Interim Report as of 30 June 2023

Deutsche Pfandbriefbank Group

Overview

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–30.6.2023	1.1.–30.6.2022
Operating performance according to IFRS			
Profit before tax	in € million	81	107
Net income	in € million	69	91
Key ratios			
Earnings per share	in €	0.44	0.62
Cost-income ratio[1)]	in %	51.4	42.3
Return on CET1 capital before tax[2)]	in %	4.9	7.0
Return on CET1 capital after tax[2)]	in %	4.1	5.9
New business volume Real Estate Finance[3)]	in € billion	2.5	4.3
Balance sheet figures according to IFRS		**30.6.2023**	**31.12.2022**
Total assets	in € billion	49.8	53.0
Equity	in € billion	3.3	3.4
Financing volumes Real Estate Finance	in € billion	30.2	29.3
Key regulatory capital ratios[4)]		**30.6.2023**	**31.12.2022**
CET1 ratio	in %	16.0	16.7
Own funds ratio	in %	20.3	21.8
Leverage ratio	in %	6.3	5.9
Staff		**30.6.2023**	**31.12.2022**
Employees (on full-time equivalent basis)		811	791
Long-term issuer rating/outlook[5)]		**30.6.2023**	**31.12.2022**
Standard & Poor's		BBB+/Stable	BBB+/Stable
Moody's Pfandbrief rating		**30.6.2023**	**31.12.2022**
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 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.
[3)] Including prolongations with maturities of more than one year.
[4)] After confirmation of the 2022 financial statements, less AT1-coupon and less dividend.
[5)] The ratings of unsecured liabilities may diverge from the issuer ratings.

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

Strategic initiatives

Deutsche Pfandbriefbank AG ("pbb") plans to increasingly diversify its business model in the years to come, establishing a broader foundation for future revenue growth and increased profitability. The Bank aims to increase return on equity before taxes to more than 10% by year-end 2026, with pre-tax profit to exceed €300 million. pbb is thus systematically developing the strategy presented in March 2023, which focuses on organic growth in the core business, a significant expansion of capital-light commission-based business, and further diversification of the funding base. Green finance and digitalisation remain elements of the strategic thrust across all growth areas. The Bank intends to maintain its conservative risk profile and adhere to its traditionally strict cost discipline.

pbb's Management Board has thus refined the strategic initiatives presented in March 2023. pbb plans to build on its expertise and strong capital base in the Real Estate Finance core business – with the aim of increasing financing volumes by a further €3.5 billion (approximately), to €33 billion by the end of 2026. As soon as the market shows signs of improvement, the Bank will revert to exploiting opportunities in real estate market segments it has been avoiding in the recent past due to risk considerations.

pbb intends to be a driving force within the transformation of the commercial real estate sector towards climate neutrality. Sustainable finance is set to be an important contributory factor for the future strategic thrust of all growth initiatives: pbb is aiming for green (i.e. potentially green loan eligible) assets to exceed 30% of its entire commercial real estate finance portfolio by 2026. Moreover pbb has entered the green consulting business in partnership with project developers Groß & Partner, to advise clients on the development of holistic solutions for green transformation.

pbb is pursuing two approaches to broaden its business model and expand capital-light commission-based business: firstly, by establishing the new Real Estate Investment Management division. Secondly, it will join forces with Universal Investment, which will act as a servicing Investment Management Company for the launch of an open-ended real estate special fund. In this context, Dr Pamela Hoerr joined the Bank as a Senior General Manager on 17 April 2023. Subject to regulatory approval, Dr Hoerr is scheduled to assume responsibility for the division as a Management Board member in 2024. The Bank is preparing the groundwork for the division, searching for the right assets, and setting up the sales department. The pilot product is set to comprise mainly German office and mixed-use properties and will be launched as soon as tensions on the real estate markets ease. Fund services provider Universal Investment will provide the servicing platform for launch and management of the planned open-ended real estate special fund. The Bank is also cooperating with Amundi Deutschland GmbH, a subsidiary of Amundi, Europe's largest asset manager. Based on a cooperation agreement entered into, both institutions will join forces for the purposes of distributing pbb's planned open-ended real estate special funds.

The Real Estate Investment Management division and green consulting are together scheduled to account for up to 10% of pbb's revenues by year-end 2026. pbb also aims to strengthen its profitability by broadening its funding base. The Bank's early entry into the deposit-taking business is increasingly bearing fruit: a deposit volume of up to €8 billion is envisaged by the end of 2026.

Investments are set to rise significantly in the current year, due to the various growth initiatives. Whilst the Bank expects this to result in a cost/income ratio of 50% to 55% in 2023, strict cost discipline is set to drive the ratio down to less than 45% by year-end 2026. Overall, 2023 is earmarked as a year of investment for pbb, setting the course for growth years in 2024 to 2026.

Report on Economic Position

DEVELOPMENT IN EARNINGS

Deutsche Pfandbriefbank Group ("pbb Group")

As in previous periods, economic developments in the first half of 2023 were impeded by persistently high inflation and by tighter monetary policy. As a result, Germany and most other member states of the European Union saw virtually no increases in gross domestic product. Euro area inflation stood at 5.5% in June 2023, thanks to lower energy prices. Whilst this was a marked decline compared to the high of 10.6% in October 2022, it was nonetheless significantly above the long-term average. The United Kingdom and the US showed a similar decline in the overall rate of inflation, whilst the core inflation rate (which excludes food and energy prices) remains high. The persistently high level of inflation has led central banks in industrial countries to clearly tighten monetary policies. For instance, the European Central Bank (ECB) has raised its deposit rate from -0.5% in mid-2022 up to 3.75% most recently. Likewise, the US Federal Reserve (Fed) has also been raising its key interest rate – from 0.25% at the beginning of 2022 to 5.5% in July of this year.

Looking ahead, uncertainty surrounding further macroeconomic development remains very high indeed, with geopolitical tensions being one of the causes. Uncertainty is also affecting the banking sector, with key events concerning the insolvency of individual – predominantly regional – US banks, as well as the crisis at Credit Suisse, which was ultimately taken over by UBS.

High inflation and the related interest rate increases also continued to burden real estate markets. Investment volumes in the first half of 2023 clearly fell short of the levels seen during the same period of the previous year, also due to major uncertainty surrounding further market developments in Europe – and especially in the US. Non-performing financings in the US (but also in other regions) have already triggered initial foreclosures – a trend which might intensify. Prices are falling across all asset classes as investment demand is slowing down. Investment volumes are unlikely to recover until borrowing costs stabilise, providing buyers and sellers with a sounder basis for buy and hold decisions. In this context, special effects – such as the impact of mobile working on the office sector or the ongoing crisis in bricks-and-mortar retailing – have caused additional burdens. First signs of recovery in the investment market are visible in the logistics segment. Yet an overall stabilisation is not expected to occur before the first quarter of 2024, and it looks likely that real estate values will decline further over the short term due to opportunistic market tendencies, before the trend reverses. pbb Group expects these effects to materialise faster in the US and in the UK than in other core markets.

Developments to date have been in line with expectations. Including the full €22 million in bank levy for the financial year 2023, profit before tax amounted to €81 million in the first half of 2023 ("6m2023") and was within the forecast range of €170 million to €200 million for the full year, published at the beginning of 2023, on a pro rata basis. No interest premium was received under TLTRO III during the period under review; given the higher interest rate levels, no material interest income was generated from contractually-agreed interest rate floors. Both the current interest rate levels and uncertainty on real estate markets were primary causes for the lack of any material early termination fees in the lending business. Yet offers to repurchase own Pfandbrief issues and other liabilities, which were financed by higher overnight and term deposits from retail investors (available at more favourable terms), were well received by the market. Investments within the framework of strategic initiatives had an impact on general and administrative expenses.

A detailed breakdown of the results is provided below:

pbb Group

Income and expenses

in € million	**1.1.–30.6.2023**	**1.1.–30.6.2022**
Operating income	259	272
Net interest income	216	242
Net fee and commission income	2	3
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement) [1]	-	14
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations) [1]	42	10
Net income from hedge accounting	-3	-1
Net other operating income	2	4
Net income from allowances on financial assets (Net income from risk provisioning) [1]	-21	-19
General and administrative expenses	-123	-106
Expenses from bank levies and similar dues	-24	-31
Net income from write-downs and write-ups on non-financial assets	-10	-9
Profit before tax	**81**	**107**
Income taxes	-12	-16
Net income	**69**	**91**
attributable to:		
Shareholders	69	92
Non-controlling interests	-	-1

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

Net interest income of €216 million (6m2022: €242 million) was burdened by the aforementioned near-complete loss of earnings from interest rate floors. Furthermore, net interest income no longer benefited from last year's TLTRO III interest rate premium of 50 basis points. However, TLTRO III had impacted net interest income until funds under the programme were predominantly repaid on 28 June 2023 – for instance, through accrued modification effects and the cost of obtaining liquidity. The higher average commercial real estate finance volume of €29.6 billion (6m2022: €28.0 billion) had a positive effect, with margin increases realised both on a portfolio level and on new business. Lower new business volume of €2.5 billion (6m2022: €4.3 billion) predominantly resulted from significantly lower market transaction volumes; fortunately, this was offset by markedly lower early repayments.

