Annual Financial Statements 2023

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 2023 of Deutsche Pfandbriefbank Group (pbb Group).

The Annual Financial Statements and the Management Report combined with the Group Management Report for the financial year 2023 will be published by the operator of the German Company Register (Unternehmensregister).

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 2023

in € million			**2023**	**2022**
1. Interest income from				
a) lending and money market business	3,287			2,068
b) fixed-income and government-inscribed debt	217	3,504		234
2. Interest expenses		-3,110		-1,794
			394	508
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		7		8
6. Commission expenses		-5		-3
			2	5
7. Other operating income			122	40
8. General and administrative expenses				
a) personnel expenses				
aa) wages and salaries	-123			-104
ab) social security contributions and expenses for pensions and other employee benefits	-31	-154		-68
thereof: for pensions €12 million (31.12.2022: €51 million)				
b) other administrative expenses		-123		-112
			-277	-284
9. Amortisation/depreciation and write-downs of intangible and tangible assets			-7	-6
10. Other operating expenses			-40	-49
11. Write-downs of claims and certain securities as well as additions to provisions in the lending business		-186		-81
12. Income from write-ups of claims and certain securities as well as reversals of provisions in the lending business		-		-
			-186	-81
13. Write-downs and impairments to participating interests, investments in affiliated companies and securities treated as fixed assets		-		-5
14. Income from write-ups to participating interests, investments in affiliated companies and securities treated as fixed assets		32		-
			32	-5
15. Additions to the fund for general banking risks			-30	-
16. Expenses from assumption of losses			-	-
17. Result from ordinary activities			10	128
18. Extraordinary income			-	-
19. Extraordinary expenses			-	-
20. Extraordinary result			-	-
21. Income taxes		-9		-13
22. Other tax unless reported under item no. 10		-1		-1
			-10	-14
23. Net income/loss			-	114
24. Profit/loss carried forward from the previous year			-	-
			-	114
25. Withdrawals from additional paid-in capital			-	-
26. Refilling of profit participation capital/withdrawals from profit participation capital			-	-
27. Allocation to retained earnings/ Withdrawals from retained earnings			-	14
28. Unappropriated retained earnings			**-**	**128**

Balance Sheet

Annual Balance Sheet of Deutsche Pfandbriefbank AG as at 31 December 2023

Assets

in € million			31.12.2023	31.12.2022
1. Cash reserve				
a) cash on hand		-		-
b) balances with central banks		43		46
thereof: with the Deutsche Bundesbank €43 million (31.12.2022: €46 million)				
			43	46
2. Loans and advances to other banks				
a) mortgage loans		-		-
b) public-sector loans		553		551
c) other loans and advances		5,273		6,998
thereof: repayable on demand €3,873 million (31.12.2022: €2,489 million)				-
thereof: collateralised by securities €0 million (31.12.2022: €0 million)				
			5,826	7,549
3. Loans and advances to customers				
a) mortgage loans		30,692		29,041
b) public-sector loans		8,233		9,045
c) other loans and advances		135		259
thereof: collateralised by securities €0 million (31.12.2022: €0 million)				
			39,060	38,345
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 (31.12.2022: €0 million)				
ab) of other issuers	-			-
thereof: eligible as collateral for Deutsche Bundesbank €0 million (31.12.2022: €0 million)				
		-		-
b) Bonds and notes				
ba) of public-sector issuers	3,733			4,985
thereof: eligible as collateral for Deutsche Bundesbank €2,836 million (31.12.2022: €3,742 million)				
bb) of other issuers	1,493			1,646
thereof: eligible as collateral for Deutsche Bundesbank €1,407 million (31.12.2022: €1,357 million)				
		5,226		6,631
c) own debt securities		-		-
notional amount €0 million (31.12.2022: €0 million)				
			5,226	6,631
5. Equity shares and other variable-income securities			2	2
6. Participating interests			-	-
thereof: in banks €0 million (31.12.2022: €0 million)				
thereof: in financial services institutions €0 million (31.12.2022: €0 million)				
thereof: in Securities and Investment Institute €0 million (31.12.2022: €0 million)				
7. Investments in affiliated companies			1	5
thereof: in banks €0 million (31.12.2022: €0 million)				
thereof: in financial services institutions €0 million (31.12.2022: €0 million)				
thereof: in Securities and Investment Institute €0 million (31.12.2022: €4 million)				
8. Assets held in trust			-	-
thereof: loans on a trust basis €0 million (31.12.2022: €0 million)				
Carryover			**50,158**	**52,578**

in € million			31.12.2023	31.12.2022
Carryover			**50,158**	**52,578**
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		36		13
c) goodwill		-		-
d) down-payments		12		16
			48	29
10. Tangible assets			1	2
11. Sundry assets			175	229
12. Prepaid expenses				
a) from the issuance and loan business		116		139
b) other		111		154
			227	293
13. Overfunded plan assets			-	-
Total assets			**50,609**	**53,131**
Liabilities and equity				
in € million				
1. Liabilities to other banks				
a) registered Mortgage Pfandbriefe issued		399		370
b) registered Public Pfandbriefe issued		827		538
c) other liabilities		5,275		7,113
thereof: repayable on demand €388 million (31.12.2022: €460 million)				
			6,501	8,021
thereof: delivered to lender as collateral for received loans				
registered Mortgage Pfandbriefe €0 million (31.12.2022: €0 million)				
registered Public Pfandbriefe €0 million (31.12.2022: €0 million)				
2. Liabilities to customers				
a) registered Mortgage Pfandbriefe issued		3,475		3,429
b) registered Public Pfandbriefe issued		4,733		5,547
c) savings deposits				
ca) with agreed notice period of three months	-			-
cb) with agreed notice period of more than three months	-			-
		-		-
d) other liabilities		10,727		9,218
thereof: repayable on demand €1,130 million (31.12.2022: €1,535 million)				
			18,935	18,194
thereof: delivered to lender as collateral for received loans				
registered Mortgage Pfandbriefe €0 million (31.12.2022: €0 million)				
registered Public Pfandbriefe €0 million (31.12.2022: €0 million)				
3. Securitised liabilities				
a) bonds in issue				
aa) Mortgage Pfandbriefe	12,580			12,291
ab) Public Pfandbriefe	1,960			2,148
ac) other bonds	6,222			7,852
		20,762		22,291
b) other securitised liabilities		-		-
thereof: money market instruments €0 million (31.12.2022: €0 million)				
			20,762	22,291
Carryover			**46,198**	**48,506**

in € million		31.12.2023	31.12.2022
Carryover		**46,198**	**48,506**
4. Liabilities held in trust		-	-
thereof: liabilities on a trust basis €0 million (31.12.2022: €0 million)			
5. Sundry liabilities		64	21
6. Deferred income			
a) from issuance and loan business	187		226
b) other	195		251
		382	477
7. Provisions			
a) provisions for pensions and similar obligations	136		133
b) provisions for taxes	18		19
c) other provisions	76		115
		230	267
8. Subordinated liabilities		606	638
9. Additional Tier 1 capital instruments		317	312
10. Fund for general banking risks		77	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	703		703
		716	716
d) unappropriated retained earnings		-	128
		2,735	2,863
Total liabilities and equity		**50,609**	**53,131**
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)	63		70
c) liability arising from the provision of collateral for third-party liabilities	-		-
		63	70
2. Other commitments			
a) repurchase obligations from non-genuine sale and repurchase agreements	-		-
b) placement and underwriting obligations	-		-
c) irrevocable loan commitments	2,219		2,989
		2,219	2,989
Total of contingent liabilities and other commitments		**2,282**	**3,059**

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 2023 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 (Pfandbriefgesetz – “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 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 exercised the option of section 315 (5) HGB in connection with section 298 (2) HGB to combine the Group Management Report with the Management Report. The combined Management Report is included in Deutsche Pfandbriefbank Group’s (pbb Group) Annual Report 2023.

2 Accounting and Measurement Principles

The Management Board prepared and authorised these annual financial statements on 5 March 2024 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 the context of specific impairments, the expected individual cash flows are determined on the basis of the expected value of various possible scenarios in order to adequately take into account acute default risk in accordance with the principle of commercial prudence.

As regards the measurement of specific impairments, expected individual cash flows also include interest and the discount to fair value, in addition to repayments. To the extent that the receivable underlying interest calculations has already been written down or written off because of non-recoverability, no interest income will be recognised. Gains or losses from discounting or 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 and provisions in the lending business (general loan loss provisioning) are recognised for potential default risks in the lending business. When determining amounts for general loan loss provisioning, 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 transformed appropriately. The transformation uses parameters that are based on historical loss experience. In the models for special purpose entities, the probabilities of default are transformed using the expected fair market values for real estate, expected 5-year swap rate per currency and the absolute change in the expected unemployment rate; for other than special purpose entities, the transformation uses the expected market values in real estate and the expected unemployment rate.

General loan loss provisioning is determined through probability weighting of various scenarios. The baseline scenario used by pbb to determine general loan loss provisioning is weighted at 55% (31 December 2022: 55%): the positive scenario has a weighting of 5% (31 December 2022: 5%) and the negative scenario has a weighting of 40% (31 December 2022: 40%). 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.

As at 31 December 2023, pbb has recognised a management overlay of €31 million in order to reflect the emerging dynamics on the US real estate markets. This market is currently characterised by historically low transaction volumes, a sharp decline in market values and a high level of uncertainty. On the one hand, the overlay includes an adjustment of the model-based average estimated probability of default (PD) and loss given default (LGD) for the entire US business. For this purpose, the PDs and LGDs were derived on the basis of a longer-term historical average in order to take into account experience from several economic cycles. Secondly, US property loans without indicators of impaired credit quality were collectively provided for in the amount of the expected credit losses over the term if the last default rating was issued more than six months ago.

The management overlay of €69 million existing as of 31 December 2022 was fully reversed by pbb in the course of 2023. At the time, the management overlay was created for financing office properties, irrespective of the country, as the valuation parameters as at 31 December 2022 did not reflect the risks and uncertainties comprehensively enough from pbb Group's perspective. In the course of 2023, however, these valuation parameters, and in particular the interest rate level, did not develop as negatively as assumed in the management overlay.

In 2023, pbb made a change to the measurement of general loan loss provisions by adjusting the underlying data used to determine PDs and LGDs for the derivation of historical losses. On the one hand, a longer period was taken into account. Secondly, financing types were no longer used if they are no longer relevant in pbb's portfolio. The adjustment increased the representativeness of the data pool. The change resulted in a €22 million decrease in allowances for losses on loans and advances (write-downs and credit loss allowances on loans and advances and certain securities as well as additions to provisions in the lending business). Of this amount, €20 million were attributable to credit loss allowances on on-balance sheet business and €2 million to business that has not yet been disbursed and is therefore off-balance sheet.

