Interim Report as of 30 June 2024

Deutsche Pfandbriefbank Group

Overview

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–30.6.2024	1.1.–30.6.2023
Operating performance according to IFRS			
Profit before tax	in € million	47	81
Net income	in € million	40	69
Key ratios			
Earnings per share	in €	0.20	0.44
Cost-income ratio[1)]	in %	45.0	51.4
Return on equity before tax[2)]		2.2	4.4
Return on equity after tax[2)]		1.8	3.7
Return on CET1 capital before tax[3)]	in %	2.4	4.9
Return on CET1 capital after tax[3)]	in %	1.9	4.1
New business volume Real Estate Finance[4)]	in € billion	1.9	2.5
Balance sheet figures according to IFRS		**30.6.2024**	**31.12.2023**
Total assets	in € billion	46.0	50.9
Equity	in € billion	3.4	3.4
Financing volumes Real Estate Finance	in € billion	29.8	31.1
Key regulatory capital ratios[5)]		**30.6.2024**	**31.12.2023**
CET1 ratio	in %	14.0	15.7
Own funds ratio	in %	17.0	19.5
Leverage ratio	in %	7.1	6.2
Staff		**30.6.2024**	**31.12.2023**
Employees (on full-time equivalent basis)		791	806
Long-term issuer rating/outlook[6)7)]		**30.6.2024**	**31.12.2023**
Standard & Poor’s		BBB-/Negative	BBB/Negative
Moody’s Pfandbrief rating		**30.6.2024**	**31.12.2023**
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

[1)] Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.

[2)] Return on equity before tax respectively after tax is the ratio of annualised profit before tax (net income) less AT1-coupon and average equity (excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital).

[3)] Return on CET1 capital before tax respectively after tax is the ratio of profit before tax (net income) attributable to pbb shareholders less AT1-coupon and average CET1 capital.

[4)] Including prolongations with maturities of more than one year.

[5)] Values as of 31 December 2023 after confirmation of the 2023 financial statements, less AT1-coupon. The interim profit was included in the figures as at 30 June 2024. If the Advanced Internal Rating Based Approach (pro forma) had been continued, the CET1 ratio as at 30 June 2024 would have been 16.5% and the own funds ratio 20.2%. Details can be found in the Risk and Opportunity Report (section "Key Regulatory Capital Ratios").

[6)] The ratings of unsecured liabilities may diverge from the issuer ratings.

[7)] The rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies’ pertinent criteria and explanations and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by Deutsche Pfandbriefbank AG (pbb).

Information due to rounding

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Explanation of alternative performance measures

For further information regarding thedefinition, usefulness and calculation ofalternative permormance measures see “investors/financial-reports” at www.pfandbriefbank.com

Contents

Group Interim Management Report

Report on Economic Position

DEVELOPMENT IN EARNINGS

Deutsche Pfandbriefbank Group ("pbb Group")

In the first half of 2024, the economic situation in the markets relevant to pbb developed unevenly. The US economy proved to be significantly more robust overall and inflation more persistent than in Europe. The US Federal Reserve (Fed) has therefore not yet lowered its key interest rate of 5.5%, although this is the highest interest rate level in 23 years. Consumer prices in the US rose by 3.0% in June 2024. Although this is still well above the target of 2%, it marks at least the second consecutive decline and gives hope that price pressure will ease further in the coming months. The Fed itself assumes that the 2% target will not be reached until 2026. Even though it has so far been reluctant to cut interest rates, this could change if, for example, the labour market continues to lose momentum. Although the labour market remains robust, it is increasingly losing momentum. The unemployment rate in the US rose from 3.7% at the end of last year to 4.1% in June 2024. In addition, the likelihood of the Fed cutting interest rates this year has also increased due to the recent somewhat weaker US economic data. In the eurozone, on the other hand, inflation rates have already fallen to such an extent that the European Central Bank (ECB) was able to cut key interest rates by 25 basis points in June 2024. The ECB also hinted at a further easing of monetary policy over the course of the year.

The situation on the commercial real estate markets remained tense. Prices for commercial property have not yet recovered and transaction volumes remained at a low level.

In the course of the first quarter of 2024, general concern grew that other banks involved in this segment could also be required to make further significant write-downs, partly as a result of publications about credit loss allowances on commercial US property financing, particularly by US banks.

In the course of this general market development, market confidence in the outlook for pbb Group also deteriorated significantly at the beginning of 2024. As a listed bank with a business model focussing on commercial real estate finance with a US portfolio, pbb was particularly affected by the general uncertainty. As a result, corresponding sell recommendations from analysts, among other things, led to a significant widening of spreads on bonds and to a significant decline in pbb's share price. On 14 February 2024, Standard & Poor's lowered pbb's ratings by one notch and two notches respectively, with the outlook remaining negative.

Since March 2024, the spreads of pbb's secured and unsecured bonds have recovered significantly. The pbb Group continues to have sufficient long-term unsecured funding and is not planning to issue a benchmark senior unsecured in the current year. The pbb share price also increased significantly as at 30 June 2024 compared to its low in February 2024.

Despite the challenging market environment, pbb Group was once again profitable in the first half of 2024 (hereinafter referred to as "6m2024"), with profit before tax of €47 million. The result for the same period of the previous year (hereinafter referred to as "6m2023") of €81 million was not achieved, as significantly higher allowances for losses on loans and advances were recognised in the reporting period.

A detailed breakdown of the results is provided below:

pbb Group

Income and expenses

in € million	1.1.–30.6.2024	1.1.–30.6.2023
Operating income	278	259
Net interest income	246	216
Net fee and commission income	3	2
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement) [1)]	-4	-
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations) [1)]	35	42
Net income from hedge accounting	6	-3
Net other operating income	-8	2
Net income from allowances on financial assets (Net income from risk provisioning) [1)]	-103	-21
General and administrative expenses	-115	-123
Expenses from bank levies and similar dues	-3	-24
Net income from write-downs and write-ups on non-financial assets	-10	-10
Profit before tax	**47**	**81**
Income taxes	-7	-12
Net income	**40**	**69**
attributable to:		
Shareholders	40	69

[1)] Solely the condensed and parenthesised line item descriptions are used subsequently.

Due to the development in the strategic business, commercial real estate financing, net interest income rose significantly to €246 million after €216 million in the first half of 2023. The higher average financing volume (€30.7 billion; 6m2023: €29.6 billion) and the increased portfolio margin had a positive effect. The increase in net interest income from strategic business compensated for the largely non-recurring present value effect from the modification of the TLTRO III funding in November 2022, which had favoured net interest income by € 11 million in the same period of the previous year.

At € 3 million, net fee and commission income was roughly on a par with the first half of 2023 (6m2023: €2 million) and resulted from non-accruable fees.

Net income from fair value measurement totalled €-4 million (6m2023: €0 million). This was due in particular to the rise in interest rates, especially short and medium-term market interest rates, which led to an expense from financial instruments measured at fair value through profit or loss. In addition, net income from fair value measurement was burdened by €2 million by the portfolio transaction of financial assets in the USA and the United Kingdom.

Net income from realisations of €35 million (6m2023: €42 million) was positively impacted by pbb's active balance sheet management. In this context, net income of €8 million (6m2023: €13 million) was generated from the sale of financial assets. The liquidity released was used, among other things, to repay liabilities. This and the expiry of liabilities resulted in a gain of €27 million (6m2023: €26 million). As in the same period of the previous year, income from the pepayment of financing only played a minor role.

Net income from hedge accounting totalled €6 million (6m2023: €-3 million). With largely effective hedging relationships (hedges), there were minor effects from different interest rate fixing dates for underlying and hedging transactions.

Net other operating income, which resulted in particular from currency translation, totalled €-8 million. The previous year's result of €2 million was mainly attributable to net reversals of provisions outside the lending business.

As a result of the continued challenging environment on the real estate markets, risk provisioning was increased further. Overall, net income from risk provisioning of €-103 million was significantly higher than in the first half of 2023 (6m2023: €-21 million), but below the figure for the second half of 2023 (€-191 million). There was a net addition to risk provisions of €3 million (6m2023: €5 million) for financial instruments without indicators of impaired credit quality (stages 1 and 2). Net addition to risk provisions for financial instruments with evidence for credit impairment (stage 3) totalled €100 million (6m2023: €16 million).

Stage 1 and 2 risk provisioning increased, mainly as a result of increased probabilities of default for individual financing arrangements, the prolongation of financings and changes in valuation parameters. In contrast, the management overlay existing as at 31 December 2023 was partially reversed by €19 million to take into account the emerging momentum of the US real estate markets and still amounted to €9 million as at 30 June 2024 considering utilisation. One of the reasons for the partial reversal was that the risks represented by the management overlay are increasingly materialising, in particular due to the assumption of higher probabilities of default, and are therefore taken into account in the recognition of impairment losses in all three stages. To measure the management overlay, the model-based loss given default (LGD) ratios for the entire US business were increased, albeit with a lower premium than at the end of 2023. As at 30 June 2024, no US real estate financing without indicators of impaired credit quality was collectively provided for in the amount of the expected credit losses over the term.

The additions to stage 3 were mainly attributable to several portfolio financing transactions in the USA and three development financing transactions in Germany. In the first half of 2024, a total of seven transactions were reclassified to risk provisioning level 3 due to defaults. Of these, one transaction (US portfolio financing) was already repaid within the reporting period through the sale of receivables. A further four transactions (two US office portfolio financings and two UK shopping centre financings) were repaid through the sale of properties, and two further US office portfolio financings (one of which was a salvage acquisition) were returned to normal loan servicing after stabilisation.

At €115 million, general and administrative expenses were slightly below the previous year's figure (6m2023: €123 million). Personnel expenses were lower (€64 million; 6m2023: €68 million), partly due to expenses for severance payments in the first half of 2023. Reduced project expenses led to lower operating expenses (€51 million; 6m2023: €55 million).

At €3 million, expenses from bank levies and similar dues were significantly lower than the previous year's figure (6m2023: €24 million). This is due to the fact that, in accordance with the press release dated 15 February 2024, the Single Resolution Fund will suspend the payment of contributions to the European bank levy in 2024 once the target volume has been reached, provided that no claims are made as a result of a guarantee case in Europe. In the first half of 2023, an expense of €22 million was incurred for this, taking into account a 22.5% collateral provision recognised directly in equity. The remaining expenses in the expenses from bank levies and similar dues item resulted from expenses for the deposit guarantee scheme.

As in the first half of 2023, net income from write-downs and write-ups of non-financial assets amounted to €-10 million (6m2023: €-10 million) and included depreciation and amortisation of tangible assets and intangible assets.

Of the income taxes (€-7 million; 6m2023: €-12 million), €-4 million (6m2023: €-12 million) was attributable to current taxes and €-3 million (6m2023: € 0 million) to deferred taxes.

Operating Segments

Real Estate Finance (REF)

The volume of new business (including extensions by more than one year) amounted to €1.9 billion (6m2023: €2.5 billion); of this amount €1.3 billion (6m2023: €1.0 billion) was attributable to extensions.

REF		1.1.–30.6.2024	1.1.–30.6.2023
Operating performance			
Operating income	in € million	227	220
Net interest income[1]	in € million	229	198
Net fee and commission income	in € million	4	2
Net income from fair value measurement	in € million	-3	-1
Net income from realisations	in € million	-1	20
Net income from hedge accounting	in € million	4	-2
Net other operating income	in € million	-6	3
Net income from risk provisioning	in € million	-103	-21
General and administrative expenses	in € million	-109	-107
Expenses from bank levies and similar dues	in € million	-2	-16
Net income from write-downs and write-ups of non-financial assets	in € million	-9	-9
Profit before tax	**in € million**	**4**	**67**
Key ratios			
Cost-income ratio[1]	in %	52.0	52.7
Balance-sheet-related measures		**30.6.2024**	**31.12.2023**
Financing volumes	in € billion	29.8	31.1
Risk-weighted assets[2]	in € billion	20.4	17.5
Equity[1][3]	in € billion	3.1	2.9

[1] Previous year's figures adjusted in accordance with IFRS 8.29 (see note "Consistency").
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[3] Excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital.

Net interest income was due, among other things, to the increased average portfolio volume and the higher portfolio margin. Net income from realisations did not reach the previous year's figure, as the latter benefited from higher income from the redemption of financial liabilities. The Group net income from risk provisioning was entirely attributable to REF. General and administrative expenses increased slightly as a result of investments in the diversification of the business model. The change in expenses from bank levies and similar dues and the net income from write-downs and write-ups of non-financial assets was in line with the Group's performance.

Non-Core (NC).
The financing volume fell to €11.2 billion in the first half of 2024 (31 December 2023: €12.4 billion). In addition to regular maturities, disposals contributed to the portfolio reduction.