As a consequence of the decrease in new business, net fee and commission income from non-accruable fees declined to €2 million (6m2022: €3 million).

Net income from fair value measurement was balanced. The figure for the same period last year was €14 million, impacted by strong market movements due to the war in Ukraine, and in particular the increase in market interest rates.

Net income from realisations (€42 million; 6m2022: €10 million) was supported in particular by early redemptions of financial liabilities (€26 million). This included €24 million in income (excluding €2 million in hedging costs) from the tender repurchase of own liabilities in June 2023, which was well received by the market. Current interest rate levels permitted the repurchase of these liabilities below par. The liquidity required for this repurchase was raised through the higher level of retail deposits (at more attractive levels). Net income from realisations also benefited from the sale of €13 million in financial assets from the Non-Core segment. These sales are in line with the strategy devised for this new corporate segment, established from the combination of the previous Public Investment Finance and Value Portfolio segments. The strategy provides for an accelerated, value-preserving run-off, compared to the portfolio's regular maturity profile. The sales exploited opportunities presented by higher interest rate levels. Income of €3 million from early repayments of commercial real estate financings were down year-on-year as yet more clients held on to their financings.

As hedges were largely effective, net income from hedge accounting was €-3 million (6m2022: €-1 million), reflecting the fact that interest rates were temporarily locked in when market interest rates rose, as well as the interest rate exposure to be closed out as a result of the redemption of liabilities.

Net other operating income of €2 million (6m2022: €4 million) was largely attributable to net reversals of provisions outside the lending business, especially reflecting a changed assessment of risks regarding the refund of processing fees. Income was also recognised on expected VAT refund claims against the financial authorities.

Net income from risk provisioning amounted to €-21 million (6m2022: €-19 million). Net income from stage 1 and stage 2 risk provisioning (€-5 million) reflected the high degree of uncertainty concerning macro and sector-specific economic development as well as higher interest rates. Real estate markets further deteriorated in the first half of 2023, which was reflected in current real estate valuations as well as in forecasts regarding future developments. An increase in the probability of default for individual financings, together with an update of valuation parameters, required an increase in stage 1 and stage 2 loss allowance. At the same time, pbb Group partially reversed the management overlay recognised in the fourth quarter of 2022. A €16 million increase in stage 3 loss allowance was due in particular to two financings of office properties in the US.

Management overlays are applied as part of a principles-based approach for determining expected credit losses, in order to account for effects occurring in unusual situations which have not yet been adequately considered when determining loss allowance. Within pbb Group's portfolio, future development of financed office properties is particularly uncertain, especially due to the change in the working environment – namely, the trend towards mobile working, even after social restrictions imposed in the wake of the COVID-19 pandemic were lifted. Another factor is the growing need for improved sustainability of office properties. To account for this uncertainty, pbb Group had therefore increased models-based loss allowance by €69 million at the end of 2022, by means of a management overlay. This amount also accounted for uncertainty regarding further significant interest rate increases.

Uncertainty surrounding the further development of the office real estate sector has diminished to some extent in the first half of 2023: on the one hand, valuation parameters derived from external sources now reflect uncertainty factors in a more adequate manner, albeit not yet fully. On the other hand, the probability of further significant interest rate increases has decreased given the steps already carried out by the ECB. This has enabled pbb Group to reverse €41 million of the management overlay in the first half of 2023, reducing it to €28 million. Whilst the management overlay still accounts for discounts to expected office real estate values in the base and pessimistic scenarios, the extent of these discounts is lower than at the end of 2022.

pbb Group unveiled details of its growth initiatives in March 2023, and these strategic decisions will make 2023 a year of investment. As a result, general and administrative expenses rose to €123 million (6m2022: €106 million). Investments were reflected in non-personnel expenses in particular (€55 million; 6m2022: €44 million). A higher headcount and regular salary adjustments pushed personnel expenses above the previous year's level (€68 million; 6m2022: €62 million). Personnel expenses also included termination benefits granted to employees of CAPVERIANT GmbH, whose dissolution was resolved in the second quarter of 2023.

Expenses for bank levies and similar dues (€24 million; 6m 2022: €31 million) comprised €22 million in expenses for the bank levy in line with the calculation scheme provided beforehand by the EU Single Resolution Board (SRB). In addition to a higher collateralisation rate of 22.5% after 15% in the previous year, the lower target volume for deposits covered by EU regulations helped lower the charges. As in the same quarter of the previous year, the item included expenses for the deposit guarantee scheme of the German private banking sector.

Net income from write-downs and write-ups on non-financial assets totalling €-10 million (6m 2022: €-9 million) included scheduled depreciation on property, plant and equipment and amortisation of intangible assets, which were in line with the previous year's level, plus an immaterial write-off of software used by CAPVERIANT GmbH.

Income taxes (€-12 million; 6m2022: €-16 million) were once again very largely due to current taxes. The tax rate was unchanged.

Operating Segments

pbb Group unveiled an update to its strategic initiatives, as well as specific targets for them, in March 2023. In creating the new Real Estate Investment Management division, the Group is working towards the future diversification of its business model. The Public Investment Finance (PIF) and Value Portfolio (VP) segments were merged in the first quarter of 2023 to form the new Non-Core (NC) segment. With this decision, pbb no longer considers public investment finance business as a strategic activity and will no longer enter into new business pertaining to this sector. Over the last few years, pbb had already ceased to originate new VP business – and limited new business in the PIF segment to a minimum. At the same time, the Bank is aiming for an accelerated, value-preserving portfolio run-down. pbb now wants to place an even greater focus on Real Estate Finance (REF), its higher-margin core business. The previous year's figures were restated in accordance with IFRS 8.29. Since there were no internal relationships between the former PIF and VP segments, the new Non-Core segment has been formed through a simple conjoining of the two.

Real Estate Finance (REF)

The volume of new business (including extensions by more than one year) amounted to €2.5 billion (6m2022: €4.3 billion); of this amount €1.0 billion (6m2022: €1.1 billion) was attributable to extensions.

REF		1.1.–30.6.2023	1.1.–30.6.2022
Operating performance			
Operating income	in € million	219	234
Net interest income	in € million	197	207
Net fee and commission income	in € million	2	3
Net income from fair value measurement	in € million	-1	10
Net income from realisations	in € million	20	10
Net income from hedge accounting	in € million	-2	-
Net other operating income	in € million	3	4
Net income from risk provisioning	in € million	-21	-22
General and administrative expenses	in € million	-107	-93
Expenses from bank levies and similar dues	in € million	-16	-20
Net income from write-downs and write-ups of non-financial assets	in € million	-9	-8
Profit before tax	**in € million**	**66**	**91**
Key ratios			
Cost-income ratio	in %	53.0	43.2
Balance-sheet-related measures		**30.6.2023**	**31.12.2022**
Financing volumes	in € billion	30.2	29.3
Risk-weighted assets[1)]	in € billion	15.8	15.5
Equity[2)]	in € billion	2.5	2.4

[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 and non controlling interest.

Net interest income was burdened by significantly lower income from floors, whilst benefits from interest rate premiums under TLTRO III funding were no longer available. In contrast, the higher average volume of commercial real estate finance of €29.6 billion (6m2022: €28.0 billion) had a positive impact, as did the higher average portfolio margin. Allocated income from redemptions of financial liabilities resulted in a markedly higher net income from realisations. Consolidated net income from risk provisioning was fully attributable to the REF segment. General administrative expenses as well as expenses for bank levies and similar dues developed in line with the trends seen at a Group level.

Non-Core (NC).
The financing volume decreased by € 1.3 billion in the first half of 2023. In addition to regular maturities, disposals contributed to the portfolio reduction.