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.

The subject of IDW RS BFA 7 statement on accounting is the consideration of foreseeable counterparty risks in the lending business of credit institutions that have not yet been specified for individual borrowers. IDW RS BFA 7 enables IFRS reporting entities to also apply the IFRS 9 methodology to determine general loan loss provisions in accordance with the HGB. pbb utilises this option.

Securities
Securities of the liquidity reserve 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.

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.

No securities were reclassified between current and non-current assets in the 2023 financial year. In the previous year, pbb had reclassified marketable securities of German issuers with a volume of €101 million from current assets to non-current assets in accordance with IDW RH HFA 1.014 due to a change in purpose.

Securities lending and repurchase 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.

pbb has performed impairment tests on its significant participating interests in accordance with section 253 (3) of the HGB. Measurement was carried out in accordance with the IDW S1 in conjunction with IDW RS HFA 10 standard. In June 2023, the shares held by Caisse des Dépôts et Consignations (CDC) in the subsidiary CAPVERIANT GmbH (28.57%) were repurchased by pbb. CAPVERIANT GmbH was subsequently merged into pbb with economic effect from 1 January 2023. This resulted in a merger loss of €2 million.

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 which customers use for protection against interest rate risks. The customer derivatives are regularly hedged by offsetting transactions on the interbank market or controlled within the framework of macro interest rate management. The derivative contracts are regularly hedged by compensating transactions at the interbank market. Financial instruments are accounted for as part of valuation units pursuant to section 254 HGB as well as 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 the financial year 2022, pbb participated in the ECB's Targeted Longer Term Refinancing Operations (TLTRO III) with a nominal volume of €8.4 billion. As at the reporting date, the carrying amount of TLTRO liabilities reported under liabilities to central banks amounted to only €0.9 billion after repayment (31 December 2022: €2.6 billion).

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 (excluding risk provisions) 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: 1.82% p.a. (31 December 2022: 1.78% p.a.)
- Rate of increase in future compensation: 2.50% p.a. (31 December 2022: 2.50% p.a.)
- Rate of increase in pension obligations: 2.50% p.a. (31 December 2022: 2.50% 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 2023 and 2022.

Provisions for pensions and similar obligations were discounted in the financial year 2023 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 2023, using an average market interest rate for the past ten years 1.82% (31 December 2022: 1.78%), and the average market interest rate for the past seven years 1.74% (31 December 2022: 1.44%), amounts to €3 million (31 December 2022: €15 million) and is not available for dividend distribution.

The application of statement IDW RH FAB 1.021 for the valuation of provisions for reinsured pension obligations resulted in a reduction of claims from reinsurance policies in the amount of €15 million (2022: €14 million). This resulted in an expense of €1 million in 2023 (2022: €14 million). Implementation of the Accounting Practice Statement was carried out using the actuarial reserve procedure, selecting the liability method (Passivprimat). Using the biometric factors specified by the German Association of Actuaries (DAV), a multiplicative reestimation of the biometric calculation bases between the Klaus Heubeck 2018 G mortality tables and the DAV tables was carried out.

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

Valuation units
As a result of the increasing shift in pbb's interest rate risk management from an individual to an overall interest rate book approach, interest rate hedging derivatives are generally allocated to macro interest rate hedging. Accordingly, they are also assessed and measured as part of overall bank risk management. There were no valuation units (micro hedges) as at 31 December 2023.

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 2023 and 31 December 2022.

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 or to reform the determination of 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 reference interest rates – based on the risk-free overnight interest rates €STR, SONIA, SOFR and SARON – have been established in the EUR, GBP, USD and CHF currency areas.

The European Money Markets Institute (EMMI) revised the calculation methodology of the EURIBOR interest rate in 2019 and switched to a hybrid method. As a result of the EURIBOR reform, the calculation was changed and adapted to the specifications, but the reference rate itself was not changed. EMMI has been calculating and publishing the reformed EURIBOR interest rate since July 2019. The EU-BMR conformity of the revised EURIBOR interest rate enables market participants, and thus also pbb, to use EURIBOR interest rates as a reference rate for both existing and new contracts until further notice. pbb expects the EURIBOR rate to remain the reference rate for at least the next few years.

Already in 2020 pbb 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 the 2021 financial year, the existing contracts based on LIBOR in GBP and CHF were converted to alternative interest rates. In view of the last publication of USD LIBOR on 30 June 2023, transactions referencing this were converted to the alternative term SOFR.

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 September 2019. pbb has taken this accounting guidance into consideration in the preparation of its annual financial statements for 2023.

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 pbb 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% (2022: 27.7%) which comprises corporation tax, trade tax and solidarity surcharge.

pbb applies the exemption from recognising deferred taxes resulting from the implementation of the global minimum tax rules by the respective countries. pbb does not operate in countries with a tax rate below the 15% threshold.

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.

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 €3 million (2022: €18 million).

Interest expenses relating to Mortgage Pfandbriefe, Public Sector Pfandbriefe and other debt securities amounted to €746 million (2022: €601 million).

Claims from finance lease agreements in the amount of €144 million (31 December 2022: €157 million), which are reported under receivables from customers, resulted in interest income of €3 million (31 December 2022: €3 million).

There was no negative interest from non-derivative financial assets (2022: €-25 million) and is disclosed in interest expenses. Within the interest income, there was no positive interest from non-derivative financial liabilities (2022: €54 million). From swap transactions positive interest expenses resulted in the amount of net €-2 million (2022: €5 million).

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

Commission income mainly results from upfront fees of €6 million (2022: €6 million) and from guarantee commissions of €1 million (2022: €2 million). The commission expenses include €3 million fees from deposit business (2022: €1 million) and fees from custodial business of €1 million (2022: €2 million).

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

Other operating income includes mainly reversals of other provisions in non-lending business of €57 million (2022: €35 million). In addition, gains on own debt securities resulted in income of €37 million. Furthermore, there was income of €24 million from the expiry of potential repayment claims from a past synthetic securitisation transaction of a predecessor institution of pbb. Income from previous reporting periods amounted to €1 million (2022: €1 million). There was no income from foreign currency translation effects (2022:no income).

The balance of net interest income from reinsurance policies and expenses from the unwinding of discounting pension obligations was a net income of €1 million (2022: net income of €1 million).

Income from the unwinding of discounting other provisions was €2 million (2022: less than €1 million).

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

General and administrative expenses consist of personnel expenses of €154 million (2022: €172 million) and non-personnel expenses of €123 million (2022: €112 million).

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

Other operating expenses include mainly additions to other provisions in non-lending business of €8 million (2022: €11 million) and price losses from own debt securities of €4 million. In addition, expenses for bank levy amounted €22 million (2022: €31 million) considering collateral pledged in the amount of 22.5% (2022: 15%) from total bank levy. There were no expenses from foreign currency translation (2022: €4 million).

Expenses from unwinding the discount on other provisions are recognised under other operating expenses, and amounted to €1 million (2022: less than €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 2023 net expense of €186 million (2022: net expense of €81 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 release from portfolio-based allowances in the amount of €10 million (2022: net release in the amount of €5 million), net release from specific allowances and sale of securities and loans in the amount of €197 million (2022: net release in the amount of €86 million). In 2023, an income from written-off receivables in the amount of €1 million was generated (2022: no income from written-off receivables).

A management overlay was recognised, which is described in detail 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 2023 net income of €32 million (2022: net expenses of €5 million) resulted from write-ups, sales proceeds and expenses from write-downs of securities treated as fixed assets. Thereof net income in the amount of €32 million was applicable to gains on disposal and €0 million to the reversal of portfolio-based allowances (2022: net income in the amount of €3 million due to the reversal of portfolio-based allowances). Net expenses from participating interest and investments in affiliated companies amounted to less than €0 million (2022: €8 million).

10 Extraordinary Result (Income Statement Item No. 20)

The extraordinary result amounted to €0 million (2022: €0 million).

11 Income Taxes (Income Statement Item No. 21)

Expenses for income taxes amounted to €9 million (2022: €13 million), thereof expenses of €15 million (2022: €23 million) were attributable to the current financial year and income of €6 million was attributable to previous years (2022: €10 million).

pbb falls within the scope of the regulations on global minimum taxation. In December 2023, the European Union directive on global minimum taxation was transposed into national law in Germany with effect from 1 January 2024. The most important other jurisdictions in which pbb operates with a unit and in which this tax will also be levied from 1 January 2024 include the United Kingdom, France, Spain and Sweden. As a result, there is a mechanism in the EU countries, the United Kingdom and various other countries that raises the tax burden on the profits of large internationally active corporate groups to at least 15% in all countries of operation if a business unit of a corporate group is based in one of these countries where this legislation has been introduced. In the USA, no minimum tax has yet been introduced in accordance with the OECD framework.

As the legislation on global minimum taxation was not yet in force at the reporting date, pbb was not subject to any tax burden in this respect in the year under review.

pbb does not operate in countries with a tax rate below the 15% threshold. Nevertheless, the average effective tax rate for the current reporting period is below 15% for several jurisdictions. However, pbb expects that no additional tax will arise in these countries, as the effective tax burden has been reduced by income from the reversal of uncertain tax positions and/or income from value adjustments and the non-recognition of deferred taxes, which are not to be taken into account in the calculations for Pillar 2 purposes.

