public-sector issuers	-			-
thereof: eligible as collateral for Deutsche Bundesbank €0 million (31.12.2020: €0 million)				
ab) of other issuers	-			-
thereof: eligible as collateral for Deutsche Bundesbank €0 million (31.12.2020: €0 million)				
		-		-
b) Bonds and notes				
ba) of public-sector issuers	4,873			5,358
thereof: eligible as collateral for Deutsche Bundesbank €3,492 million (31.12.2020: €3,824 million)				
bb) of other issuers	2,093			2,315
thereof: eligible as collateral for Deutsche Bundesbank €1,818 million (31.12.2020: €2,009 million)				
		6,966		7,673
c) own debt securities		-		-
notional amount €0 million (31.12.2020: €0 million)				
			6,966	7,673
5. Equity shares and other variable-income securities			2	2
6. Participating interests			-	-
thereof: in banks €0 million (31.12.2020: €0 million)				
thereof: in financial services institutions €0 million (31.12.2020: €0 million)				
thereof: in Securities and Investment Institute €0 million (31.12.2020: €0 million)				
7. Investments in affiliated companies			13	14
thereof: in banks €0 million (31.12.2020: €0 million)				
thereof: in financial services institutions €0 million (31.12.2020: €0 million)				
thereof: in Securities and Investment Institute €0 million (31.12.2020: €0 million)				
8. Assets held in trust			-	-
thereof: loans on a trust basis €0 million (31.12.2020: €0 million)				
Carryover			**54,478**	**53,202**

in € million			31.12.2021	31.12.2020
Carryover			**54,478**	**53,202**
9. Intangible assets				
a) internally generated commercial property rights and similar rights and assets		-		-
b) purchased concessions, commercial property rights and similar rights and assets as well as licences in such rights and assets		14		16
c) goodwill		-		-
d) down-payments		5		2
			19	18
10. Tangible assets			3	4
11. Sundry assets			87	162
12. Prepaid expenses				
a) from the issuance and loan business		140		151
b) other		119		158
			259	309
13. Overfunded plan assets			-	-
Total assets			**54,846**	**53,695**
Liabilities and equity				
in € million				
1. Liabilities to other banks				
a) registered Mortgage Pfandbriefe issued		335		277
b) registered Public Pfandbriefe issued		447		436
c) other liabilities		10,218		9,514
thereof: repayable on demand €649 million (31.12.2020: €896 million)				
			11,000	10,227
thereof: delivered to lender as collateral for received loans				
registered Mortgage Pfandbriefe €0 million (31.12.2020: €0 million)				
registered Public Pfandbriefe €0 million (31.12.2020: €0 million)				
2. Liabilities to customers				
a) registered Mortgage Pfandbriefe issued		3,321		3,725
b) registered Public Pfandbriefe issued		6,306		6,956
c) savings deposits				
ca) with agreed notice period of three months	-			-
cb) with agreed notice period of more than three months	-			-
		-		-
d) other liabilities		8,401		8,989
thereof: repayable on demand €1,097 million (31.12.2020: €1,234 million)				
			18,028	19,670
thereof: delivered to lender as collateral for received loans				
registered Mortgage Pfandbriefe €0 million (31.12.2020: €0 million)				
registered Public Pfandbriefe €5 million (31.12.2020: €5 million)				
3. Securitised liabilities				
a) bonds in issue				
aa) Mortgage Pfandbriefe	12,265			10,621
ab) Public Pfandbriefe	2,092			2,123
ac) other bonds	6,777			6,286
		21,134		19,030
b) other securitised liabilities		-		120
thereof: money market instruments €0 million (31.12.2020: €120 million)				
			21,134	19,150
Carryover			**50,162**	**49,047**

in € million		31.12.2021	31.12.2020
Carryover		**50,162**	**49,047**
4. Liabilities held in trust		-	-
thereof: liabilities on a trust basis €0 million (31.12.2020: €0 million)			
5. Sundry liabilities		26	25
6. Deferred income			
a) from issuance and loan business	219		215
b) other	251		308
		470	523
7. Provisions			
a) provisions for pensions and similar obligations	88		75
b) provisions for taxes	34		34
c) other provisions	142		141
		264	250
8. Subordinated liabilities		657	687
9. Additional Tier 1 capital instruments		312	312
10. Fund for general banking risks		47	47
11. Equity			
a) share capital		380	380
b) additional paid-in capital		1,639	1,639
c) retained earnings			
ca) legal reserve	13		13
cb) reserve for shares in a controlling or major shareholding entity	-		-
cc) statutory reserves	-		-
cd) other retained earnings	717		657
		730	670
d) unappropriated retained earnings		159	115
		2,908	2,804
Total liabilities and equity		**54,846**	**53,695**
1. Contingent liabilities			
a) contingent liabilities from settled rediscounted bills of exchange	-		-
b) liabilities from guarantees and indemnity agreements (regarding keepwell statements, see disclosures in the Notes)	185		196
c) liability arising from the provision of collateral for third-party liabilities	-		-
		185	196
2. Other commitments			
a) repurchase obligations from non-genuine sale and repurchase agreements	-		-
b) placement and underwriting obligations	-		-
c) irrevocable loan commitments	3,101		3,259
		3,101	3,259
Total of contingent liabilities and other commitments		**3,286**	**3,455**

Notes

ACCOUNTING POLICIES

1 Accounting Regulations

The Deutsche Pfandbriefbank AG (pbb), with its headquarters in Munich, is registered in the commercial register of the Amtsgericht (local court) Munich (HRB 41054).

The 2021 annual financial statements of pbb were prepared in accordance with the financial reporting principles set out in the German Commercial Code (Handelsgesetzbuch – "HGB") and the additional provisions of the German Public Limited Companies Act (Aktiengesetz – "AktG"), the German Banking Act (Kreditwesengesetz – "KWG") and the German Pfandbrief Act (Pfandbrief-gesetz – "PfandBG"), as applicable to specific legal forms and institutions. The structure and the content of balance sheet and income statement is mainly prescribed by the German Accounting Directive for Banks and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – "RechKredV"). The German Accounting Standards (GAS) issued by the German Accounting Standards Committee (GASC) were also applied.

The annual financial statements comprise income statement, balance sheet and notes to the financial statements. In addition, a management report was prepared pursuant to the requirements of section 289 HGB. pbb excercised the option of section 315 (5) HGB in connection with section 298 (2) HGB to combine the Group Management Report with the Management Report of the ultimate parent entity. The combined Management Report is included in Deutsche Pfandbriefbank Group's (pbb Group) Annual Report 2021.

2 Accounting and Measurement Principles

The Management Board prepared these annual financial statements on 8 March 2022 under the going-concern assumption.

Cash reserve
Cash reserve is measured at notional amounts.

Loans and advances
Loans and advances are recognised at nominal value, in accordance with section 340e (2) of the HGB, with recognised loan loss provisions deducted. The difference between the nominal value and the actual payment has characteristics of interest and is reported as prepaid expenses. It is amortised in proportion to the principal and pro rata temporis, and recognised in the income statement under net interest income. Pro-rata interest and similar amounts are assigned to the (sub-)item they relate to.

Risk provisioning
All identifiable individual default risks in the lending business were covered by specific allowances and provisions in the amount of expected losses. In order to consider the imminent default risk more adequately in accordance with the prudence concept, for accounting for specific allowances we determine the respective expected cash flows using values expected under various potential scenarios into consideration.

In 2021, pbb made a change as regards the measurement of specific loan loss provisions. In accordance with prevailing measurement approaches, expected individual cash flows now also include interest and the discount to fair value, besides repayments. Given the first-time inclusion of interest, specific loan loss provisions were reduced by €4 million in 2021. If the receivable upon which the underlying interest is based has already been written down or written off due to non-recoverability, no interest income will be recognised. Gains or losses from discounting and unwinding of the discount in relation to risk provisioning are reported in "Write-downs and valuation allowances of loans and advances and specific securities, as well as additions to loan loss provisions" and "Income from amounts written back on loans and advances and specific securities, and from the reversal of loan loss provisions", respectively.

Portfolio-based allowances are recognised for potential default risks in the lending business. In general, for accounting portfolio-based allowances pbb applies a model-based procedure using the regulatory risk parameters (probability of default – PD, loss given default –LGD) and contractual information on loans and advances such as contractually agreed cash flows. Regulatory risk parameters are adopted appropriately. For the evaluation of the portfolio-based allowances various scenarios are weighted according their probability. For loan receivables which were subject to a significant increase in the risk of losses or default since the loan was granted, lifetime expected credit losses are recognised.

In 2021, pbb made two changes as regards the measurement of general valuation allowances:

- The factors used for determining general valuation allowances include the probability of default (PD) and loss given default (LGD) regulatory risk parameters; these have now been transformed to meet the requirements for measuring general valuation allowances. The transformation uses parameters that are based on historical loss experience. This measurement change reflects experience from the analysis of factors affecting losses.

  The probability of default was previously transformed using expected fair market values for real estate and the expected relative change in the unemployment rate (models for special purpose entities) or the expected unemployment rate (models for entities other than special purpose entities). Instead of the expected relative changes in the unemployment rate, the expected absolute change is now used in the models for special purpose entities. Furthermore, the expected 5-year swap rate per currency is taken into account as an additional transformation parameter. Moreover, the fair market values for real estate per property type at a granular level in the respective country are used for the transformation of the probability of default and the loss given default. In addition, the determination of the loss given default is determined using experience as regards historical loss rates, discounted to the relevant date of default and, in this context, particularly in connection with the relation between loss given default and the discount rate.

  The change led to a €45 million increase in loan loss provisions (write-downs and valuation allowances on loans and advances and specific securities, as well as additions to provisions in the lending business). Of that amount, €41 million referred to allowances for financial assets, while €4 million was attributable to as yet undisbursed amounts, i.e. off-balance sheet transactions.

- pbb used a base scenario with a weighting of 55% (31 December 2020: 85%), a positive scenario with a weighting in the consolidated financial statements of 5% (31 December 2020: 5%), and a negative scenario with a weighting of 40% (31 December 2020: 10%) as the basis for calculating general valuation allowances. The adjustment of the weighting takes into account the increased probability of economic risks from newly arising problems such as supply chain issues in 2021, or inflation risks. This led to an increase in net income from risk provisioning as at 31 December 2021 in the amount of €30 million. Of that amount, €25 million was attributable to financial assets and €5 million to as yet undisbursed amounts, i.e. off-balance sheet transactions.

Although in 2021 the overall economy partially recovered from the significant slump triggered by the COVID-19 pandemic of 2020, uncertainty about future developments remains high. This is due to the uncertain further trend of the COVID-19 pandemic. The reasons for this uncertainty include, among other things, new waves of infections due to virus mutations and the insufficient vaccination cover-age of the population. Further waves of the pandemic may exert additional pressure on the overall economy.

In line with current publications – including those of the ECB, other central banks and economic research institutes – pbb Group in general expects the economy to continue to recover in 2022, which will bring about a reduction in the unemployment rate. In the context of measuring risk provisioning, pbb takes into account the change in the unemployment rate as an indicator for forecasting economic developments. The expectation of a macroeconomic recovery and of a reduction in the unemployment rate results in a reversal portfolio-based allowances (in line with the meth-odology). In this context, the models used for determining portfolio-based allowances are very sensitive to the currently expected recovery of the overall economy and would lead to significant reversals of impairments.

In spite of the pandemic and the temporary macroeconomic slump, there have not yet been any major loan defaults or insolvencies, as had been assumed. This is primarily due to the massive government liquidity support and other assistance measures. It is unclear how the number of defaults and insolvencies will develop once the support measures expire and in case of a longer-lasting pandemic, involving additional waves and ensuing countermeasures.

The Management Board assumes that defaults will occur with a time lag in some cases as a result of the existing government support measures. This is not likely to affect pbb Group's entire portfolio, but rather certain sub-portfolios, and in particular hotels and parts of the retail sector as well as properties in weaker locations and regions. Therefore, the Management Board decided to address these economic consequences by increasing the risk provisioning for these specific sub-portfolios in the form of a management overlay.

This management overlay also takes into account all other receivables and certain securities previously impaired regarding expected loss for total remaining maturity.The reason for this is that these financings are subject to a significantly in-creased default risk since initial recognition and therefore are subject to an increased necessity to defer payments, or extend loan maturities. This currently higher probability of deferrals and exten-sions after the expiry of government support measures and due to negative developments with regard to the pandemic is not adequately reflected in model-based allowance.

The time lag with respect to the occurrence of defaults and insolvencies since the low point of the recession in mid-2020, such as the change in the unemployment rate, was taken into account within the scope of the management overlay for all financial assets from the defined sub-portfolios and for all remaining receivables and certain securities previously impaired regarding expected loss for total remaining maturity. As a result of said management overlay, portfolio-based allowances increased by €62 million. As this is a temporary adjustment of expected credit losses to adequately reflect the current risk situation of customers, it will take some time before a full picture of the impact of the COVID-19 pandemic and subsequent measures at the level of the individual customer emerges.

Use was made of the cross-offsetting option permitted under section 340f (3) of the HGB in conjunction with section 340c (2) of the HGB for the compensatory recognition of income and expenses.