NC		1.1.–30.6.2023	1.1.–30.6.2022
Operating performance			
Operating income	in € million	39	37
Net interest income	in € million	18	34
Net fee and commission income	in € million	-	-
Net income from fair value measurement	in € million	1	4
Net income from realisations	in € million	22	-
Net income from hedge accounting	in € million	-1	-1
Net other operating income	in € million	-1	-
Net income from risk provisioning	in € million	-	3
General and administrative expenses	in € million	-16	-13
Expenses from bank levies and similar dues	in € million	-8	-11
Net income from write-downs and write-ups of non-financial assets	in € million	-1	-1
Profit before tax	**in € million**	**14**	**15**
Key ratios			
Cost-income ratio	in %	43.6	37.8
Balance-sheet-related measures		**30.6.2023**	**31.12.2022**
Financing volumes	in € billion	13.1	14.4
Risk-weighted assets[1)]	in € billion	0.6	0.8
Equity[2)]	in € billion	0.3	0.4

[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 and non controlling interest.

As in the REF segment, markedly lower income from floors and the fact that interest rate premiums under TLTRO III funding were no longer received burdened net interest income for the NC segment as well. Moreover, net interest income also decreased as a result of lower average financing volumes (€13.9 billion; 6m2022: 15.6 billion), in line with the strategy. Net income from realisations was attributable to disposals of non-strategic financial assets as well as to allocated income from redemption of financial liabilities. General administrative expenses as well as expenses for bank levies and similar dues developed in line with the trends seen at a Group level.

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.–30.6.2023	1.1.–30.6.2022
Operating performance			
Operating income	in € million	1	1
Net interest income	in € million	1	1
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**	**1**	**1**
Balance-sheet-related measures		**30.6.2023**	**31.12.2022**
Risk-weighted assets[1)]	in € billion	0.9	0.7
Equity[2)]	in € billion	0.3	0.4

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 and non controlling interest.

Net interest income was the only income item and arose from the investment of equity allocated to C&A.

DEVELOPMENT IN ASSETS

Assets

in € million	30.6.2023	31.12.2022
Cash reserve	442	1,044
Financial assets at fair value through profit or loss	1,060	1,075
Positive fair values of stand-alone derivatives	555	562
Debt securities	118	117
Loans and advances to customers	384	394
Shares in investment funds qualified as debt instruments	3	2
Financial assets at fair value through other comprehensive income	1,460	1,692
Debt securities	1,317	1,409
Loans and advances to customers	143	283
Financial assets at amortised cost after credit loss allowances	46,355	48,734
Financial assets at amortised cost before credit loss allowances	46,753	49,121
Debt securities	4,472	5,377
Loans and advances to other banks	3,801	5,763
Loans and advances to customers	38,343	37,839
Claims from finance lease agreements	137	142
Credit loss allowances on financial assets at amortised cost	-398	-387
Positive fair values of hedge accounting derivatives	234	262
Valuation adjustment from portfolio hedge accounting (assets)	-70	-84
Tangible assets	25	27
Intangible assets	51	49
Other assets	64	58
Current income tax assets	25	31
Deferred income tax assets	120	119
Total assets	**49,766**	**53,007**

Total assets declined in the first half of 2023. Cash reserves declined, especially due to the fact that TLTRO III funding was largely repaid. There were no material changes to financial assets at fair value through profit or loss. Financial assets at fair value through other comprehensive income declined due to maturities and sales of bonds and promissory note loans.

Whilst there was an increase in nominal volumes of commercial real estate finance carried as financial assets measured at amortised cost, holdings of reverse repurchase agreements with banks declined significantly. In addition, exposure decreased due to a decline in debt securities, especially due to maturities of (government) bonds as well as a decline in loans to local authorities, in line with the strategy.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	30.6.2023	31.12.2022
Financial liabilities at fair value through profit or loss	708	686
Negative fair values of stand-alone derivatives	708	686
Financial liabilities measured at amortised cost	44,631	47,672
Liabilities to other banks	5,545	7,507
Liabilities to customers	18,898	17,889
Bearer bonds	19,586	21,641
Subordinated liabilities	602	635
Negative fair values of hedge accounting derivatives	987	1,125
Valuation adjustment from portfolio hedge accounting (liabilities)	-107	-112
Provisions	127	135
Other liabilities	58	57
Current income tax liabilities	20	19
Liabilities	**46,424**	**49,582**
Equity attributable to the shareholders of pbb	3,044	3,125
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings	1,140	1,214
Accumulated other comprehensive income	-113	-106
from pension commitments	-53	-49
from cash flow hedge accounting	-24	-26
from financial assets at fair value through OCI	-36	-31
Additional equity instruments (AT1)	298	298
Non-controlling interest	-	2
Equity	**3,342**	**3,425**
Total equity and liabilities	**49,766**	**53,007**

Liabilities

Total liabilities as at 30 June 2023 were below the previous year-end. This was due, in particular, to a decline in financial liabilities measured at amortised cost, the major liabilities item. Specifically, liabilities to banks declined following a €1.8 billion repayment of TLTRO III funding (through which these funds were largely repaid) as well as due to lower securities repurchase transactions. In contrast, growth in the deposit-taking business increased liabilities to customers. Bearer bonds declined due to maturities and repurchases of own Pfandbrief issues and other liabilities.

Equity

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

Funding

The comfortable liquidity situation, as well as the availability of alternative funding sources, enabled pbb Group to reduce its new long-term funding raised on the capital markets to €1.4 billion (6m2022: €3.2 billion), and to simultaneously increase the level of repurchases and called issues (€0.6 billion; 6m2022: €0.2 billion). The total amount of funding comprised both Pfandbrief issues and unsecured liabilities, issued both in the form of benchmark bonds and private placements. At €0.8 billion (6m2022: €2.0 billion), Pfandbrief issues accounted for just over half of the total volume. Unsecured funding accounted for €0.6 billion (6m2022: €1.2 billion), with almost all of the volume being issued as Senior Preferred bonds. The transactions were exclusively denominated in euro. Unhedged interest rate exposures are usually hedged by swapping fixed into floating interest rates. As part of its holistic ESG strategy, pbb issued an unsecured benchmark Green Bond with a volume of €0.5 billion.

In line with the profile of the new Non-Core segment, pbb will no longer issue public-sector Pfandbriefe on the capital markets, and will conduct early repurchases of these issues if appropriate.

The Bank repaid a further €1.8 billion tranche of TLTRO III funding at the end of June 2023, leaving a residual liability of €0.9 billion due in 2024.

Overnight and term deposits from retail investors amounted to €5.6 billion as at 30 June 2023 (31 December 2022: €4.4 billion). Through its pbb direkt offer, pbb has been cooperating with Raisin GmbH, operator of the "WeltSparen" deposits platform, since June 2023.

Key Regulatory Capital Ratios

As at 30 June 2023 the CET1 ratio amounted to 16.0% (31 December 2022: 16.7%), the own funds ratio to 20.3% (31 December 2022: 21.8%) and the leverage ratio to 6.3% (31 December 2022: 5.9%). Please refer to the Risk and Opportunity Report ("Internal Capital Adequacy Assessment Process (ICAAP)" section) for further information on the key regulatory capital ratios.

Liquidity

As at 30 June 2023, the Liquidity Coverage Ratio was 163% (31 December 2022: 171%).

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

Ratings

In the first half of 2023, the ratings mandated by pbb remained unchanged.

		30.6.2023		31.12.2022
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+/Stable	-	BBB+/Stable	-
Short-term issuer rating	A-2	-	A-2	-
Long-term senior "preferred" unsecured debt rating[2)]	BBB+	-	BBB+	-
Long-term senior "non-preferred" unsecured debt rating[3)]	BBB-	-	BBB-	-
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 2023.

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 2022 Annual Report. For more details, please refer to the disclosures in the Risk and Opportunity Report in the 2022 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

The tasks of the ESG Committee – as described in the Annual Report 2022 – were expanded during the first half of 2023. The ESG Committee is now primarily responsible for managing regulatory and statutory requirements related to ESG topics, for developing an ESG business strategy, and for monitoring corresponding implementation measures within pbb Group. The Committee develops ESG targets, and the measures required to achieve them. In addition, it deals with the conception of ESG key performance indicators and resulting management tasks.

Organisation of of Chief Risk Officer (CRO)
30 June 2023

The newly-established Projects Risk Management division was included in the CRO's Management Board portfolio during the first half of 2023. The Operations and Digitalisation divisions were merged, and are now under the leadership of the former Digitalisation division's head, who had been reporting to another Management Board member.

Chief Risk Officer (CRO)				
Risk Management & Control (RMC)	Credit Risk Management (CRM)	Projects Risk Management	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 divisions **CRM** and **Projects Risk Management**, which are 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**. The Operations sub-division 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. The Digitalisation sub-division acts as a competence centre for pbb's transformation into a digital organisation that exploits the benefits of applying agile working methods, using latest technologies
- 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 on various committees and regularly reports to the Management Board and the Audit and Digitalisation Committee of the Supervisory Board.