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	31.12.2023	31.12.2022
A. Mortgage Pfandbriefe		
Cover assets		
Loans and advances to other banks		
a) Mortgage loans	-	-
Loans and advances to customers		
a) Mortgage loans	19,202	18,446
Tangible assets (land charges on the Bank's own property)	-	-
Sundry assets	-	-
	19,202	18,446
Further cover assets		
Other loans and advances to other banks	-	-
Bonds and other fixed-income securities	1,708	1,327
Claims from derivatives	-	-
Total cover assets	**20,910**	**19,773**
Total Mortgage Pfandbriefe requiring cover	16,952	15,981
thereof liabilities from derivatives	-	-
Over-collateralisation	**3,958**	**3,792**
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	4	5
b) Public-sector loans	8,329	9,036
Bonds and other fixed-income securities	920	1,622
	9,503	10,913
Further cover assets		
Other loans and advances to other banks	-	-
Claims from derivatives	-	-
Total cover assets	**9,503**	**10,913**
Total Public Pfandbriefe requiring cover	8,670	8,771
thereof liabilities from derivatives	-	-
Over-collateralisation	**833**	**2,142**

13 Maturities of Selected Balance Sheet Items

Maturities of selected balance sheet items

in € million	31.12.2023	31.12.2022
Loans and advances to other banks (assets side item no. 2)	**5,826**	**7,549**
Repayable on demand	3,873	2,489
Loans and advances with duration	1,953	5,060
up to 3 months	1,403	514
more than 3 months to 1 year	-	3,996
more than 1 year to 5 years	250	250
more than 5 years	300	300
Loans and advances to customers (assets side item no. 3)	**39,060**	**38,345**
of undetermined duration	3	-
up to 3 months	3,682	2,074
more than 3 months to 1 year	5,154	5,398
more than 1 year to 5 years	19,175	17,579
more than 5 years	11,046	13,294
Bonds and other fixed-interest securities (assets side item no. 4)	**5,226**	**6,631**
thereof maturing in the subsequent year	821	1,381
Liabilities to other banks (liabilities side item no. 1)	**6,501**	**8,021**
Repayable on demand	388	460
Liabilities with agreed duration or notice period	6,113	7,561
up to 3 months	1,542	3,288
more than 3 months to 1 year	2,879	1,933
more than 1 year to 5 years	1,121	1,769
more than 5 years	571	571
Liabilities to customers (liabilities side item no. 2)	**18,935**	**18,194**
Repayable on demand	1,130	1,535
Liabilities with agreed duration or notice period	17,805	16,659
up to 3 months	1,818	810
more than 3 months to 1 year	2,262	2,846
more than 1 year to 5 years	5,440	4,425
more than 5 years	8,285	8,578
Securitised liabilities (liabilities side item no. 3)	**20,762**	**22,291**
a) bonds in issue	20,762	22,291
thereof maturing in the subsequent year	5,177	4,402
b) other securitised liabilities	-	-
up to 3 months	-	-
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 2023 nor as of 31 December 2022.

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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Bonds and other fixed-income securities	4,903	6,234	323	397
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 €5,226 million (31 December 2022: €6,631 million). Of this amount, €4,205 million (31 December 2022: €5,564 million) are treated as fixed assets, and €1,021 million (31 December 2022: €1,067 million) are treated as current assets.

As at 31 December 2023 the fair value of the securities held as fixed assets with unrealised depreciation amounted to €1,241 million and was therefore lower than the carrying amount of €1,329 million. The write-downs not recognised as at 31 December 2023 amounted to €88 million.

As at 31 December 2022 securities held as fixed assets with a carrying amount of €1,744 million were not recognised at the lower fair value on the balance sheet date of €1,610 million valued. The write-downs not recognised as at 31 December 2022 amounted to 134 million.

The issuer groups are broken down as follows:

Omitted write-downs, by issuer

				31.12.2023	**31.12.2022**
in € million	Public issuers	Other banks	Other issuers	**Total**	**Total**
Carrying amount	1,301	23	5	1,329	**1,744**
Fair value	1,214	22	5	1,241	**1,610**
Omitted write-downs of fixed assets	87	1	-	88	**134**

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
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
Eco Estate GmbH, Frankfurt/Main	35.00%	-	97	-385	EUR
SOMA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG, Düsseldorf[1)]	33.33%	-	5,048	2,779	EUR

[1)] Financial figures from the financial year 2022

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 2023 and as of 31 December 2022 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 €12 million down-payments (31 December 2023: €16 million) and purchased software in the amount of €36 million (31 December 2022: €13 million).

20 Tangible Assets (Assets Side Item No. 10)

Tangible assets include operating equipment of €1 million (31 December 2022: €2 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					
1.1.2022	**57**	**15**			
Additions	15	-			
Disposals	-	-			
Transfers	-	-			
Foreign currency translation effects	-	-			
31.12.2022	**72**	**15**			
1.1.2023	**72**	**15**			
Additions	28	-			
Disposals	-3	-			
Transfers	-	-			
Foreign currency translation effects	-	-			
31.12.2023	**97**	**15**			
Write-down					
1.1.2022	**-38**	**-12**			
Write-up	-	-			
Disposals	-	-			
Transfers	-	-			
Depreciation or amortisation	-5	-1			
Impairment write-down	-	-			
Foreign currency translation effects	-	-			
31.12.2022	**-43**	**-13**			
1.1.2023	**-43**	**-13**			
Write-up	-3	-			
Disposals	3	-			
Transfers	-	-			
Depreciation or amortisation	-6	-1			
Impairment write-down	-	-			
Foreign currency translation effects	-	-			
31.12.2023	**-49**	**-14**			
Carrying amounts					
1.1.2022	**19**	**3**	**6,342**	**-**	**13**
Aggregation according to section 34(3) RechKredV			-778	-	-8
31.12.2022	**29**	**2**	**5,564**	**-**	**5**
1.1.2023	**29**	**2**	**5,564**	**-**	**5**
Aggregation according to section 34(3) RechKredV			-1,359	-	-4
31.12.2023	**48**	**1**	**4,205**	**-**	**1**

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 €43 million (31. December 2022: €31 million). As at 31 December 2023, the collateral provided for the European bank levy amounted to €42 million (31 December 2022: €36 million), for the deposit protection fund to €3 million (31 December 2022: €3 million) and for the Compensation Scheme of German Banks to €4 million (31 December 2022: €3 million).

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 2022: €1 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 2023 and as of 31 December 2022, 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	31.12.2023	31.12.2022
Assets side item no. 12a)		
Prepaid expenses from the issuance and loan business	116	139
thereof:		
discount from debt securities and loans received	44	52
premium from loans and advances granted	72	87
Liabilities side item no. 6a)		
Deferred income from the issuance and loan business	187	226
thereof:		
discount from debt securities and loans received	114	114
premium from loans and advances granted	73	112

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 €14 million (31 December 2022: €9 million).

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

As at 31 December 2023 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 €290 million [31 December 2022: €293 million], of which an amount of €154 million was offset against the fair value or amortised cost of plan assets [31 December 2022: €161 million]).

The pension provisions and similar obligations to former Management Board members and their surviving dependants amounted to €63 million (31 December 2022: €67 million).

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

The following major single items are included in other provisions:
- Provisions for variable remuneration in the amount of €20 million (31 December 2022: €23 million)
- Provisions of €17 million (2022: €10 million) for termination benefits from the termination of employment relationships
- Provisions for legal and litigation risks and corresponding default interest payments of €3 million (31 December 2022: €39 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 3.25% p.a. and 6.55% p.a. They mature between 2025 and 2032.

Interest expenses of €28 million (2022: €27 million) were incurred for subordinated liabilities. This balance sheet item includes interest in the amount of €16 million (31 December 2022: €17 million).

Outstanding subordinated liabilities are not subject to any contractual regulations 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	4.679	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 4.6% 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 4.679% 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 “additional Tier 1 capital instruments” AT1 capital in the total principal amount of €300 million with a carrying amount of €317 million (31 December 2022: €312 million) (including accrued interest of €17 million [31 December 2022: €12 million] recognised in interest expenses). For the instruments of additional Tier 1 capital instruments the coupon payment amounted to €23 million (2022: €17 million).

The bond – issued by pbb in April 2018 – carries an initial coupon of 5.75% p.a. and has no final maturity. For the new five-year interest period from 28 April 2023, the coupon is 8.474% p.a. 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 equity shares. In the HGB balance sheet the AT1 instrument is recognised as liabilities and not as equity.

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

Due to the market situation, €30 million was added to the fund for general banking risks in accordance with Section 340g HGB in the 2023 financial year. It therefore amounted to €77 million as at 31 December 2023 (31 December 2022: €47 million).

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.

in € million	Share capital	Additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Other reserves	Retained Earnings: Total	Unappropria-ted retained earnings/loss (–)	Total
Equity as of 1.1.2022	**380**	**1,639**	**13**	**717**	**730**	**159**	**2,908**
Net income	-	-	-	-	-	114	114
Dividend distribution	-	-	-	-	-	-159	-159
Allocation to retained earnings	-	-	-	-14	-14	14	-
Equity as of 31.12.2022	**380**	**1,639**	**13**	**703**	**716**	**128**	**2,863**
Equity as of 1.1.2023	**380**	**1,639**	**13**	**703**	**716**	**128**	**2,863**
Net income	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-128	-128
Additions to retained earnings/ Withdrawal from retained earnings	-	-	-	-	-	-	-
Equity as of 31.12.2023	**380**	**1,639**	**13**	**703**	**716**	**-**	**2,735**

Due to a rounding discrepancy, the commercially rounded value of equity as at 31 December 2023 is actually €2,736 million.

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

Share capital amounted to €380,376,059.67 during the entire financial years 2023 and 2022 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 2023 and 2022.

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 2023.

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

In the financial years 2023 and 2022 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 2022: €25,383,131.91), additional paid-in capital is freely available.

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

In the financial years 2023 and 2022 the legal reserve remained unchanged. The other retained earnings remained unchanged in the 2023 financial year (2022: withdrawals in the amount of €14 million).

Retained earnings include legal reserves pursuant to section 150 (2) of the AktG of €12,654,474.06 (31 December 2022: €12,654,474.06).

35 Foreign Currency Assets and Liabilities

Foreign currency assets amounted to €8,628 million (31 December 2022: €9,133 million), whereas foreign currency liabilities amounted to €8,780 million (31 December 2022: €9,252 million).

36 Assets transferred as Collateral

The following assets were transferred as collateral for own liabilities:

Assets transferred as collateral

in € million	Carrying amount 31.12.2023	Carrying amount 31.12.2022
Pledging of securities arising from open market transactions with ECB	-	-
Pledging of securities arising from TLTRO with the ECB	694	1,326
Securities held under repurchase agreements	1,680	1,086
Securities held connected with EUREX transactions	1,795	199
Loans and advances held under repurchase agreements	18	23
Pledging of loans and advances as collateral for loans and advances received	227	291
Pledging of securities as collateral for loans and advances received	-	-
Cash collateral deposited at other banks	1,170	1,461
Cash collateral deposited at clients	26	37

All assets reported in the table contain pro rata interest and were transferred completely for liabilities to other banks.

Own covered issues in an amount of €312 million including pro rata interest that were not outstanding were pledged to the ECB (as at 31 December 2022, €730 million of own covered issues that were not outstanding and loans in the amount of €139 million were pledged to the ECB).