Securities
Securities of the liquidity reserve, which are not part of a valuation unit, are measured at the lower of cost or market value and recognised at their lower value as of the balance sheet date in accordance with section 253 (4) clause 1 of the HGB. The principle of lower of cost or market value is applied to the unhedged risk for securities of the liquidity reserve combined in portfolio hedges pursuant to section 254 of the HGB.

Securities treated as fixed assets are recognised at cost of purchase respectively at amortised cost in accordance with section 253 (3) HGB in conjunction with section 340e HGB. (modified lower-of-cost-or-market principle). In case of an expected permanent impairment, securities treated as fixed assets are carried at the lower fair value. The review as to whether there is an expected permanent impairment is performed regularly. A permanent impairment is deemed to exist, subject to a rebuttable presumption, when there are doubts – due to credit quality issues – as to whether the expected future cash flows can be recovered. A general allowance is recorded for potential default risks in relation to securities treated as fixed assets. They are determined based on expected losses. If the reason for a write-down ceases to exist, a write-up up to amortised cost has to be recognised.

The fair values are generally determined using transaction or stock exchange prices as at the relevant reporting date. If such prices are not available, recognised measurement models are used where the model parameters are derived from comparable market transactions. Internal measurement models were used when there were no transaction or stock exchange prices available for transactions. Market parameters or market prices arising from involuntary liquidation or distressed sales are not used for measurement purposes.

Securities lending transactions
Repurchase transactions are reported in accordance with the principles set out in section 340b of the HGB: pbb continues to carry securities lent, given beneficial ownership, whilst borrowed securities are not carried on the balance sheet. Cash collateral pledged for securities lending transactions is carried as a receivable (depending on the counterparty, in loans and advances to banks or loans and advances to customers), whilst collateral received is carried as a liability (liabilities to banks or liabilities to customers).

Investments in affiliated companies and participating interests
Investments in affiliated companies and participating interests are recognised at cost of purchase, reduced, if appropriate, by impairment write-downs to the lower fair value. Write-ups are recorded if the reasons for the write-down cease to exist.

Intangible assets
Purchased intangible assets are carried at cost (not exceeding amortised cost), reduced by amortisation and, where necessary, write-downs. Software products that are closely related in terms of technology and function are combined and accounted for as a single asset. Amortisation is determined using the asset's useful life. The capitalisation option of the § 248 (2) HGB for internally generated intangible assets held as fixed assets is not exercised.

Tangible assets
Tangible assets are measured at cost of purchase or production, reduced by depreciation and, where necessary, impairment write-downs. Depreciation is recorded on a straight-line basis and is subject to the depreciation rates that correspond to the estimated useful lives which are also used for tax purposes. Leasehold improvements have useful lives of 5 to 15 years; IT-equipment (in its broader sense) 3 to 5 years; other operating and office equipment 3 to 25 years.

Low-value assets with a cost of not more than €250 are written off in full during the year of acquisition. A collective account pursuant to section 6 (2a) of the German Income Tax Act (Einkommensteuergesetz – "EStG") was recorded for depreciable movable assets with a cost of more than €250 and up to €1,000. This collective account is depreciated on a straight-line basis over a period of five years.

Overfunded plan assets
Reinsurance claims assigned to employees represent assets which are protected from access by all other creditors, and which are exclusively intended to settle liabilities from retirement benefit obligations or comparable long-term obligations. Therefore, these claims are measured at fair value in accordance with section 253 (1) sentence 4 HGB in conjunction with section 246 (2) sentence 2 HGB, and netted against provisions related to the respective benefit plan. The relevant repurchase values are used as fair values. Accordingly, expenses and income from reinsurance and from the discounting of the associated pension provisions are netted. Any excess of plan assets over post-employment benefit liabilities is reported in a separate line item and is designated accordingly.

Derivatives
Derivative financial instruments are used primarily to hedge interest rate and currency risks within the context of the overall bank's risk management. The bank enters into customer derivatives with floors on interest rates which customers use for protection against interest rate risks. The derivative contracts are regularly hedged by compensating transactions at the interbank market. Interest-rate-related derivative financial instruments are primarily accounted for as part of valuation units pursuant to section 254 HGB or within the framework of an overall analysis of the interest rate risk of the banking ledger (banking ledger management). Currency-related derivative financial instruments are recognised within the context of currency translation in accordance with section 340h HGB. Interest income and expenses arising from derivative financial transactions are reported on a gross basis.

Liabilities
Liabilities are recognised at settlement price. The difference between settlement price and issue price of the liabilities is recorded as prepaid expenses or deferred income in accordance with the option provided for under section 250 (3) HGB. It is amortised in proportion to the principal and pro rata temporis, and recognised in the income statement in net interest income. Pro-rata interest and similar amounts are assigned to the (sub-)item they relate Zero-coupon bonds are recognised at their issue price plus pro rata interest based on the issue yield.

In its meeting on 10 December 2020, the ECB Governing Council decided to make three additional tranches of the Targeted Longer Term Refinancing Operations (TLTRO) available to banks in the euro area. As part of the rollover of its existing TLTRO III transactions, pbb Group participated in this programme with a total amount of €8.4 billion in June 2021, involving an increase in the nominal volume. In this context, also in June 2021, pbb issued Pfandbriefe totalling €0.7 billion to be pledged as collateral with the ECB. The variable interest rate on the TLTRO III, subject to reaching a defined level of net lending by 31 December 2021, equals the average interest rate on the deposit facility during the entire term. To the extent that certain criteria are met (in particular the increase in eligible net lending in comparison to the benchmark), pbb receives an interest rate premium of 50 basis points on nominal volume for the special interest rate period (24 June 2021 to 23 June 2022). As at 31 December 2021, ppb reached the level of net lending as defined by the ECB. According to the terms of the allocated TLTRO III tranche, pbb consequently receives an interest rate premium of 50 basis points on the nominal volume for the special interest rate period between 24 June 2021 and 23 June 2022, which will be recognised in net interest income pro rata temporis. In 2021, pbb recorded interest and interest premium in the amount of €40 million in the net interest income.

As at the balance sheet date, the carrying amount of the TLTRO III liabilities reported under liabilities to banks amounted to €8,3 billion million.

Provisions

Provisions are recognised for uncertain liabilities and pending losses in the required settlement amount, as determined based upon prudent commercial judgement. If the original remaining term of a provision is more than one year, the provision is discounted using the interest rates for matching maturities, as published by Deutsche Bundesbank. To the extent that provisions are recognised for pending losses arising from the fair value measurement of executory contracts determined on the basis of market value calculations using present values, such provisions are not discounted in accordance with IDW RS HFA 4 no. 44, but instead recorded at their negative fair value. The discounting option is not exercised for provisions with an original remaining term of up to one year. Unwinding effects relating provisions are calculated on a monthly basis.

The measurement of the provisions for legal risks is mainly based on the amount in dispute and potential utilisations. These are determined by pbb on the basis of opinions prepared by external lawyers.

Gains or losses from discounting and unwinding of the discount in relation to provisions which are not related to the banking business are reported in other operating income or other operating expenses, whereas gains or losses from discounting and unwinding of the discount in relation to provisions related to banking business are reported in interest income or interest expense. The provisions for pensions and similar obligations are measured using the projected unit credit method. This method represents an appropriate method which is based on verifiable criteria.

Calculations were based on the following assumptions:

- Discount rate: 1.87% p.a. (31 December 2020: 2.30% p.a.)
- Rate of increase in future compensation: 2.50% p.a. (31 December 2020: 2.50% p.a.)
- Rate of increase in pension obligations: 1.50% p.a. (31 December 2020: 1.50% p.a.)
- Mortality tables: actuarial tables issued by K. Heubeck in 2018 (“Richttafeln 2018 G”)

Age-related fluctuations were taken into account for the calculation. A 0% salary trend was assumed for Management Board members in office during the financial years 2021 and 2020.

Provisions for pensions and similar obligations were discounted in the financial year 2021 pursuant to section 253 (2) HGB on a lump-sum basis, using the published average market interest rate for the past ten years which is determined based on an assumed remaining term of 15 years. The difference between the recognition of provisions for pensions as at 31 December 2021, using an average market interest rate for the past ten years 1.87% (31 December 2020: 2.30%), and the average market interest rate for the past seven years 1.35% (31 December 2020: 1.60%), amounts to €20 million (31 December 2020: €26 million) and is not available for dividend distribution.

Contingent liabilities and other commitments are disclosed as off-balance sheet items at notional value less any recognised provisions.

Valuation units
Valuation units are accounted for in the annual financial statements of pbb in accordance with section 254 HGB. This relates to micro valuation units used to hedge interest rate risks. Only those hedging relationships are taken into account where a high effectiveness can be expected from the hedge. The effective portion of the fair value changes is not recognised for the hedged item and the hedging instrument (net hedge presentation method). The ineffective portion from the hedged risk of valuation units is recognised as provision for anticipated losses in respect of the imparity principle. Value changes from risks that are not hedged are recognised on the basis of the general accounting policies, without taking into account the existing valuation units. If the fair value of derivatives that are not part of a hedging relationship pursuant to section 254 HGB falls below the remaining carrying amount, a provision for anticipated losses is recognised in the amount of the difference, to the extent that this is not taken into account within the framework of an overall analysis of the interest rate risk of the banking ledger.

Loss-free valuation
In accordance with the statement of the IDW (IDW RS BFA 3 new version) regarding the loss-free measurement of interest-bearing transactions included in the banking ledger, pbb conducted a loss free measurement using the present value method as at the balance sheet date. The valuation object analysed is, in accordance with risk management, an interest ledger of on-balance sheet and off-balance sheet transactions. The calculated present value margin of the existing transactions in the interest rate portfolio is compared to imputed funding costs as well as any administrative and risk costs incurred on existing exposures that are included until the interest rate transactions mature and which are determined using present values. There was no surplus of liabilities in relation to the valuation object as at 31 December 2021 and 31 December 2020.

Negative Interest
pbb reports negative interest on financial assets in interest expenses, and positive interest on financial liabilities in interest income.

IBOR-reform
Interbank offered rates (IBOR) are used as reference rates when determining the prices of numerous financial instruments and calculating the related cash flows. Given the weaknesses of interbank rates used to date, which became evident for the first time as part of the LIBOR scandal, legislators and regulatory authorities worldwide have been working on establishing a system of transaction-based risk-free reference interest rates. In the EU, the EU Benchmark Regulation (EU BMR), which has been in force since 1 January 2018, provides the legal foundation for this matter. Specifically, IBOR rates have been replaced by alternative reference rates – especially by risk-free overnight interest rates based on actual transactions, determined as an average rate for overnight interbank deposits (borrowings) or for deposits from large customers. For example alternative refer-ence interest rates – based on the risk-free overnight interest rates SONIA, SOFR and SARON – have been established in the GBP, USD and CHF currency areas.

To meet challenges resulting from the replacement of existing IBOR reference rates, pbb Group launched a cross-divisional project for implementation of the IBOR reform already back in 2018. The project team regularly reports to pbb's Management Board. Topics addressed by the project include finding fallback rules for discontinued reference rates, the changeover of LIBOR-based business, as well as several operational issues. For instance, all new contracts pbb has entered into since 2019 which relate to a reference interest rate affected by the IBOR reform include a fallback provision that facilitates a swift changeover to a substitute reference rate preferred by regulators or established in the market. In some cases, fallback provisions for derivatives and financial liabilities were already agreed upon under framework or individual agreements. Moreover, pbb is monitoring the development of alternative reference rates discussed by supervisory authorities and market participants very closely indeed, in order to be able to assess the resulting impact upon pbb at an early stage. Already in 2020 pbb Group implemented a changeover to the new risk-free interest rates for all products with respect to the fair value discount curves used for discounting, measurement and its risk models.

In anticipation of the termination of the GBP-LIBOR publication, the Bank of England introduced deadlines for the changeover to alternative interest rates that market participants have to adhere to. In compliance with these requirements and based on the common recommendation issued by the Euro-pean Commission, the EBA, the ECB and the ESMA, pbb Group has discontinued new business in GBP-LIBOR as well as in EUR-LIBOR and CHF-LIBOR from the second quarter of 2021 and instead offered an alternative interest rate. In this context, the recommendations as well as the conventions currently emerging on the market were taken into account. Moreover, in the financial year 2021, the transition of the existing LIBOR contracts based on GBP, EUR and CHF to alternative interest rates was conducted. The transition of a small number of contracts will be made early in 2022 prior to the first coupon fixing. The transition from USD LIBOR (which is unlikely to be discontinued before the end of the first half of 2023) to alternative interest rates will be executed mainly on the same basis.

The EURIBOR calculation methodology was already revised in 2019: The European Money Markets Institute (EMMI) has determined and disseminated EURIBOR reference rates since July 2019. Thanks to the EU-BMR conformity of the revised EURIBOR reference rates, market participants (including pbb Group) are be able to use EURIBOR reference rates until further notice, for both existing and new contracts. However, pbb is following developments in supervision and the market very closely - for example, the consultation process of the ECB's working group, the Belgian Financial Services and Markets Authority (FSMA), the European Securities and Markets Authority (ESMA), and the European Commission as regards alternative interest rates on the basis of a weighted €STR product.