NC		1.1.–30.6.2024	1.1.–30.6.2023
Operating performance			
Operating income	in € million	51	39
Net interest income	in € million	17	18
Net fee and commission income	in € million	-1	-
Net income from fair value measurement	in € million	-1	1
Net income from realisations	in € million	36	22
Net income from hedge accounting	in € million	2	-1
Net other operating income	in € million	-2	-1
Net income from risk provisioning	in € million	-	-
General and administrative expenses	in € million	-6	-16
Expenses from bank levies and similar dues	in € million	-1	-8
Net income from write-downs and write-ups of non-financial assets	in € million	-1	-1
Profit before tax	**in € million**	**43**	**14**
Key ratios			
Cost-income ratio	in %	13.7	43.6
Balance-sheet-related measures		**30.6.2024**	**31.12.2023**
Financing volumes	in € billion	11.2	12.4
Risk-weighted assets[1]	in € billion	0.2	0.6
Equity[2]	in € billion	-	0.1

[1] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[2] Excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital. Value as at 31 December 2023 adjusted in accordance with IFRS 8.29 (see note "Consistency").

Net interest income declined in line with the lower average portfolio volume (€11.7 billion; 6m2023: €13.9 billion). Net income from realisations resulted from the redemption of liabilities, the sale of assets and the expiry of liabilities. General and administrative expenses decreased in line with the lower portfolio, among other things, which led to a reduction in the segment's headcount. In addition, the previous year's figure included expenses from the former subsidiary CAPVERIANT GmbH, whose business activities were discontinued. Expenses for bank levies developed in line with the Group figure.

Consolidation & Adjustments (C&A)

C&A reconciles the segment results with the consolidated result. Besides consolidation adjustments, this includes certain income and expense items outside the operating segments' responsibility.

C&A		1.1.–30.6.2024	1.1.–30.6.2023
Operating performance			
Operating income	in € million	-	-
Net interest income[1]	in € million	-	-
Net fee and commission income	in € million	-	-
Net income from fair value measurement	in € million	-	-
Net income from realisations	in € million	-	-
Net income from hedge accounting	in € million	-	-
Net other operating income	in € million	-	-
Net income from risk provisioning	in € million	-	-
General and administrative expenses	in € million	-	-
Expenses from bank levies and similar dues	in € million	-	-
Net income from write-downs and write-ups of non-financial assets	in € million	-	-
Profit before tax	**in € million**	**-**	**-**
Balance-sheet-related measures		**30.6.2024**	**31.12.2023**
Risk-weighted assets[2]	in € billion	0.3	0.4
Equity[1][3]	in € billion	-	0.1

[1] Previous year's figures adjusted in accordance with IFRS 8.29 (see note "Consistency").
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[3] Excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI, AT1 capital.

DEVELOPMENT IN ASSETS

Assets

in € million	30.6.2024	31.12.2023
Cash reserve	1,492	2,728
Financial assets at fair value through profit or loss	975	944
Positive fair values of stand-alone derivatives	483	494
Debt securities	123	123
Loans and advances to customers	366	324
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,162	1,475
Debt securities	1,141	1,354
Loans and advances to customers	21	121
Financial assets at amortised cost after credit loss allowances	41,971	45,228
Financial assets at amortised cost before credit loss allowances	42,505	45,811
Debt securities	3,627	4,014
Loans and advances to other banks	1,834	2,507
Loans and advances to customers	36,916	39,155
Claims from finance lease agreements	128	135
Credit loss allowances on financial assets at amortised cost	-534	-583
Positive fair values of hedge accounting derivatives	114	251
Valuation adjustment from portfolio hedge accounting (assets)	-51	-56
Investments accounted for using the equity method	13	-
Tangible assets	27	20
Intangible assets	54	53
Other assets	69	68
Current income tax assets	34	43
Deferred income tax assets	128	129
Total assets	**45,988**	**50,883**

Total assets decreased in the first half of 2024. The cash reserve decreased as a result of the repayment of the remaining TLTRO III tranche in the amount of €0.9 billion and as a result of repurchases of liabilities. Financial assets at fair value through other comprehensive income decreased due to maturities of (government) bonds in the liquidity portfolio and a cash investment.

Within the financial assets at amortised cost, maturities and sales of bonds and loans from public-sector issuers (non-strategic portfolio) with a total carrying amount of €1.3 billion led to a decline in loans and advances to customers. In addition, pbb Group sold a portfolio of real estate loans with a carrying amount of €0.9 billion as part of its balance sheet management. The portfolio comprised financings of office, residential and hotel properties in the USA and the United Kingdom. In addition, loans and advances to other banks decreased due to a lower portfolio of reverse repurchase agreements.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	30.6.2024	31.12.2023
Financial liabilities at fair value through profit or loss	806	662
Negative fair values of stand-alone derivatives	806	662
Financial liabilities measured at amortised cost	41,074	45,913
Liabilities to other banks	3,364	6,079
Liabilities to customers	18,912	18,829
Bearer bonds	18,207	20,402
Subordinated liabilities	591	603
Negative fair values of hedge accounting derivatives	616	789
Valuation adjustment from portfolio hedge accounting (liabilities)	-49	-49
Provisions	98	117
Other liabilities	57	68
Current income tax liabilities	15	18
Liabilities	**42,617**	**47,518**
Equity attributable to the shareholders of pbb	3,073	3,067
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,177	1,162
Accumulated other comprehensive income	-121	-112
from pension commitments	-63	-70
from cash flow hedge accounting	-36	-30
from financial assets at fair value through OCI	-22	-12
Additional equity instruments (AT1)	298	298
Equity	**3,371**	**3,365**
Total equity and liabilities	**45,988**	**50,883**

Liabilities

The total amount of liabilities as at 30 June 2024 was below the previous year's figure. The most significant item within liabilities, financial liabilities measured at amortised cost, decreased. Liabilities to other banks fell due to the repayment of the remaining TLTRO III tranche in the amount of €0.9 billion. In addition, the holdings of repurchase agreements, fixed-term deposits and covered mortgage Pfandbriefe decreased. The portfolio of other debt securities also decreased due to repurchases and maturities. In contrast, the volume of retail deposits (pbb direct) increased compared to the previous year-end.

Equity

The development of equity is disclosed in the note "Equity".

Funding

In the first half of 2024, pbb Group placed a new long-term funding volume of €1.2 billion (6m2023: €1.4 billion) on the market. This was offset by repurchases of €0.7 billion (6m2023: €0.6 billion), of which public-sector Pfandbriefe accounted for more than two-thirds. The new funding volume consisted exclusively of mortgage Pfandbriefe (6m2023: €0.8 billion), which were issued both in benchmark format and in the form of private placements. The transactions were predominantly denominated in euros. Open interest rate positions are generally hedged by swapping fixed interest rates for variable interest rates. To minimise the currency risk between assets and liabilities, bonds with an equivalent value of €0.3 billion were issued in SEK. The foreign currency was converted into euros at the exchange rate applicable at the time of issue. The unsecured refinancing (6m2023: €0.6 billion) was completely replaced by lower-cost deposits from private customers (pbb direct).

The last tranche of the TLTRO III liability totalling €0.9 billion was repaid in June 2024. As a result, there are no more TLTRO liabilities.

Overnight and term deposits from retail investors amounted to €8.1 billion as at 30 June 2024 (31 December 2023: €6.6 billion).

Key Regulatory Capital Ratios

As at 30 June 2024 the CET1 ratio amounted to 14.0% (31 December 2023: 15.7%), the own funds ratio to 17.0% (31 December 2023: 19.5%) and the leverage ratio to 7.1% (31 December 2023: 6.2%). Please refer to the Risk and Opportunity Report ("Key Regulatory Capital Ratios" section) for further information on the key regulatory capital ratios.

Liquidity

As at 30 June 2024, the Liquidity Coverage Ratio was 304% (31 December 2023: 212%).

The maturity structure is disclosed in note "Maturities of specific financial assets and liabilities".

Ratings

In the first half of 2024, the following changes occurred with regads to pbb's mandated ratings:

On 14 February 2024, S&P downgraded the bank's ratings by one notch from BBB to BBB- with an unchanged negative outlook. While the long-term and short-term issuer ratings and the senior preferred unsecured rating were each downgraded by one notch, the senior non-preferred unsecured debt rating and the subordinated ratings were lowered by two notches. The rating action was explained by S&P's perception of a further deterioration in the real estate markets, mainly in the USA but also in Germany, and the associated risk of decreasing portfolio quality and rising risk costs.

	30.6.2024		31.12.2023	
Senior Unsecured Ratings and Ratings of Pfandbriefe of Deutsche Pfandbriefbank AG (pbb)[1)]	Standard & Poor's	Moody's	Standard & Poor's	Moody's
Long-term issuer rating/outlook	BBB-/negative	-	BBB/negative	-
Short-term issuer rating	A-3	-	A-2	-
Long-term senior "preferred" unsecured debt rating[2)]	BBB-	-	BBB	-
Long-term senior "non-preferred" unsecured debt rating[3)]	BB-	-	BB+	-
Mortgage Pfandbriefe	-	Aa1	-	Aa1
Public Sector Pfandbriefe	-	Aa1	-	Aa1

[1)] The overview does not include all ratings/outlooks.
[2)] S&P: "Senior Unsecured Debt".
[3)] S&P: "Senior Subordinated Debt".

Rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by pbb.

MATERIAL RELATED PARTY TRANSACTIONS

No material transactions with related parties pursuant to IAS 24.9 were entered into during the first half of 2024.

Risk and Opportunity Report

The Risk and Opportunity Report shows the identified risks and the opportunities for the individual risk types within the framework of the implemented risk management and risk controlling system.

This report only comprises risks and opportunities including a general description of the Company's risk management organisation, or a description of definitions, methods, management and measurement of particular types of risk, to the extent that there were changes during the period under review in comparison to the Risk and Opportunity Report provided in the 2023 Annual Report. For more details, please refer to the disclosures in the Risk and Opportunity Report in the 2023 Annual Report.

ORGANISATION AND PRINCIPLES OF RISK AND CAPITAL MANAGEMENT

pbb Group has implemented a Group-wide risk management and risk control system, which provides for uniform risk identification, measurement and limitation in accordance with section 91 (2) of the German Public Limited Companies Act (Aktiengesetz – "AktG") and section 25a of the German Banking Act (Kreditwesengesetz – "KWG"). pbb applies an exemption according to section 2a (2) of the KWG. The exemption refers to the requirements concerning the risk control function pursuant to section 25a (1) sentence 3 nos. 1, 2, 3b and 3c of the KWG.

Organisation and Committees

Organisation of Chief Risk Officer (CRO)
30 June 2024

The Projects Risk Management division was dissolved in the first half of 2024. The tasks were integrated into the CRM division.

Chief Risk Officer (CRO)			
Risk Management & Control (RMC)	Credit Risk Management (CRM)	Operations & Digitalisation	Compliance

The CRO function comprises the following monitoring and back-office units at pbb Group level:
- The division Risk Management & Control, which is amongst others responsible for monitoring market, credit, operational and liquidity risks as well as the risk-bearing capacity and which is also responsible for Group-wide uniform risk measuring methods and risk reports. The management of the RMC division changed on 1 April 2024.
- The division **CRM**, which is responsible for the analysis of new business and portfolio management. In addition, CRM also comprises the Workout unit, which is responsible for the recovery and workout of all critical exposures, and the central unit Credit Processes, which is responsible in particular for the organisation of the Credit Committee, the continuous improvement of data quality within CRM and implementation of regulatory requirements in the credit processes.
- The division Operations & Digitalisation. Operations is responsible for the global servicing and administration of the loan portfolio (including technical implementation of loan agreements), settlement of capital markets transactions, administration and processing of the Group's securities and derivatives portfolios, as well for handling domestic and international payments. Digitalisation acts as a competence centre for pbb as a whole, and drives pbb's digital transformation. Among other things, the strategic focus is on the digital client interface and intelligent process automation for efficiency gains by utilising new technologies and methods, such as artificial intelligence or agile project management.
- The **Compliance** division, which influences the conduct of pbb Group, in compliance with applicable laws and regulations, through methods and procedures as well as through audit and reporting processes. Compliance is

responsible in particular for regulations and controls to prevent money laundering and other criminal activities, to ensure compliance with sanctions and embargoes, and to ensure capital market compliance. It is also responsible for general compliance topics. In this manner, the Compliance function opposes any risks that can arise from non-compliance with legal rules, as well as external and internal requirements. The Compliance division is also responsible for strengthening the internal control system for the central coordination of key controls (Control Attestation Process). Compliance is represented in various committees and regularly reports to the Management Board and the Audit and Digitalisation Committee of the Supervisory Board.

In addition to the CRO function, the independent Property Analysis & Valuation (PAV) department and Group Internal Audit units complement the risk management system. PAV is responsible for the holistic, risk-oriented analysis and valuation of collateral properties according to market and mortgage lending value methods, the monitoring (research) of regional real estate markets and the monitoring of financed construction projects. The property analysis also includes the collection, analysis and evaluation of sustainability information at property level to classify taxonomy conformity, green bond and loan eligibility. In addition, PAV is home to the Trustee's Office for covering receivables secured by mortgages and receivables from the financing of public sector investment projects in Germany and abroad. The Trustee Office co-ordinates the collateralisation and ensures compliance with the cover in accordance with the German Pfandbrief Act (Deutsches Pfandbriefgesetz – “PfandBG”). The area of responsibility of Group Internal Audit comprises risk-oriented regular as well as event-driven audits of processes, controls and systems. This also includes the revision of the risk management system and the internal control system.