As at 31 December 2023, the collateral provided for the European bank levy amounted to €42 million (31 December 2022: €36 million), for the Deposit Protection Fund to €3 million (31 December 2022: €3 million) and for the Compensation Scheme of German Banks to €4 million (31 December 2022: €3 million). In 2023, the collateral for the European bank levy was increased accordingly by €6 million and for the Compensation Scheme of German Banks by €1 million. In addition, pbb is obliged to make further contributions on request by means of additional contribution allocations. These represent a risk with regard to the financial position within the meaning of section 285 no. 3 HGB. Further information on the accounting treatment of collateral is provided in Note 41 "Off-balance sheet transactions and other financial obligations".

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	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loans and advances to other banks (assets side item no. 2)	-	-	-	-
Loans and advances to customers (assets side item no. 3)	-	-	7	10
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)	1	1	-	-
Securitised liabilities (liabilities side item no. 3)	-	-	-	-
Subordinated liabilities (liabilities side item no. 8)	-	-	-	-

OTHER NOTES

38 Supplemental Disclosures According to Section 28 PfandBG

Mortgage Pfandbriefe outstanding and the cover assets used on their behalf

	Notional		Present value		Risk-adjusted net present value[1]	
in € million	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Total outstanding						
Mortgage Pfandbriefe	16,952	15,981	16,921	15,385	17,099	14,932
therof derivatives	-	-	-	-	-	-
Cover Pool	20,910	19,773	21,211	19,704	21,209	18,929
therof derivatives	-	-	-	-	-	-
Over-collateralisation	**3,958**	**3,792**	**4,290**	**4,318**	**4,110**	**3,997**
Over-collateralisation in of Pfandbriefe outstanding	23.4%	23.7%	25.4%	28.1%	24.0%	26.8%
Legal Over-collateralisation[2]	672	613	338	308	-	
Contractual Over-collateralisation[2]	-	-	-	-	-	
Voluntary Over-collateralisation[2]	3,286	3,180	3,951	4,011	-	
Over-collateralisation in consideration of vdp-credit-quality-differentiation model	3,909	3,792	4,240	4,318	-	-
Over-collateralisation in of Pfandbriefe outstanding	23.1%	23.7%	-	28.1%	-	-

[1] For the calculation of risk cash value the dynamic rate method is applied according to section 5 (1) no. 1 PfandBarwertV.
[2] The statutory over-collateralisation requirement is made up of the present value over-collateralisation in accordance with section 4 (1) PfandBG including interest and currency stress scenarios and the nominal value over-collateralisation in accordance with section 4 (2) PfandBG.

Maturity structure (remaining term) notional

	Mortgage Pfandbriefe		Cover pool		Maturity postponement (12 month) [1)2)3)]	
in € million	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
up to 0.5 years	2,959	1,676	3,000	2,647	-	-
more than 0.5 years to 1 year	827	629	2,489	2,379	-	-
more than 1 year to 1.5 years	1,050	2,969	2,093	1,418	2,959	1,676
more than 1.5 years to 2 years	900	851	2,031	1,864	827	629
more than 2 years to 3 years	3,844	1,909	2,746	2,924	1,950	3,820
more than 3 years to 4 years	2,831	1,859	2,715	1,978	3,844	1,909
more than 4 years to 5 years	861	2,181	2,476	1,990	2,831	1,859
more than 5 years to 10 years	1,230	1,384	3,055	4,170	1,886	3,340
more than 10 years	2,450	2,523	305	403	2,655	2,748
total	**16,952**	**15,981**	**20,910**	**19,773**	**16,952**	**15,981**

[1] Effects of an extension of maturity on the maturity structure of the Pfandbriefe/extension scenario: 12 months. This is an extremely unlikely scenario, which could only come into play after the appointment of a cover pool administrator.
[2] Prerequisites for the extension of maturity of the Pfandbriefe: The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity, the Pfandbrief bank with limited business activity is not overindebted and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension. See also, in addition, section 30 (2b) PfandBG.
[3] Powers of the cover pool administrator in the event of the extension of maturity of the Pfandbriefe: The cover pool administrator may extend the maturity dates of the principle payments, if the relevant requirements pursuant to section 30 (2b) PfandBG are met. The administrator shall determine the period of the extension of the maturity, which may not exceed a period of 12 months, in accordance with necessity. The cover pool administrator may extend the maturity dates of the principal and interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides in favor of such a extension of the maturity, the existence of the prerequisites pursuant to section 30 (2b) PfandBG shall be irrefutably presumed. Such an extension shall be taken into account within the maximum extension period of 12 months. The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be extented in full or on a pro rata basis. The cover pool administrator must extend the maturity for a Pfandbrief issue in such a way that the original order of servicing of the Pfandbriefe which could be overtaken by the postponement is not changed (prohibition of overtaking). This may result in the maturities of later maturing issues also having to be extended in order to comply with the prohibition on overtaking. See also, in addition, section 30 (2a) and (2b) PfandBG.

Further cover assets for Mortgage Pfandbriefe as of 31 December 2023

in € million		Claims according section 19 (1) set 1 no. 2a) and b) PfandBG Total	Claims according section 19 (1) set 1 no. 2a) and b) PfandBG thereof: covered bonds	Claims according section 19 (1) set 1 no. 3a) until c) PfandBG Total	Claims according section 19 (1) set 1 no. 3a) until c) PfandBG thereof: covered bonds	Claims according section 19 (1) set 1 no. 4 PfandBG	**Total**
Germany	2023	-	-	-	-	-	-
	2022	-	-	-	-	106	106
Belgium	2023	-	-	-	-	50	50
	2022	-	-	-	-	25	25
France	2023	-	-	-	-	11	11
	2022	-	-	-	-	-	-
Ireland	2023	-	-	-	-	-	-
	2022	-	-	-	-	75	75
Italy	2023	-	-	-	-	1,175	1,175
	2022	-	-	-	-	170	170
Latvia	2023	-	-	-	-	25	25
	2022	-	-	-	-	25	25
Luxembourg	2023	-	-	-	-	83	83
	2022	-	-	-	-	58	58
Austria	2023	-	-	-	-	178	178
	2022	-	-	-	-	235	235
Slovakia	2023	-	-	-	-	100	100
	2022	-	-	-	-	100	100
Slovenia	2023	-	-	-	-	50	50
	2022	-	-	-	-	50	50
Spain	2023	-	-	-	-	36	36
	2022	-	-	-	-	295	295
other States/Institutions	2023	-	-	-	-	-	-
	2022	-	-	188	-	-	188
Total of all countries	**2023**	**-**	**-**	**-**	**-**	**1,708**	**1,708**
	2022	-	-	188	-	1,139	1,327

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

in € million	31.12.	Total of used claims	thereof: residential Apartments	Single-and two-family houses	Multi-family houses	Buildings under construction	Building land	**Total residential**
Germany	2023	8,073	250	2	2,574	115	-	2,941
	2022	7,651	232	2	2,213	123	-	2,570
Belgium	2023	13	-	-	-	-	-	-
	2022	13	-	-	-	-	-	-
Finland	2023	290	-	-	67	-	-	67
	2022	202	-	-	-	-	-	-
France	2023	2,241	-	-	-	-	-	-
	2022	2,299	-	-	-	-	-	-
Great Britain	2023	1,467	-	-	-	-	-	-
	2022	1,444	-	-	-	-	-	-
Italy	2023	14	-	-	-	-	-	-
	2022	51	-	-	-	-	-	-
Luxembourg	2023	47	-	-	-	-	-	-
	2022	47	-	-	-	-	-	-
Netherlands	2023	682	-	-	168	-	-	168
	2022	641	58	-	44	-	-	102
Austria	2023	205	-	-	-	-	-	-
	2022	194	-	-	-	-	-	-
Poland	2023	1,294	-	-	-	-	-	-
	2022	1,043	-	-	-	-	-	-
Portugal	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Romania	2023	110	-	-	-	-	-	-
	2022	110	-	-	-	-	-	-
Sweden	2023	860	-	-	117	-	-	117
	2022	620	-	-	27	-	-	27
Slovakia	2023	93	-	-	-	-	-	-
	2022	88	-	-	-	-	-	-
Slovenia	2023	44	-	-	-	-	-	-
	2022	44	-	-	-	-	-	-
Spain	2023	251	-	-	-	-	-	-
	2022	188	-	-	-	-	-	-
Czech Republic	2023	302	-	-	-	-	-	-
	2022	215	-	-	-	-	-	-
Hungary	2023	139	-	-	-	-	-	-
	2022	139	-	-	-	-	-	-
Switzerland	2023	71	-	-	-	-	-	-
	2022	46	-	-	-	-	-	-
USA	2023	3,006	-	-	209	-	-	209
	2022	3,411	-	-	338	-	-	338
Other OECD countries	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Total of all countries	**2023**	**19,202**	**250**	**2**	**3,135**	**115**	**-**	**3,502**
	2022	18,446	290	2	2,622	123	-	3,037

Volume of claims used to cover Mortgage Pfandbriefe, split by countries where the property is located, and by property type as of 31 December 2023

		thereof: commercial						
in € million	31.12.	Office buildings	Retail buildings	Industrial buildings	other commercially used buildings	Buildings under construction	Building land	**Total commercial**
Germany	2023	2,921	738	15	750	592	116	5,132
	2022	2,803	756	69	739	637	77	5,081
Belgium	2023	13	-	-	-	-	-	13
	2022	13	-	-	-	-	-	13
Finland	2023	139	84	-	-	-	-	223
	2022	118	84	-	-	-	-	202
France	2023	1,575	137	51	321	157	-	2,241
	2022	1,556	159	55	322	207	-	2,299
Great Britain	2023	546	208	26	687	-	-	1,467
	2022	584	343	25	492	-	-	1,444
Italy	2023	-	-	-	14	-	-	14
	2022	37	-	-	14	-	-	51
Luxembourg	2023	20	-	-	27	-	-	47
	2022	20	-	-	27	-	-	47
Netherlands	2023	200	42	-	272	-	-	514
	2022	181	42	-	316	-	-	539
Austria	2023	52	77	-	76	-	-	205
	2022	52	77	-	65	-	-	194
Poland	2023	535	268	-	491	-	-	1,294
	2022	495	272	15	261	-	-	1,043
Portugal	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Romania	2023	110	-	-	-	-	-	110
	2022	110	-	-	-	-	-	110
Sweden	2023	294	198	-	251	-	-	743
	2022	280	157	-	156	-	-	593
Slovakia	2023	-	22	-	71	-	-	93
	2022	-	22	-	66	-	-	88
Slovenia	2023	-	44	-	-	-	-	44
	2022	-	44	-	-	-	-	44
Spain	2023	75	68	-	108	-	-	251
	2022	75	67	-	46	-	-	188
Czech Republic	2023	91	92	102	17	-	-	302
	2022	33	92	45	45	-	-	215
Hungary	2023	78	49	-	12	-	-	139
	2022	78	49	-	12	-	-	139
Switzerland	2023	71	-	-	-	-	-	71
	2022	46	-	-	-	-	-	46
USA	2023	2,392	-	37	368	-	-	2,797
	2022	2,650	17	38	368	-	-	3,073
Other OECD countries	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
Total of all countries	**2023**	**9,112**	**2,027**	**231**	**3,465**	**749**	**116**	**15,700**
	2022	9,131	2,181	247	2,929	844	77	15,409