Regarding the potential impact on financial reporting under German commercial law, the Corporate Reporting Committee of the Institute of Public Auditors in Germany (IDW), in cooperation with the IDW's Banking Committee, issued the Accounting Practice Statement "Consequences of changes to certain reference interest rates ('IBOR reform') for financial instruments for accounting and financial reporting under German commercial law" (IDW RH FAB 1.020) in November 2019. pbb has taken this accounting guidance into consideration in the preparation of its annual financial statements for 2020, especially with respect to assessing the prospective effectiveness of hedging relationships. Moreover, in accordance with IDW RH FAB 1.020, pbb assumes that variable-rate financial instruments where only the reference rate changes (but all other material characteristics remain unchanged) will not have to be derecognized and the valuation units can be carried on.

Foreign currency translation
Foreign currency assets, liabilities and off-balance sheet items are translated using the average spot exchange rate as at the balance sheet date as part of specific coverage pursuant to section 340h HGB in conjunction with section 256a HGB. The concept of specific coverage used by the bank for currency translation only includes foreign currency assets and liabilities which have identical amounts and currencies. The fulfilment of these two criteria is ensured through an internal funding model. For the sake of clarity and convenience, the resulting currency translation gains and losses, in deviation from section 340a (1) HGB in conjunction with section 277 (5) sentence 2 HGB, were not reported as separate items of other operating income or other operating expenses in the income statement. The corresponding disclosures were made in the notes to the income statement items nos. 7 and 10, respectively. Open foreign currency positions resulting from hedged items are closed largely by means of spot transactions or suitable derivatives. Currency translation gains or losses from fractional amounts in a currency are generally accounted for on a portfolio basis. Income and expenses in foreign currencies are recorded using the exchange rates applicable at the respective transaction dates. Against this overall background, the special rules applicable to foreign currency translation under commercial law at financial institutions (IDW RS BFA 4) were fully complied with.

Deferred taxes
Deferred taxes are determined for temporary differences between the carrying amount of assets, liabilities, deferred income and prepaid expenses as determined under the commercial law (HGB) and under tax law. In connection with the recognition of deferred taxes pursuant to section 274 (1) HGB, pbb generally exercises the option to offset deferred tax assets against deferred tax liabilities. Any excess of deferred tax assets over deferred tax liabilities is not recognised.

Deferred tax assets are recognised at pbb in particular for other provisions not accepted for tax purposes, for differences in the measurement of pension provisions in the balance sheet and tax accounts, measurement differences due to a so-called unilateral termination of discontinued hedging relationships, differences in the recognition of a non-interest-bearing liability and for differences in the recognition of allowances for credit losses. Deferred tax liabilities were recognised as of the balance sheet date for differences in the measurement of a so-called unilateral termination of discontinued hedging relationships. The existing tax loss carryforwards increase the deferred tax assets in an amount that is equivalent to their realisation. The measurement of deferred taxes was based on a combined income tax rate of 27.7% (2020: 27.7%) which comprises corporation tax, trade tax and solidarity surcharge.

Prepaid expenses and deferred income
Amounts paid or received before balance sheet date which represent expenses or income after balance sheet date have to be recognised as prepaid expenses and deferred income pursuant to section 250 (1), (2) HGB. pbb recognises discounts from debt securities and loans received and premiums from loans and advances granted as prepaid expenses, and discounts from loans and advances granted and premiums from debt securities and loans received as deferred income. Prepaid expenses and deferred income in connection with derivatives are recognised for option and upfront premiums.

Auditor’s fees
The auditors’ fee for Deloitte GmbH Wirtschaftsprüfungsgesellschaft primarily referred to the audit of the consolidated financial statements and the single-entity annual financial statements, including legal and contractually agreed extensions of the audit assignment of pbb. Interim financial statements were reviewed in addition.

Maturities of selected balance sheet items

in € million	2021	2020
Audit	1,799	2,387
Other assurance services	289	110
Tax advisory services	-	-
Other non-audit services	82	989
Total	**2,170**	**3,486**

Other assurance services mainly concerned the preparation of a letter of comfort in connection with bond issues, the review of reporting requirements and rules of conduct pursuant to the German Securities Trading Act (WpHG), the review of the combined non-financial report, and the review of the notification of eligible loans for the TLTRO III.

Other non-audit services mainly comprised support and/or quality assurance services in connection with data management, whereby such services were not related to the introduction or implementation of internal control and risk management procedures.

In accordance with the EU Audit Regulation (2014/56/EU) of the European Parliament and its national transposition, the German Auditors' Oversight Reform Act (Abschlussprüferaufsichtsreformgesetz – "APAReG"), pbb group has replaced the auditor in the financial year 2021. Deloitte GmbH Wirtschaftsprüfungsgesellschaft has been appointed as external auditors for the annual and the con-solidated financial statements of pbb, succeeding KPMG AG Wirtschaftsprüfungsgesellschaft.

Notice

The annual financial statements are prepared in euros and generally rounded to the nearest million euros (€ million). Information is presented in accordance with the principle of materiality. Minor differences may occur regarding the figures added, due to rounding. All amounts of less than €500,000 are shown as a zero, or a zero balance indicated by a hyphen.

NOTES TO THE INCOME STATEMENT

3 Net Interest Income (Income Statement Items Nos. 1 & 2)

Interest income from lending and money-market transactions include early repayment or non-utilisation fees of €84 million (2020: €30 million).

Interest expenses relating to Mortgage Pfandbriefe, Public Sector Pfandbriefe and other debt securities amounted to €614 million (2020: €694 million).

Claims from finance lease agreements in the amount of €170 million (31 Dec 2020: €182 million), which are reported under receivables from customers, resulted in interest income of €4 million (31 Dec 2020: €4 million).

Negative interest from non-derivative financial liabilities amounted to €88 million (2020: € 45 million) and negative interest from non-derivative financial assets amounted to €-41 million (2020: €-24 million). From swap transactions positive interest expenses resulted in the amount of net €19 million (2020: €22 million).

4 Net Commission Income (Income Statement Items Nos. 5 & 6)

Commission income mainly results from upfront fees of €6 million (2020: €5 million) and from guarantee commissions of €3 million (2020: €3 million). The commission expenses include, amongst others, fees from securities and custodial business of €1 million (2020: €1 million).

5 Other Operating Income (Income Statement Item No. 7)

Other operating income includes mainly reversals of other provisions in non-lending business of €21 million (2020: €30 million) and income from previous reporting periods of €1 million (2020: €1 million). In 2021 the income from foreign currency translation effects was € 0 million (2020: € 2 million).

The balance of net interest income from reinsurance policies and expenses from the unwinding of discounting pension obligations was a net income of less than €1 million (2020: net expense of €1 million).

Income from the unwinding of discounting other provisions was less than €1 million (2020: less than €1 million).

6 General and Administrative Expenses (Income Statement Item No. 8)

General and administrative expenses consist of personnel expenses of €135 million (2020: €117 million) and other administrative expenses of €106 million (2020: €99 million).

7 Other Operating Expenses (Income Statement Item No. 10)

Other operating expenses include mainly additions to other provisions in non-lending business of €24 million (2020: €14 million) and expenses for bank levy of €27 million (2020: €23 million) considering collateral pledged in the amount of 15% from total bank levy. Expenses from foreign currency translation effects amounted to €6 million (2020: €0 million).

Expenses from unwinding the discount on other provisions are recognised under other operating expenses, and amounted to less than €1 million (2020: €1 million).

8 Write-downs, Write-ups and Impairments to Receivables and Certain Securities and Additions and Reversals of Provisions in Credit Business (Income Statement Items Nos. 11 & 12)

In the financial year 2021 net expense of €85 million (2020: net expense of €153 million) resulted from write-downs, write-ups and impairments to assets and certain securities and additions and reversals of provisions in credit business. The net expense consisted of net write-off from portfolio-based allowances in the amount of €45 million (2020: net write-off in the amount of €71 million), net expense from specific allowances and sale of securities and loans in the amount of €41 million (2020: net expense in the amount of €83 million) and income in the amount of €1million (2020: €1 million) from written-off receivables.

Changes were made to the measurement of general valuation allowances in 2021, as outlined in the general accounting policies. In addition, a management overlay was recognised, which is also described in the general accounting policies.

9 Write-downs, Write-ups and Impairments to Participating Interests, Investments in Affiliated Companies and Securities Treated as Fixed Assets (Income Statement Items Nos. 13 & 14)

In the financial year 2021 net expenses of €2 million (2020: net income of €1 million) resulted from write-ups, sales proceeds and expenses from write-downs of securities treated as fixed assets. Net expenses from participating interest and investments in affiliated companies amounted to less than €1 million (2020: net expenses less than €1 million).

10 Extraordinary Result (Income Statement Item No. 20)

The extraordinary result amounted to €0 million (2020: €0 million).

11 Income Taxes (Income Statement Item No. 21)

Expenses for income taxes amounted to €38 million (2020: €35 million), thereof expenses of €46 million (2020: €41 million) were attributable to the current financial year and income of €8 million was attributable to previous periods (2020: income in the amount of €6 million).

NOTES TO THE BALANCE SHEET

12 Mortgage Loans (Assets Side Items Nos. 2 & 3)/Pfandbriefe Outstanding (Liabilities Side Items Nos. 1, 2 & 3)

Cover statement

in € million	31.12.2021	31.12.2020
A. Mortgage Pfandbriefe		
Cover assets		
Loans and advances to other banks		
a) Mortgage loans	-	-
Loans and advances to customers		
a) Mortgage loans	17,330	16,988
Tangible assets (land charges on the Bank's own property)	-	-
Sundry assets	-	-
	17,330	16,988
Further cover assets		
Other loans and advances to other banks	-	-
Bonds and other fixed-income securities	1,896	557
Claims from derivatives	-	-
Total cover assets	**19,226**	**17,545**
Total Mortgage Pfandbriefe requiring cover	16,422	15,124
thereof liabilities from derivatives	-	-
Over-collateralisation	**2,804**	**2,421**
B. Public Pfandbriefe		
Cover assets		
Loans and advances to other banks		
a) Mortgage loans	-	-
b) Public-sector loans	250	250
Loans and advances to customers		
a) Mortgage loans	5	5
b) Public-sector loans	9,811	10,412
Bonds and other fixed-income securities	1,354	1,544
	11,420	12,211
Further cover assets		
Other loans and advances to other banks	-	-
Claims from derivatives	-	-
Total cover assets	**11,420**	**12,211**
Total Public Pfandbriefe requiring cover	10,174	10,136
thereof liabilities from derivatives	-	-
Over-collateralisation	**1,246**	**2,075**

13 Maturities of Selected Balance Sheet Items

Maturities of selected balance sheet items

in € million	31.12.2021	31.12.2020
Loans and advances to other banks (assets side item no. 2)	**3,484**	**2,822**
Repayable on demand	1,579	1,963
Loans and advances with duration	1,905	859
up to 3 months	1,355	309
more than 3 months to 1 year	-	-
more than 1 year to 5 years	250	-
more than 5 years	300	550
Loans and advances to customers (assets side item no. 3)	**37,406**	**37,315**
of undetermined duration	-	-
up to 3 months	1,951	1,647
more than 3 months to 1 year	4,643	4,423
more than 1 year to 5 years	16,019	16,889
more than 5 years	14,793	14,356
Bonds and other fixed-interest securities (assets side item no. 4)	**6,966**	**7,673**
thereof maturing in the subsequent year	1,019	835
Liabilities to other banks (liabilities side item no. 1)	**11,000**	**10,227**
Repayable on demand	649	896
Liabilities with agreed duration or notice period	10,351	9,331
up to 3 months	350	431
more than 3 months to 1 year	344	95
more than 1 year to 5 years	9,044	8,103
more than 5 years	613	702
Liabilities to customers (liabilities side item no. 2)	**18,028**	**19,670**
Repayable on demand	1,097	1,234
Liabilities with agreed duration or notice period	16,931	18,436
up to 3 months	1,028	779
more than 3 months to 1 year	2,701	2,588
more than 1 year to 5 years	4,294	5,179
more than 5 years	8,908	9,890
Securitised liabilities (liabilities side item no. 3)	**21,134**	**19,150**
a) bonds in issue	21,134	19,030
thereof maturing in the subsequent year	4,261	2,870
b) other securitised liabilities	-	120
up to 3 months	-	120
more than 3 months to 1 year	-	-
more than 1 year to 5 years	-	-
more than 5 years	-	-

14 Subordinated Assets (Assets Side Items Nos. 2, 3, 4 & 11)

There are no subordinated assets to be recognised neither as of 31. December 2021 nor as of 31 December 2020.