Risk Strategy and Policies

In line with the preparation of the business strategy, the risk strategy was adopted by the Management Board as part of the annual strategy preparation process for 2024 and approved by the Supervisory Board. In the context of pbb Group's strategic development, updates to the risk strategy as at February and May 2024 were approved by the Management Board and accepted by the Risk Management and Liquidity Strategy Committee (RLA) and the Supervisory Board. These updates focused on adjustments with regard to new business planning and the risk inventory.

RISK TYPES

pbb Group distinguishes the following major risk types for its business activities:

- Credit risk (counterparty risk)
- Market risk
- Liquidity and Funding risk
- Operational risk
- Business and Strategic risk
- Property risk
- Investment risk
- Pension risk
- Central counterparty risk
- Environmental, social and governance risk

The investment risk was newly included in the reporting period.

Credit Risk (Counterparty Risk)

Credit Risk Quantification via Economic Capital and Risk-weighted Assets according to Capital Requirements Regulation (CRR)

Credit Risk Quantification according to CRR The Basel III framework agreement of the Basel Committee was implemented in the European context through the CRR.

Since the reporting date of 30 June 2024, two approaches have been used to determine the regulatory capital backing. These are the Foundation Internal Rating Based Approach (F-IRBA) for the majority of commercial property financing and the Standardised Approach (STA) for the remaining risk positions. For a transitional period until Basel IV comes into force and until approval by the supervisory authority, which is expected in 2025, the risk-weighted exposure values will be determined on the basis of standardised risk weightings.

Credit Portfolio

The entire credit portfolio of the pbb Group is calculated by using the exposure at default (EaD).

For most products, EaD is equal to the IFRS carrying amount (including accrued interest). Committed, undrawn credit lines are additionally included in EaD with a product-specific credit conversion factor (CCF). The CCF indicates the portion of an undrawn credit line that is expected to be drawn upon (based on experience) within one year before a potential default. Derivatives and repo transactions are an exception since their EaD is not identical to their carrying amount but must be determined, in accordance with the Capital Requirements Regulation ("CRR") using a different methodology. This applies, for example, to derivatives in accordance with the SA-CRR method.

The Group's aggregated EaD amounted to €45.8 billion as at 30 June 2024 (31 December 2023: €51.3 billion).

Overview of the Total Exposure of pbb Group:

The credit portfolio is broken down into two segments:

- Real Estate Finance (REF) and
- Non-Core (NC)

In addition "Consolidation & Adjustments (C&A)" shows besides the internal reconciliation and consolidation positions, the EaD for transactions which are not directly attributable to the operating segments. These are basically asset positions for asset and liability management.

EaD in C&A was almost fully attributable (>99%; 31 December 2023: 100%) to EL classes 1 to 8; according to the internal classification, these are considered investment grade.

Total portfolio: EaD according to operating segments

			Change	
in € billion	**30.6.2024**	**31.12.2023**	in € billion	in %
Real Estate Finance	30.6	33.0	-2.4	-7.3
Non-Core	11.9	13.2	-1.3	-9.8
Consolidation & Adjustments	3.4	5.1	-1.7	-33.3
Total	**45.8**	**51.3**	**-5.5**	**-10.7**

Risk Parameters The expected loss (EL) for a time period of one year is calculated for the entire exposure, with the exception of non-performing loans for which a stage 3 impairment has already been recognised. The EL is calculated using the parameters defined under Basel III, i.e. PD, LGD and EaD.

As at 30 June 2024, the EL for the pbb Group amounted to €195 million (31 December 2023: €178 million). The increase in EL was mainly due to rating downgrades in the REF segment, which occurred primarily in the first quarter of 2024.

pbb applies the default definition according to EBA Guideline 2016/07.

Total exposure: expected loss according to operating segments

in € million	30.6.2024	31.12.2023	Change in € million	Change in %
Real Estate Finance	193	176	17	9.7
Non-Core	1	2	-1	-50.0
Consolidation & Adjustments	-	-	-	-
Total	**195**	**178**	**17**	**9.6**

Future developments, such as changes in the economic environment or developments concerning individual risks, may result in changes to the EL figures set out above. Furthermore, actual losses incurred may differ from expected losses.

Regional Breakdown of the Portfolio The main focus of the exposure at the reporting date remained unchanged upon Western Europe. Germany continued to account for most of the overall exposure, with 41% or €18.8 billion (31 December 2023: 41% or €21.2 billion).

The reduction in EaD in Germany compared to the end of the previous year was largely due to a reduced exposure to central banks in C&A, in addition to the changes in REF and NC described in the segments. The lower exposure in France was largely due to repayments in the REF segment. The decline in the USA and the United Kingdom was mainly influenced by a portfolio transaction to reduce the exposure, in the USA additionally by larger repayments. Repayments and sales in NC had a reducing effect on the exposure in Austria.

The largest item of the category “Other Europe” were the Netherlands with €1.4 billion (31 December 2023: €1.3 billion).

Total portfolio: EaD according to regions

in € billion	30.6.2024	31.12.2023	Change in € billion	Change in %
Germany	18.8	21.2	-2.4	-11.3
France	6.2	6.9	-0.7	-10.1
USA	4.3	5.2	-0.9	-17.3
Austria	4.0	4.6	-0.6	-13.0
Other Europe[1)]	2.3	2.3	-	-
United Kingdom	2.1	2.7	-0.6	-22.2
Poland	2.0	2.0	-	-
Spain	1.5	1.6	-0.1	-6.3
Italy	1.4	1.5	-0.1	-6.7
Sweden	1.2	1.2	-	-
Czech Republic	0.6	0.6	-	-
Other[2)]	0.5	0.7	-0.2	-28.6
Finland	0.4	0.4	-	-
Portugal	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Total	**45.8**	**51.3**	**-5.5**	**-10.7**

[1)] As of 30 June 2024 the category “Other Europe” comprises the Netherlands, Slovakia, Romania, Switzerland, Slovenia, Belgium, Luxembourg, Ireland, Latvia, Denmark and Norway.
[2)] As of 30 June 2024 the category “Other” comprises mainly Supranationals and Canada.

Depending on the results of the internal rating process, maximum limits are defined for each segment in each individual country; these limits restrict the business activities. All country limits are monitored daily.

Real Estate Finance: €30.6 billion EaD

The REF segment comprises real estate loans and corresponding client derivatives. The EaD of the REF portfolio, which in comparison with the funding volume shown in the chapter “Development in Earnings” also includes undrawn credit lines – multiplied by a product-specific conversion factor – decreased by €2.4 billion to €30.6 billion compared to 31 December 2023.

In Germany and France, repayments exceeded new business in the first half of 2024. This resulted in a decline in exposure in each case.

A portfolio transaction totalling €0.9 billion reduced the exposure in the UK and the USA. The portfolio comprised financing for office, residential and hotel properties.

In the USA, repayments of performing loans and exits from non-performing loans also influenced the reduction in exposure. A slight increase in exposure due to new business was recorded in Poland.

Real Estate Finance: EaD according to regions

			Change	
in € billion	**30.6.2024**	**31.12.2023**	in € billion	in %
Germany	13.5	14.2	-0.7	-4.9
USA	4.2	5.1	-0.9	-17.6
France	3.7	4.1	-0.4	-9.8
United Kingdom	2.0	2.5	-0.5	-20.0
Poland	2.0	1.9	0.1	5.3
Other Europe[1)]	1.8	1.8	-	-
Sweden	1.2	1.2	-	-
Czech Republic	0.6	0.6	-	-
Spain	0.5	0.5	-	-
Finland	0.4	0.4	-	-
Austria	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Italy	0.1	0.1	-	-
Total	**30.6**	**33.0**	**-2.4**	**-7.3**

[1)] As of 30 June 2024 the category “Other Europe” comprises the Netherlands, Romania, Switzerland, Slovakia, Luxembourg, Slovenia, Belgium and Norway.

In terms of EaD by property type, there was an increase in the logistics/warehouse category due to new business. Due to the portfolio transaction and repayments that exceeded new business, there was a decline in the other categories.

Real Estate Finance: EaD according to property type

			Change	
in € billion	**30.6.2024**	**31.12.2023**	in € billion	in %
Office buildings	15.5	16.7	-1.2	-7.2
Logistics/Storage	5.4	5.3	0.1	1.9
Residential	5.0	5.8	-0.8	-13.8
Retail	3.0	3.2	-0.2	-6.3
Hotel/Leisure	0.9	1.1	-0.2	-18.2
Other	0.4	0.5	-0.1	-20.0
Mixed Use	0.2	0.5	-0.3	-60.0
Total	**30.6**	**33.0**	**-2.4**	**-7.3**

At 30 June 2024, investment financings continued to dominate the REF portfolio (92%; 31 December 2023: 90%); development financings accounted for 8% of EaD (31 December 2023: 10%). Investment financings are defined as real estate loans, the debt servicing ability of which largely depends upon current cash flows from the property.

Real Estate Finance: EaD according to loan type

			Change	
in € billion	**30.6.2024**	31.12.2023	in € billion	in %
Investment financing	28.1	29.7	-1.6	-5.4
Development financing	2.5	3.2	-0.7	-21.9
Customer derivatives	-	0.1	-0.1	-100.0
Other	-	-	-	-
Total	**30.6**	**33.0**	**-2.4**	**-7.3**

Non-Core (NC): €11.9 billion EaD
The NC portfolio comprises pbb Group's non-strategic exposures.

EaD in the NC segment fell by €1.3 billion compared to the end of the previous year due to repayments, sales and maturities.

Non-Core: EaD according to regions

			Change	
in € billion	**30.6.2024**	31.12.2023	in € billion	in %
Austria	3.7	4.3	-0.6	-14.0
Germany	3.0	3.4	-0.4	-11.8
France	2.4	2.6	-0.2	-7.7
Italy	1.3	1.3	-	-
Spain	0.7	0.8	-0.1	-12.5
Portugal	0.3	0.3	-	-
Other[1)]	0.2	0.3	-0.1	-33.3
Other Europe[2)]	0.1	0.1	-	-
United Kingdom	0.1	0.1	-	-
Total	**11.9**	**13.2**	**-1.3**	**-9.8**

[1)] As of 30 June 2024 the category “Other” comprises mainly Supranationals and Canada.
[2)] As of 30 June 2024 the category “Other Europe” comprises mainly Belgium and the Netherlands.

EaD by counterparty structure is shown including regulatory permitted guarantees or other forms of credit support.

Non-Core: EaD according to counterparty structure

			Change	
in € billion	**30.6.2024**	31.12.2023	in € billion	in %
Public sector borrowers	11.5	12.8	-1.3	-10.2
Financial institutions[1)]	0.3	0.3	-	-
Companies/Special-purpose entities[2)]	0.1	0.1	-	-
Total	**11.9**	**13.2**	**-1.3**	**-9.8**

[1)] Mainly Spanish covered bonds.
[2)] Largely collateralised by guarantees and surety bonds.

Structured Products
pbb Group’s residual holding of a Mortgage-backed Security guaranteed by one regional government had a notional value of €0.2 billion as at 30 June 2024 (31 December 2023: €0.2 billion) and a current fair value of €0.2 billion (31 December 2023: €0.2 billion).

Breakdown of on-balance sheet and off-balance sheet business by rating class
The following tables provide a breakdown of gross carrying amounts of non-derivative financial assets (excluding cash funds), and of default risks in irrevocable loan commitments and contingent liabilities, by internal rating class and impairment level. The breakdown is in line with pbb Group’s internal rating classes. The default definition follows Article 178 of the CRR.