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	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Germany	-	-	-	-
France				
Spain				
Total of all countries	**-**	**-**	**-**	**-**

Claims used to cover Mortgage Pfandbriefe by size group

in € million	**31.12.2023**	**31.12.2022**
up to €300 thousand	45	51
more than €300 thousand up to €1 million	103	115
more than €1 million up to €10 million	1,153	1,101
more than €10 million	17,901	17,179
Total	**19,202**	**18,446**

Key figures about outstanding Mortgage Pfandbriefe and cover pool used

in € million		31.12.2023	31.12.2022
Outstanding Mortgage Pfandbriefe		16,952	15,981
thereof fixed-rate Pfandbriefe		85.6%	90.4%
Cover pool		20,910	19,773
thereof total amount of claims which exceed the limits according to section 13 (1) set 2 PfandBG		-	-
thereof total amount of the claims according section 19 (1) which exceed the limits according to section 19 (1) set 7 PfandBG		-	-
total amount of the claims which exceed the limits according to section 19 (1) no. 2 PfandBG		-	-
total amount of the claims which exceed the limits according to section 19 (1) no. 3 PfandBG		-	-
total amount of the claims which exceed the limits according to section 19 (1) no. 4 PfandBG		-	-
thereof fixed-rate cover assets		48.8%	56.5%
"Net present value pursuant to section 6 (1) of the Pfandbrief Net Present Value Regulation for each foreign currency in € section 28 (1) no. 14 PfandBG (Net Total of asset/liability)"	CHF	74	48
	DKK	-	-
	GBP	678	482
	JPY	-	-
	NOK	-	-
	SEK	678	276
	USD	322	1,683
Volume-weighted average time in years (seasoning)		3.6	3.5
Weighted average loan-to-value ratio		56.8%	55.6%
Weighted average loan-to-value ratio, based upon the market value – optional –		34.3%	32.1%
Key figures regarding liquidity according section 28 (1) set 1 no. 6 PfandBG			
Largest negative amount within the next 180 days within the meaning of section 4 (1a) s. 3 PfandBG for Pfandbriefe		1,434	1,068
Day on which the largest negative sum occurs		143	88
Total amount of cover assets meeting the requirements of section 4 (1a) s. 3 PfandBG		1,704	1,326
Key figures according section 28 (1) no. 7 PfandBG			
share of derivative transactions included in the cover pools according section 19 (1) no. 1 PfandBG (credit quality step 3)		-	-
share of derivative transactions included in the cover pools according section 19 (1) no. 2 c PfandBG (credit quality step 2)		-	-
share of derivative transactions included in the cover pools according section 19 (1) no. 3 d PfandBG (credit quality step 1)		-	-
share of derivative transactions in liabilities to be covered according section 19 (1) no. 1 PfandBG (credit quality step 3)		-	-
share of derivative transactions in liabilities to be covered according section 19 (1) no. 2 c PfandBG (credit quality step 2)		-	-
share of derivative transactions in liabilities to be covered according section 19 (1) no. 3 d PfandBG (credit quality step 1)		-	-
Key figures according section 28 (1) no. 15 PfandBG		-	-
Share of cover assets in the cover pool for which or for whose debtor a default pursuant to Art. 178 (1) of Regulation (EU) no. 575/2013 is deemed to have occurred.		-	-

List of International Securities Identification Numbers of the International Organisation for Standardisation (ISIN)

31.12.2023	31.12.2022
DE000A11QA15, DE000A11QA56, DE000A11QAL5, DE000A11QAM3, DE000A11QAQ4, DE000A11QAT8, DE000A11QAU6, DE000A11QAV4, DE000A11QAX0, DE000A11QAY8, DE000A13SV24, DE000A13SV65, DE000A1RFBQ3, DE000A1X3LZ4, DE000A254ZN3, DE000A2AAV88, DE000A2AAVX2, DE000A2E4Y05, DE000A2E4Y39, DE000A2E4ZA7, DE000A2GSLB8, DE000A2GSLJ1, DE000A2GSLL7, DE000A2GSLP8, DE000A2GSLQ6, DE000A2GSLV6, DE000A2LQNP8, DE000A2NBJ96, DE000A2YNVM8, DE000A2YNVV9, DE000A2YNVY3, DE000A30WF01, DE000A30WF19, DE000A30WF27, DE000A30WF68, DE000A30WF92, DE000A30WFS7, DE000A30WFU3, DE000A30WFZ2, DE000A31RJ03, DE000A31RJ11, DE000A31RJ29, DE000A31RJ37, DE000A31RJP3, DE000A31RJS7, DE000A31RJV1, DE000A31RJZ2, DE000A3E5K73, DE000A3E5K99, DE000A3E5KW9, DE000A3E5KY5, DE000A3E5KZ2, DE000A3H2Z49, DE000A3H2Z80, DE000A3H2ZW1, DE000A3T0X48, DE000A3T0X63, DE000A3T0YB8, DE000A3T0YC6, DE000A3T0YD4, DE000A3T0YE2, DE000A3T0YF9, DE000A3T0YG7, DE000A3T0YH5, DE000A3T0YJ1, DE000A3T0YL7, DE000A3T0YM5	DE000A11QA15, DE000A11QA56, DE000A11QAL5, DE000A11QAM3, DE000A11QAQ4, DE000A11QAT8, DE000A11QAU6, DE000A11QAV4, DE000A11QAX0, DE000A11QAY8, DE000A13SV24, DE000A13SV65, DE000A13SWC0, DE000A1RFB30, DE000A1RFBQ3, DE000A1X3LL4, DE000A1X3LZ4, DE000A254ZN3, DE000A254ZP8, DE000A289PQ3, DE000A2AAV88, DE000A2AAVX2, DE000A2E4Y05, DE000A2E4Y39, DE000A2E4ZA7, DE000A2E4ZD1, DE000A2GSLB8, DE000A2GSLF9, DE000A2GSLJ1, DE000A2GSLL7, DE000A2GSLP8, DE000A2GSLQ6, DE000A2GSLV6, DE000A2LQNP8, DE000A2LQNV6, DE000A2NBJ96, DE000A2YNV44, DE000A2YNVM8, DE000A2YNVV9, DE000A2YNVY3, DE000A30WF01, DE000A30WF19, DE000A30WF27, DE000A30WFS7, DE000A30WFU3, DE000A30WFZ2, DE000A3E5K73, DE000A3E5K99, DE000A3E5KW9, DE000A3E5KY5, DE000A3E5KZ2, DE000A3H2Z49, DE000A3H2Z80, DE000A3H2ZW1, DE000A3T0X48, DE000A3T0X63, DE000A3T0YB8, DE000A3T0YC6, DE000A3T0YD4, DE000A3T0YE2, DE000A3T0YF9, DE000A3T0YG7, DE000A3T0YH5, DE000A3T0YJ1, DE000A3T0YL7, DE000A3T0YM5

Enforcement measures (assets side nos. 2 and 3)

	Number of cases		thereof: commercial		thereof: residential	
in € million	2023	2022	2023	2022	2023	2022
Pending as of 31 December						
Forced sales	-	-	-	-	-	-
Administrative receiver-ship	-	-	-	-	-	-
therof included in pending forced sales	-	-	-	-	-	-
Forced sales in the current financial year	-	-	-	-	-	-

Properties acquired or purchased by auction (assets side items nos. 10 & 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 & 3): Total overdue interests to be paid by mortgage debtors (if not written off in previous periods) amounted to €0 million (31 December 2022: €0 million) for commercial purposes and to €0 million (31 December 2022: €0 million) for residential purposes.

Public Pfandbriefe outstanding and their cover

	Notional		Present value		Risk-adjusted net present value[1)]	
in € million	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Total outstanding						
Public Pfandbriefe	8,670	8,771	9,280	9,157	8,731	7,475
therof derivatives	-	-	-	-	-	-
Cover Pool	9,503	10,913	10,261	11,480	9,533	9,383
therof derivatives	-	-	-	-	-	-
Over-collateralisation	833	2,142	981	2,323	802	1,908
Legal Over-collateralisation[2)]	344	338	186	183	-	-
Contractual Over-collateralisation[2)]	-	-	-	-	-	-
Voluntary Over-collateralisation[2)]	489	1,804	795	2,140	-	-
Over-collateralisation of Pfandbriefe outstanding	9.6%	24.4%	10.6%	25.4%	9.2%	25.5%
Over-collateralisation in consideration of vdp-credit-quality-differentiation model	814	2,142	961	2,323	-	-
Over-collateralisation in of Pfandbriefe outstanding	9.4%	24.4%	-	25.4%	-	-

[1)] For the calculation of risk cash value the dynamic rate method is applied according to section 5 (1) no. 1 PfandBarwertV.
[2)] The statutory overcollateralization requirement is composed of the net present value of statutory overcollateralization pursuant to section 4 (1) PfandBG, including interest rate and currency stress scenarios, and the nominal value of statutory overcollateralization pursuant to section 4 (2) PfandBG.