15 Breakdown Of Marketable Securities and Other Financial Investments (Assets Side Items Nos. 4, 5, 6 & 7)

The marketable securities disclosed under corresponding balance sheet items are attributable to listed or unlisted criterion as follows:

Marketable securities and other financial investments

	listed		unlisted	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Bonds and other fixed-income securities	6,512	7,164	454	509
Equity shares and other variable-income securities	-	-	2	2
Participating interests	-	-	-	-
Investments in affiliated companies	-	-	-	-

16 Bonds and Other Fixed-Income Securities (Assets Side Item No. 4)

Of the bonds and other fixed-income securities (assets side item No. 4), pbb holds third-party bonds with a carrying amount of €6,966 million (31 December 2020: €7,673 million). Of this amount, €6,342 million (31 December 2020: €6,853 million) are treated as fixed assets, and €624 million (31 December 2020: €820 million) are treated as current assets.

Overall, securities treated as fixed assets with a carrying amount of €2,571 million (31 December 2020: €2,717 million) are not measured with the lower fair value as at the balance sheet date of €2,484 million (31 December 2020: €2,586 million). The unrecognised write-downs to the lower fair value in the amount of €87 million (31 December 2020: €131 million) are attributable to the following issuer groups:

Omitted write-downs, by issuer

				31.12.2021	**31.12.2020**
in € million	Public issuers	Other banks	Other issuers	**Total**	**Total**
Carrying amount	1,842	705	24	2,571	**2,717**
Fair value	1,757	703	24	2,484	**2,586**
Omitted write-downs of fixed assets	85	2	-	87	**131**

pbb assumes, for all securities with unrecognised write-downs, that the fair value is below the carrying amount only temporarily. There are no payment defaults or doubts regarding the recoverability of these securities.

17 Participating Interests and Investments in Affiliated Companies (Assets Side Items Nos. 6 & 7)

Investments in affiliated companies (assets side item no. 7)

Name and registered office	Capital share section 16 (4) AktG	of which held indirectly	Equity in thousand	Net income in thousand	Currency
CAPVERIANT GmbH, München	71.43%	-	5,965	-4,673	EUR
Immo Immobilien Management Beteiligungsgesellschaft mbH i.L., München	100.00%	-	10	-	EUR
IMMO Invest Real Estate GmbH, München[1)]	100.00%	-	948	-	EUR

[1)] Profit transfer by shareholders on the basis of profit and loss transfer agreement.

Participating interests (assets side item no. 6)

Name and registered office	Capital share section 16 (4) AktG	of which held indirectly	Equity in thousand	Net income in thousand	Currency
SOMA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG, Düsseldorf[1)]	33.33%	-	-232	2,214	EUR

[1)] Financial figures from the financial year 2020

pbb was not general partner in any company disclosed under the positions participating interests (assets side item no. 6) and affiliated companies (assets side item no. 7).

Furthermore, pbb held one equity instrument of one company with a capital share and voting right less than 1%.

18 Trust Business (Assets Side Item No. 8 & Liabilities Side Item No. 4)

As of 31 December 2021 and as of 31 December 2020 neither assets nor liabilities were held in trust. Trust assets and trust liabilities include assets and liabilities held by pbb in its own name for the account of others. These items are measured at amortised cost.

19 Intangible Assets (Assets Side Item No. 9)

Intangible assets include purchased software amounting to €14 million (31 December 2020: €16 million).

20 Tangible Assets (Assets Side Item No. 10)

Tangible assets include operating equipment of €3 million (31 December 2020: €4 million).

21 Development in Fixed Assets (Assets Side Items Nos. 4, 6, 7, 9 & 10)

Development in fixed assets

in € million	Intangible assets	Tangible assets	Securities treated as fixed assets	Participating interests	Shares in affiliated companies
Cost of purchase or production					
1.1.2020	**46**	**14**			
Additions	7	1			
Disposals	-1	-			
Transfers	-	-			
Foreign currency translation effects	-	-			
31.12.2020	**52**	**15**			
1.1.2021	**52**	**15**			
Additions	5	-			
Disposals	-	-			
Transfers	-	-			
Foreign currency translation effects	-	-			
31.12.2021	**57**	**15**			
Write-down					
1.1.2020	**-32**	**-9**			
Write-up	-	-			
Disposals	-	-			
Transfers	-	-			
Depreciation or amortisation	-2	-2			
Impairment write-down	-	-			
Foreign currency translation effects	-	-			
31.12.2020	**-34**	**-11**			
1.1.2021	**-34**	**-11**			
Write-up	-	-			
Disposals	-	-			
Transfers	-	-			
Depreciation or amortisation	-4	-1			
Impairment write-down	-	-			
Foreign currency translation effects	-	-			
31.12.2021	**-38**	**-12**			
Carrying amounts					
1.1.2020	**14**	**5**	**7,149**	**-**	**14**
Aggregation according to section 34(3) RechKredV			-296	-	-
31.12.2020	**18**	**4**	**6,853**	**-**	**14**
1.1.2021	**18**	**4**	**6,853**	**-**	**14**
Aggregation according to section 34(3) RechKredV			-511	-	-1
31.12.2021	**19**	**3**	**6,342**	**-**	**13**

22 Sundry Assets (Assets Side Item No. 11)

In addition to the adjustment items resulting from the measurement of hedged foreign currency transactions recognised in note “Financial Derivatives” the major part of sundry assets resulted from income tax assets in the amount of €3 million (31. December 2020: €19 million). Furthermore, sundry assets include cash collateral of €36 million (31 December 2020: €31 million) pledged within the scope of the bank levy.

In accordance with section 246 (2) sentence 2 HGB, other assets include unpledged claims from reinsurance policies for pensions in the amount of €1 million (31 December 2020: €3 million).

The fair values of pledged claims from retirement benefit obligations, if any, after setting off reinsured pension provisions and provisions for partial retirement schemes, are reported in the item “overfunded plan assets”.

23 Overfunded Plan Assets (Assets Side Item No. 13)

As of 31 December 2021 and as of 31 December 2020, no overfunded plan assets were recognised pursuant to section 246 (2) sentences 2 and 3 HGB due to the fact that provisions for pensions and similar obligations exceeded the fair values of plan assets.

24 Prepaid Expenses and Deferred Income(Assets Side Item No. 12 & Liabilities Side Item No. 6)

Prepaid expenses and deferred income

in € million	31.12.2021	31.12.2020
Assets side item no. 12a)		
Prepaid expenses from the issuance and loan business	140	151
thereof:		
discount from debt securities and loans received	40	47
premium from loans and advances granted	100	104
Liabilities side item no. 6a)		
Deferred income from the issuance and loan business	219	215
thereof:		
discount from debt securities and loans received	88	90
premium from loans and advances granted	131	125

25 Sundry Liabilities (Liabilities Side Item No. 5)

In addition to the adjustment items resulting from the measurement of hedged foreign currency transactions recognised in note “Financial Derivatives” the major part of sundry liabilities is trade accounts payable amounting to €9 million (31 December 2020: €12 million).

26 Provisions for Pensions and Similar Obligations (Liabilities Side Item No. 7a)

As at 31 December 2021 this item included, pursuant to section 246 (2) sentence 2 of the HGB, only provisions for pensions and similar obligations after offsetting against plan assets (pension provisions of €265 million [31 December 2020: €254 million], of which an amount of €177 million was offset against the fair value or amortised cost of plan assets [31 December 2020: €178 million]).

The pension provisions and similar obligations to former Management Board members and their surviving dependants amounted to €62 million (31 December 2020: €62 million).

27 Other Provisions (Liabilities Side Item No. 7c)

The following major single items are included in other provisions:
- Provisions relating to valuation units €6 million (31 December 2020: €5 million)
- Provisions of €10 million (2020: €0 million) for termination benefits from the termination of employment relationships
- Provisions for legal and litigation risks and corresponding default interest payments of €57 million (31 December 2020: €63 million)

28 Subordinated Liabilities (Liabilities Side Item No. 8)

This item refers to promissory note loans, bearer bonds and registered bonds. The interest rates for fixed-income issues are between 2.875% p. a. and 8.06% p. a. They mature between 2020 and 2032.

Interest expenses of €25 million (2020: €27 million) were incurred for subordinated liabilities. This balance sheet item includes interest in the amount of €15 million (31 December 2020: €17 million).

Outstanding subordinated liabilities are not subject to any prerequisites for the conversion into equity capital or into another type of debt. Subordinated liabilities do not provide for any early repayment obligation for pbb. In the event of liquidation or insolvency, claims on interest and principal from these liabilities are subordinated to the claims of all other creditors of pbb, which are not themselves subordinated.

Two euro-denominated issues included in this item exceed 10% of the total amount of subordinated liabilities:

Year of issue	Notional in € million	Interest rate in %	Maturity
2017	150	4,6	2027
2017	300	2,875	2027

These bonds are subject to the following terms and conditions:
- In February 2017 pbb issued a subordinated bond in the principal amount of €150 million and an interest rate of 4.60% p.a. with a term to maturity of 10 years. The issuer has the option to call the bond for tax or regulatory reasons only, and subject to the approval of the responsible regulatory authority. The bond cannot be called by the bearer. In the event of the Bank's liquidation or insolvency, the liabilities from the debt securities are subordinated to the claims of other unsubordinated creditors, with payments on subordinated debt securities not being made until the claims of these other unsubordinated creditors are fully satisfied. Offsetting claims to subordinated debt securities against claims of the issuer is not permitted. Guarantees or collateral which tend to change the priorities may not be provided. If there is a risk jeopardising pbb's existence as a going concern, the Resolution Board may order a bail-in which could result in the write-down of the bond and/or its conversion into equity.

- In June 2017 pbb issued a Tier 2 bond in the principal amount of €300 million and a coupon of 2.875% p.a. with a term to maturity of 10 years. The issuer may call the bond after five years. Otherwise, the issuer has the option to call the bond for tax or regulatory reasons only, and subject to the approval of the responsible regulatory authority. The bond cannot be called by the bearer. If pbb does not call the bond after five years, the interest rate will be reset to cover the remaining term to maturity. In the event of the Bank's liquidation or insolvency, the liabilities from the debt securities are subordinated to the claims of other unsubordinated creditors, with payments on subordinated debt securities not being made until the claims of these other unsubordinated creditors are fully satisfied. Offsetting claims to subordinated debt securities against claims of the issuer is not permitted. Guarantees or collateral which tend to change the priorities may not be provided. If there is a risk jeopardising pbb's existence as a going concern the Resolution Board may order a bail-in, which could result in the write-down of the bond and/or its conversion into equity.

29 Additional Tier 1 Capital Instruments (Liabilities Side Item No. 9)

pbb follows the guideline of the IDW dated 22 December 2014 and recognises under "instruments of additional regulatory core capital" AT1 capital in the total principal amount of €300 million with a carrying amount of €312 million (including accrued interest of €12 million recognised in interest expenses). For the instruments of additional regulatory core capital interest expenses amounted to €17 million (2020: €17 million).

The bond – issued by pbb in April 2018 – carries an initial coupon of 5.75% p.a. and has no final maturity. pbb may call the bond for the first time 5 years after the issue. Coupons are generally payable at pbb's discretion. If pbb pays its shareholders a dividend or takes similar measures, interest must be paid on the AT1 bond. By contrast, coupon payments are not permitted if they are prohibited by regulatory authorities and/or would result in CET1 capital falling below the agreed trigger level (generally based on the consolidated CET1 ratio for groups accounted for under IFRSs, as well as on the single-entity CET1 ratio in accordance with the HGB if the regulatory waiver is cancelled or suspended), or if coupon payments would exacerbate an existing shortfall below these levels. Coupon payments are not cumulative, which means investors investing in AT1 instruments will not be compensated for suspended coupon payments in subsequent years. There is no contractual provision to convert the AT1 instrument into shares in pbb should the ratio mentioned drop below the threshold; instead, the AT1 instrument is written down and (if the ratio mentioned rises again above the threshold) written up again. If there is a risk jeopardising pbb's existence as a going concern the resolution board may order a bail-in of the AT1 instruments which could result in a write-down and/or a conversion into pbb shares. They are recognised in the HGB balance sheet as liabilities and not as equity.

30 Fund for General Banking Risks (Liabilities Side Item No. 10)

The fund for general banking risks pursuant to section 340g HGB remained unchanged at €47 million as of 31 December 2021 (31. December 2020: €47 million), since no amounts were transferred to or withdrawn from the fund within the financial year 2021.

31 Development in Equity (Liabilities Side Item No. 11)

Subscribed capital is the maximum liability of the shareholder for the liabilities of the corporation to its creditors. Additional paid-in capital includes contributions from a previous financial year as well as premiums from the issue of shares. Retained earnings were generally created only from net income of the current financial year or previous periods. This includes legal reserves to be created from net income/loss and other reserves.