Breakdown of non-derivative financial assets (excluding cash funds) by internal rating class and impairment level as at 30 June 2024

in € million	Stage 1	Stage 2	Stage 3	FVPL	**Total**
Class 1	8,784	30	-	172	8,987
Class 2	192	-	-	-	192
Class 3	152	-	-	-	152
Class 4	285	-	-	-	285
Class 5	159	-	-	-	159
Class 6	49	-	-	-	49
Class 7	1,740	-	-	82	1,822
Class 8	2,264	-	-	-	2,264
Class 9	1,846	78	-	3	1,927
Class 10	2,606	151	-	11	2,767
Class 11	2,416	492	-	-	2,908
Class 12	4,142	296	-	-	4,438
Class 13	3,575	613	-	-	4,187
Class 14	1,223	1,009	-	-	2,232
Class 15	1,782	493	-	108	2,383
Class 16	855	371	-	-	1,226
Class 17	943	430	-	-	1,373
Class 18	557	629	-	-	1,186
Class 19	1,091	272	-	-	1,363
Class 20	444	722	-	25	1,191
Class 21	110	500	-	61	671
Class 22	81	357	-	-	437
Class 23	21	173	-	-	195
Class 24	-	-	-	-	-
Class 25	177	-	-	-	177
Class 26	-	12	-	-	12
Class 27	-	26	-	-	26
Defaulted	-	75	1,470	29	1,574
Without rating	-	-	-	14	14
Total	**35,495**	**6,727**	**1,470**	**505**	**44,197**

Breakdown of non-derivative financial assets (excluding cash funds) by internal rating class and impairment level as at 31 December 2023

in € million	Stage 1	Stage 2	Stage 3	FVPL	**Total**
Class 1	10,068	-	-	179	10,247
Class 2	413	-	-	-	413
Class 3	-	-	-	-	-
Class 4	420	-	-	-	420
Class 5	151	-	-	-	151
Class 6	-	-	-	-	-
Class 7	1,728	-	-	81	1,810
Class 8	1,858	-	-	3	1,860
Class 9	2,822	112	-	-	2,934
Class 10	2,851	184	-	11	3,046
Class 11	3,552	497	-	-	4,050
Class 12	5,133	608	-	107	5,848
Class 13	3,707	633	-	-	4,339
Class 14	1,542	879	-	44	2,466
Class 15	1,137	688	-	-	1,825
Class 16	629	754	-	-	1,383
Class 17	672	235	-	-	907
Class 18	572	692	-	-	1,264
Class 19	682	436	-	-	1,118
Class 20	829	339	-	25	1,193
Class 21	269	267	-	-	536
Class 22	56	134	-	-	190
Class 23	24	132	-	-	156
Class 24	-	-	-	-	-
Class 25	1	59	-	-	60
Class 26	-	21	-	-	21
Class 27	-	28	-	-	28
Defaulted	-	-	1,486	-	1,486
Total	**39,119**	**6,697**	**1,486**	**450**	**47,752**

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level as at 30 June 2024

in € million	Stage 1	Stage 2	Stage 3	**Total**
Class 1	96	-	-	96
Class 2	-	-	-	-
Class 3	-	-	-	-
Class 4	-	-	-	-
Class 5	-	-	-	-
Class 6	-	-	-	-
Class 7	-	-	-	-
Class 8	-	-	-	-
Class 9	-	-	-	-
Class 10	19	-	-	19
Class 11	77	-	-	77
Class 12	57	-	-	57
Class 13	119	-	-	119
Class 14	50	35	-	85
Class 15	166	1	-	168
Class 16	25	58	-	83
Class 17	87	78	-	165
Class 18	232	94	-	326
Class 19	98	18	-	116
Class 20	70	32	-	102
Class 21	5	56	-	61
Class 22	115	-	-	115
Class 23	-	24	-	24
Class 24	-	-	-	-
Class 25	42	-	-	42
Class 26	-	-	-	-
Class 27	-	-	-	-
Defaulted	-	-	54	54
Total	**1,258**	**395**	**54**	**1,708**

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level as at 31 December 2023

in € million	Stage 1	Stage 2	Stage 3	**Total**
Class 1	80	-	-	80
Class 2	-	-	-	-
Class 3	-	-	-	-
Class 4	-	-	-	-
Class 5	-	-	-	-
Class 6	-	-	-	-
Class 7	-	-	-	-
Class 8	-	-	-	-
Class 9	-	-	-	-
Class 10	34	-	-	34
Class 11	83	-	-	83
Class 12	75	-	-	75
Class 13	193	18	-	211
Class 14	32	44	-	75
Class 15	88	16	-	104
Class 16	124	61	-	185
Class 17	293	2	-	295
Class 18	129	17	-	146
Class 19	316	102	-	418
Class 20	231	10	-	240
Class 21	75	37	-	111
Class 22	143	-	-	143
Class 23	-	8	-	8
Class 24	-	-	-	-
Class 25	2	5	-	6
Class 26	-	-	-	-
Class 27	-	-	-	-
Defaulted	-	-	72	72
Total	**1,896**	**320**	**72**	**2,288**

Watchlist and Non-performing Loans

Development of Watchlist and non-performing loans of pbb Group

	30.6.2024			31.12.2023			Change	
EaD in € million	REF	NC	**Total[1)]**	REF	NC	**Total[1)]**	in € million	in %
Workout loans	125	-	125	179	-	179	-54	-30.2
Restructuring loans	1,457	20	1,477	1,337	19	1,356	121	8.9
Non-performing loans	**1,582**	**20**	**1,602**	**1,516**	**19**	**1,535**	**67**	**4.4**
Watchlist loans	**1,506**	**18**	**1,524**	**1,327**	**28**	**1,355**	**169**	**12.5**

[1)] No exposure in C&A.

Watchlist and non-performing loans increased by a net total of €236 million or 8.2% from 31 December 2023 to 30 June 2024.

Watchlist loans increased by a total of €169 million in the reporting period. In the REF segment, exposures totalling €762 million were newly transferred to intensified handling. Around half (48%) of this amount (€364 million) related to the financing of office buildings in Germany. Financing in the amount of €332 million (EaD as at 31 December 2023) was transferred to restructuring from the watchlist loan portfolio, almost all of which was financing for office buildings in the USA. One borrower with a loan volume of €75 million was transferred back to standard loan management. Repayments and effects from the aforementioned portfolio transaction had a combined reducing effect totalling €176 million.

In the NC segment, one borrower with a loan volume of €28 million was transferred back to standard loan management. On the other hand, another borrower with a loan volume of €18 million was transferred to intensified handling.

Non-performing loans increased by a net total of €67 million or 4.4% in the reporting period. In the REF segment, the above-mentioned loans totalling €342 million (EaD as at 30 June 2024) were newly transferred to the unit responsible for restructuring. Almost all of this related to financing for office buildings in the USA. In contrast, financing totalling €45 million was transferred back to standard loan management. Financing in the amount of €198 million was repaid from the portfolio of restructuring loans as at 31 December 2023 and a loan in the amount of €46 million was repaid from the workout loans. In addition, there was a slight overall increase in exposure totalling €14 million net, which included increases as well as reductions and currency effects.

Market Risk

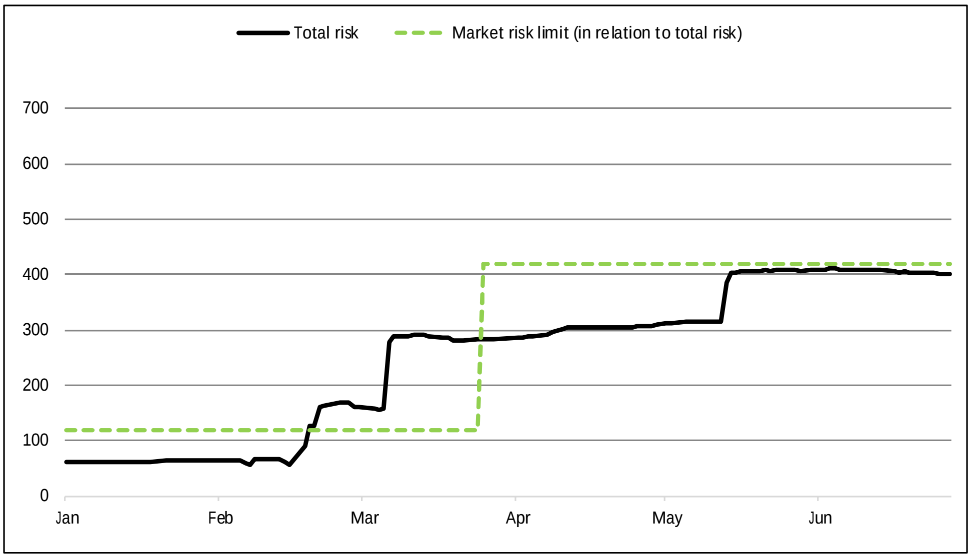
Market Risk Measurement and Limits

Market risk Value-at-Risk Credit spread risk is a significant component of market risk. In accordance with the guidelines on the management of interest rate risk and credit spread risk in banking book transactions (CSRBB; EBA/GL/2022/14), which came into force on 31 December 2023, pbb has extended the scope of financial instruments involving credit spread risk to all transactions whose pricing depends on credit spreads observable on the market. As a result, the scope of transactions in the CSRBB was extended to almost all of pbb's assets and liabilities.

Under these conditions, the market risk VaR as at the end of June 2024, taking into account diversification effects between the individual market risk types, amounted to €400 million (year-end 2023: €22 million). The extremely sharp increase in VaR is due to purely idiosyncratic widening and narrowing of credit spreads on pbb's unsecured liabilities. Following the entry into force of EBA/GL/2022/14, the market risk VaR limit initially amounted to €120 million. The described narrowing of the credit spread risk (following the sharp previous increase) caused the market risk VaR limit to be exceeded from February 2024, which was compensated for by a risk add-on in the market risk VaR limit in March 2024. Since then, the market risk VaR limit has remained constant at a level of €420 million.

The following chart illustrates the development of the market risk VaR compared to the market risk limit over the course of the year:

Market risk VaR
and market risk limit January to June 2024
in € million



Interest rate risk in the banking book (IRRBB) The consolidated IRRBB VaR of all risk categories of interest rate risk in the banking book (general interest rate risk, tenor basis spread risk, cross-currency basis spread risk, option risk and volatility risk) amounted to €13 million as at the end of June 2024 (comparative figure at the end of December 2023: €19 million). The IRRBB VaR is subject to daily limit monitoring, with the VaR limit amounting to €30 million throughout 2024. There were no IRRBB VaR limit breaches in the course of 2024.

Credit spread risk in the banking book (CSRBB) in accordance with EBA/GL/2022/14 In accordance with the EBA guideline mentioned above, pbb calculates the CSRBB VaR using risk factors without idiosyncratic components. As at the end of June 2024, this resulted in a CSRBB VaR of €30 million (comparative figure as at the end of December 2023: €69 million). The decline in the CRSBB VaR over the course of the year was primarily due to lower volatilities in the credit spread time series used in the CSRBB VaR. The CSRBB VaR is subject to daily limit monitoring, with the VaR limit amounting to €120 million throughout 2024. There were no CSRBB VaR limit breaches in the course of 2024.

Back Testing The quality of the risk measurement methods in use is checked on an ongoing basis by comparing one-day VaR figures to the actual changes occurring in the portfolio's present value on a daily basis. For the qualitative analysis of the risk model the Basel Capital Accord's "traffic light" system is used. For this purpose, the number of outliers detected in backtesting within a period of 250 trading days are counted. During the 250 trading days until the end of June 2024 five outliers were observed, which mainly resulted from the fluctuations in the credit spreads of pbb's unsecured liabilities described above. The risk model employed by pbb therefore has "amber" status, as defined in the "traffic light" system of the Basel Capital Accord.

Periodic Interest Rate Risk pbb uses both a static (Static NII) and a dynamic model for measuring and monitoring periodic interest rate risks (dynamic earnings). Dynamic earnings are used to simulate changes in future income statements and balance sheet developments, which will materialise if the balance sheet develops as planned, and under pre-defined interest rate scenarios. Measurement and monitoring of periodic interest rate risks was carried out at the end of each quarter, for a simulation horizon covering the following four quarters. Negative deviations from the base value were monitored, using a trigger of €60 million for effects on income, and a trigger of €100 million for effects on accumulated other comprehensive income (recognised directly in equity). Both triggers were not exceeded during the period under review. For the Supervisory Outlier Test (SOT), the Static NII is used with a static balance sheet assumption, i.e. equivalent prolongation or forward projection of loans and financial instruments due, and monitored with a trigger of 5% of Tier 1 capital.

Periodic Credit Spread Risk (CSRBB) pbb calculates a periodic credit spread change risk in a dynamic balance sheet approach. The negative deviations from the base value were monitored with a trigger of €60 million for the effects recognised in profit or loss and with a trigger of €100 million for the effects in accumulated other comprehensive income (equity). Neither trigger was exceeded in the reporting period.

General Interest Rate Risk General interest rate risk or gap risk amounted to €14 million at the end of June 2024 (year-end 2023: €16 million).

Basis Risks Basis risks refer to the risk categories tenor basis spread and cross-currency basis spread. Tenor basis spread risks amounting to €1 million and cross-currency basis spread risks amounting to €1 million (year-end 2023: €3 million tenor basis spread risks and €2 million cross-currency basis spread risks) were shown at the reporting date.

Volatility Risks Volatility risks amounted to €0.3 million at end of June 2024 (year-end 2023: €1 million).

Liquidity and Funding Risk

Liquidity Risk Measurement and Limits

To manage liquidity risks, pbb has established a system for measuring and limiting short-term and medium-term variances within cash flows. This incorporates both contractual as well as optional cash flows. The data is subject to regular back-testing.

The liquidity position resulting from the liquidity reserve as well as contractual and optional cash flows is measured in different scenarios, with three liquidity positions being projected on a daily basis. The projections assume:

- unchanged market and funding conditions (base scenario),
- a risk scenario (modified [historic] stress scenario) and
- liquidity stress ([historic] stress scenario).