Maturity structure (remaining term) notional

in € million	Public Pfandbriefe 31.12.2023	Public Pfandbriefe 31.12.2022	Cover pool 31.12.2023	Cover pool 31.12.2022	Maturity postponement (12 month)[1)2)3)] 31.12.2023	Maturity postponement (12 month)[1)2)3)] 31.12.2022
up to 0.5 years	259	102	388	352	-	-
more than 0.5 years to 1 year	398	303	244	324	-	-
more than 1 year to 1.5 years	239	255	271	389	259	102
more than 1.5 years to 2 years	391	448	295	226	398	303
more than 2 years to 3 years	1,422	642	854	485	631	704
more than 3 years to 4 years	434	838	506	861	1,422	642
more than 4 years to 5 years	1,568	468	938	521	434	838
more than 5 years to 10 years	1,671	2,681	1,653	3,154	2,487	2,944
more than 10 years	2,288	3,034	4,354	4,601	3,040	3,238
total	**8,670**	**8,771**	**9,503**	**10,913**	**8,671**	**8,771**

1) Effects of an extension of maturity on the maturity structure of the Pfandbriefe / extension scenario: 12 months. This is an extremely unlikely scenario, which could only come into play after the appointment of a cover pool administrator.
2) Prerequisites for the extension of maturity of the Pfandbriefe: The extension of the maturity is necessary in order to avoid the imminent insolvency of the Pfandbrief bank with limited business activity, the Pfandbrief bank with limited business activity is not overindebted and there is reason to believe that the Pfandbrief bank with limited business activity will be able to meet its liabilities then due after the expiry of the maximum possible extension date, taking into account further possibilities for extension. See also, in addition, section 30 (2b) PfandBG.
3) Powers of the cover pool administrator in the event of the extension of maturity of the Pfandbriefe: The cover pool administrator may extend the maturity dates of the principle payments, if the relevant requirements pursuant to section 30 (2b) PfandBG are met. The administrator shall determine the period of the extension of the maturity, which may not exceed a period of 12 months, in accordance with necessity. The cover pool administrator may extend the maturity dates of the principal and interest payments falling due within one month after the appointment of the cover pool administrator to the end of that monthly period. If the cover pool administrator decides in favor of such a extension of the maturity, the existence of the prerequisites pursuant to section 30 (2b) PfandBG shall be irrefutably presumed. Such an extension shall be taken into account within the maximum extension period of 12 months. The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be extented in full or on a pro rata basis. The cover pool administrator must extend the maturity for a Pfandbrief issue in such a way that the original order of servicing of the Pfandbriefe which could be overtaken by the postponement is not changed (prohibition of overtaking). This may result in the maturities of later maturing issues also having to be extended in order to comply with the prohibition on overtaking. See also, in addition, section 30 (2a) and (2b) PfandBG.

Further cover assets for Mortgage Pfandbriefe as of 31 December 2023

in € million		Claims according section 20 (2) s.1 no. 3a) to c) PfandBG Total	Claims according section 20 (2) s.1 no. 3a) to c) PfandBG thereof: covered bonds	Claims according section 20 (2) s.1 no. 4 PfandBG Total	Claims according section 20 (2) s.1 no. 4 PfandBG thereof: covered bonds	Claims according section 20 (2) s.1 no. 2 PfandBG	**Total**
Germany	2023	-	-	-	-	-	-
	2022	-	-	-	-	-	-
Total of all countries	**2023**	**-**	**-**	**-**	**-**	**-**	**-**
	2022	-	-	-	-	-	-

Volume of claims used to cover Public Pfandbriefe

		Cover pool		thereof owned by				thereof guaranteed by			
in € million	31.12.	**Total**	thereof granted for reasons of promoting exports	Central state	Regional authorities	Local authorities	Other	Central state	Regional authorities	Local authorities	Other
Germany	2023	**2,507**	50	173	1,769	22	250	150	86	57	-
	2022	**3,319**	221	696	1,878	59	275	226	121	64	-
Belgium	2023	**74**	-	-	-	-	-	50	24	-	-
	2022	**93**	-	-	-	-	-	50	43	-	-
Finland	2023	**21**	-	-	-	17	4	-	-	-	-
	2022	**46**	-	9	-	20	17	-	-	-	-
France	2023	**2,231**	2	144	663	598	562	99	47	118	-
	2022	**2,455**	12	157	761	606	633	112	55	131	-
Great Britain	2023	**151**	-	-	12	139	-	-	-	-	-
	2022	**152**	1	-	11	140	-	1	-	-	-
Italy	2023	**230**	-	80	145	5	-	-	-	-	-
	2022	**188**	-	-	181	7	-	-	-	-	-
Netherlands	2023	**47**	47	-	-	-	-	47	-	-	-
	2022	**52**	52	-	-	-	-	52	-	-	-
Austria	2023	**3,644**	-	3,025	-	-	-	370	196	53	-
	2022	**3,843**	-	3,175	-	-	-	370	241	57	-
Portugal	2023	**280**	-	-	100	-	180	-	-	-	-
	2022	**293**	-	-	-	-	180	-	113	-	-
Spain	2023	**138**	-	-	125	-	13	-	-	-	-
	2022	**180**	-	-	153	-	27	-	-	-	-
Japan	2023	**90**	-	30	-	60	-	-	-	-	-
	2022	**227**	-	167	-	60	-	-	-	-	-
Canada	2023	**48**	48	-	-	-	-	-	-	-	48
	2022	**60**	60	-	-	-	-	-	-	-	60
International Organisations	2023	**42**	-	-	-	-	42	-	-	-	-
	2022	**5**	-	-	-	-	5	-	-	-	-
Total of all countries	**2023**	**9,503**	**147**	**3,452**	**2,814**	**841**	**1,051**	**716**	**353**	**228**	**48**
	2022	10,913	346	4,204	2,984	892	1,137	811	573	252	60

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	31.12.2023	31.12.2022
up to €10 million	347	361
more than €10 million up to €100 million	3,067	3,172
more than €100 million	6,089	7,380
Total	**9,503**	**10,913**

Key figures about outstanding Public Pfandbriefe and cover pool used

in € million		31.12.2023	31.12.2022
Outstanding Public Pfandbriefe		8,670	8,771
thereof fixed-rate Pfandbriefe		71.1%	76.9%
Cover pool		9,503	10,913
thereof total amount of the claims according section 20 (1) and (2) which exceed the limits laid down in section 20 (3 (section 28 (1) no. 11 PfandBG)		-	-
claims which exceed the limits laid down in section 20 (2) no. 2 (section 28 (1) no. 12 PfandBG)		-	-
claims which exceed the limits laid down in section 20 (2) no. 3 (section 28 (1) no. 12 PfandBG)		-	-
thereof percentage share of fixed-rate cover assets section 28 (1) no. 13 PfandBG		73.9%	75.6%
Net present value pursuant to section 6 (1) of the Pfandbrief Net Present Value Regulation for each foreign currency in € section 28 (1) no. 10 PfandBG (Net Total of asset/liability)	CAD	-	14
	CHF	82	49
	GBP	171	211
	JPY	37	210
	USD	110	183
Key figures on liquidity according section 28 (1) no. 6 PfandBG		-	-
Largest negative amount within the next 180 days within the meaning of section 4 (1a) s. 3PfandBG for Pfandbriefe		3	-
Day on which the largest negative sum results		1	-
Total amount of cover assets meeting the requirements of section 4 (1a) s. 3 PfandBG		207	820
Key figures according section 28 (1) no. 7 PfandBG		-	-
share of derivative transactions included in the cover pools according section 20 (2) no. 1 PfandBG (credit quality step 3)		-	-
share of derivative transactions included in the cover pools according section 20 (2) no. 2 PfandBG (credit quality step 2)		-	-
share of derivative transactions included in the cover pools according section 20 (2) no. 3c PfandBG (credit quality step 1)		-	-
share of derivative transactions in liabilities to be covered according section 20 (2) no. 1 PfandBG (credit quality step 3)		-	-
share of derivative transactions in liabilities to be covered according section 20 (2) no. 2 PfandBG (credit quality step 2)		-	-
share of derivative transactions in liabilities to be covered according section 20 (2) no. 3c PfandBG (credit quality step 1)		-	-
Key figures according section 28 (1) no. 15 PfandBG		-	-
Share of cover assets in the cover pool for which or for whose debtor a default pursuant to Art. 178 (1) of Regulation (EU) no. 575/2013 is deemed to have occurred.		-	-

List of International Securities Identification Numbers of the International Organisation for Standardisation (ISIN)

31.12.2023	31.12.2022
DE0001468361, DE0008119504, DE0008153289, DE0008217910, DE000A0B1K04, DE000A11QAR2, DE000A11QAS0, DE000A11QAW2, DE000A12UA83, DE000A13SWG1, DE000A1A6LJ8, DE000A1CR6S0, DE000A1EWJQ9, DE000A1R06C5, DE000A1X2558, DE000A2AAVW4, DE000A31RJX7, DE000A31RJY5, DE000A3E5K32	CH0026714276, DE0001468361, DE0006619778, DE0008119504, DE0008153289, DE0008217910, DE000A0B1K04, DE000A11QAR2, DE000A11QAS0, DE000A11QAW2, DE000A12UA83, DE000A13SWG1, DE000A1A6LJ8, DE000A1CR6S0, DE000A1EWJQ9, DE000A1R06C5, DE000A1X2558, DE000A1X26J6, DE000A2AAVW4, DE000A3E5K24, DE000A3E5K32

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

The liabilities from guarantees and indemnity agreements of €63 million (31 December 2022: €70 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.

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

The reported amount of irrevocable loan commitments of a total of €2,219 million (31 December 2022: €2,989 million) comprises commitments for mortgage loans of €2,139 million (31 December 2022: €2,855 million) and loan commitments to the public sector in the amount of €80 million (31 December 2022: €134 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.

41 Off-Balance-Sheet Transactions and Other Financial Commitments

Non-terminable operate lease agreements for land and buildings existed as of 31 December 2023 and as of 31 December 2022.

Future minimum lease payments by maturities

in € million	**31.12.2023**	**31.12.2022**
up to 1 year	7	8
more than 1 year to 5 years	14	11
more than 5 years	1	-
Total	**22**	**19**

In recent years, pbb has utilised the option of not paying contributions to the European bank levy, the Deposit Protection Fund and the Compensation Scheme of German Banks in full, but rather partially in the form of an irrevocable payment obligation by providing cash collateral. As at 31 December 2023 the collateral provided for the European bank levy amounted to €42 million (31 December 2022: €36 million), for the deposit protection fund €3 million (31 December 2022: €3 million) and €4 million for the Compensation Scheme of German Banks (31 December 2022: €3 million). In 2023, the collateral for the European bank levy was accordingly increased by €6 million and for the Compensation Scheme of German Banks by €1 million. Furthermore, pbb is obliged to make additional contributions on request by means of additional contribution allocations. These represent a risk with regard to the financial position within the meaning of section 285 no. 3 HGB.

pbb recognises collateral in accordance with the meeting reports of the Banking Committee of the Institute of Public Auditors in Germany. This states that the transfer of cash as cash collateral at the institution which is subject to the contribution obligation (collateral provider) leads to the recognition of a financial receivable from the collateral taker (restructuring fund) and to the derecognition of the corresponding cash. The institution preparing the balance sheet must also check on each balance sheet date whether there is a sufficient probability that the collateral will be utilised. If a utilisation or economic burden from the irrevocable payment obligation is expected, a provision must be recognized for this case.