			Retained Earnings				
in € million	Share capital	Additional paid-in capital	Legal reserve	Other reserves	**Total**	Unappropriated retained earnings/loss (–)	**Total**
Equity as of 1.1.2020	**380**	**1,639**	**13**	**536**	**549**	**121**	**2,689**
Net income/loss	-	-	-	-	-	112	112
Dividend distribution	-	-	-	-	-	-	-
Capital transfer	-	-	-	-	-	-	-
Changes in participatory capital	-	-	-	-	-	3	3
Allocation to retained earnings	-	-	-	121	121	-121	-
Equity as of 31.12.2020	**380**	**1,639**	**13**	**657**	**670**	**115**	**2,804**
Equity as of 1.1.2021	**380**	**1,639**	**13**	**657**	**670**	**115**	**2,804**
Net income/loss	-	-	-	-	-	182	182
Dividend distribution	-	-	-	-	-	-78	-78
Capital transfer	-	-	-	-	-	-	-
Changes in participation capital	-	-	-	-	-	-	-
Additions to retained earnings	-	-	-	60	60	-60	-
Equity as of 31.12.2021	**380**	**1,639**	**13**	**717**	**730**	**159**	**2,908**

32 Share Capital (Liabilities Side Item No. 11a)

Share capital amounted to €380,376,059.67 during the entire financial years 2021 and 2020 and 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. pbb did not hold any treasury shares during the entire financial years 2021 and 2020.

For information on authorised and contingent capital please refer to the chapter "Supplemental Information" in the section "Disclosures Pursuant to Section 315a (1) HGB" of the Combined Management Report in pbb Group's Annual Report 2021.

33 Additional Paid-in Capital (Liabilities Side Item No. 11b)

In the financial years 2021 and 2020 there were no transfers to or withdrawals from additional paid-in capital.

Pursuant to section 272 (2) no. 4 of the HGB; additional paid-in capital includes shareholders' other contributions to equity. Except for legal reserves pursuant to section 150 (2) of the AktG of €25,383,131.91 (31 December 2020: €25,383,131.91), additional paid-in capital is freely available.

34 Retained Earnings (Liabilities Side Item No. 11c)

€60 million was allocated to other retained earnings, comprising €23 million from net income and €37 million from profits carried forward from 2020 (31 December 2020: €121 million allocation to other retained earnings).

Retained earnings include legal reserves pursuant to section 150 (2) of the AktG of €12,654,474.06 (31 December 2020: €12,654,474.06).

35 Foreign Currency Assets and Liabilities

Foreign currency assets amounted to €8,068 million (31 December 2020: €8,210 million), whereas foreign currency liabilities amounted to €8,441 million (31 December 2020: €8,305 million).

36 Assets transferred as Collateral

The following assets were transferred as collateral for own liabilities:

Assets transferred as collateral

	Carrying amount	
in € million	**31.12.2021**	**31.12.2020**
Pledging of securities arising from open market transactions with ECB	-	-
Pledging of securities arising from TLTRO with the ECB	5,355	6,065
Securities held under repurchase agreements	-	-
Securities held connected with EUREX transactions	191	98
Loans and advances held under repurchase agreements	27	31
Pledging of loans and advances as collateral for loans and advances received	258	270
Pledging of securities as collateral for loans and advances received	-	-
Cash collateral deposited at other banks	1,512	1,846
Cash collateral deposited at clients	61	26

All assets reported in the table were transferred for liabilities to other banks.

In addition, cash collateral was provided in a total amount of €36 million (31 December 2020: €31 million) for the irrevocable payment obligations to the German Federal Agency for Financial Market Stabilisation (Finanzmarktstabilisierungsanstalt – “FMSA”) resulting from the bank levy, and to the deposit guarantee scheme of German banks.

In addition, own covered issues in an amount of €2,143 million (31 December 2020: €1,411€ million that were not outstanding, as well as loans in the amount of €142 million (31 December 2020: €42 million) were pledged to the ECB within the context of the TLTRO.

37 Loans and Advances and Liabilities to Affiliated and Participated Companies

Loans and advances and liabilities to affiliated and participated companies

	to affiliated companies		to participated companies	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Loans and advances to other banks (assets side item no. 2)	-	-	-	-
Loans and advances to customers (assets side item no. 3)	-	-	13	15
Bonds and other fixed-interest securities (assets side item no. 4)	-	-	-	-
Liabilities to other banks (liabilities side item no. 1)	-	-	-	-
Liabilities to customers (liabilities side item no. 2)	3	2	-	-
Securitised liabilities (liabilities side item no. 3)	-	-	-	-
Subordinated liabilities (liabilities side item no. 8)	-	-	-	-

OTHER NOTES

38 Supplemental Disclosures According to Section 28 PfandBG

Loans and advances and liabilities to affiliated and participated companies

	Notional		Present value		Risk-adjusted net present value[1)]	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Total outstanding						
Mortgage Pfandbriefe	16,422	15,124	17,237	16,417	17,052	16,807
Cover Pool	19,226	17,545	20,258	18,876	19,880	18,822
Over-collateralisation	**2,804**	**2,421**	**3,021**	**2,459**	**2,829**	**2,015**
Over-collateralisation in of Pfandbriefe outstanding	17.1%	16.0%	17.5%	15.0%	16.6%	12.0%
Over-collateralisation in consideration of vdp-credit-quality-differentiation model	2,804	2,421	3,021	2,459	-	-
Over-collateralisation in of Pfandbriefe outstanding	17.1%	16.0%	17.5%	15.0%	-	-

1) For the calculation of risk cash value the dynamic rate method is applied according to section 5 (1) no. 1 PfandBarwertV.

Maturity structure (remaining term) notional

	Mortgage Pfandbriefe		Cover pool	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
up to 0.5 years	2,323	76	3,771	2,487
more than 0.5 years to 1 year	848	1,647	1,634	1,659
more than 1 year to 1.5 years	1,987	2,284	1,104	1,306
more than 1.5 years to 2 years	960	848	1,940	1,470
more than 2 years to 3 years	3,784	2,911	2,537	2,912
more than 3 years to 4 years	1,123	1,720	2,270	1,948
more than 4 years to 5 years	900	888	1,502	1,860
more than 5 years to 10 years	2,000	2,056	4,188	3,536
more than 10 years	2,497	2,694	280	367
total	**16,422**	**15,124**	**19,226**	**17,545**

Further cover assets for Mortgage Pfandbriefe as of 31 December 2021

in € million	Equalisation claims	Money claims: Total money claims	Money claims: thereof: covered bonds	Bonds	**Total**
Belgium	-	25	-	-	25
Germany	-	1,606	-	100	1,706
France	-	-	-	-	-
United Kingdom	-	-	-	-	-
Italy	-	-	-	80	80
Ireland	-	-	-	-	-
Japan	-	-	-	-	-
Austria	-	-	-	2	2
Poland	-	-	-	-	-
Portugal	-	-	-	-	-
Slovakia	-	-	-	-	-
Slovenia	-	-	-	-	-
Spain	-	-	-	13	13
Czech Republic	-	-	-	-	-
Hungary	-	-	-	-	-
Luxembourg	-	70	-	-	70
Netherlands	-	-	-	-	-
Denmark	-	-	-	-	-
USA	-	-	-	-	-
International Organisations	-	-	-	-	-
Total of all countries	**-**	**1,701**	**-**	**195**	**1,896**

Further cover assets for Mortgage Pfandbriefe as of 31 December 2020

in € million	Equalisation claims	Money claims: Total money claims	Money claims: thereof: covered bonds	Bonds	**Total**
Belgium	-	-	-	-	-
Germany	-	429	-	-	429
France	-	-	-	-	-
United Kingdom	-	-	-	-	-
Italy	-	-	-	80	80
Ireland	-	-	-	-	-
Japan	-	-	-	-	-
Austria	-	-	-	2	2
Poland	-	-	-	-	-
Portugal	-	-	-	-	-
Slovacia	-	-	-	-	-
Slovenia	-	-	-	-	-
Spain	-	-	-	12	12
Czech Republic	-	-	-	-	-
Hungary	-	-	-	-	-
Luxembourg	-	34	-	-	34
Netherlands	-	-	-	-	-
Denmark	-	-	-	-	-
USA	-	-	-	-	-
International Organisations	-	-	-	-	-
Total of all countries	**-**	**463**	**-**	**94**	**557**

Volume of claims used to cover Mortgage Pfandbriefe, split by countries where the property is located, and by property type as of 31 December 2021

		thereof: residential					
in € million	Total of used claims	Apartments	Single-and two-family houses	Multi-family houses	Buildings under construction	Building land	**Total residential**
Germany	7,756	260	12	2,169	178	-	2,619
Belgium	81	-	-	-	-	-	-
France	2,130	-	-	-	-	-	-
United Kingdom	1,474	-	-	-	-	-	-
Netherlands	561	58	-	46	-	-	104
Austria	194	-	-	-	-	-	-
Switzerland	77	-	-	-	-	-	-
USA	2,370	-	-	251	-	-	251
Denmark	-	-	-	-	-	-	-
Finland	195	-	-	14	-	-	14
Italy	51	-	-	-	-	-	-
Luxembourg	54	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-
Poland	881	-	-	-	-	-	-
Sweden	636	-	-	-	-	-	-
Slovakia	88	-	-	-	-	-	-
Spain	201	-	-	-	-	-	-
Czech Republic	254	-	-	-	-	-	-
Hungary	139	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-
Romania	143	-	-	-	-	-	-
Slovenia	45	-	-	-	-	-	-
Total of all countries	**17,330**	**318**	**12**	**2,480**	**178**	**-**	**2,988**

Volume of claims used to cover Mortgage Pfandbriefe, split by countries where the property is located, and by property type as of 31 December 2021

		thereof: commercial					
in € million	Office buildings	Retail buildings	Industrial buildings	other commercially used buildings	Buildings under construction	Building land	**Total commercial**
Germany	2,855	761	70	699	686	66	5,137
Belgium	81	-	-	-	-	-	81
France	1,492	152	54	291	142	-	2,131
United Kingdom	496	393	48	537	-	-	1,474
Netherlands	196	42	-	219	-	-	457
Austria	52	77	-	65	-	-	194
Switzerland	77	-	-	-	-	-	77
USA	1,769	16	36	298	-	-	2,119
Denmark	-	-	-	-	-	-	-
Finland	95	86	-	-	-	-	181
Italy	37	-	-	14	-	-	51
Luxembourg	27	-	-	27	-	-	54
Norway	-	-	-	-	-	-	-
Poland	432	268	15	165	-	-	880
Sweden	276	152	-	208	-	-	636
Slovakia	-	22	-	67	-	-	89
Spain	75	85	-	40	-	-	200
Czech Republic	76	92	41	45	-	-	254
Hungary	78	49	-	12	-	-	139
Japan	-	-	-	-	-	-	-
Romania	110	33	-	-	-	-	143
Slovenia	-	45	-	-	-	-	45
Total of all countries	**8,224**	**2,273**	**264**	**2,687**	**828**	**66**	**14,342**

Volume of claims used to cover Mortgage Pfandbriefe, split by countries where the property is located, and by property type as of 31 December 2020

		thereof: residential					
in € million	Total of used claims	Apartments	Single-and two-family houses	Multi-family houses	Buildings under construction	Building land	**Total residential**
Germany	7,472	299	5	2,083	336	-	2,723
Belgium	81	-	-	-	-	-	-
France	1,970	-	-	-	-	-	-
United Kingdom	1,779	-	-	-	-	-	-
Netherlands	546	-	-	69	47	-	116
Austria	320	-	-	-	-	-	-
Switzerland	113	-	-	-	-	-	-
USA	1,915	34	-	280	-	-	314
Denmark	-	-	-	-	-	-	-
Finland	329	-	-	-	-	-	-
Italy	51	-	-	-	-	-	-
Luxembourg	54	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-
Poland	960	-	-	-	-	-	-
Sweden	674	-	-	98	-	-	98
Slovakia	83	-	-	-	-	-	-
Spain	160	-	-	-	-	-	-
Czech Republic	191	-	-	-	-	-	-
Hungary	102	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-
Romania	143	-	-	-	-	-	-
Slovenia	45	-	-	-	-	-	-
Total of all countries	**16,988**	**333**	**5**	**2,530**	**383**	**-**	**3,251**

Volume of claims used to cover Mortgage Pfandbriefe, split by countries where the property is located, and by property type as of 31 December 2020

	thereof: commercial						
in € million	Office buildings	Retail buildings	Industrial buildings	other commercially used buildings	Buildings under construction	Building land	**Total commercial**
Germany	2,564	754	89	740	539	62	4,748
Belgium	81	-	-	-	-	-	81
France	1,378	168	57	240	127	-	1,970
United Kingdom	499	566	26	688	-	-	1,779
Netherlands	206	42	-	182	-	-	430
Austria	175	77	-	68	-	-	320
Switzerland	75	38	-	-	-	-	113
USA	1,381	15	33	172	-	-	1,601
Denmark	-	-	-	-	-	-	-
Finland	96	86	-	147	-	-	329
Italy	37	-	-	14	-	-	51
Luxembourg	27	-	-	27	-	-	54
Norway	-	-	-	-	-	-	-
Poland	480	390	15	75	-	-	960
Sweden	321	164	-	92	-	-	577
Slovakia	-	22	-	61	-	-	83
Spain	75	85	-	-	-	-	160
Czech Republic	33	123	-	35	-	-	191
Hungary	41	49	-	12	-	-	102
Japan	-	-	-	-	-	-	-
Romania	110	33	-	-	-	-	143
Slovenia	-	45	-	-	-	-	45
Total of all countries	**7,579**	**2,657**	**220**	**2,553**	**666**	**62**	**13,737**