For instance, the risk and the (historic) stress scenario simulate possible client behaviour in “stress situations”. A monthly drawdown rate is determined for each (stress) scenario on the basis of expert estimates.

Liquidity risk triggers (early warning indicators) have been defined for a 24-month horizon in the base scenario. Limits in the risk and the (historic) stress scenario are applicable for a six- respectively three-month horizon.

Development of pbb Group’s Risk Position

The cumulative liquidity position (liquid assets plus projected net cash flows) determined as part of the liquidity risk measurement process as at 30 June 2024 amounted to €5.5 billion for a twelve-month horizon in the base scenario – a €0.6 billion increase compared to the previous year (based on the same projection horizon). As at 30 June 2024, the cumulative liquidity position for a six-month horizon amounted to €3.5 billion in the risk scenario (31 December 2023: €2.5 billion). The cumulative liquidity position in the stress scenario for a six-month horizon amounted to €2.6 billion as of 30 June 2024 (31 December 2023: €1.5 billion).

Regulatory Liquidity Coverage Requirements (Liquidity Coverage Ratio - LCR)

The Liquidity Coverage Ratio (LCR) is calculated using the ratio of the liquidity buffer (liquid assets) to net liquidity outflows during a stress period of 30 days. A minimum LCR of 100% is mandatory in regulatory liquidity reporting.

The levels determined during the first half of 2024 were at any time clearly in excess of 100%. The Liquidity Coverage Ratio as at 30 June 2024 was 304%.

Funding Markets

Please refer to the Report on the Economic position, section Development in Financial Position for details concerning developments on funding markets and changes in funding volumes during the period under review.

Operational Risk

Risk Measurement

Please refer to the chapter “Internal Capital Adequacy Assessment Process (ICAAP)” for further details on the quantification of operational risk including legal risks as well as the calculation results of the economic capital for operational risk.

In line with the Standardised Approach according to article 317 et seq. CRR, the own funds requirement for operational risks, which is calculated at the end of each year, was €78 million as at 31 December 2023 (31 December 2022: €77 million).

Operational Risk Profile of pbb Group

pbb Group suffered aggregate losses of €0.1 million from operational risks during the first half of 2024 (6m 2023: €5.9 million). Overall, pbb assesses its operational risk profile as stable.

Investment risk

Consolidated companies are taken into account in the monthly assessment of the capital adequacy of pbb Group or already in the individual risk types via the complete consideration of their assets and liabilities and do not require any further consideration in the investment risk. In order to monitor the risk of changes in the value of investments and affiliated companies, only pbb Group's investments in non-consolidated companies are considered. The investment risk is categorised as material, as investments currently exist in the course of restructuring and new investments may arise at any time. The risks are recognised accordingly in the economic perspective.

Environmental, Social and Governance (ESG) risk

Compared to the description of ESG risk in the 2023 Annual Report, the following changes occurred in the first half of 2024.

pbb Group continues to define ESG risk in accordance with EBA/REP/2021/18, the 8th MaRisk amendment published on 29 May 2024 and the ECB Guide on Climate and Environmental Risks as the risk of negative financial impacts on the institution resulting from current or expected impacts of ESG factors on its counterparties or invested assets.

As of 30 June 2024, more than 75% of the real estate portfolio has passed the so-called pbb "Green" scoring.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

In line with the current ICAAP methodology, the capital adequacy assessment is evaluated from a normative as well as from an economic perspective. Both perspectives are aimed at the sustainability of the business and capital planning, and on the long-term viability of the pbb Group.

The capital and earnings risks identified as material in the risk inventory - i.e. market risk, credit risk, business and strategic risk, operational risk, property risk and investment risk - are included in the ICAAP and the economic capital of these risk types is quantified using models or other methods. Within these risk types, there are further significant sub-risks at a granular level, which were recognised as other risks in the ICAAP in the reporting period; the prolongation risk, the settlement risk of derivatives and the realisation risk of defaulted customers are combined here. The refinancing risk is included in the business and strategic risk.

The methods of calculating economic capital for the individual risk types and the key figures as at the reporting date are explained in more detail in the following subsections and in the section "Result of the risk-bearing capacity analysis".

Quantification of economic capital for individual risk types

For the internal assessment of the capital adequacy process in accordance with the economic perspective, the economic capital of the quantifiable risks is determined using models or scenario analyses and aggregated to the overall bank risk using a mathematical-statistical approach, taking into account specific correlations between market and counterparty risks. The risks are calculated for a period of one year and at a confidence level of 99.9%. The description of the quantification of the economic capital of the individual risk types can be found in the 2023 Annual Report.

Result of Risk-bearing Capacity Analysis

Normative Perspektive

For a detailed description of the key regulatory capital ratios measured as at the reporting date (CET1 ratio, tier 1 ratio, own funds ratio, MREL and Leverage Ratio), please refer to the chapter “Key regulatory capital ratios”. The regulatory capital ratio requirements were met at all times in the reporting year. In the forward-looking medium-term analysis of the key capital-related ratios required by the supervisory authorities, the relevant ratios remain above the regulatory requirements in both the base scenario and the stress scenarios.

Economic Perspective

in € million	**30.6.2024**	**31.12.2023**	Change
Credit risk	984	923	61
Market risk	547	541	6
Operational risk	80	86	-6
Business and strategic risk	99	27	72
Property risk	-	-	-
Other risks	83	73	10
Total before diversification effects	**1,793**	**1,650**	**143**
Total after diversification effects	**1,720**	**1,559**	**161**
Available financial resources before net hidden losses	2,841	2,794	47
Net hidden losses	-130	-89	-41
Available financial resources	**2,711**	**2,705**	**6**
Excess capital	991	1,145	-154
Capital Adequacy Ratio in %	158	173	-15

In the economic perspective, the overall risk after diversification effects increased in the reporting period. The main drivers here were higher economic capital both in business and strategic risk, mainly driven by the high funding spreads, as well as in credit risk, particularly in REF. In addition, unexpected losses of defaulted customers increased. The economic capital for operational risk is calculated at least annually and has decreased due to the updating of the input data used; in addition, new data relating to climate and environmental risk, ICT security issues and asset management was incorporated. There were still no properties in the property portfolio during the reporting period.

This contrasts with the available financial resources, which remained almost constant in the reporting period. Compared to the end of 2023, the excess capital has decreased and the internal capital adequacy ratio, defined as the ratio of available financial resources to diversified economic capital, has fallen. Overall, the risk-bearing capacity was also demonstrated for the economic perspective as at the reporting date.

If the credit spreads or credit ratings of European public-sector borrowers deteriorate due to economic or political developments, a corresponding increase in counterparty risks and a reduction in the available financial resources due to an increase in net hidden losses and reduced equity is to be expected, regardless of any countermeasures. A further deterioration in the real estate markets would lead to a deterioration in the rating of the corresponding debtors and thus to a higher counterparty risk. In addition, a deterioration in funding spreads could have a negative impact on market risk.

Key Regulatory Capital Ratios

Together with the Capital Requirements Directive (CRD), the CRR forms the basis for determining regulatory capitalisation. In addition to the minimum capital ratios, the regulations also relate to the requirements for the eligibility of capital instruments and the mandatory calculation of regulatory capital in line with the accounting standard used. For this reason, the regulatory ratios are calculated on an IFRS basis.

With the approval of the ECB, the pbb Group utilises the waiver rule in accordance with Article 7 (3) CRR and is therefore exempt from determining the own funds requirements at the level of the individual institution.

Since the reporting date of 30 June 2024, two approaches have been used to determine the regulatory capital backing. These are the Foundation Internal Rating Based Approach (F-IRBA) for the majority of commercial property financing and the Standardised Approach (STA) for the remaining risk positions. For a transitional period until Basel IV comes into force and until approval by the supervisory authority, which is expected in 2025, the risk-weighted exposure values will be determined on the basis of standardised risk weightings.

The requirements regarding regulatory capital ratios (Basel III) were met at all times in the first half of 2024.

Own Funds[1)]

in € million	30.6.2024	31.12.2023
CET1	2,934	2,910
Additional Tier 1	298	298
Tier 1	3,232	3,208
Tier 2	331	396
Own Funds	**3,562**	**3,604**

[1)] Values as at 31 December 2023 after adoption of the 2023 annual financial statements less AT1 coupon. The interim profit was included in the values as at 30 June 2024.

Risk-weighted assets (RWA)[1)]

in € million	30.6.2024	31.12.2023
Credit risk (without Counterparty credit risk)	19,634	17,104
Counterparty credit risk	296	363
Thereof CVA Charge	122	119
Market risk	20	52
Thereof interest rate risks	-	-
Thereof foreign exchange risks	20	52
Operational risk	975	975
RWA total	**20,925**	**18,495**

[1)] Values as at 31 December 2023 after adoption of the 2023 annual financial statements less AT1 coupon. The interim profit was included in the values as at 30 June 2024.

Capital ratios[1)]

in %	30.6.2024	31.12.2023
CET1 ratio	14.0	15.7
Tier 1 ratio	15.4	17.3
Own Funds ratio	17.0	19.5

[1)] Values as at 31 December 2023 after adoption of the 2023 annual financial statements less AT1 coupon. The interim profit was included in the values as at 30 June 2024..

In order to ensure comparability of the regulatory key figures as at 31 December 2023, a pro forma calculation of the capital ratios was carried out using the Advanced Internal Rating Based Approach. This would have resulted in a CET1 ratio of 16.5% and an own funds ratio of 20.2% as at 30 June 2024. In this case, the risk-weighted assets would have totalled € 17,255 million.

Leverage Ratio[1)]

in %	30.6.2024	31.12.2023
Leverage ratio	7.1	6.2

[1)] Values as at 31 December 2023 after adoption of the 2023 annual financial statements less AT1 coupon. The interim profit was included in the values as at 30 June 2024.

Minimum Requirements for Own Funds and Eligible Liabilities (MREL)

Under the recovery and resolution regime (pursuant to the Bank Recovery and Resolution Directive (BRRD), which was revised within the framework of the EU Banking Package in 2019 and implemented into national law through the German Act on Restructuring and Resolution (Sanierungs- und Abwicklungsgesetz – "SAG")), institutions are required to maintain, in addition to regulatory capital, liabilities that can be converted to equity in accordance with the MREL ratio. However, there are clear limits to the ability to convert liabilities (the “bail-in capacity”). In particular, there is the principle that no investor may be placed in a less advantageous position than is permitted under regular insolvency proceedings (the principle of “no creditor worse off” – or NCWO). For example, this means that deposits covered by a national deposit guarantee scheme are not bail-inable and thus excluded from conversion. The Single Resolution Board (SRB) sets institution-specific requirements as part of the annual redefinition of the eligible liabilities and own funds to be held. The leverage ratio exposure amount (LRE) on the one hand and the total risk exposure amount (TREA) on the other serve as a benchmark for the regulatory minimum requirements. The MREL resolution adopted by the SRB provides for a gradual adjustment of the requirement and includes a scheduled increase as of 1 January 2024. The MREL ratio, which was previously also calculated internally according to total liabilities and own funds (TLOF), is no longer part of bank management. Within the calculation of the LRE requirement, the TLOF represents a starting point and does not require any further separate control. The MREL requirement was significantly exceeded in the reporting year at more than € 0.8 billion (31 December 2023: €1.8 billion). After coordinating the MREL report with the supervisory authority, the existing overcapacity subsequently increased from €1.7 billion to €1.8 billion compared to the annual report as at 31 December 2023.

Report on Expected Developments

Forecasts regarding the future development of pbb Group represent estimates that were made on the basis of information currently available. If the assumptions on which the forecasts are based do not materialise, or if risks and opportunities do not occur to the extent calculated, actual results may deviate from results projected.

pbb Group maintains its forecast for the financial performance indicators for the full year 2023, as published on page 79 of the Annual Report 2023.

The individual opportunities and risks which could have a positive or negative influence on pbb Group's financial position and financial performance are presented in the Annual Report 2023 on pages 79 to 84.

Condensed Consolidated Interim Financial Statements

Income Statement

Income statement

in € million	Note	**1.1.–30.6.2024**	**1.1.–30.6.2023**
Net interest income	5	246	216
thereof: interest income from financial instruments not measured at fair value through profit or loss (IAS 1.82a)		1,035	901
Net fee and commission income	6	3	2
Net income from financial instruments at fair value through profit or loss (net income from fair value measurement)[1]	7	-4	-
Net income from derecognition of financial instruments not measured at failr value through profit or loss (net income from realisations)[1]	8	35	42
Thereof: from financial assets at amortised cost		9	14
Net income from hedge accounting	9	6	-3
Net other operating income	10	-8	2
Net income from allowances for credit losses on financial assets (net income from risk provisioning)[1]	11	-103	-21
General and administrative expenses	12	-115	-123
Expenses from bank levies and similar dues	13	-3	-24
Net income from write-downs and write-ups of non-financial assets	14	-10	-10
Profit before tax		**47**	**81**
Income tax	15	-7	-12
Net income		**40**	**69**
attributable to:			
Shareholders		40	69

[1] Solely the condensed and parenthesised line item descriptions are used subsequently.