A French bank, which is independent of pbb, has filed a lawsuit against the Single Resolution Board (SRB) for the European bank levy in order to obtain the return of its cash collateral following the return of its banking licence. The General Court of the European Union (General Court) dismissed the French bank's action on 25 October 2023. The French bank has lodged an appeal against the judgement.

According to pbb's assessment, the judgement of the EUG, which is not yet legally binding, has no effect on the recognition of the collateral. According to pbb's assessment, no provisions need to be recognised, as it is unlikely that the collateral will be utilised by the SRB. The business operations of pbb are designed to continue (going concern premise), which means that a return of the banking licence with the possible consequence of a payment of the outstanding collateral is also unlikely.

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

As at 31 December 2023, contingent receivables amounted to €15 million (31 December 2022: €0 million). They are attributable to an asset claim.

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.

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 2023, the notional volume of the off-balance sheet derivatives amounted to €57,597 million (31 December 2022: €62,185 million). Under the mark-to-market method, the counterparty default risk exposure (before netting) currently amounts to €1,713 million (31 December 2022: €2,017 million), which corresponds to 3.0% (31 December 2022: 3.2%) 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	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Interest-based transactions	**53,439**	**57,398**	**1,675**	**1,894**	**2,702**	**3,409**
OTC products						
Forwards	-	-	-	-	-	-
Interest rate swaps	43,642	48,557	1,598	1,764	2,615	3,271
Interest options	9,797	8,841	77	130	87	138
other interest derivative contracts	-	-	-	-	-	-
Currency-based transactions	**4,158**	**4,787**	**38**	**123**	**35**	**7**
OTC products						
Forward exchange transactions	2,497	3,475	19	56	31	3
Cross-currency swaps	1,661	1,312	19	67	4	4
Foreign exchange options	-	-	-	-	-	-
Total	**57,597**	**62,185**	**1,713**	**2,017**	**2,737**	**3,416**

Accrued interest

			31.12.2023	31.12.2022
in € million	Interest-based transactions	Currency-based transactions	Total	Total
Loans and advance to other banks (assets side item no. 2)	254	-2	252	266
Loans and advance to customers (assets side item no. 3)	2	-	2	3
Sundry assets (assets side item no. 11)	-	-	-	-
Liabilities to other banks (liabilities side item no. 1)	-391	-	-391	-413
Liabilities to customers (liabilities side item no. 2)	-15	-	-15	-7
Sundry liabilities (liabilities side item no. 5)	-	-	-	-
Total	**-150**	**-2**	**-152**	**-151**

Currency effect

			31.12.2023	31.12.2022
in € million	Interest-based transactions	Currency-based transactions	Total	Total
Sundry assets (assets side item no. 11)	-	73	73	139
Sundry liabilities (liabilities side item no. 5)	-	-28	-28	-1
Total	**-**	**45**	**45**	**138**

Options and upfront premiums

in € million	31.12.2023 Interest-based transactions	31.12.2023 Currency-based transactions	31.12.2023 Total	31.12.2022 Total
Prepaid expenses (assets side item no. 12)	101	-12	89	138
Deferred income (liabilities side item no. 6)	-194	-	-194	-251
Total	**-93**	**-12**	**-105**	**-113**

Pending loss provisions

in € million	31.12.2023 Interest-based transactions	31.12.2023 Currency-based transactions	31.12.2023 Total	31.12.2022 Total
Other provisions (liabilities side item no. 7)	-	-	-	-2

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

Interest rate derivatives are generally allocated to macro interest rate management. No valuation units (micro hedges) existed as at 31 December 2023. The provision for impending losses from the previous year in connection with valuation units in the amount of €2 million was reversed through profit or loss in the 2023 financial year.

46 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.

Auditor's fees

in € thousand	2023	2022
Audit	1,741	1,658
Other assurance services	232	319
Tax advisory services	-	-
Other non-audit services	8	100
Total	**1,981**	**2,077**

Other assurance services mainly concerned the preparation of two letters of comfort in connection with bond issues, the review of scenario calculations in risk provisioning for the financing of office properties, 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 an advisory support in document management which is unrelated to the introduction or implementation of internal control and risk management procedures.

Services beyond the audit have not affected the auditor's independence.

47 Regulatory own funds

Regulatory own funds

in € million	31.12.2023	31.12.2022
Common Equity Tier 1 Capital (CET 1)	**2,626**	**2,630**
thereof items of CET 1	2,813	2,783
Subscribed capital acc. to Art. 26 (1) a) CRR	380	380
Additional paid-in capital acc. to Art. 26 (1) b) CRR	1,639	1,639
Retained earnings acc. to Art. 26 (1) c) CRR	717	716
Fund for general banking risks (§ 340g HGB) acc. to Art. 26 (1) f) CRR	77	47
thereof deductible items	-187	-152
Intangible assets acc. to Art. 36 (1) b) CRR	-54	-29
Impairment shortfall for IRBA risk positions acc. to Art. 36 (1) d) CRR	-	-
Assets of defined benefit pension funds	-	-
Additional deduction from CET 1 acc. to Art. 3 CRR	-84	-81
Irrevocable payment obligations to deposit guarantee schemes and resolution funds	-49	-42
Additional Tier 1 (AT 1) Capital	**-**	**-**
Tier 1 (T 1) Capital	**2,626**	**2,630**
Tier 2 (T 2) Capital	**696**	**865**
thereof items of T 2	696	865
Capital instruments and subordinated loans acc. to Art. 62 a) CRR incl. premium acc. to Art. 62 b) CRR	688	804
Credit risk adjustments acc. to Art. 62 d) CRR	8	61
Own funds	**3,322**	**3,495**

48 Board Members

Supervisory Board of pbb in financial year 2023

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 2023**
Dr Günther Bräunig Frankfurt/Main, Germany Chairman (until 25.5.2023) 14.8.2009	**Management consultant and former Chairman of the management board of KfW** Chairman of the Executive and Nomination Committee and of the Remuneration Committee (until 25.5.2023); Member of the Audit and Digitalisation Committee aund of the Risk Management and Liquidity Strategy Committee (until 25.5.2023)	**Deutsche Telekom AG, Bonn** – Member of the Supervisory Board (until 5.4.2023)
Dr Louis Hagen Chairman (since 25.5.2023) 25.5.2023	**Management consultant and former Chairman of the management board of Münchner Hypothekenbank eG** Chairman of the Executive and Nomination Committee and of the Remuneration Committee (since 25.5.2023); Member of the Audit and Digitalisation Committee and of the Risk Management and Liquidity Strategy Committee (since 25.5.2023)	**LBBW Asset Management Investmentgesellschaft mbH, Stuttgart** – Member of the Supervisory Board **Baader Bank AG, Unterschleißheim** – Member of the Supervisory Board
Hanns-Peter Storr Schwäbisch Gmünd, Germany Member; Deputy Chairman 12.5.2021	**Entrepreneur** Chairman of the Risk Management and Liquidity Strategy Committee; Member of the Audit and Digitalisation Committee	**BHW Bausparkasse AG, Hameln** – Member of the Supervisory Board
Karim Bohn Augsburg Member (since 30.11.2023) 30.11.2023	**Chief Financial Officer of Canyon Bicycles GmbH**	
Gertraud Dirscherl Landshut Member 2.2.2022	**Entrepreneur** Chairwoman of the Audit and Digitalisation Committee; Member of the Remuneration Committee and the Risk Management and Liquidity Strategy Committee	**Hans DEHN SE, Neumarkt i.d. Oberpfalz –** Member of the Supervisory Board **DEHN SE, Neumarkt i.d. Oberpfalz –** Member of the Supervisory Board
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 (until 15.11.2023)	**Hauck Aufhäuser Lampe Privatbank AG, Frankfurt/Main –** Member of the Supervisory Board (until 28.4.2023)
Prof Dr Kerstin Hennig Schmitten Member 19.7.2022	**University Professor EBS University (until 30.9.2023)** **Professor at Frankfurt School of Finance & Management (since 1.11.2023)** **Member of the Risk Management and Liquidity Strategy Committee**	**DWS Grundbesitz GmbH, Frankfurt/Main** – Member of the Supervisory Board **DEMIRE Deutsche Mittelstand Real Estate AG, Frankfurt/Main** – Member of the Supervisory Board
Susanne Klöß-Braekler **Munich, Germany** **Member** **12.5.2021**	**Independent Supervisory and Advisory Board Member, Investor, Senior Advisor** Member of the Executive and Nomination Committee and of the Remuneration Committee	**ING-DiBa AG, Frankfurt/Main** – Chairwoman of the Supervisory Board **Oddo BHF AG, Frankfurt/Main** – Member of the Supervisory Board **Cembra Money Bank AG, Zürich** – Member of the Supervisory Board
Georg Kordick Poing, Germany Employee Representative 22.2.1990	**Bank employee**	-
Olaf Neumann Munich, Germany Employee Representative 12.5.2021	**Bank employee**	-
Heike Theißing Munich, Germany Employee Representative 7.7.2011	**Bank employee** Member of the Remunaration Committee	-

Management Board of pbb in financial year 2023

Name and place of residence	**Function in the Management Board**	**Supervisory Board memberships**
Andreas Arndt Munich	CEO and until 30 November 2023 CFO	-
Thomas Köntgen Frankfurt/Main	Deputy CEO, Real Estate Finance and until 7 August 2023 Public Investment Finance	-
Andreas Schenk Dreieich	CRO	-
Marcus Schulte Grünwald	Treasury and since 1 December 2023 CFO	-

Andreas Arndt left the Management Board at the end of February 2024. Kay Wolf was appointed as a member of the Management Board with effect from 1 February 2024 and has been Chairman of the Management Board since 1 March 2024. Dr Pamela Hoerr was appointed as a member of the Management Board with effect from 17 January 2024.

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

In the financial years 2023 and 2022, 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.

50 Employees According to Section 285 No. 7 HGB

Average number of employees

	2023	**2022**
Employees (excluding apprentices)	839	805
Thereof: senior staff in Germany	18	18
Total	**839**	**805**

51 Disclosures According to Section 285 No. 9 HGB

Provisions for pensions under HGB

	2023[1)]	
in € thousand	Additions/ reversals	**Total**
Management Board members who were in office during the financial year 2023	2,122	20,689
Management Board members who retired prior to the financial year 2022	-3,688	62,914
Total	**-1,566**	**83,603**

[1)] Provisions for pensions for Management Board members who were in office during the financial year 2022 amounted to €18,567 thousand. Provisions for pensions to Management Board members who were retired prior the financial year 2022 amounted to €66,600 thousand as of 31 December 2022.