Claims used to cover Mortgage Pfandbriefe

	Total amount of payments in arrears for at least 90 days		Total amount of these claims in as much as the respective amount in arrears is at least 5% of the claim	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Germany	-	-	-	-
Total of all countries	**-**	**-**	**-**	**-**

Claims used to cover Mortgage Pfandbriefe

in € million	**31.12.2021**	**31.12.2020**
up to € 300 thousand	61	69
more than € 300 thousand up to €1 million	130	146
more than €1 million up to €10 million	1,241	1,321
more than €10 million	15,898	15,452
Total	**17,330**	**16,988**

Key figures about outstanding Mortgage Pfandbriefe and cover pool used

in € million		31.12.2021	31.12.2020
Outstanding Mortgage Pfandbriefe		16,422	15,124
thereof fixed-rate Pfandbriefe		85.2%	89.1%
Cover pool		19,226	17,545
thereof total amount of claims which exceed the limits according to section 13 (1) PfandBG		-	-
thereof total amount of the claims which exceed the limits according to section 19 (1) no. 2 PfandBG		-	-
thereof total amount of the claims which exceed the limits according to section 19 (1) no. 3 PfandBG		-	-
thereof fixed-rate cover assets		58.4%	53.2%
Net present value for each foreign currency in € (net of assets and liabilities)	CHF	94	132
	DKK	-	-
	GBP	329	995
	JPY	-	-
	NOK	-	-
	SEK	30	281
	USD	576	939
Volume-weighted average time in years (seasoning)		3.4	3.5
Weighted average loan-to-value ratio		54.4%	54.5%
Weighted average loan-to-value ratio, based upon the market value – optional –		31.4%	32.9%

Enforcement measures (assets side nos. 2 and 3)

	Number of cases		thereof: commercial		thereof: residential	
in € million	2021	2020	2021	2020	2021	2020
Pending as of 31 December						
Forced sales	3	3	-	-	3	3
Administrative receiver-ship	-	1	-	-	-	1
therof included in pending forced sales	-	-	-	-	-	-
Forced sales in the current financial year	1	1	-	-	1	1

Properties acquired or purchased by auction (assets side items nos. 10 and 11): In the current and the previous financial year pbb did not take salvage acquisitions to avoid losses in mortgages.

Overdue interests (assets side items nos. 2 and 3): Total overdue interests to be paid by mortgage debtors (if not written off in previous periods) amounted to €0 million (31 December 2020: €0 million) for commercial purposes and to €0 million (31 December 2020: €0 million) for residential purposes.

Public Pfandbriefe outstanding and their cover

	Notional		Present value		Risk-adjusted net present value[1)]	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Total outstanding						
Public Pfandbriefe	10,174	10,136	12,520	13,248	11,799	12,351
Cover Pool	11,420	12,211	14,205	15,875	13,184	14,635
Over-collateralisation	**1,246**	**2,075**	**1,685**	**2,627**	**1,385**	**2,284**
Over-collateralisation of Pfandbriefe outstanding	12.2%	20.5%	13.5%	19.8%	11.7%	18.5%
Over-collateralisation in consideration of vdp-credit-quality-differentiation model	1,246	2,075	1,685	2,627	-	-
Over-collateralisation in of Pfandbriefe outstanding	12.2%	20.5%	13.5%	19.8%	-	-

1) For the calculation of risk cash value the dynamic rate method is applied according to section 5 (1) no. 1 PfandBarwertV.

Maturity structure (remaining term) notional

	Public Pfandbriefe		Cover pool	
in € million	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
up to 0.5 years	333	127	440	387
more than 0.5 years to 1 year	445	444	365	397
more than 1 year to 1.5 years	351	333	374	410
more than 1.5 years to 2 years	501	445	345	363
more than 2 years to 3 years	829	848	631	736
more than 3 years to 4 years	689	834	495	652
more than 4 years to 5 years	893	756	862	520
more than 5 years to 10 years	2,892	2,835	3,108	3,777
more than 10 years	3,241	3,514	4,800	4,969
total	**10,174**	**10,136**	**11,420**	**12,211**

Volume of claims used to cover Public Pfandbriefe as of 31 December 2021

	Cover pool		thereof owed by				thereof guaranteed by			
in € million	**Total**	thereof granted for reasons of promoting exports	Central state	Regional authorities	Local authorities	Other	Central state	Regional authorities	Local authorities	Other
Germany	**3,097**	389	195	1,952	70	275	393	139	73	-
Belgium	**112**	-	-	-	-	-	50	62	-	-
Finland	**65**	-	9	-	23	33	-	-	-	-
France	**2,664**	20	169	828	636	707	123	60	141	-
Greece	**-**	-	-	-	-	-	-	-	-	-
Luxembourg	**-**	-	-	-	-	-	-	-	-	-
Italy	**224**	-	-	213	11	-	-	-	-	-
Japan	**240**	-	180	-	60	-	-	-	-	-
Lithuania	**-**	-	-	-	-	-	-	-	-	-
Netherlands	**52**	52	-	-	-	-	52	-	-	-
Austria	**3,897**	-	3,175	-	-	-	370	291	61	-
Portugal	**307**	-	-	-	-	180	-	127	-	-
Sweden	**-**	-	-	-	-	-	-	-	-	-
Slovakia	**-**	-	-	-	-	-	-	-	-	-
Spain	**323**	-	-	283	-	40	-	-	-	-
Poland	**-**	-	-	-	-	-	-	-	-	-
Switzerland	**-**	-	-	-	-	-	-	-	-	-
Slovenia	**18**	-	-	-	-	-	18	-	-	-
Czech Republic	**-**	-	-	-	-	-	-	-	-	-
Canada	**69**	69	-	-	-	-	-	-	-	69
Denmark	**-**	-	-	-	-	-	-	-	-	-
Hungary	**-**	-	-	-	-	-	-	-	-	-
United Kingdom	**170**	6	-	12	152	-	6	-	-	-
USA	**-**	-	-	-	-	-	-	-	-	-
International Organisations	**182**	-	-	-	-	182	-	-	-	-
Total of all countries	**11,420**	**536**	**3,728**	**3,288**	**952**	**1,417**	**1,012**	**679**	**275**	**69**

Volume of claims used to cover Public Pfandbriefe as of 31 December 2020

	Cover pool		thereof owed by				thereof guaranteed by			
in € million	**Total**	thereof granted for reasons of promoting exports	Central state	Regional authorities	Local authorities	Other	Central state	Regional authorities	Local authorities	Other
Germany	**3,331**	465	216	2,044	76	284	471	157	83	-
Belgium	**131**	-	-	-	-	-	50	81	-	-
Finland	**84**	-	8	-	27	49	-	-	-	-
France	**2,922**	27	182	925	647	895	133	64	76	-
Greece	**-**	-	-	-	-	-	-	-	-	-
Luxembourg	**-**	-	-	-	-	-	-	-	-	-
Italy	**280**	-	-	266	14	-	-	-	-	-
Japan	**245**	-	185	-	60	-	-	-	-	-
Lithuania	**-**	-	-	-	-	-	-	-	-	-
Netherlands	**51**	51	-	-	-	-	51	-	-	-
Austria	**3,956**	-	3,176	-	-	-	370	345	65	-
Portugal	**320**	-	-	-	-	180	-	140	-	-
Sweden	**-**	-	-	-	-	-	-	-	-	-
Slovakia	**-**	-	-	-	-	-	-	-	-	-
Spain	**396**	-	-	343	-	53	-	-	-	-
Poland	**-**	-	-	-	-	-	-	-	-	-
Switzerland	**-**	-	-	-	-	-	-	-	-	-
Slovenia	**42**	-	-	-	-	-	42	-	-	-
Czech Republic	**-**	-	-	-	-	-	-	-	-	-
Canada	**76**	76	-	-	-	-	-	-	-	76
Denmark	**-**	-	-	-	-	-	-	-	-	-
Hungary	**-**	-	-	-	-	-	-	-	-	-
United Kingdom	**165**	7	-	11	147	-	7	-	-	-
USA	**-**	-	-	-	-	-	-	-	-	-
International Organisations	**212**	-	-	-	-	212	-	-	-	-
Total of all countries	**12,211**	**626**	**3,767**	**3,589**	**971**	**1,673**	**1,124**	**787**	**224**	**76**

On balance sheet date (and as in the previous year), no payments exist that are past due more than 90 days and no receivables exist with a past due amount of more than 5% of the total claim.

Claims used as cover for Public Pfandbriefe according to their amount in tranches

in € million	**31.12.2021**	**31.12.2020**
up to €10 million	361	406
more than €10 million up to €100 million	3,351	3,784
more than €100 million	7,708	8,021
Total	**11,420**	**12,211**

Key figures about outstanding Public Pfandbriefe and cover pool used

in € million		31.12.2021	31.12.2020
Outstanding Public Pfandbriefe		10,174	10,136
thereof fixed-rate Pfandbriefe		71.3%	78.2%
Cover pool		11,420	12,211
thereof total amount of the claims which exceed the limits according to section 20 (2) PfandBG		-	-
thereof fixed-rate cover assets section		72.5%	69.9%
Net present value for each foreign currency in € (net of assets and liabilities)	CAD	13	12
	CHF	67	83
	GBP	178	188
	JPY	201	211
	USD	518	576

39 Contingent Liabilities (Off-Balance-Sheet Item No. 1b)

The liabilities from guarantees and indemnity agreements of €185 million (31 December 2020: €196 million) were granted in connection with banking business. Prior to granting, the potential guarantee or indemnity holders are subjected to a thorough credit assessment. Any subsequent credit deteriorations are closely monitored, and corresponding provisions are recorded, if appropriate. Potential risks from guarantee or indemnity agreements are reflected through the recognition of additional general allowances. In this connection, pbb does not have any indication that would suggest additional future defaults. During the current financial year, provisions have been included in reported contingent liabilities for the first time; as a result, contingent liabilities are now reported under the balance sheet at their nominal amount, less provisions recognised.

40 Other Commitments (Off-Balance-Sheet Item No. 2c)

The reported amount of irrevocable loan commitments of a total of €3,101 million(31 December 2020: €3,259 million) comprises commitments for mortgage loans of €2,885 million(31 December 2020: €3,016 million) and loan commitments to the public sector in the amount of €216 million (31 December 2020: €243 million). Prior to granting, potential borrowers are subjected to a thorough credit assessment. Any subsequent credit deteriorations are closely monitored, and corresponding provisions are recorded, if appropriate. Potential risks from irrevocable loan commitments are reflected through the recognition of additional general allowances. pbb does not have any indication that would suggest additional future defaults. During the current financial year, provisions have been included in reported other commitments for the first time; as a result, other commitments are now reported under the balance sheet at their nominal amount, less provisions recognised.

41 Off-Balance-Sheet Transactions and Other Financial Commitments

Non-terminable operate lease agreements for land and buildings existed as of 31 December 2021 and as of 31 December 2020.

Future minimum lease payments by maturities

in € million	31.12.2021	31.12.2020
up to 1 year	8	7
more than 1 year to 5 years	18	25
more than 5 years	-	-
Total	**26**	**32**

In addition, cash collateral was provided in a total amount of €36 million (31 December 2020: €31 million) for the irrevocable payment obligations to the German Federal Agency for Financial Market Stabilisation (Finanzmarktstabilisierungsanstalt – "FMSA") resulting from the bank levy, and to the deposit guarantee scheme of German banks. In addition, pbb is required to make additional contributions to the bank levy upon request. These are considered a risk for the Bank's financial position as defined in section 285 No. 3 of the HGB.

Other commitments that existed on the balance sheet date are within the usual business scope.

42 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.

The profit participation certificates issued by the predecessor institutions participated in significant losses due to the net losses for the period incurred in the years 2008 et. seq. respectively pbb's unappropriated retained losses since this time. The redemption amounts have reduced and interest payment has been suspended. Individual investors therefore initiated legal proceedings, contesting in particular various individual clauses relating to loss participation and replenishment following loss participation. The key questions in this connection are which balance sheet items must be taken into account to calculate loss participation and whether replenishment is required if pbb records a net income, unappropriated retained earnings or another income. Courts have decided against the legal opinion of pbb in view of the individual decisions regarding profit participation certificates. These proceedings resulted in a partial or comprehensive increase in redemption claims, or in the subsequent distribution of cancelled coupon payments or interest payment claims. There are no legal proceedings pending here, after the last reported legal proceeding with an amount in dispute of approximately €20 million plus interest was settled.

Hypo Real Estate Bank International AG, a predecessor institution of pbb, issued Credit Linked Notes ("CLNs") in 2007, within the scope of the Estate UK-3 ("UK-3") synthetic securitisation transaction. The CLNs were issued in order to hedge the credit risk exposure of a real estate loan portfolio in the UK. The real estate loan portfolio subsequently suffered a loan default. pbb envisaged allocating a resulting loss of GBP 113.8 million to the credit linked notes. Deloitte GmbH Wirtschafts-prüfungsgesellschaft, acted as the trustee of UK-3, expressed doubts with respect to the permissibility of the loss allocation. In June 2017, the trustee therefore appointed an independent expert to determine whether the conditions for a loss allocation were met. On 28 June 2019, the independent expert informed pbb on its findings. It found the allocation of the full amount of a credit loss of GBP 113.8 million permissible. According to the terms of the CLN, the determination of the expert is final and binding – except in the absence of manifest error. On 13 September 2019, the trustee confirmed that he had reviewed the expert's report and found no apparent inaccuracy. Accordingly, the trustee has informed pbb that in his opinion the intended loss allocation is permissible. The loss allocation was made on 20 September 2019 and results in a corresponding reduction of the repayment claim under the CLN. On 20 March 2020 the CLN have been repaid (Scheduled Final Maturity).