Earnings per share

in €	Note	**1.1. - 30.6.2024**	**1.1. - 30.6.2023**
Basic earnings per share	16	0.20	0.44
Diluted earnings per share	16	0.20	0.44

Statement of Comprehensive Income

Consolidated statement of comprehensive income

in € million	1.1.- 30.6.2024	1.1.- 30.6.2023
Net income/loss	**40**	**69**
Accumulated other comprehensive income	-9	-7
Items that will not be reclassified to profit or loss, net of tax	7	-4
Gains/losses on pension commitments, before tax	8	-5
Income tax relating to items that will not be reclassified to profit or loss	-1	1
Items that may be reclassified to profit or loss, net of tax	-16	-3
Gains/losses on cash flow hedge accounting, before tax	-7	2
unrealised gains/losses	-	-
gains/losses reclassified to profit or loss	-7	2
Gains/losses on financial assets at fair value through other comprehensive income, before tax	-11	-5
unrealised gains/losses	-11	-5
gains/losses reclassified to profit or loss	-	-
Income tax relating to items that may be reclassified to profit or loss	2	-
Comprehensive income for the period	**31**	**62**
attributable to:		
Shareholders	31	62

Statement of Financial Position

Assets

in € million	Note	30.6.2024	31.12.2023	1.1.2023
Cash reserve		1,492	2,728	1,044
Financial assets at fair value through profit or loss	17	975	944	1,075
Positive fair values of stand-alone derivatives		483	494	562
Debt securities		123	123	117
Loans and advances to customers		366	324	394
Shares in investment funds qualified as debt instruments		3	3	2
Financial assets at fair value through other comprehensive income	18	1,162	1,475	1,692
Debt securities		1,141	1,354	1,409
Loans and advances to customers		21	121	283
Financial assets at amortised cost after credit loss allowances	19	41,971	45,228	48,734
Financial assets at amortised cost before credit loss allowances		42,505	45,811	49,121
Debt securities		3,627	4,014	5,377
Loans and advances to other banks		1,834	2,507	5,763
Loans and advances to customers		36,916	39,155	37,839
Claims from finance lease agreements		128	135	142
Credit loss allowances on financial assets at amortised cost		-534	-583	-387
Positive fair values of hedge accounting derivatives	20	114	251	262
Valuation adjustment from porfolio hedge accounting (assets)		-51	-56	-84
Investments accounted for using the equity method		13	-	-
Tangible assets	21	27	20	27
Intangible assets		54	53	49
Other assets		69	68	58
Current income tax assets		34	43	31
Deferred income tax assets		128	129	119
Total assets		**45,988**	**50,883**	**53,007**

Liabilities and equity

in € million	Note	30.6.2024	31.12.2023	1.1.2023
Financial liabilities at fair value through profit or loss	22	806	662	686
Negative fair values of stand-alone derivatives		806	662	686
Financial liabilities measured at amortised cost	23	41,074	45,913	47,672
Liabilities to other banks		3,364	6,079	7,507
Liabilities to customers		18,912	18,829	17,889
Bearer bonds		18,207	20,402	21,641
Subordinated liabilities		591	603	635
Negative fair values of hedge accounting derivatives	24	616	789	1,125
Valuation adjustment from porfolio hedge accounting (liabilities)		-49	-49	-112
Provisions	25	98	117	135
Other liabilities	26	57	68	57
Current income tax liabilities		15	18	19
Liabilities		**42,617**	**47,518**	**49,582**
Equity attributable to the shareholders of pbb	27	3,073	3,067	3,125
Subscribed capital		380	380	380
Additional paid-in capital		1,637	1,637	1,637
Retained earnings		1,177	1,162	1,214
Accumulated other comprehensive income		-121	-112	-106
Additional equity instruments (AT1 capital)		298	298	298
Non-controlling interest		-	-	2
Equity		**3,371**	**3,365**	**3,425**
Total equity and liabilities		**45,988**	**50,883**	**53,007**

Statement of Changes in Equity

Statement of changes in equity

	Equity attributable to the shareholders								
				Accumulated other comprehensive income (OCI) from:					
in € million	Subscribed capital	Additional paid-in capital	Retained earnings	Pension commit-ments	Cash flow hedge accounting	financial assets at fair value through OCI	Additional equity instruments (AT1 capital)	Non-controlling interest	**Equity**
Balance at 1.1.2023	**380**	**1,637**	**1,214**	**-49**	**-26**	**-31**	**298**	**2**	**3,425**
share purchase	-	-	2	-	-	-	-	-2	-
Distribution (dividend)	-	-	-128	-	-	-	-	-	-128
Payment on AT1 capital	-	-	-17	-	-	-	-	-	-17
Comprehensive income for the period	-	-	69	-4	2	-5	-	-	62
Net income	-	-	69	-	-	-	-	-	69
OCI for the period, after taxes	-	-	-	-4	2	-5	-	-	-7
Balance at 30.6.2023	**380**	**1,637**	**1,140**	**-53**	**-24**	**-36**	**298**	**-**	**3,342**
Balance at 1.1.2024	**380**	**1,637**	**1,162**	**-70**	**-30**	**-12**	**298**	**-**	**3,365**
Payment on AT1 capital	-	-	-25	-	-	-	-	-	-25
Comprehensive income for the period	-	-	40	7	-6	-10	-	-	31
Net income	-	-	40	-	-	-	-	-	40
OCI for the period, after taxes	-	-	-	7	-6	-10	-	-	-9
Balance at 30.6.2024	**380**	**1,637**	**1,177**	**-63**	**-36**	**-22**	**298**	**-**	**3,371**

Statement of Cash Flows (condensed)

Statement of cash flows (condensed)

in € million	2024	2023
Cash and cash equivalents at 1.1.	**2,728**	**1,044**
+/- Cash flows from operating acitivities	-1,777	-1,432
+/- Cash flows from investing acitivities	570	999
+/- Cash flows from financing acitivities	-29	-169
Cash and cash equivalents at 30.6.	**1,492**	**442**

Notes (condensed)

GNERAL INFORMATION

1. Principles

Deutsche Pfandbriefbank AG (pbb) has prepared the condensed consolidated interim financial statements for the period ended 30 June 2024 in line with EC regulation No. 1606/2002 of the European Parliament and of the Council from 19 July 2002 in accordance with International Financial Reporting Standards (IFRS). The IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). These are the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the IFRS Interpretations Committee (formerly IFRIC) respectively the former Standing Interpretations Committee (SIC).

The condensed consolidated interim financial statements are based on IFRS as adopted in European law by the European Commission as part of its endorsement process. In particular, requirements of IAS 34 have been considered.

With the exception of certain regulations on fair value hedge accounting for a portfolio hedge of interest rate risks in IAS 39 Financial Instruments: Recognition and Measurement, all the IFRS published by the IASB and required to be applied were fully endorsed by the European Union (EU). According to the option pursuant to IFRS 9.7.2.21 Deutsche Pfandbriefbank Group (ppb Group) still applies the requirements of IAS 39 for hedge accounting instead of the requirements in chapter 6 of IFRS 9. Within the framework of fair value hedge accounting for a portfolio hedge of interest rate risks, pbb Group applies a part of the exemptions permitted under European law. Therefore, the present condensed consolidated interim financial statements comply with IFRS applicable in the EU, but not with IFRS as a whole as promulgated by the IASB.

The Risk and Opportunity Report contains information which, under IFRS 7, is required to be disclosed.

The Management Board of pbb prepared these condensed consolidated interim financial statements on 30 July 2024 under the going-concern assumption and released for publication.

The following financial reporting standards were required to be applied for the first time in the reporting period:
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent; Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date; and Non-current Liabilities with Covenants
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendments to IFRS 16 specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability arising on the sale and leaseback transaction. As pbb Group currently does not engage in any sale and leaseback transactions, the initial application of the amendments had no impact on pbb Group's development in assets, financial position and earnings.

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on the entity's existing rights as at the reporting date. Management expectations as to whether such a right will actually be exercised should not be taken into account. If a right to extend is subject to one or more conditions (e.g. covenants) that are only tested/reviewed at a later date (after the reporting date), the decisive factor for classification is whether the conditions were met on the reporting date. In addition, the IASB clarifies that credit terms which – at the option of the creditor – may result in the debt being settled in the entity's own equity are to be taken into account in the classification, unless there is an equity instrument to be recognised separately within the meaning of IAS 32. In the pbb Group, the initial application did not result in any material changes to the classification and presentation of liabilities in the statement of financial position, as these are already classified according to their maturity.

The amendments to IAS 7 and IFRS 7 (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements) introduced additional qualitative and quantitative disclosure requirements regarding financing arrangements with suppliers, in particular reverse factoring arrangements as the most common form. The pbb Group does not engage in such transactions.

2. Consistency

pbb Group applies its accounting policies on a consistent basis in accordance with the Conceptual Framework for Financial Reporting, as well as IAS 1 and IAS 8. Except for the matter outlined below, the same accounting policies were applied as in the consolidated financial statements as at 31 December 2023:

The segment reporting methodology was further developed for the 2024 financial year. From the beginning of 2024, equity will no longer be allocated to the operating segments on the basis of economic capital, but on the basis of risk-weighted assets (RWA). The background to this is that the RWAs now represent the bottleneck factor in current capital planning. As a result of this change, more equity is allocated to Real Estate Finance (REF) and less equity to Non-Core (NC) and Consolidation & Adjustments (C&A). The previous year's figures were adjusted in accordance with IFRS 8.29. As at 31 December 2023, REF equity increased from € 2.3 billion to € 2.9 billion and NC and C&A equity each decreased from € 0.4 billion to € 0.1 billion. In the same period of the previous year, the REF net interest income increased from € 197 million to € 198 million and the C&A net interest income decreased from € 1 million to € 0 million.

3. Consolidation

A list of consolidated and non-consolidated companies of pbb can be found on page 161 of pbb Group's 2023 Annual Report. The following changes occurred compared with 31 December 2023:

In January 2024, pbb established and initially consolidated Niagara Asset Management LLC, Delaware, USA, as a wholly-owned subsidiary. As part of a rescue acquisition carried out with syndicate partners, Niagara Asset Management LLC redeemed a stage 3 loan from pbb in March 2024 and, following the transaction, has 21.7% of the shares in the company 161 North Clark Holdco LLC, New York City, USA, and a loan to another company outside the pbb Group on its balance sheet. The shares in 161 North Clark Holdco LLC are accounted for by pbb Group using the equity method. In accordance with IAS 1.54, pbb Group reports these shares in the statement of financial position in the newly included line "Investments accounted for using the equity method". In the income statement, accounting using the equity method did not result in any material income or expenses in the first half of 2024.

In March 2024, pbb Beteiligungs GmbH, Munich, Germany, was founded, of which pbb is the sole shareholder. The company's share capital amounts to €25,000. As pbb Beteiligungs GmbH does not have any assets apart from the shareholder contribution, the company was not included in the interim consolidated financial statements as at 30 June 2024 due to immateriality.

In June 2024, pbb established Alabama One Asset Managament LLC, Wilmington, USA, as a wholly owned subsidiary. The share capital of the company amounts to USD 1. As the company has no assets apart from the shareholder contribution, it was not included in the consolidated financial statements as at 30 June 2024 due to immateriality.

SOMA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG, Düsseldorf, which was not recognised at equity due to its minor significance, was dissolved in the reporting period.

4. Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Non-Core (NC)	Consolida-tion & Ad-justments (C&A)	**pbb Group**
Operating income	1.1.-30.6.2024	227	51	-	278
	1.1.-30.6.2023	220	39	-	259
Net interest income[1]	1.1.-30.6.2024	229	17	-	246
	1.1.-30.6.2023	198	18	-	216
Net fee and commission income	1.1.-30.6.2024	4	-1	-	3
	1.1.-30.6.2023	2	-	-	2
Net income from fair value measurement	1.1.-30.6.2024	-3	-1	-	-4
	1.1.-30.6.2023	-1	1	-	-
Net income from realisations	1.1.-30.6.2024	-1	36	-	35
	1.1.-30.6.2023	20	22	-	42
Net income from hedge accounting	1.1.-30.6.2024	4	2	-	6
	1.1.-30.6.2023	-2	-1	-	-3
Net other operating income	1.1.-30.6.2024	-6	-2	-	-8
	1.1.-30.6.2023	3	-1	-	2
Net income from risk provisioning	1.1.-30.6.2024	-103	-	-	-103
	1.1.-30.6.2023	-21	-	-	-21
General and administrative expenses	1.1.-30.6.2024	-109	-6	-	-115
	1.1.-30.6.2023	-107	-16	-	-123
Expenses from bank levies and similar dues	1.1.-30.6.2024	-2	-1	-	-3
	1.1.-30.6.2023	-16	-8	-	-24
Net income from write-downs and write-ups of non-financial assets	1.1.-30.6.2024	-9	-1	-	-10
	1.1.-30.6.2023	-9	-1	-	-10
Profit before tax	**1.1.-30.6.2024**	**4**	**43**	**-**	**47**
	1.1.-30.6.2023	**67**	**14**	**-**	**81**

[1] Figures for the first half of 2023 adjusted in accordance with IFRS 8.29 (see note "Consistency").