Risk Strategy and Policies

As part of the strategy development process carried out in the autumn of the past calendar year, the risk strategy for 2023 was drawn up, adopted by the Management Board and approved by the Supervisory Board.

In the context of pbb Group's ongoing strategic development, the Management Board approved an update to the risk strategy at the end of June 2023. The particular focus of this update was on the combination of the PIF and VP segments to form the non-strategic NC segment, the planned establishment of a new Real Estate Investment Management business segment, and on the termination of CAPVERIANT GmbH's business activities. At the time of preparing this interim report as at 30 June 2023, acknowledgement of this risk strategy update by the Risk Management and Liquidity Strategy Committee, and subsequent approval by the Supervisory Board, are still pending and planned for August 2023.

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
- Pension risk
- Central counterparty risk
- Environmental, social and governance risk

Credit Risk (Counterparty Risk)

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, which has replaced the mark-to-market method under CRR II since June 2021.

The Group's aggregated EaD amounted to €48.4 billion as at 30 June 2023 (31 December 2022: €50.0 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)

The former Public Investment Finance and Value Portfolio segments were merged in the first quarter of 2023 to form the non-strategic Non-Core (NC) segment.

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 fully attributable (100%; 31 December 2022: > 99%) 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	**30.6.2023**	**31.12.2022**	in € billion	in %
Real Estate Finance	31.6	31.0	0.6	1.9
Non-Core	13.9	15.3	-1.4	-9.2
Consolidation & Adjustments	2.9	3.7	-0.8	-21.6
Total	**48.4**	**50.0**	**-1.6**	**-3.2**

Risk Parameters Expected Loss (EL) for pbb Group totalled €153 million as at 30 June 2023 (31 December 2022: €149 million). The rise in expected loss was largely attributable to new business and rating downgrades in REF.

Since 1 April 2021, pbb has applied the new default definition according to EBA Guideline 2016/07.

Total exposure: expected loss according to operating segments

in € million	30.6.2023	31.12.2022	Change in € million	Change in %
Real Estate Finance	149	145	4	2.8
Non-Core	3	3	-	-
Consolidation & Adjustments	1	1	-	-
Total	**153**	**149**	**4**	**2.7**

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. At 39% (€18.8 billion; 31 December 2022: 39%/€19.5 billion), Germany once again accounted for the largest part of the aggregate exposure.

The lower EaD in Germany (compared to the previous year-end) was mainly attributable to reduced exposure to central banks in C&A. The lower exposure in France was primarily due to repayments in the NC segment. The increase in the US was largely driven by higher exposure in C&A, which was mitigated by offsetting effects in REF.

The largest item of the category "Other Europe" were the Netherlands with €1.3 billion (31 December 2022: €1.3 billion).

Total portfolio: EaD according to regions

in € billion	30.6.2023	31.12.2022	Change in € billion	Change in %
Germany	18.8	19.5	-0.7	-3.6
France	6.8	7.7	-0.9	-11.7
USA	5.1	5.0	0.1	2.0
Austria	4.6	4.7	-0.1	-2.1
United Kingdom	2.6	2.6	-	-
Other Europe[1)]	2.3	2.3	-	-
Poland	2.0	1.8	0.2	11.1
Spain	1.5	1.7	-0.2	-11.8
Italy	1.5	1.6	-0.1	-6.3
Sweden	1.0	0.9	0.1	11.1
Other[2)]	0.9	1.1	-0.2	-18.2
Czech Republic	0.4	0.4	-	-
Finland	0.3	0.3	-	-
Portugal	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Total	**48.4**	**50.0**	**-1.6**	**-3.2**

1) As of 30 June 2023 the category "Other Europe" comprises the Netherlands, Slovakia, Switzerland, Romania, Slovenia, Belgium, Luxembourg, Ireland, Norway, Latvia and Denmark.
2) As of 30 June 2023 the category "Other" comprises mainly Supranationals, Japan 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: €31.6 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 – increased, compared to 31 December 2022, by €0.6 billion to €31.6 billion.

The majority of new business in the first half of 2023 was originated in Germany. Taking repayments into account, the exposure increased slightly. New business also led to portfolio growth in France, Poland, "Other" European countries, and Sweden. The higher exposure in the United Kingdom was driven by currency translation effects in the existing portfolio. In the US, repayments exceeded new business originated, leading to an exposure reduction, which was amplified by currency translation effects.

Economic uncertainty surrounding commercial real estate remains high, especially in the US. It is unclear at present whether interest rates – and hence, financing costs – will continue to rise, or if central banks will change their course during the second half of the year. Demand for rental space remains subdued, as some companies are announcing redundancies and offering space for subleases on the market. Hybrid work has severely reduced demand for office space. It is especially office buildings outside sought-after locations, which no longer meet current requirements and only have shorter leases, that are facing challenges and thus possible valuation adjustments. A deeper recession would exert additional pressure on commercial real estate valuations – a trend that is particularly evident in the US.

Real Estate Finance: EaD according to regions

			Change	
in € billion	**30.6.2023**	**31.12.2022**	in € billion	in %
Germany	14.0	13.9	0.1	0.7
USA	4.8	5.0	-0.2	-4.0
France	3.8	3.7	0.1	2.7
United Kingdom	2.5	2.4	0.1	4.2
Poland	1.9	1.7	0.2	11.8
Other Europe[1)]	1.8	1.7	0.1	5.9
Sweden	1.0	0.9	0.1	11.1
Spain	0.5	0.5	-	-
Czech Republic	0.4	0.4	-	-
Austria	0.3	0.3	-	-
Finland	0.3	0.3	-	-
Hungary	0.2	0.2	-	-
Italy	0.1	0.1	-	-
Total	**31.6**	**31.0**	**0.6**	**1.9**

1) As of 30 June 2023 the category “Other Europe” comprises the Netherlands, Switzerland, Romania, Slovakia, Luxembourg, Belgium, Slovenia, Norway and Belgium.

Looking at EaD by property type, exposure increased in the Residential, Logistics/Storage and Office buildings categories, reflecting new business; this was amplified for the Residential category by currency translation effects. Repayments led to lower exposure in the "Other" category.

Real Estate Finance: EaD according to property type

			Change	
in € billion	**30.6.2023**	**31.12.2022**	in € billion	in %
Office buildings	16.4	16.3	0.1	0.6
Residential	5.6	5.3	0.3	5.7
Logistics/Storage	4.5	4.2	0.3	7.1
Retail	3.3	3.3	-	-
Hotel/Leisure	1.1	1.1	-	-
Other	0.4	0.5	-0.1	-20.0
Mixed Use	0.3	0.3	-	-
Total	**31.6**	**31.0**	**0.6**	**1.9**

At 30 June 2023, investment financings continued to dominate the REF (89%; 31 December 2022: 88%); development financings accounted for 11% of EaD (31 December 2022: 11%). 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

in € billion	30.6.2023	31.12.2022	Change in € billion	Change in %
Investment financing	28.1	27.4	0.7	2.6
Development financing	3.4	3.4	-	-
Customer derivatives	-	-	-	-
Other	-	0.2	-0.2	-100.0
Total	**31.6**	**31.0**	**0.6**	**1.9**

Non-Core (NC): €13.9 billion EaD

The NC portfolio comprises pbb Group's non-strategic exposures. The previous year's figures were determined by aggregating the two former Public Investment Finance and Value Portfolio segments.

EaD in the NC segment declined by €1.4 billion compared to the previous year's end due to repayments and maturities. The lower exposure in France was mainly due to the repayment of a maturing security.