For 2023, pension payments for former members of the Executive Board and their surviving dependants amounted to €4,768 thousand (2022: €4,758 thousand).

Remuneration paid to Management Board members of pbb

		2023[1)]
in € thousand	**Remuneration**	**Total**
Management Board members who were in office during the financial year 2023	3,212	3,212
Management Board members who retired prior to the financial year 2023	-	-
Total	**3,212**	**3,212**

[1)] Remuneration paid to Management Board members who were in office during the financial year 2022 amounted to €3,247 thousand. Management Board members who retired prior the financial year 2022 did not receive any remuneration in 2022.

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	2023[2)] Total fixed remuneration
Supervisory Board members who were in office during the financial year 2023	699
Supervisory Board members who retired prior to the financial year 2023	-
Total	**699**

[1)] Remuneration paid to Supervisory Board members who were in office during the financial year 2022 amounted to €683 thousand in the year 2022. Supervisory Board members who retired prior the financial year 2022 did not receive any remuneration in 2022.
[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 2023 for services rendered in person.

Amount of cash-settled share-based payment transactions
The total amount of outstanding virtual shares in relation to the share-based payment arrangements developed as follows:

Amount of cash-settled share-based payment transactions

Quantity (number)	2023	2022
Balance (outstanding) at 1.1.	367,761	314,773
granted during the reporting period	207,107	176,337
expired during the reporting period	-	-
exercised during the reporting period	151,365	123,349
Balance (outstanding) at 31.12.	423,503	367,761
of which: exercisable	-	-

The fair value of the virtual shares granted during the reporting period amounted to €1 million (2022: €1 million) as at the balance sheet date. The obligation from share-based payment transactions as at 31 December 2023 amounted to €4 million (2022: €4 million). It is reported in the statement of financial position under provisions.

The virtual shares exercised during the reporting year were converted at a weighted average price of the pbb share of €8.98 (2022: €11.11).

The total amount expensed for share-based payment transactions during the financial year 2023 was €1 million (2022: €2 million).

An amount of €0 million (2022: €0 million) was expensed for former members of the Management Board.

52 Disclosures of Contingencies 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”.

53 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 2023, in the following table. All notifications of shareholdings were published by pbb in the financial year 2023 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	10/2/2023	2.85	3,831,947	-	3,831,947
DWS Investment GmbH	14/2/2023	4.02	5,409,941	-	5,409,941
DWS Investment GmbH	29/4/2023	2.87	3,855,353	-	3,855,353
The Goldman Sachs Group, Inc.	17/5/2023	5.44	528,909	6,790,944	7,319,853
The Goldman Sachs Group, Inc.	21/6/2023	5.19	523,734	6,459,558	6,983,292
The Goldman Sachs Group, Inc.	5/7/2023	5.97	563,355	7,460,325	8,023,680
The Goldman Sachs Group, Inc.	10/11/2023	9.86	1,270,230	11,993,710	13,263,940
The Goldman Sachs Group, Inc.	6/12/2023	10.13	506,664	13,120,122	13,626,786
The Goldman Sachs Group, Inc.	7/12/2023	10.74	496,371	13,940,604	14,436,975
The Goldman Sachs Group, Inc.	13/12/2023	12.48	1,205,698	15,580,400	16,786,098
The Goldman Sachs Group, Inc.	14/12/2023	13.79	1,193,089	17,354,673	18,547,762

54 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 Company Register (Unternehmensregister). The consolidated financial statements are also available online under www.pfandbriefbank.com/en/investors.

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

Due to the balanced net result, no proposal for the appropriation of profits is made to the Annual General Meeting.

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

At the beginning of 2024, market confidence in pbb's prospects deteriorated significantly. This was triggered, among other things, by publications by other banks, particularly US banks, about credit loss allowances recognised on US commercial real estate financings and the resulting general concern that other banks involved in this segment might also have to recognise further significant impairments. As a listed bank with a business model focussed on commercial real estate finance and a 10% share of US business, pbb was particularly affected by the growing concern. As a result, corresponding sell recommendations from analysts, among other things, led to a significant increase in spreads on bonds and a marked decline in pbb's share price.

On 14 February 2024, Standard & Poor's lowered pbb's ratings by one and two notches respectively, while maintaining a negative outlook. In simple terms, the rating cut was one notch for the long-term senior ratings including the issuer rating and the preferred senior unsecured debt rating, while the ratings for subordinated liabilities including the non-preferred senior unsecured rating were lowered by two notches. The short-term issuer rating also deteriorated by one stage.

pbb has sufficient long-term unsecured funding and is not planning any senior unsecured issues for the current year. As at 31 December 2023, unsecured funding comprised retail deposits of €6.6 billion, of which €5.7 billion were fixed-term deposits with an average maturity of more than three years. For 2024, the collateralised refinancing requirement on the capital market is largely covered by higher refinancing activity in the second half of 2023 and at the beginning of 2024 with moderate REF new business expectations for 2024. The capital ratios as at 31 December 2023 were well above the regulatory requirements. pbb is closely monitoring the situation on the markets and adapting its business activities accordingly.

Kay Wolf joined pbb as a member of the Management Board on 1 February 2024. On 1 March 2024, he succeeded Andreas Arndt as Chairman of pbb's Management Board, who left the Management Board the day before. Dr Pamela Hoerr joined pbb's Management Board on 17 January 2024.

57 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, 5 March 2024

Deutsche Pfandbriefbank AG
The Management Board

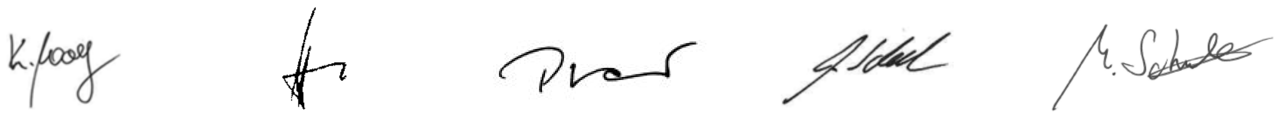
Kay Wolf	Thomas Köntgen	Dr Pamela Hoerr	Andreas Schenk	Marcus Schulte

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, 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, 5 March 2024

Deutsche Pfandbriefbank AG
The Management Board



Kay Wolf   Thomas Köntgen   Dr Pamela Hoerr   Andreas Schenk   Marcus Schulte

Independent Auditor's Report

To Deutsche Pfandbriefbank AG, Munich/Germany

REPORT ON THE AUDIT OF THE 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 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023, 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 for the parent and the group of Deutsche Pfandbriefbank AG, Munich/Germany, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the sections "Organisation and Principles of Internal Control System" and "Appropriateness and Effectiveness of the Internal Control and Risk Management System" of the combined management report, which are marked as "unaudited", nor the content of the combined corporate governance statement, including the further reporting on corporate governance included therein, nor the combined separate non-financial report, 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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 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 content of the sections "Organisation and Principles of Internal Control System" and "Appropriateness and Effectiveness of the Internal Control and Risk Management System" of the combined management report stated above, nor the content of the combined corporate governance statement stated above, including the further reporting on corporate governance included therein, nor the combined separate non-financial report 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 2023. 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) 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) a) As at 31 December 2023, a total of bEUR 44.9 in loans and advances to customers and other banks are recognised in the annual financial statements of Deutsche Pfandbriefbank AG, which makes up 88.7% of total assets. The existing risk provisioning of mEUR 587 has already been deducted from these loans and advances. Risk provisioning includes both individually determined specific allowances of mEUR 415 and general allowances determined using a model-based approach of mEUR 172 that include a management overlay of mEUR 31 on account of the uncertainties regarding the further development of the US property market. Additional contingent liabilities and other commitments amount to bEUR 2.3, for which provisions of mEUR 6 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. The expected future cash flows take into account the marketability of collaterals such as land charges/mortgages. Where applicable, corresponding provisions are made for off-balance sheet transactions subject to either an imminent risk of utilisation by doubtful borrowers (guarantees, warranties) or to expected impairments due to payment obligations (irrevocable loan commitments).

Following the determination of risk provisions under IFRS, the Bank calculates general 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 2023, a management overlay of mEUR 31 was added to the general allowance that was determined by taking into account the development expected by the executive directors of the Bank for the market values of the properties in the US portfolio in the form of increased losses given default. In addition, the Bank makes a provision for all US financial instruments with a current rating prior to 30 June 2023 in the amount of the expected loss over the residual term of these transactions.

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 the general allowance.

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 executive directors for determining the estimated values. With respect to the measurement of loans and advances, we reviewed the underlying assumptions, especially the amount and timing as well as the discounting of expected future payments received in the different scenarios as well as their weighting. In this context, we also evaluated the measurement of collateral taken into account in the scenarios.

Furthermore, we traced the determined general allowances based on a representative sample and evaluated the methodology for deriving the management overlay and the appropriateness of the underlying assumptions, especially with respect to the identified credit portfolio and the adjustments of losses given default, in respect of the estimated values. In this context, our evaluation also took into account industry reports and research results from real estate market observation.

For the purpose of assessing the determination of the general allowance 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 are responsible for the other information. The other information comprises

- the report of the supervisory board,
- 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 combined separate non-financial report 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,
- the unaudited content of the combined management report marked as “unaudited”, 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 supervisory board is responsible for the report of the supervisory board. 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 (i.e. fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 file, which has the SHA-256 value 5ff5010cb4a7ea9d67307f79df70913a392cdd18e7125f5043c8a72dd4cf25eb, 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 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 2023 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 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 (06.2022)). 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 requirements of the IDW Quality Management Standards.

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents based on the electronic files of the 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 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 25 May 2023. We were engaged by the supervisory board on 3 and 7 August 2023. 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 submitted for inclusion in the Company Register – 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 ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek.

Munich/Germany, 6 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

TRANSLATION
– German version prevails –

Future-oriented statements

This report contains future-oriented statements in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates and predictions currently available to the management board of pbb. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading companies, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.

Imprint

Deutsche Pfandbriefbank AG (Publisher)
Parkring 28
85748 Garching
Deutschland

T +49 (0)89 2880-0
info@pfandbriefbank.com
www.pfandbriefbank.com

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.