Cost-Income-Ratio

in %		REF	NC	**pbb Group**
Cost-Income-Ratio[1]	**1.1.-30.6.2024**	52.0	13.7	**45.0**
	1.1.-30.6.2023	52.7	43.6	**51.4**

[1] Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income. REF value for the first half of 2023 adjusted in accordance with IFRS 8.29 (see note "Consistency").

Balance-sheet-related measures

in € billion		REF	NC	C&A	**pbb Group**
Financing volumes[1]	**30.6.2024**	29.8	11.2	-	**41.0**
	31.12.2023	31.1	12.4	-	**43.5**
Risik-weighted assets[2]	**30.6.2024**	20.4	0.2	0.3	**20.9**
	31.12.2023	17.5	0.6	0.4	**18.5**
Equity[3]	**30.6.2024**	3.1	-	-	**3.1**
	31.12.2023	2.9	0.1	0.1	**3.1**

[1] Notional amounts of the drawn parts of granted loans and parts of the securities portfolio.
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[3] Excluding cash flow hedge reserve, reserves from financial assets at fair value through other comprehensive income and AT1 capital. Figures as at 31 December 2023 adjusted in accordance with IFRS 8.29 (see note "Consistency").

NOTES TO THE INCOME STATEMENT

5. Net Interest Income

Net interest income

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Interest income	1,540	1,284
from financial assets at fair value through profit or loss	504	382
from financial assets at fair value through other comprehensive income	18	20
from financial assets at amortised cost	1,017	881
from other assets	1	1
Interest expenses	-1,294	-1,068
from financial liabilities held for trading	-543	-427
from financial liabilities measured at amortised cost	-602	-525
Hedge accounting derivatives (net)	-148	-116
Other liabilities	-1	-
Total	**246**	**216**

Net interest income from derivatives contains negative interest (net) of less than €-1 million (6m2023: negative interest (net) of €-2 million).

6. Net Fee and Commission Income

Net fee and commission income

in Mio. €	1.1.-30.6.2024	1.1.-30.6.2023
Fee and commission income	6	4
from financial assets at amortised cost and financial liabilties not at fair value through profit or loss	6	4
Fee and commission expenses	-3	-2
from financial assets at amortised cost and financial liabilties not at fair value through profit or loss	-3	-2
Total	**3**	**2**

7. Net Income from Fair Value Measurement

Net income from fair value measurement

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Net income from stand-alone derivatives	4	2
Interest derivatives	4	2
Foreign currency derivatives	-	-
Net income from other financial assets at fair value through profit or loss	-8	-2
from debt instruments	-8	-2
Debt securities	-	1
Loans and advances	-8	-3
Total	**-4**	**-**

8. Net Income from Realisations

Net income from realisations

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Income from derecognition of financial instruments	72	46
from assets measured at fair value through other comprehensive income	-	3
from financial assets measured at amortised cost	43	15
from financial liabilities measured at amortised cost	29	28
Expenses from derecognition of financial instruments	-37	-4
from financial assets measured at amortised cost	-34	-
from liabilities measured at amortised cost	-3	-4
Total	**35**	**42**

9. Net Income from Hedge Accounting

Net income from hedge accounting

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Net income from micro fair value hedge accounting	1	-4
from hedged items	46	-71
from hedging instruments	-45	67
Net income portfolio fair value hedge accounting	5	1
from hedged items	3	26
from hedging instruments	2	-25
Total	**6**	**-3**

10. Net Other Operating Income

Net other operating income

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Net income from foreign currency translation	-5	-
Net income from provisions in non-lending business	-1	2
Miscellaneous other operating income	-2	-
Total	**-8**	**2**

11. Net Income from Risk Provisioning

Net income from risk provisioning

in € million	1.1.-30.6.2024	1.1.-30.6.2023
From financial assets	-104	-22
Stage 1	-3	-6
Stage 2	-1	-
Stage 3	-100	-16
Net income from provisions in off balance sheet lending business	1	1
Total	**-103**	**-21**

The management overlay existing as at 31 December 2023 was partially reversed by €19 million to take into account the emerging momentum on the US real estate markets and still amounted to €9 million as at 30 June 2024 considering utilisation. One of the reasons for the partial reversal was that the risks represented by the management overlay are increasingly materialising, in particular due to the assumption of higher probabilities of default, and are therefore taken into account in the recognition of impairment losses in all three stages. To measure the management overlay, the model-based loss given default (LGD) ratios for the entire US business were increased, albeit with a lower premium than at the end of 2023. As at 30 June 2024, no US real estate financing without indicators of impaired credit quality was collectively provided for in the amount of the expected credit losses over the term.

12. General and Adminstrative Expenses

General and administrative expenses

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Personnel expenses	-64	-68
Wages and salaries	-56	-56
Social security expenses	-8	-8
Pension expenses and related employee benefit expenses	-4	-4
Other personnell expenses/income	4	-
Non-personnel expenses	-51	-55
Office and operating expenses	-3	-2
Consulting expenses	-10	-14
IT expenses	-28	-28
Other non-personnel expenses	-10	-11
Total	**-115**	**-123**

13. Expenses from Bank Levies and Similar Dues

Expenses from bank levies and similar dues

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Bank levies	-	-22
Compensation scheme of German banks	-3	-2
Total	**-3**	**-24**

14. Net Income from Write-downs and Write-ups of Non-financial Assets

Net income from write-downs and write-ups of non-financial assets

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Depreciation	-10	-10
Tangible assets	-3	-4
Thereof: right-of-use of lease contracts	-3	-3
Intangible assets	-7	-6
Total	**-10**	**-10**

15. Income Tax

Income tax

in € million	1.1.-30.6.2024	1.1.-30.6.2023
Current taxes	-4	-12
Deferred taxes	-3	-
Total	**-7**	**-12**

16. Earnings per Share

Earning per share

		1.1.-30.6.2024	1.1.-30.6.2023
Net income attributable to shareholders of pbb	in € million	40	69
Thereof attributable to the ordinary shareholders	in € million	27	59
Thereof attributable to the AT1 investors	in € million	13	10
Average number of ordinary shares issued	pieces	134,475,308	134,475,308
Adjusted average number of ordinary shares issued pieces		134,475,308	134,475,308
Basic earnings per share		**0.20**	**0.44**
Diluted earnings per share		**0.20**	**0.44**

Earnings per share are calculated in accordance with IAS 33 by dividing net income attributable to the ordinary shareholders holders by weighted average number of ordinary shares. Net income is allocated under the assumption of interests for the AT1 capital, which are accrued pro rata temporis as well as assuming full operation of the discretionary AT1-coupon.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

17. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss

in € million	30.6.2024	31.12.2023
Positive fair values of stand-alone derivatives	483	494
Shares in investment funds qualified as debt instruments	3	3
Debt securities	123	123
Bonds and notes	123	123
Public-sector issuers	84	84
Other issuers	39	39
Loans and advances to customers	366	324
Public-sector loans and advances	132	137
Real estate loans and advances	234	187
Total	**975**	**944**

18. Financial Assets at Fair Value Through Other Comprehensive Income

Financial Assets at Fair Value Through Other Comprehensive Income

in € million	30.6.2024	31.12.2023
Debt securities	1,141	1,354
Bonds and notes	1,141	1,354
Public-sector issuers	364	540
Other issuers	777	814
Loans and advances to customers	21	121
Public-sector loans and advances	21	21
Others	-	100
Total	**1,162**	**1,475**

19. Financial Assets at Amortised Cost After Credit Loss Allowances

Financial assets at amortised cost before credit loss allowances

in € million	30.6.2024	31.12.2023
Debt securities	3,627	4,014
Bonds and notes	3,627	4,014
Public-sector issuers	2,905	3,286
Other issuers	722	728
Loans and advances to other banks	1,834	2,507
Public-sector loans and advances	547	548
Investments in money	336	1,147
Other loans and advances to other banks	951	812
Loans and advances to customers	36,916	39,155
Public-sector loans and advances	7,314	8,250
Real estate loans and advances	29,559	30,875
Other loans and advances to customers	43	30
Claims from finance lease agreements	128	135
Total	**42,505**	**45,811**

Development in risk provisioning

in € million	1.1.2024	Net additions/ reversals	Use	Other	30.6.2024
Allowances for credit losses on financial assets	-583	-104	166	-13	-534
measured at amortised cost	-583	-104	166	-13	-534
Debt securities	-1	-	-	-	-1
Loans and advances to customers	-582	-104	166	-13	-533
Provisions in the lending business	-6	1	-	-	-5
Total	**-589**	**-103**	**166**	**-13**	**-539**

Credit loss allowances on financial assets at amortised cost

in € million	30.6.2024	31.12.2023
Stage 1	-31	-39
Debt securities	-1	-1
Loans and advances	-30	-38
Stage 2	-116	-130
Loans and advances	-116	-130
Stage 3	-387	-414
Loans and advances	-387	-414
Total	**-534**	**-583**

20. Positive Fair Values of Hedge Accounting Derivatives

Positive fair values of hedge accounting derivatives

in € million	30.6.2024	31.12.2023
Positive market values of hedge accounting derivatives	114	251
Total	**114**	**251**

21. Tangible Assets

Tangible assets include right-of-use assets from leasing for land and buildings in the amount of €17 million (31 December 2023: €18 million).

22. Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss

in € million	30.6.2024	31.12.2023
Negative fair values of stand-alone derivatives	806	662
Total	**806**	**662**

23. Financial liabilities at Amortised Cost

Financial liabilities at amortised cost

in € million	30.6.2024	31.12.2023
Liabilities to other banks	3,364	6,079
Liabilities to central banks	-	924
Registered Mortgage Pfandbriefe	353	389
Registered Public Pfandbriefe	460	868
Other registered securities	193	183
Other liabilities to other banks	2,358	3,715
Liabilities to customers	18,912	18,829
Registered Mortgage Pfandbriefe	3,135	3,203
Registered Public Pfandbriefe	4,614	5,072
Other registered securities	1,828	1,866
Other liabilities to customers	9,335	8,688
Bearer bonds	18,207	20,402
Mortgage Pfandbriefe	10,748	12,418
Public Pfandbriefe	1,865	1,889
Other bearer bonds	5,594	6,095
Subordinated liabilities	591	603
Securitised subordinated liabilities	566	578
Non-securitised subordinated liabilities	25	25
Total	**41,074**	**45,913**

24. Negative Fair Values of Hedge Accounting Derivatives

Negative fair values of hedge accounting derivatives

in € million	30.6.2024	31.12.2023
Negative market values of micro hedge accounting	616	789
Total	**616**	**789**

25. Provisions

Provisions

in € million	30.6.2024	31.12.2023
Provisions for pensions and other post employment defined benefit obligations	54	62
Provisions for commitments and guarantees given	5	6
Other provisions	39	49
Total	**98**	**117**

pbb closed a reinsurance in the form of a qualifying insurance policy according to IAS 19 to hedge parts of the risk from the defined benefit pension obligations. A discount rate of 3.81% (31 December 2023: 3.53%) was used for the measurement of the defined benefit pension obligations. The other actuarial assumption are unchanged as of 30 June 2024 compared to the consolidated financial statements 2023.

Other provisions include provisions for variable remuneration of €13 million (31 December 2023: €19 million), for termination benefits of € 13 million (31 December 2023: €16 million), for legal and tax risks of €2 million (31 December 2023: €1 million) and for legal expenses of €1 million (31 December 2023: €1 million).

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 cer-tainty, 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 indi-vidual 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.

Moreover, no proceedings exist for which the Management Board believes the probability of an outflow of resources – or another impact on pbb Group's business activities – to be likely (or which are of material significance to pbb Group for other reasons) with an provision requirement 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 Group's business activities.

26. Other liabilities

Other liabilites include lease liabilites of €15 million (31 December 2023: €16 million).

27. Equity

Equity increased by €6 million in the first half of 2024. The net income of €40 million generated in the reporting period had a positive effect. In contrast, the AT1 coupon of €25 million paid in April 2024 reduced retained earnings. Actuarial losses from pension obligations fell by €7 million, as the discount rate used to measure pension obligations increased slightly (30 June 2024: 3.81%; 31 December 2023: 3,53%). Accumulated other comprehensive income from financial assets at fair value through other comprehensive income decreased by €10 million compared to the end of the previous year due to interest and credit-related effects.

The additional equity instruments include Additional Tier 1 (AT1) capital in the total nominal amount of €300 million less transaction costs of €2 million. AT1 capital qualifies as equity because there is no obligation to repay, or to make debt servicing payments on an ongoing basis. The bond issued by pbb in 2018 carries an initial coupon of 5.75% and has no final maturity. The coupon for the new five-year interest period from 28 April 2023 is 8.474%. The coupon payments are linked to certain conditions and are otherwise discretionary. The bond has no final maturity.