Non-Core: EaD according to regions

in € billion	30.6.2023	31.12.2022	Change in € billion	Change in %
Austria	4.3	4.4	-0.1	-2.3
Germany	3.5	3.7	-0.2	-5.4
France	2.7	3.6	-0.9	-25.0
Italy	1.3	1.4	-0.1	-7.1
Spain	0.8	0.8	-	-
Other[1]	0.6	0.8	-0.2	-25.0
Portugal	0.3	0.3	-	-
Other Europe[2]	0.2	0.2	-	-
United Kingdom	0.1	0.1	-	-
Total	**13.9**	**15.3**	**-1.4**	**-9.2**

[1] As of 30 June 2023 the category “Other” comprises mainly Supranationals, Japan and Canada.
[2] As of 30 June 2023 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

in € billion	30.6.2023	31.12.2022	Change in € billion	Change in %
Public sector borrowers	13.5	14.8	-1.3	-8.8
Financial institutions[1]	0.3	0.3	-	-
Companies/Special-purpose entities[2]	0.1	0.1	-	-
Total	**13.9**	**15.3**	**-1.4**	**-9.2**

[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 2023 (31 December 2022: €0.2 billion) and a current fair value of €0.2 billion (31 December 2022: €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 2023

in € million	Stage 1	Stage 2	Stage 3	FVPL	**Total**
Class 1	7,627	-	-	173	7,800
Class 2	3,244	8	-	-	3,252
Class 3	90	-	-	-	90
Class 4	88	-	-	-	88
Class 5	446	-	-	-	446
Class 6	-	-	-	-	-
Class 7	1,777	-	-	-	1,777
Class 8	1,189	-	-	3	1,192
Class 9	4,694	192	-	79	4,964
Class 10	2,840	436	-	11	3,287
Class 11	4,850	702	-	40	5,592
Class 12	3,319	1,143	-	62	4,524
Class 13	3,111	1,266	-	69	4,446
Class 14	1,642	376	-	44	2,062
Class 15	1,083	365	-	-	1,448
Class 16	366	765	-	-	1,131
Class 17	901	825	-	25	1,751
Class 18	667	641	-	-	1,309
Class 19	1,175	608	-	-	1,783
Class 20	158	163	-	-	321
Class 21	92	75	-	-	167
Class 22	48	96	-	-	144
Class 23	-	-	-	-	-
Class 24	-	-	-	-	-
Class 25	-	42	-	-	42
Class 26	-	24	-	-	24
Class 27	-	31	-	-	31
Defaulted	-	-	1,088	-	1,088
Total	**39,408**	**7,759**	**1,088**	**505**	**48,759**

Breakdown of non-derivative financial assets (excluding cash funds) by internal rating class and impairment level as at 31 December 2022

in € million	Stage 1	Stage 2	Stage 3	FVPL	**Total**
Class 1	2,348	-	-	37	2,385
Class 2	10,479	-	-	140	10,620
Class 3	261	-	-	-	261
Class 4	-	-	-	-	-
Class 5	553	-	-	-	553
Class 6	-	-	-	-	-
Class 7	1,768	-	-	-	1,768
Class 8	1,612	-	-	2	1,614
Class 9	5,721	94	-	78	5,893
Class 10	3,321	511	-	19	3,851
Class 11	4,446	1,233	-	40	5,718
Class 12	2,823	1,263	-	63	4,150
Class 13	2,088	1,254	-	42	3,385
Class 14	1,322	771	-	45	2,138
Class 15	867	788	-	22	1,677
Class 16	760	740	-	-	1,500
Class 17	859	869	-	25	1,753
Class 18	642	588	-	-	1,230
Class 19	760	498	-	-	1,258
Class 20	184	110	-	-	295
Class 21	-	101	-	-	101
Class 22	201	76	-	-	277
Class 23	-	-	-	-	-
Class 24	-	-	-	-	-
Class 25	-	43	-	-	43
Class 26	-	24	-	-	24
Class 27	-	35	-	-	35
Defaulted	-	-	833	-	833
Total	**41,017**	**8,999**	**833**	**514**	**51,362**

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level as at 30 June 2023

in € million	Stage 1	Stage 2	Stage 3	**Total**
Class 1	-	-	-	-
Class 2	80	-	-	80
Class 3	-	-	-	-
Class 4	-	-	-	-
Class 5	-	-	-	-
Class 6	-	-	-	-
Class 7	-	-	-	-
Class 8	-	-	-	-
Class 9	-	-	-	-
Class 10	62	-	-	62
Class 11	34	-	-	34
Class 12	151	1	-	152
Class 13	160	33	-	193
Class 14	92	10	-	102
Class 15	162	49	-	210
Class 16	217	31	-	248
Class 17	243	44	-	286
Class 18	153	124	-	277
Class 19	434	52	-	486
Class 20	67	42	-	109
Class 21	2	-	-	2
Class 22	2	-	-	2
Class 23	-	-	-	-
Class 24	-	-	-	-
Class 25	2	10	-	12
Class 26	-	-	-	-
Class 27	-	-	-	-
Defaulted	-	-	12	12
Total	**1,858**	**396**	**12**	**2,267**

Breakdown of irrevocable loan commitments and contingent liabilities by internal rating class and impairment level as at 31 December 2022

in € million	Stage 1	Stage 2	Stage 3	**Total**
Class 1	-	-	-	-
Class 2	125	-	-	125
Class 3	-	-	-	-
Class 4	-	-	-	-
Class 5	-	-	-	-
Class 6	-	-	-	-
Class 7	-	-	-	-
Class 8	8	-	-	8
Class 9	37	-	-	37
Class 10	70	13	-	83
Class 11	188	22	-	211
Class 12	345	6	-	351
Class 13	359	2	-	361
Class 14	185	26	-	211
Class 15	138	52	-	190
Class 16	197	30	-	227
Class 17	244	52	-	295
Class 18	139	128	-	268
Class 19	438	115	-	553
Class 20	121	15	-	136
Class 21	-	-	-	-
Class 22	2	-	-	2
Class 23	-	-	-	-
Class 24	-	-	-	-
Class 25	-	8	-	8
Class 26	-	-	-	-
Class 27	-	-	-	-
Defaulted	-	-	5	5
Total	**2,595**	**469**	**5**	**3,069**

Watchlist and Non-performing Loans

Development of Watchlist and non-performing loans of pbb Group

	30.6.2023			31.12.2022			Change	
EaD in € million	REF	NC	**Total[1)]**	REF	NC	**Total[1)]**	in € million	in %
Workout loans	133	-	133	106	-	106	27	25.5
Restructuring loans	939	22	961	679	50	729	232	31.8
Non-performing loans	**1,072**	**22**	**1,094**	**785**	**50**	**835**	**259**	**31.0**
Watchlist loans	**987**	**31**	**1,018**	**818**	**35**	**853**	**165**	**19.3**

[1)] No exposure in C&A.

Watchlist and non-performing loans increased by a net €424 million between 31 December 2022 and 30 June 2023.

Watchlist loans increased by a total of €165 million during the reporting period. In the REF segment, exposures totalling €474 million were transferred to intensified handling. In contrast, repayments led to an aggregate reduction of €88 million, despite counteracting currency translation effects. Furthermore, from the Watchlist loans as of 31 December 2022 financings totalling €100 million were transferred to restructuring, whilst one borrower with a lending volume totalling €118 million was returned to normal handling. In the NC segment, the exposure to one borrower from a developing country declined by €3 million.

Problem loans increased by €259 million net during the reporting year. In the REF segment, loans totalling €433 million, which as a rule have undergone Watchlist status before, were transferred to recovery management. Besides a €29 million repayment, loans totalling €119 million that were able to be returned to normal handling helped reduce the balance. In the Non-Core segment, exposures worth €26 million were returned to normal handling.

Market Risk

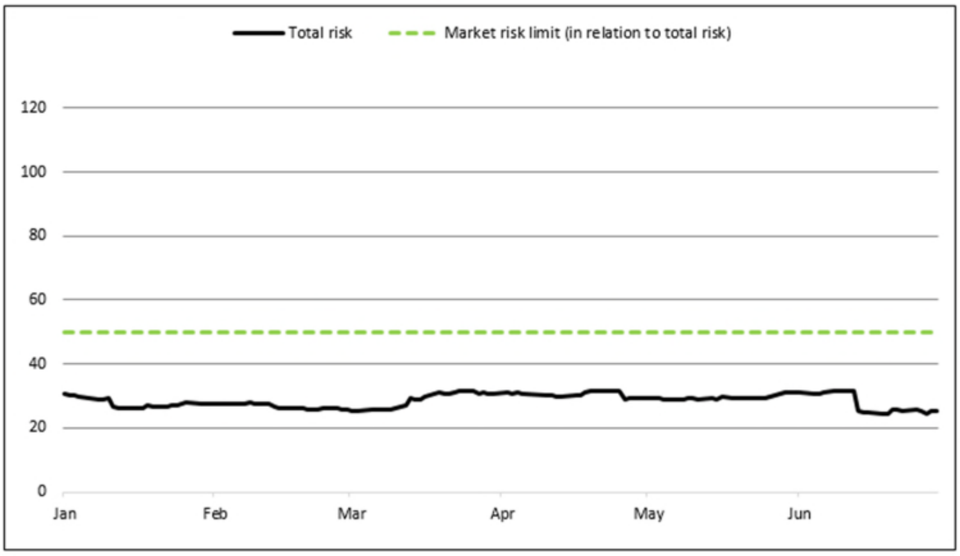
Market Risk Measurement and Limits

Market risk Value-at-Risk Market risk VaR at end of June 2023 amounted to €25 million (end of 2022: €30 million), taking diversification effects between the individual market risk types into consideration. The decline in the market risk VaR was mainly due to lower market volatility in historical one-year market data underlying the market risk VaR model. The total market risk VaR limit was €50 million throughout the first half of the year 2023 (end of December 2022: €60 million).