On 4 July 2017, the German Federal Court of Justice (Bundesgerichtshof, “BGH”) determined the inadmissibility of processing fees for corporate loans agreed upon by way of a standard form. pbb still believes that the financing parameters used for complex financing structures in the lending business are generally subject to individual negotiations. pbb recognised sufficient provisions for all doubtful cases.

Moreover, no proceedings exist for which the Management Board believes the probability of an out-flow of resources – or another impact on pbb’s business activities – to be likely (or which are of material significance to pbb for other reasons) with an amount in dispute 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 business activities.

43 Financial Derivatives

The financial derivatives are almost exclusively entered into to hedge interest rate and currency risks (only OTC products) within the context of our asset/liability management and as micro hedges. To that extent, the negative balance from the market values of the financial derivatives is generally offset with positive market values from corresponding hedged items. The counterparties of the derivatives are sovereigns, banks and financial institutions from OECD countries as well as customers.

The customer derivatives are exclusively entered into in order to hedge risks in connection with a particular loan transaction.Bilateral netting arrangements are concluded to reduce both economic risk and regulatory credit risk (counterparty default risk). In doing so, the positive and negative market values of derivative contracts included in one netting arrangement may be netted, and the future regulatory risk premiums for these products may be reduced. As a result of the netting process, the credit risk is reduced to one single net receivable from one individual counterparty.

These risk-reducing methods are used for both regulatory reporting and internal measurement and monitoring of credit exposures – only when these are enforceable upon the relevant business partner’s insolvency in the respective jurisdiction. The enforceability is reviewed on the basis of legal opinions prepared for this purpose.

In addition, pbb enters into collateral agreements with its business partners to hedge the net receivable/liability resulting from the netting process (receive or provide collateral). This collateral management leads to credit risk mitigation by means of a timely (mostly daily) measurement and adjustment of the unsecured credit risk per counterparty.

As at 31 December 2021, the notional volume of the off-balance sheet derivatives amounted to €60,880 million (31 December 2020: €62,972 million). Under the mark-to-market method, the counterparty default risk exposure (before netting) currently amounts to €3,697 million (31 December 2020: €5,052 million), which corresponds to 6.1% (2020: 8.0%) of the notional volume. The fair value of the derivatives was calculated on the basis of generally recognised actuarial models (discounted cash flow method, Black-Scholes model, Hull-White model, Bachelier model).

Financial derivatives (before netting)

	Notional amounts		Fair value			
			positive		negative	
in € million	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Interest-based transactions	**56,966**	**57,569**	**3,688**	**4,990**	**4,555**	**5,742**
OTC products						
Forwards	-	-	-	-	-	-
Interest rate swaps	47,795	48,385	3,678	4,989	4,506	5,681
Interest options	9,171	9,184	10	1	49	61
other interest derivative contracts	-	-	-	-	-	-
Currency-based transactions	**3,914**	**5,403**	**9**	**62**	**46**	**53**
OTC products						
Forward exchange transactions	2,779	3,732	4	37	22	16
Cross-currency swaps	1,135	1,671	5	25	24	37
Foreign exchange options	-	-	-	-	-	-
Total	**60,880**	**62,972**	**3,697**	**5,052**	**4,601**	**5,795**

Accrued interest

	31.12.2021			31.12.2020
in € million	Interest-based transactions	Currency-based transactions	**Total**	**Total**
Loans and advance to other banks (assets side item no. 2)	324	-3	321	309
Loans and advance to customers (assets side item no. 3)	10	-	10	26
Sundry assets (assets side item no. 11)	-	-	-	-
Liabilities to other banks (liabilities side item no. 1)	-443	-	-443	-448
Liabilities to customers (liabilities side item no. 2)	-4	-	-4	-5
Sundry liabilities (liabilities side item no. 5)	-	-	-	-
Total	**-113**	**-3**	**-116**	**-118**

Currency effect

	31.12.2021			31.12.2020
in € million	Interest-based transactions	Currency-based transactions	**Total**	**Total**
Sundry assets (assets side item no. 11)	-	43	43	103
Sundry liabilities (liabilities side item no. 5)	-	-11	-11	-5
Total	**-**	**32**	**32**	**98**

Option an upfront premiums

	31.12.2021			31.12.2020
in € million	Interest-based transactions	Currency-based transactions	Total	Total
Prepaid expenses (assets side item no. 12)	119	-15	104	146
Deferred income (liabilities side item no. 6)	-250	-	-250	-307
Total	**-131**	**-15**	**-146**	**-161**

Pending loss provisions

	31.12.2021			31.12.2020
in € million	Interest-based transactions	Currency-based transactions	Total	Total
Other provisions (liabilities side item no. 7)	-6	-	-6	-5

44 Credit Derivatives

As was the case in the previous year, pbb did not act as guarantor or as guarantee for credit derivatives.

45 Valuation Units

pbb currently recognises only interest rate risks within the framework of valuation units. The carrying amounts of the hedged items included in the valuation units (fair value in case of derivatives) are shown in the following table:

Valuation units

	Carrying amounts	
in € million	31.12.2021	31.12.2020
Assets		
Bonds and other fixed-income securities	4,581	4,222
Loans and advances to customers	7,251	7,956
Loans and advances to other banks	300	300
Liabilities		
Securitised liabilities	8,483	7,425
Liabilities to customers	9,991	10,440
Liabilities to other banks	450	366
Subordinated liabilities	47	42
Positive fair values (clean) of derivatives	2,385	3,373
Negative fair values (clean) of derivatives	3,121	4,026

The amount of the risk that is hedged in the valuations units (equivalent to the risk-induced portion of the fair value) is disclosed in the following table:

Amount of hedged risks

in € million	31.12.2021 effective portion	31.12.2021 negative ineffective portion	31.12.2020 effective portion	31.12.2020 negative ineffective portion
Assets				
Bonds and other fixed-income securities	908	-	1,218	-
Loans and advances to customers	1,992	-1	2,661	-
Loans and advances to other banks	2	-	6	-
Liabilities				
Securitised liabilities	90	-	285	-
Liabilities to customers	2,100	3	2,950	3
Liabilities to other banks	62	-	79	-
Subordinated liabilities	2	-	3	-
Positive fair values (clean) of derivatives	2,328	-	3,319	-
Negative fair values (clean) of derivatives	2,976	2	3,888	2

The negative, ineffective portion, in total €6 million (2020: €5 million), represents the effects resulting from valuation units with a negative ineffectiveness, for which a provision for pending losses from executory contracts has to be recorded. In the current financial year, provisions for pending losses were added accordingly in the amount of €1million (2020: €1 million was reversed).

Due to the fact that pbb enters into hedged items and hedging transactions on identical or very similar terms and conditions, it can be expected that the risks of the transactions combined into valuation units are comparable, and will largely be characterised by offsetting developments. Hedging relationships are generally concluded for a period until maturity of the hedge. Earlier discontinuations of hedging relationships or hedges for a limited period are possible in individual cases.

The effectiveness of hedging relationships is assessed using sensitivity and regression analyses. To calculate the amount of the previous ineffectiveness, the risk-induced values of hedged item and hedging instrument are compared.

46 Board Members

Supervisory Board of pbb in financial year 2021

Name and place of residence Function in Supervisory Board Initial appointment	**Principal occupation** Functions in the Committees of the Supervisory Board	**Supervisory Board memberships and other directorships in 2021**
Dr Günther Bräunig Frankfurt/Main, Germany Chairman 14.8.2009	**CEO of KfW** Chairman of the Executive and Nomination Committee, of the Remuneration Committee and of the Audit and Digitalisation Committee (from 1.11.2021); Member of the Audit and Digitalisation Committee (until 31.10.2021) and of the Risk Management and Liquidity Strategy Committee (from 1.11.2021)	**Deutsche Post AG, Bonn, Germany** – Member of the Super-visory Board **Deutsche Telekom AG, Bonn, Germany** – Member of the Supervisory Board
Dagmar Kollmann Vienna, Austria Deputy Chairman 14.8.2009 Member (until 31.10.2021)	**Entrepreneur** Chairman of the Audit and Digitalisation Committee, Member of the Executive and Nomination Committee and of the Remu-neration Committee and of the Risk Management and Liquidity Strategy Committee (each function until 31.10.2021)	**Deutsche Telekom AG, Bonn, Germany** – Member of the Supervisory Board **KfW IPEX-Bank GmbH, Frankfurt/Main, Germany** – Member of the Supervisory Board (until 25.3.2021) **Unibail-Rodamco SE, Paris, France** – Member of the Super-visory Board **Coca-Cola European Partners plc, London, United King-dom** – Member of the Super-visory Board **Paysafe Limited, London** - Member of the Supervisory Board (from 25.3.2021)
Hanns-Peter Storr Frankfurt/Main, Germany Member (until 10.11.2021); Deputy Chairman (from 10.11.2021) 12.5.2021	**Banker** Chairman of the Risk Management and Liquidity Strate-gy Committee Member of the Audit and Digitalisation Committee (each func-tion from 12.5.2021)	**BHW Bausparkasse AG, Hameln** – Member of the Superviso-ry Board
Dr Jutta Dönges Frankfurt/Main, Germany Member 21.6.2018 Member (until 24.3.2021)	**Executing Director of Bundesrepublik Deutschland – Finanzagentur GmbH** Member of the Audit and Digitalisation Committee and of the Risk Management and Liquidity Strategy Committee (each function until 24.3.2021)	**Commerzbank AG, Frankfurt am Main, Germany** – Member of the Supervisory Board **FMS Wertmanagement AöR, Munich**, Germany – Deputy Chairman of the Supervisory Board **TUI AG, Hannover** – Member of the Supervisory Board (from 25.3.2021)
Dr Thomas Duhnkrack Kronberg/Taunus, Germany Member 21.7.2015	**Entrepreneur** Member of the Audit and Digitalisation Committee and of the Executive and Nomination Committee (from 10.11.2021)	**Hauck & Aufhäuser Privatbankiers AG (from 1.01.2022 Hauck Aufhäuser Lampe Privatbank AG), Frankfurt/Main, Germany** – Member of the Supervisory Board
Dr. Christian Gebauer-Rochholz Hochheim, Germany Employee Representative 21.11.2012 Member (until 12.5.2021)	**Bank employee**	-
Susanne Klöß-Braekler München Member 12.5.2021	**Entrepreneur** Member of the Executive and Nomination Committee and of the Remuneration Committee	**ING-DiBa AG, Frankfurt am Main** – Chairman of the Supervi-sory Board **Oddo BHF AG, Frankfurt am Main** – Member of the Supervi-sory Board **Cembra Money Bank AG, Zürich** – Member of the Superviso-ry Board
Georg Kordick Poing, Germany Employee Representative 22.2.1990	**Bank employee**	-
Olaf Neumann Munich Employee Representative 12.5.2021	**Bank employee**	-
Joachim Plesser Ratingen, Germany Member 26.8.2014 Member (until 12.5.2021)	**Consultant** Chairman of the Risk Management and Liquidity Strate-gy Committee, Member of the Executive and Nomination Commit-tee and of the Remuneration Committee (each function until 12.5.2021)	**DIC Beteiligungs AG, Frankfurt/Main, Germany** – Member of the Supervisory Board **Pandion AG, Cologne , Germany** – Chairman of the Supervi-sory Board
Oliver Puhl Frankfurt/Main, Germany Member 13.5.2016	**Entrepreneur** Member of the Risk Management and Liquidity Strategy Com-mittee	-
Heike Theißing Munich, Germany Employee Representative 7.7.2011	**Bank employee** Member of the Remunaration Committee	-

In its extraordinary meeting at the end of January 2022, the Supervisory Board resolved to file an application for court appointment of Gertraud Dirscherl to the Supervisory Board. The court appoint-ment has a term until the end of the 2022 Annual General Meeting. The Supervisory Board will pro-pose to the Annual General Meeting to elect Ms Dirscherl as member of the Su-pervisory Board.

Management Board of pbb in financial year 2021

Name and place of residence	**Function in the Management Board**	**Supervisory Board memberships**
Andreas Arndt Munich	CEO/CFO	-
Thomas Köntgen Frankfurt am Main	Deputy CEO Treasury and Real Estate Finance	-
Andreas Schenk Dreieich	CRO	-
Marcus Schulte Grünwald	Treasury	-

47 Disclosures According to Section 340a (4) No. 1 HGB

In the financial years 2021 and 2020, neither the legal representatives nor other employees held offices in legally prescribed supervisory boards of large corporations within the meaning of section 267 (3) HGB.