28. Maturities of Specific Financial Assets and Liabilities

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not speci-fied/ repay-able on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						30.6.2024
Cash reserve	1,492	-	-	-	-	1,492
Financial assets at fair value through profit or loss	3	15	62	405	7	492
Debt securities	-	-	-	123	-	123
Loans and advances to customers	-	15	62	282	7	366
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	128	57	395	582	1,162
Debt securities	-	109	57	394	581	1,141
Loans and advances to customers	-	19	-	1	1	21
Financial assets at amortised cost before credit loss allowances	1,045	3,690	5,856	21,749	10,165	42,505
Debt securities	-	103	100	2,501	923	3,627
Loans and advances to other banks	949	341	-	250	294	1,834
Loans and advances to customers	96	3,243	5,747	18,943	8,887	36,916
Claims from finance lease agreements	-	3	9	55	61	128
Total financial assets	**2,540**	**3,833**	**5,975**	**22,549**	**10,754**	**45,651**
Financial liabilities at cost	1,214	3,354	6,526	20,101	9,879	41,074
Liabilities to other banks	293	1,222	615	925	309	3,364
Thereof: Registred bonds	-	73	72	636	225	1,006
Liabilities to customers	912	1,254	3,155	5,549	8,042	18,912
Thereof: Registred bonds	-	262	373	1,876	7,066	9,577
Bearer bonds	9	873	2,756	13,053	1,516	18,207
Subordinated liabilities	-	5	-	574	12	591
Total financial liabilities	**1,214**	**3,354**	**6,526**	**20,101**	**9,879**	**41,074**

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not speci-fied/ repay-able on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						31.12.2023
Cash reserve	2,728	-	-	-	-	2,728
Financial assets at fair value through profit or loss	3	5	5	266	171	450
Debt securities	-	-	-	84	39	123
Loans and advances to customers	-	5	5	182	132	324
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	224	401	369	481	1,475
Debt securities	-	123	383	368	480	1,354
Loans and advances to customers	-	101	18	1	1	121
Financial assets at amortised cost before credit loss allowances	841	3,988	5,792	23,122	12,068	45,811
Debt securities	-	157	159	2,566	1,132	4,014
Loans and advances to other banks	812	1,150	-	250	295	2,507
Loans and advances to customers	29	2,678	5,624	20,252	10,572	39,155
Claims from finance lease agreements	-	3	9	54	69	135
Total financial assets	**3,572**	**4,217**	**6,198**	**23,757**	**12,720**	**50,464**
Financial liabilities at cost	1,465	4,938	8,310	20,403	10,797	45,913
Liabilities to other banks	321	1,152	2,881	1,137	588	6,079
Thereof: Registred bonds	-	49	100	793	497	1,439
Liabilities to customers	1,131	1,803	2,265	5,491	8,139	18,829
Thereof: Registred bonds	-	204	524	2,137	7,276	10,141
Bearer bonds	13	1,966	3,164	13,201	2,058	20,402
Subordinated liabilities	-	17	-	574	12	603
Total financial liabilities	**1,465**	**4,938**	**8,310**	**20,403**	**10,797**	**45,913**

NOTES TO THE FINANCIAL INSTRUMENTS

29. Fair Values of Financial Instruments

Fair value hierarchy

in € million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
					30.6.2024
Assets in the scope of IFRS 13	**45,663**	**44,556**	**5,562**	**9,449**	**29,545**
Measured at fair value in the statement of financial position	2,251	2,251	1,139	870	242
Financial assets at fair value through profit or loss	975	975	3	737	235
Positive fair values of stand-alone derivatives	483	483	-	483	-
Debt securities	123	123	-	123	-
Loans and advances to customers	366	366	-	131	235
Shares in investment funds qualified as debt instruments	3	3	3	-	-
Financial assets at fair value through other comprehensive income	1,162	1,162	1,136	19	7
Debt securities	1,141	1,141	1,136	-	5
Loans and advances to customers	21	21	-	19	2
Positive fair values of hedge accounting derivatives	114	114	-	114	-
Not measured at fair value in the statement of financial position	43,412	42,305	4,423	8,579	29,303
Cash reserve	1,492	1,492	1,492	-	-
Financial assets at amortised cost [1)]	41,971	40,813	2,931	8,579	29,303
Debt securities	3,626	3,496	2,006	985	505
Loans and advances to banks	1,834	1,827	895	876	56
Loans and advances to customers	36,383	35,360	30	6,588	28,742
Claims from finance lease agreements	128	130	-	130	-
Valuation adjustment from porfolio hedge accounting	-51	-	-	-	-
Liabilities in the scope of IFRS 13	**42,447**	**40,792**	**14,225**	**15,557**	**11,010**
Measured at fair value in the statement of financial position	1,422	1,422	-	1,422	-
Financial liabilities at fair value through profit or loss	806	806	-	806	-
Negative fair values of stand-alone derivatives	806	806	-	806	-
Negative fair values of hedge accounting derivatives	616	616	-	616	-
Not measured at fair value in the statement of financial position	41,025	39,370	14,225	14,135	11,010
Financial liabilities measured at amortised cost	41,074	39,370	14,225	14,135	11,010
Liabilities to other banks	3,364	3,303	293	2,089	921
Liabilities to customers	18,912	18,038	2	8,244	9,792
Bearer bonds	18,207	17,577	13,930	3,411	236
Subordinated liabilities	591	452	-	391	61
Valuation adjustment from porfolio hedge accounting	-49	-	-	-	-

[1)] Less credit loss allowances.

Fair value hierarchy — 31.12.2023

in € million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Assets in the scope of IFRS 13	**50,570**	**49,840**	**7,649**	**11,061**	**31,130**
Measured at fair value in the statement of financial position	2,670	2,670	1,336	1,137	197
Financial assets at fair value through profit or loss	944	944	3	754	187
Positive fair values of stand-alone derivatives	494	494	-	494	-
Debt securities	123	123	-	123	-
Loans and advances to customers	324	324	-	137	187
Shares in investment funds qualified as debt instruments	3	3	3	-	-
Financial assets at fair value through other comprehensive income	1,475	1,475	1,333	132	10
Debt securities	1,354	1,354	1,333	13	8
Loans and advances to customers	121	121	-	119	2
Positive fair values of hedge accounting derivatives	251	251	-	251	-
Not measured at fair value in the statement of financial position	47,900	47,170	6,313	9,924	30,933
Cash reserve	2,728	2,728	2,728	-	-
Financial assets at amortised cost [1)]	45,228	44,442	3,585	9,924	30,933
Debt securities	4,013	3,937	2,765	516	656
Loans and advances to banks	2,507	2,500	794	1,688	18
Loans and advances to customers	38,573	37,865	26	7,580	30,259
Claims from finance lease agreements	135	140	-	140	-
Valuation adjustment from porfolio hedge accounting	-56	-	-	-	-
Liabilities in the scope of IFRS 13	**47,315**	**46,035**	**15,875**	**18,616**	**11,544**
Measured at fair value in the statement of financial position	1,451	1,451	-	1,451	-
Financial liabilities at fair value through profit or loss	662	662	-	662	-
Negative fair values of stand-alone derivatives	662	662	-	662	-
Negative fair values of hedge accounting derivatives	789	789	-	789	-
Not measured at fair value in the statement of financial position	45,864	44,584	15,875	17,165	11,544
Financial liabilities measured at amortised cost	45,913	44,584	15,875	17,165	11,544
Liabilities to other banks	6,079	6,033	321	4,335	1,377
Liabilities to customers	18,829	18,263	8	9,237	9,018
Bearer bonds	20,402	19,819	15,546	3,187	1,086
Subordinated liabilities	603	469	-	406	63
Valuation adjustment from porfolio hedge accounting	-49	-	-	-	-

[1)] Less credit loss allowances.

Level 2 instruments disclosed at fair value at 30.6.2024

Mesurement methods	Observable parameter
Discounted cash flow methods	Euro zone inflation rates
	Reference interest rates
	Saisonalities of Euro zone inflation rates
	Spot market exchange rates
	Yield curves
Option pricing modells	Cap volatilities
	CMS Spread Options (strike price)
	CMS Spread Options (option price)
	Euro zone inflation rates
	Reference interest rates
	Saisonalities of Euro zone inflation rates
	Swaption volatilities
	Spot market exchange rates
	Exchange rate volatilities
	Yield curves

Level 3 instruments disclosed at fair value at 30.6.2024

Mesurement methods	Unobservable parameter	Parameter range
Discounted cash flow methods	PD/LGD model spread	+/-2 rating classes for PD; +/-0.1 for LGD
Proxy model	Proxy models	+/- triple standard deviation

The calculation of sensitivity is based on aternative assumptions for unobservable parameters for level 3 instruments, which are measured at fair value. These amounts were calculated independently from each other.

Non-observable spreads in a PD (probability of default)/LGD (loss given default) model are used for the valuation of drawings intended for syndication. The changes in spreads result in a change in fair value of + €1 million and - €3 million, respectively.

Alongside this, FVOCI securities and FVOCI receivables are valued using a proxy approach. In the alternative scenario, there were only slight changes (plus respectively minus less than €1 million).

Changes in level 3 instruments measured at fair value

in € million	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
Balance at 1.1 2023	**256**	**16**	**-**
Profit or loss	-4	-4	-
Disposals/repayments	-65	-2	-
Balance at 31.12. 2023	**187**	**10**	**-**
Balance at 1.1.2024	**187**	**10**	**-**
Profit or loss	-1	-2	-
Additions	91	-	-
Disposals/repayments	-42	-1	-
Balance at 30.6.2024	**235**	**7**	**-**

On-balance sheet netting of derivatives which are settled through Eurex Clearing led to a reduction in total assets of €1.1 billion as at 30 June 2024 (31 December 2023: €1.4 billion).

OTHER NOTES

30. Contingent Liabilities and Other Commitments

Contingent liabilities and other commitments

in € million	30.6.2024	31.12.2023
Contingent liabilities	**100**	**63**
from guarantees and indemnities	100	63
Other financial commitments	**1,608**	**2,225**
Irrevocable loan commitments	1,608	2,225
Commitments from bank levies	**49**	**49**
Collateral pledged	49	49
Total	**1,757**	**2,337**

As at balance sheet date the fair value of contingent liabilities amounted to €100 million (31 December 2023: €63 million) and the fair value of irrevocable loan commitments to €1,589 million (31 December 2023: €2,209 million).

As at 30 June 2024, contingent receivables amounted to €15 million (31 December 2023: €15 million). These are attributable to an asset claim.

The liabilities from bank levies include cash collateral relating to irrevocable payment obligations to the Financial Market Stabilisation Authority from the bank levy, the Deposit Protection Fund and the Compensation Scheme of German Banks. These result from the utilisation of the option not to pay contributions in full, but to make partial payments in the form of an irrevocable payment obligation by providing cash collateral. As at 30 June 2024, the collateral provided for the European bank levy amounted to €42 million (31 December 2023: €42 million), for the Deposit Protection Fund to €3 million (31 December 2023: €3 million) and for the Compensation Scheme of German Banks to €4 million (31 December 2023: €3 million). In addition, pbb Group is obliged to make additional contributions upon request.

31. Relationship with Related Parties

No material transactions with related parties pursuant to IAS 24.9 were entered into during the reporting period.

32. Employees

Average number of employees	1.1.-30.6.2024	1.1.-31.12.2023
Employees (excluding apprentices)	841	848
Thereof: senior staff in Germany	16	19
Total	**841**	**848**

33. Report on Post-balance Sheet Date Events

No significant events with a material impact in development in assets, financial position und earnings occurred after 30 June 2024.

Munich, 30 July 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 for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Munich, 30 July 2024

Deutsche Pfandbriefbank AG
The Management Board

Kay Wolf   Thomas Köntgen   Dr. Pamela Hoerr   Andreas Schenk   Marcus Schulte

Review Report

To Deutsche Pfandbriefbank AG, Munich/Germany

We have reviewed the condensed interim consolidated financial statements, which comprise the balance sheet as at 30 June 2024, the statement of profit or loss and the statement of comprehensive income, the condensed statement of cash flows, the statement of changes in equity as well as selected explanatory notes to the financial statements, and the interim group management report for the period from 1 January to 30 June 2024 of Deutsche Pfandbriefbank AG, Munich/Germany, that are part of the semi-annual financial information under Section 115 German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the executive directors of the Company. Our responsibility is to express a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and persons responsible for accounting and to analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Deutsche Pfandbriefbank AG, Munich/Germany, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich/Germany, 31 July 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Prof. Dr Carl-Friedrich Leuschner	Martin Kopatschek
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Additional Information

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 of pbb. Future-oriented statements therefore only apply on the day on which they are made. pbb Group does 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 geopolitical crises, the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading companies, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.

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The German version of this Interim Report is the authoritative version and only the German version of the Group Interim Management Report and the Consolidated Interim Financial Statements were reviewed by the auditors.