At end of June 2023, the consolidated IRRBB VaR of all interest rate risk categories in the banking book (general interest rate risk, tenor basis spread risks, cross-currency basis spread risks, option risks and volatility risks) amounted to €23 million, the CSRBB-VaR was € 13 million. In addition to the limitation of the market risk VaR, a specific daily limit monitoring is carried out for the IRRBB-VaR (limit at the end of June 2023: € 30 million) and the CSRBB-VaR (limit at the end of June 2023: € 40 million).

The VaR limits were not exceeded during the reporting period. 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 2023
in € million



Stresstests The Executive Board and the corresponding committees are regularly informed about the results of the stress scenarios. In the context of managing interest rate risk and credit spread risk in the banking book, the changes in present value associated with selected internal and external stress scenarios are monitored through specific limits or triggers.

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 2023 no outliers were observed. The risk model employed by pbb therefore has "green" status, as defined in the "traffic light" system of the Basel Capital Accord.

Periodic Interest Rate Risk pbb uses a dynamic model for measuring and monitoring periodic interest rate risks (dynamic earnings), thus simulating 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.

General Interest Rate Risk General interest rate risk or gap risk amounted to €22 million at the end of June 2023 (year-end 2022: €21 million).

Basis Risks Basis risks refer to the risk categories tenor basis spread and cross-currency basis spread. Tenor basis spread risks amounting to €4 million (year-end 2022: €3 million) and cross-currency basis spread risks amounting to €2 million (year-end 2022: €2 million) were shown at the reporting date.

Volatility Risks Volatility risks amounted to €1 million at end of June 2023 (year-end 2022: €1 million).

Foreign Currency Risks The present value of foreign currency risk amounted to €0.4 million as at end of June 2023 (year-end 2022: €0.5 million).

Liquidity and Funding Risk

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 2023 amounted to €5.4 billion for a twelve-month horizon in the base scenario – a €0.5 billion increase compared to the previous year (based on the same projection horizon). As at 30 June 2023, the cumulative liquidity position for a six-month horizon amounted to €2.6 billion in the risk scenario (31 December 2022: €2.2 billion). The cumulative liquidity position in the stress scenario for a six-month horizon amounted to €1.6 billion as of 30 June 2023 (31 December 2022: €0.9 billion).

Regulatory Liquidity Coverage Requirements (Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR))

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 2023 were at any time clearly in excess of 100%. The Liquidity Coverage Ratio as at 30 June 2023 was 163%.

An NSFR ratio of 100% must be maintained since 30 June 2021. The NSFR shows the ratio of available stable funding (ASF) and required stable funding (RSF) and is designed to secure the medium and long-term structural liquidity.

The figures determined during the first half of 2023 were clearly above the ratio required under the regulatory regime. The NSFR as at 30 June 2023 was 114%.

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 €77 million as at 31 December 2022 (31 December 2021: €74 million).

Operational Risk Profile of pbb Group
pbb Group suffered aggregate losses of €5 million from operational risks during the first half of 2023 (6m 2022: €0.2 million). Net losses, i.e. losses including (loss) recoveries, were clearly lower than €1 million. Overall, pbb assesses its operational risk profile as stable.

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 risks identified in the risk inventory as higher-level risks having an impact on capital and income – i.e. market risk, credit risk, business and strategic risk, operational risk and real estate risk – are included in the ICAAP, using models or other methods to quantify the economic capital of these risk types. Within these types of risk, there are additional sub-risks on a granular level that were taken into account as other material risks in the ICAAP during the period under review. In this context, prolongation risk, derivatives settlement risk, market risk from the TLTRO III programme and realisation risk related to defaulted clients are aggregated. Since the beginning of 2023, model risk has no longer been reported under other risks, but is taken into account under the respective risk types. Funding risk is included in business and strategic risk.

The methods of calculating economic capital for the individual risk types, as well as risk indicators as at the reporting date, are described in greater detail in the following sub-sections, and in the chapter "Result of Risk-bearing Capacity Analysis”.

Quantification of economic capital for individual risk types

The change outlined in the paragraph below, compared to the description of how economic capital is quantified for the individual types of risk (as set out in the Annual Report 2022), was made during the first half of 2023.

Economic capital for business and strategic risk

The quantification of business and strategic risk in the ICAAP is based on scenario analyses for all relevant items in the income statement. When deriving available financial resources, pbb Group does not consider any planned profits. This way, a buffer at least equivalent to the amount of positive projected results is reserved for business and strategic risk, since this type of risk is defined as the risk of potential negative deviations from projected income and expenses. In case gains higher than planned are calculated within the scope of quantifying business and strategic risk, the value of business and strategic risk exceeding the planned annual profit of pbb Group is reported as a risk amount.

Result of Risk-bearing Capacity Analysis

Normative Perspektive

For a detailed description of the regulatory indicators 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 relevant regulatory limits were observed for all indicators as at the reporting date. Furthermore, capitalisation in the forward-looking medium-term analysis of key capital ratios – as required by regulators – was within the set limit system, in the baseline scenario and in the stress scenarios.

Economic Perspective

in € million	30.6.2023	31.12.2022	Change
Credit risk	961	965	-4
Market risk	449	457	-8
Operational risk	86	94	-8
Business and strategic risk	58	67	-9
Property risk	-	-	-
Other risks	82	69	13
Total before diversification effects	**1,636**	**1,652**	**-16**
Total after diversification effects	**1,563**	**1,563**	**-**
Available financial resources before net hidden losses	2,769	2,854	-85
Net hidden losses	-131	-116	-15
Available financial resources	**2,637**	**2,738**	**-101**
Excess capital	1,074	1,175	-101
Capital Adequacy Ratio in %	169	175	-6

In the economic perspective, the aggregate risk after diversification effects remained nearly constant during the period under review. The decline in economic capital for business and strategic risk, operational risk and market risk was offset by an increase for other risks. Economic capital for business and strategic risk declined on account of a higher liquidity position, whilst economic capital for market risk decreased due to lower interest rate and credit spread risk. Economic capital for operational risk, which is determined at least annually, has decreased: besides updating data used in the model and the incorporation of the new business segment, further methodological enhancements were implemented, climate-related and environmental risk was integrated, and data coverage related to cyber risk improved. Economic capital for counterparty credit risk changed only slightly; the increase in REF (reflecting new business and extensions) was virtually neutralised by the reduction in Non-core, mainly due to portfolio effects. pbb Group continued to hold no properties during the period under review.

This is offset by available financial resources, which decreased during the period under review, primarily due to the dividend payment in May 2023. Compared to the year-end 2022, excess capital declined, whilst the internal capital adequacy ratio (defined as the ratio of available financial resources to diversified economic capital), decreased. Overall, the Bank's risk-bearing capacity at the reporting date was demonstrated for the economic perspective as well.

Should credit spreads widen or credit ratings of European public debtors worsen, owing to economic or political developments, both a corresponding increase in credit risk and a reduction in available financial resources (given an increase in net hidden losses and lower equity) are to be expected, notwithstanding any countermeasures taken.

Stress testing

Stress tests play a major role, both from a supervisory perspective and for the Bank's internal management. All activities, developments and decisions relating to stress tests are brought together within the Risk Committee and the subordinated Stress Test Committee.

As part of an integrated approach, the impact of macroeconomic stress scenarios on the material metrics of the normative and economic perspectives was calculated for a horizon of several years during the period under review. Specifically, stress scenarios were developed – and their impact on the Bank analysed – regarding the war in Ukraine and the macroeconomic developments resulting from it. Given the highly dynamic development, these scenarios are subject to considerable uncertainty.

Furthermore, stress tests relating to economic capital and available financial resources are used to obtain a deeper understanding of the sensitivity of risk-bearing capacity to adverse changes in economic factors. In addition, inverse stress tests are conducted regularly. The results of these tests describe specific constellations of parameters under which the risk-bearing capacity would be at risk.

Key Regulatory Capital Ratios

The requirements for regulatory capital ratios (Basel III) were satisfied at any time throughout the first half of 2023.

Own Funds

in € million	**30.6.2023**	**31.12.2022[1)]**
CET1	2,775	2,843
Additional Tier 1	298	298
Tier 1	3,072	3,141
Tier 2	446	566
Own Funds	**3,518**	**3,707**

[1)] Values as of 31 December 2022, after confirmation of the 2022 financial statements and appropriation of profits.