48 Employees According to Section 340a (4) No. 2 HGB

Average number of employees

	2021	**2020**
Employees (excluding apprentices)	801	789
Thereof: senior staff in Germany	18	18
Total	**801**	**789**

49 Disclosures According to Section 285 No. 9 HGB

Provisions for pensions under HGB

		2020[2)]
in € thousand	Additions/ reversals	**Total**
Management Board members who were in office during the financial year 2021	3,355	13,672
Management Board members who retired prior to the financial year 2021[1)]	135	62,308
Total	**3,490**	**75,980**

[1)] From the reporting year onwards, provisions for pensions reported will be supplemented by pension commitments as well as pensions/pension commitments due to deferred compensation.

[2)] Provisions for pensions for Management Board members who were in office during the financial year 2020 amounted to €10,317 thousand. Provisions for pensions to Management Board members who were retired prior the financial year 2020 amounted to €62,173 thousand as of 31 December 2020. Supplemented by pension commitments as well as pensions/pension commitments due to deferred compensation

Remuneration paid to Management Board members of pbb

in € thousand	2020[1)] Remuneration	Total
Management Board members who were in office during the financial year 2021	3,142	3,142
Management Board members who retired prior to the financial year 2021	-	-
Total	**3,142**	**3,142**

[1)] Remuneration paid to Management Board members who were in office during the financial year 2020 amounted to €3,179 thousand. Management Board members who retired prior the financial year 2020 did not receive any remuneration in 2020.

As of balance sheet date, there were no receivables to related persons from loans or advances or other commitments.

Remuneration paid to Supervisory Board members of pbb[1)]

in € thousand	2020[2)] Total fixed remuneration
Supervisory Board members who were in office during the financial year 2021	740
Supervisory Board members who retired prior to the financial year 2021	-
Total	**740**

[1)] Remuneration paid to Supervisory Board members who were in office during the financial year 2020 amounted to €788 thousand in the year 2020. Supervisory Board members who retired prior the financial year 2020 did not receive any remuneration in 2020.
[2)] Remunerations based on employment contracts that employee representatives of the Supervisory Board receive additionally to their function in the Supervisory Board are not shown.

Except from the employee representatives in the Supervisory Board who receive remuneration from pbb based on their employment contracts, other Supervisory Board members did not receive any remuneration in 2021 for services rendered in person.

50 Disclosures of Contingecies According to Section 34 (2) No. 4 RechKredV

Liabilities from contingencies within the meaning of section 251 HGB are disclosed off-balance sheet, as well as in the notes “Contingent Liabilities (Off-Balance-Sheet Item No. 1b)” and „Other commitments (Off-Balance-Sheet Item No. 2c)” as well as “Off-Balance-Sheet Transactions And Other Financial Commitments”.

51 Disclosures According to Section 33 et seq WpHG

In accordance with section 160 (1) No. 8 of the AktG, disclosures have to be made in relation to the existence of shareholdings of which pbb received notifications pursuant to section 33 (1), (2) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). In addition to the legal requirements, we also disclose the reportable istruments pursuant to section 38 of the WpHG as well as voting rights and instruments pursuant to section 39 of the WpHG, notified respectively in the financial year 2021, in the following table. All notifications of shareholdings were published by pbb in the financial year 2021 pursuant to section 40 (1) of the WpHG and are available, amongst others, on ppb’s website under www.pfandbriefbank.com/investoren. Please note that the disclosures on shareholdings may have become outdated in the meantime.

Notifying party	Date of reaching, exceeding or falling below the threshold	Notified holding (voting rights and/or options) in %	Voting rights	Instruments	**Total voting rights and instruments**
DWS Investment GmbH	5.1.2021	5.32	7,150,158	-	7,150,158
DWS Investment GmbH	13.1.2021	4.90	6,595,513	-	6,595,513
DWS Investment GmbH	3.3.2021	5.07	6,811,946	-	6,811,946
DWS Investment GmbH	12.3.2021	4.99	6,706,125	-	6,706,125
DWS Investment GmbH	15.3.2021	5.01	6,731,506	-	6,731,506
DWS Investment GmbH	16.3.2021	4.95	6,655,515	-	6,655,515
DWS Investment GmbH	14.5.2021	1.97	2,652,957	-	2,652,957
DWS Investment GmbH	18.5.2021	3.68	4,950,240	-	4,950,240
Bundesrepublik Deutschland	26.8.2021	2.99	4,020,720	-	4,020,720
Allianz Global Investors GmbH	26.8.2021	3.12	4,200,138	-	4,200,138
DWS Investment GmbH	8.11.2021	2.45	3,298,188	-	3,298,188
DWS Investment GmbH	22.11.2021	3.34	4,486,070	-	4,486,070
DWS Investment GmbH	25.11.2021	2.97	3,987,360	-	3,987,360
DWS Investment GmbH	3.12.2021	3.02	4,063,355	-	4,063,355
DWS Investment GmbH	10.12.2021	2.97	3,990,989	-	3,990,989
DWS Investment GmbH	16.12.2021	4.65	6,252,067	-	6,252,067
DWS Investment GmbH	23.12.2021	5.08	6,836,691	-	6,836,691
DWS Investment GmbH	28.12.2021	4.97	6,679,924	-	6,679,924
DWS Investment GmbH	30.12.2021	5.09	6,847,509	-	6,847,509

52 Consolidated Financial Statements according to Section 285 No. 14a HGB

pbb, as the ultimate parent company, prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are published in the German Federal Gazette (elektronischer Bundesanzeiger). The consolidated financial statements are also available online under www.pfandbriefbank.com/en/investors.

53 Appropriation of Net Income according to Section 285 No. 34 HGB

Based on unappropriate retained earnings in accordance with the HGB for the financial year 2021 in the amount of €158,680,863.44 the Management Board and the Supervisory Board will propose the payment of a dividend of €1.18 per dividend-entitled share to the Annual General Meeting; this corresponds to a total dividend payout of €158,680,863.44 based on the total number of shares issued (134,475,308).

54 Major Post Balance Sheet Date Events According to Section 285 No. 33 HGB

On 24 February 2022, Russia attacked its sovereign neighbouring country Ukraine, using military force. At the time of preparing the financial statements, the military conflict was still ongoing. In response, many countries have imposed economic and other sanctions against Russia. The further development of the war and its economic consequences cannot be reliably estimated.

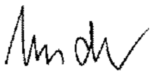
pbb monitors developments closely and continuously in order to be able to take the necessary measures. The Bank has no direct exposure to borrowers domiciled in Russia, Belarus or Ukraine, nor has it financed any properties in these countries. Moreover, pbb has not extended any financings to persons included on the European Union’s current sanctions list. Three existing PIF financings related to Russia amount to approximately €60 million and are almost fully guaranteed by Euler-Hermes, the Federal Republic of Germany’s export credit agency. The exposure not covered by these guarantees is roughly €3 million.

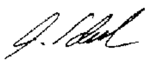
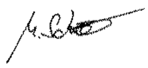
55 Statement of Compliance with the German Corporate Governance Kodex

The statement of compliance with the German Corporate Governance Kodex in accordance § 161 AktG of Management Board and Supervisory Board is published online under www.pfandbriefbank.com/en/the-company/corporate-governance.html.

Munich, 8 March 2022

Deutsche Pfandbriefbank AG
The Management Board



Andreas Arndt	Thomas Köntgen	Andreas Schenk	Marcus Schulte

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, these annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Deutsche Pfandbriefbank AG, Munich and the management report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the material opportunities and risks associated with the expected development of the Bank.

Munich, 8 March 2022

Deutsche Pfandbriefbank AG
The Management Board

Andreas Arndt	Thomas Köntgen	Andreas Schenk	Marcus Schulte

Independent Auditor's Report

To Deutsche Pfandbriefbank AG, Munich/Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions
We have audited the annual financial statements of Deutsche Pfandbriefbank AG, Munich/Germany, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss for the financial year from 1 January to 31 December 2021, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the combined management report on the parent and the group of Deutsche Pfandbriefbank AG, Munich/Germany, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement, including the further reporting on corporate governance included therein, and the separate combined non-financial statement, each of which is made reference to in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,
- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual 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 contents of the combined corporate governance statement stated above, including the further reporting on corporate governance included therein, and of the separate combined non-financial statement stated above.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions
We conducted our audit of the annual 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 Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. 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 annual financial statements and on the combined management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual 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 annual financial statements)
b) auditor's response

Determination of risk provisioning in the lending business

a) As at 31 December 2021, a total of bEUR 40.9 in loans and advances to customers and other banks are recognised in the annual financial statements of Deutsche Pfandbriefbank AG, which makes up 74.5% of total assets. The existing risk provisioning of mEUR 351 has already been deducted from these loans and advances. Risk provisioning includes both individually determined specific allowances of mEUR 172 and general allowances determined using a model-based approach of mEUR 179 that include a management overlay of mEUR 62 on account of the uncertainties regarding the further development of the COVID-19 pandemic. Additional contingent liabilities and other commitments amount to bEUR 3.3, for which provisions of mEUR 16 have been made in the lending business, which fully relate to general 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. According to the procedures defined by the Bank, any need for impairment, i.e. a write-down to the lower fair value, is generally measured as the difference between the current carrying amount of the loans and advances and the expected future payments received. The expected future cash flows derived from probability-weighted scenarios are discounted at the initial effective interest rate of these loans or advances. 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).

   Following the determination of risk provisions under IFRS, the Bank calculates general allowances and lump-sum specific allowances on the basis of parameters. For determining general allowances, the Bank generally uses a model-based procedure based on the regulatory 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. Regulatory risk parameters are transformed based on accounting requirements. General allowances are measured using different scenarios weighted by their probability of occurrence.

As at the balance sheet date 31 December 2021, a management overlay of mEUR 62 was added to the general allowance that was determined by taking into account the time delay expected by the executive directors of the Bank for defaults and bankruptcies to occur since the trough of the pandemic-related recession in the forecast parameters, such as for example the change in unemployment rate for certain credit portfolios affected by the pandemic. Moreover, certain credit portfolios were identified based on characteristics of the financing objects that are subject to higher credit risks.

Given the fact that the lending business is one of the Bank's core business activities and both individual and model-based measurement of loans and advances as well as the determination of the settlement amount of provisions as is necessary according to sound business judgement requires 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 risk provisioning, 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 risk provisioning is prone to uncertainties.

The disclosures on the determination of risk provisioning in the lending business can be found in the notes to the financial statements in chapter 2 “Accounting and measurement policies”, subsection “Allowances”.

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 (determination of specific allowances). Moreover, we conducted a test of design and implementation and of operating effectiveness of the controls with respect to the determination of general allowances.

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 client 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 amounts of collateral taken into account in the scenarios.

Furthermore, we traced the general allowances determined based on a representative sample of financial instruments and evaluated the methodology for deriving the management overlay and the appropriateness of the underlying assumptions that were essential for forming the management overlay, especially with respect to the credit portfolios affected, the period of time and reasons for delays of the defaults on the estimated values. In this context, our evaluation also took into account industry reports and research results from real estate market observation. Likewise, we reconstructed the calculation of the management overlay.

For the purpose of assessing the determination of the general allowance including the management overlay and assessing the measurement of collateral, we called in our internal specialists.

In addition, we audited the accuracy and completeness of the disclosures made in the notes to the financial statements.

Other Information
The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- The combined corporate governance statement pursuant to 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 separate combined non-financial statement pursuant to Sections 315b and 315c HGB in conjunction with Sections 289b to 289e HGB, to which reference is made in the combined management report and which is published together with the combined management report,
- the executive directors' confirmation regarding the annual financial statements and the combined management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the annual financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the combined corporate governance statement. Otherwise the executive directors are responsible for the other information.

Our audit opinions on the annual 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 annual financial statements, with the audited content of 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 Annual Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’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, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual 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 Company’s financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual 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 Company’s position and, in all material respects, is consistent with the annual 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 annual 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 annual 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 annual 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

> obtain an understanding of internal control relevant to the audit of the annual 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 these systems of the Company.

> 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 Company'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 annual 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 Company to cease to be able to continue as a going concern.

> evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

> evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Company'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 related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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 Annual Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the annual financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value 7CFEDBEABFCB3AC5E2 D54E6C6B227CE634AA337649A2B04796C063DCD2A60D1D, 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 audit only covers the conversion of the information contained in the annual 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 annual financial statements and of the combined management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Annual 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 Audit Opinion

We conducted our audit of the electronic reproductions of the annual financial statements and of the combined management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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 annual financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal controls 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.

Auditor's Responsibilities for the Audit of 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 audit. 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit 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 provided 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 a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited combined management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 12 May 2021. We were engaged by the supervisory board on 27 August 2021. We have been the 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 annual financial statements and the audited combined management report as well as with the audited ESEF documents. The annual financial statements and the combined management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited annual financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited 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, 9 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Prof. Dr. Carl-Friedrich Leuschner Wirtschaftsprüfer (German Public Auditor)	Signed: Martin Kopatschek Wirtschaftsprüfer (German Public Auditor)

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 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.

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The German version of these Annual Financial Statements and of the Combined Management Report are the authoritative versions and only these German versions were audited by the auditors.