Risk-weighted assets (RWA)

in € million	30.6.2023	31.12.2022
Credit risk (without Counterparty credit risk)	16,000	15,594
Counterparty credit risk	324	432
Thereof CVA Charge	143	146
Market risk	14	31
Thereof interest rate risks	-	-
Thereof foreign exchange risks	14	31
Operational risk	959	959
RWA total	**17,297**	**17,017**

Capital ratios

in %	30.6.2023	31.12.2022[1)]
CET1 ratio	16.0	16.7
Tier 1 ratio	17.8	18.5
Own Funds ratio	20.3	21.8

[1)] Values as of 31 December 2022, after confirmation of the 2022 financial statements and appropriation of profits.

Leverage Ratio

in %	30.6.2023	31.12.2022[1)]
Leverage ratio	6.3	5.9

[1)] Values as of 31 December 2022, after confirmation of the 2022 financial statements and appropriation of profits.

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 exact level of the MREL ratio is determined by regulators individually for each institution concerned. pbb is aiming to maintain an MREL ratio of at least 8% in relation to total liabilities and own funds (TLOF) and in line with the regulatory target set by the resolution authority. pbb exceeded this requirement with more than €1.6bn significantly in the period under review (31 December 2022: €1.6bn).

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, published at the beginning of 2023, for profit before taxes in a range between €170 million and €200 million the full year 2023. Whilst pbb Group also generally affirms its forecasts of other key performance indicators, as shown on page 90 of the Annual Report 2022, new business volume is now targeted in a range between €6.5 billion and €8.0 billion. The relatively wide range is a reflection of current market circumstances. Whilst pbb is able to forecast loan extensions with a high degree of certainty, a forecast of newly-originated business is more complex in the current market environment. With generally lower transaction volumes in the target markets, pbb is increasingly noting that sales processes are taking significantly longer and/or that clients are withdrawing from originated transactions. Pricing remains a challenge, not least due to persistent uncertainty on interest rate markets.

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 2022 on pages 90 to 94.

Condensed Consolidated Interim Financial Statements

Income Statement

Income statement

in € million	Note	**1.1.– 30.6.2023**	**1.1.– 30.6.2022**
Net interest income	5	216	242
thereof: interest income from financial instruments not measured at fair value through profit or loss (IAS 1.82a)		901	584
Net fee and commission income	6	2	3
Net income from financial instruments at fair value through profit or loss (net income from fair value measurement)[1)]	7	-	14
Net income from derecognition of financial instruments not measured at failr value through profit or loss (net income from realisations)[1)]	8	42	10
Thereof: from financial assets at amortised cost		14	12
Net income from hedge accounting	9	-3	-1
Net other operating income	10	2	4
Net income from allowances for credit losses on financial assets (net income from risk provisioning)[1)]	11	-21	-19
General and administrative expenses	12	-123	-106
Expenses from bank levies and similar dues	13	-24	-31
Net income from write-downs and write-ups of non-financial assets	14	-10	-9
Profit before tax		**81**	**107**
Income tax	15	-12	-16
Net income		**69**	**91**
attributable to:			
Shareholders		69	92
Non-controlling interests		-	-1

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

Earnings per share

in €	Note	**1.1. - 30.6.2023**	**1.1. - 30.6.2022**
Basic earnings per share	16	0.44	0.62
Diluted earnings per share	16	0.44	0.62

Statement of Comprehensive Income

Consolidated statement of comprehensive income

in € million	**1.1.-30.6.2023**	**1.1.-30.6.2022**
Net income/loss	**69**	**91**
Accumulated other comprehensive income	-7	9
Items that will not be reclassified to profit or loss, net of tax	-4	50
Gains/losses on pension commitments, before tax	-5	56
Income tax relating to items that will not be reclassified to profit or loss	1	-6
Items that may be reclassified to profit or loss, net of tax	-3	-41
Gains/losses on cash flow hedge accounting, before tax	2	-
unrealised gains/losses	-	-
gains/losses reclassified to profit or loss	2	-
Gains/losses on financial assets at fair value through other comprehensive income, before tax	-5	-46
unrealised gains/losses	-5	-46
gains/losses reclassified to profit or loss	-	-
Income tax relating to items that may be reclassified to profit or loss	-	5
Comprehensive income for the period	**62**	**100**
attributable to:		
Shareholders	62	101
Non-controlling interests	-	-1

Statement of Financial Position

Assets

in € million	Note	30.6.2023	31.12.2022	1.1.2022
Cash reserve		442	1,044	6,607
Financial assets at fair value through profit or loss	17	1,060	1,075	1,180
Positive fair values of stand-alone derivatives		555	562	540
Debt securities		118	117	132
Loans and advances to customers		384	394	505
Shares in investment funds qualified as debt instruments		3	2	3
Financial assets at fair value through other comprehensive income	18	1,460	1,692	1,258
Debt securities		1,317	1,409	943
Loans and advances to customers		143	283	315
Financial assets at amortised cost after credit loss allowances	19	46,355	48,734	48,087
Financial assets at amortised cost before credit loss allowances		46,753	49,121	48,429
Debt securities		4,472	5,377	6,893
Loans and advances to other banks		3,801	5,763	2,646
Loans and advances to customers		38,343	37,839	38,710
Claims from finance lease agreements		137	142	180
Credit loss allowances on financial assets at amortised cost		-398	-387	-342
Positive fair values of hedge accounting derivatives	20	234	262	1,009
Valuation adjustment from porfolio hedge accounting (assets)		-70	-84	5
Tangible assets	21	25	27	32
Intangible assets		51	49	42
Other assets		64	58	50
Current income tax assets		25	31	3
Deferred income tax assets		120	119	129
Total assets		**49,766**	**53,007**	**58,402**

Liabilities and equity

in € million	Note	30.6.2023	31.12.2022	1.1.2022
Financial liabilities at fair value through profit or loss	22	708	686	559
Negative fair values of stand-alone derivatives		708	686	559
Financial liabilities measured at amortised cost	23	44,631	47,672	52,656
Liabilities to other banks		5,545	7,507	10,633
Liabilities to customers		18,898	17,889	20,100
Bearer bonds		19,586	21,641	21,268
Subordinated liabilities		602	635	655
Negative fair values of hedge accounting derivatives	24	987	1,125	1,372
Valuation adjustment from porfolio hedge accounting (liabilities)		-107	-112	70
Provisions	25	127	135	231
Other liabilities	26	58	57	55
Current income tax liabilities		20	19	34
Liabilities		**46,424**	**49,582**	**54,977**
Equity attributable to the shareholders of pbb	27	3,044	3,125	3,124
Subscribed capital		380	380	380
Additional paid-in capital		1,637	1,637	1,637
Retained earnings		1,140	1,214	1,202
Accumulated other comprehensive income		-113	-106	-95
Additional equity instruments (AT1 capital)		298	298	298
Non-controlling interest		-	2	3
Equity		**3,342**	**3,425**	**3,425**
Total equity and liabilities		**49,766**	**53,007**	**58,402**

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 1.1.2022	**380**	**1,637**	**1,202**	**-111**	**-28**	**44**	**298**	**3**	**3,425**
Distribution (dividend)	-	-	-159	-	-	-	-	-	-159
Payment on AT1 capital	-	-	-17	-	-	-	-	-	-17
Comprehensive income for the period	-	-	92	50	-	-41	-	-1	100
Net income	-	-	92	-	-	-	-	-1	91
OCI for the period, after taxes	-	-	-	50	-	-41	-	-	9
Balance at 30.6.2022	**380**	**1,637**	**1,118**	**-61**	**-28**	**3**	**298**	**2**	**3,349**
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**

Statement of Cash Flows (condensed)

Statement of cash flows (condensed)

in € million	**2023**	**2022**
Cash and cash equivalents at 1.1.	**1,044**	**6,607**
+/- Cash flows from operating acitivities	-1,432	-1,702
+/- Cash flows from investing acitivities	999	796
+/- Cash flows from financing acitivities	-169	-199
Cash and cash equivalents at 30.6.	**442**	**5,502**

Notes (condensed)

GNERAL INFORMATION

1. Principles

Deutsche Pfandbriefbank AG (pbb) has prepared the condensed consolidated interim financial statements for the period ended 30 June 2023 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 1 August 2023 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 IAS 1, IAS 8, IAS 12 and IFRS 17
The amendments to IAS 1 have clarified that all material accounting policies now have to be explained in the notes. Previously, the standard had referred to significant accounting policies. Amendments to IAS 8 have supplemented a definition of accounting estimates, in order to help entities distinguish changes in accounting estimates from changes in accounting policies. Two amendments to IAS 12 related to the removal of an exemption regarding the non-recognition of deferred taxes, and the introduction of a temporary exemption regarding recognition of deferred taxes. IFRS 17 has replaced the previous IFRS 4 for insurance contracts. None of these amendments and new rules have any material effects for pbb Group.

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 2022:

pbb Group unveiled an update to its strategic initiatives, as well as specific targets for them, in March 2023. The main objective of the growth initiatives is to boost the return on equity. To pursue implementation of its strategic agenda and a stronger focus on its core business in commercial real estate finance (Real Estate Finance, REF), pbb has decided to merge the Public Investment Finance (PIF) segment and the Value Portfolio (VP) and transfer these two businesses into a “Non-Core” segment. Given this decision, the PIF segment – and hence, the Bank's public investment finance activities – are no longer considered as a strategic activity for pbb Group. This also means that no further new business will be concluded in the Non-Core segment. At the same time, pbb endeavours to accelerate the reduction of the segment portfolio compared to the regular run-off, in a value-preserving manner, to the extent that relevant market opportunities can be exploited. Accordingly, pbb will no longer issue public-sector Pfandbriefe on the capital markets, and will conduct early repurchases of these issues if appropriate. The purpose of this strategy change is to release resources, or to put them to more productive use. The previous year’s figures were restated in accordance with IFRS 8.29. Since there were no internal relationships between the former PIF and VP segments, the new Non-Core segment has been formed through a simple conjoining of the two.

3. Consolidation

A list of consolidated and non-consolidated companies of pbb can be found on page 179 of pbb Group’s 2022 Annual Report. There have not been any changes in the group of consolidated companies in the reporting period.

On 26 May 2023, pbb acquired 35% of shares in newly-established ECO Estate GmbH, a company advising enterprises regarding the environmental, social and governance (ESG) aspects of real estate. The equity method is not applied due to lack of materiality.

In June 2023, pbb repurchased the 28.57% stake held by Caisse des Dépôts et Consignations ("CDC") in CAPVERIANT GmbH. As a result, pbb became the sole shareholder of CAPVERIANT GmbH as at 30 June 2023. In accordance with IFRS 10.23, the acquisition of non-controlling interests is treated as a change in the parent's ownership interest in a subsidiary, and hence as an equity transaction.

In March 2023, as part of its Strategy 2026, pbb Group resolved to focus on its core commercial real estate finance business, and to withdraw from public investment finance business as a result. CAPVERIANT GmbH ceased operations in June 2023. On 27 June 2023, pbb’s Management Board resolved to merge CAPVERIANT GmbH with pbb, with economic effect as at 1 January 2023. The merger is planned to be entered in the Commercial Register (and therefore, to become legally effective) during the second half of 2023.

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.-30.6.2023	219	39	1	259
	1.1.-30.6.2022	234	37	1	272
Net interest income	1.1.-30.6.2023	197	18	1	216
	1.1.-30.6.2022	207	34	1	242
Net fee and commission income	1.1.-30.6.2023	2	-	-	2
	1.1.-30.6.2022	3	-	-	3
Net income from fair value measurement	1.1.-30.6.2023	-1	1	-	-
	1.1.-30.6.2022	10	4	-	14
Net income from realisations	1.1.-30.6.2023	20	22	-	42
	1.1.-30.6.2022	10	-	-	10
Net income from hedge accounting	1.1.-30.6.2023	-2	-1	-	-3
	1.1.-30.6.2022	-	-1	-	-1
Net other operating income	1.1.-30.6.2023	3	-1	-	2
	1.1.-30.6.2022	4	-	-	4
Net income from risk provisioning	1.1.-30.6.2023	-21	-	-	-21
	1.1.-30.6.2022	-22	3	-	-19
General and administrative expenses	1.1.-30.6.2023	-107	-16	-	-123
	1.1.-30.6.2022	-93	-13	-	-106
Expenses from bank levies and similar dues	1.1.-30.6.2023	-16	-8	-	-24
	1.1.-30.6.2022	-20	-11	-	-31
Net income from write-downs and write-ups of non-financial assets	1.1.-30.6.2023	-9	-1	-	-10
	1.1.-30.6.2022	-8	-1	-	-9
Profit before tax	**1.1.-30.6.2023**	**66**	**14**	**1**	**81**
	1.1.-30.6.2022	**91**	**15**	**1**	**107**

Cost-Income-Ratio[1)]

in %		REF	NC	pbb Group
Cost-Income-Ratio	**1.1.-30.6.2023**	53.0	43.6	**51.4**
	1.1.-30.6.2022	43.2	37.8	**42.3**

[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.

Balance-sheet-related measures

in € billion		REF	NC	C&A	pbb Group
Financing volumes[1)]	**30.6.2023**	30.2	13.1	-	**43.3**
	31.12.2022	29.3	14.4	-	**43.7**
Risik-weighted assets[2)]	**30.6.2023**	15.8	0.6	0.9	**17.3**
	31.12.2022	15.5	0.8	0.7	**17.0**
Equity[3)]	**30.6.2023**	2.5	0.3	0.3	**3.1**
	31.12.2022	2.4	0.4	0.4	**3.2**

[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, AT1 capital and non controlling interest.

NOTES TO THE INCOME STATEMENT

5. Net Interest Income

Net interest income

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Interest income	1,284	757
from financial assets at fair value through profit or loss	382	134
from financial assets at fair value through other comprehensive income	20	14
from financial assets at amortised cost	881	525
from hedge accounting derivatives (net) [2)]	-	37
from other assets	1	2
negative inerest from non-derivative financial liabilities	-	45
Interest expenses	-1,068	-515
from financial liabilities held for trading	-427	-161
from financial liabilities measured at amortised cost	-525	-333
Hedge accounting derivatives (net)	-116	-
negative interest from non-derivative financial assets	-	-21
Total	**216**	**242**

The net interest income contains negative interest (net) from derivatives in the amount of €-2 million (6M2022: positive interest (net) of €7 million).

6. Net Fee and Commission Income

Net fee and commission income

in Mio. €	1.1.-30.6.2023	1.1.-30.6.2022
Fee and commission income	4	4
from financial assets at amortised cost and financial liabilties not at fair value through profit or loss	4	4
Fee and commission expenses	-2	-1
from financial assets at amortised cost and financial liabilties not at fair value through profit or loss	-2	-1
Total	**2**	**3**

7. Net Income from Fair Value Measurement

Net income from fair value measurement

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Net income from stand-alone derivatives	2	59
Interest derivatives	2	58
Foreign currency derivatives	-	1
Net income from other financial assets at fair value through profit or loss	-2	-45
from debt instruments	-2	-45
Debt securities	1	-10
Loans and advances	-3	-35
Total	**-**	**14**

8. Net Income from Realisations

Net income from realisations

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Income from derecognition of financial instruments	46	13
from assets measured at fair value through other comprehensive income	3	-
from financial assets measured at amortised cost	15	12
from financial liabilities measured at amortised cost	28	1
Expenses from derecognition of financial instruments	-4	-3
from liabilities measured at amortised cost	-4	-3
Total	**42**	**10**

9. Net Income from Hedge Accounting

Net income from hedge accounting

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Net income from micro fair value hedge accounting	-4	-
from hedged items	-71	327
from hedging instruments	67	-327
Net income portfolio fair value hedge accounting	1	-1
from hedged items	26	42
from hedging instruments	-25	-43
Total	**-3**	**-1**

10. Net Other Operating Income

Net other operating income

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Net income from foreign currency translation	-	-5
Net income from provisions in non-lending business	2	7
Miscellaneous other operating income	-	2
Total	**2**	**4**

11. Net Income from Risk Provisioning

Net income from risk provisioning

in € million	1.1.-30.6.2023	1.1.-30.6.2022
From financial assets	-22	-8
Stage 1	-6	8
Stage 2	-	8
Stage 3	-16	-24
Net income from provisions in off balance sheet lending business	1	-11
Total	**-21**	**-19**

Management overlays are applied as part of a principles-based approach for determining expected credit losses, in order to account for effects occurring in unusual situations which have not yet been adequately considered when determining loss allowance. Within pbb Group's portfolio, future development of financed office properties is particularly uncertain, especially due to the change in the working environment – namely, the trend towards mobile working, even after social restrictions imposed in the wake of the COVID-19 pandemic were lifted. Another factor is the growing need for improved sustainability of office properties. To account for this uncertainty, pbb Group had therefore increased models-based loss allowance by €69 million at the end of 2022, by means of a management overlay. This amount also accounted for uncertainty regarding further significant interest rate increases.

Uncertainty surrounding the further development of the office real estate sector has diminished to some extent in the first half of 2023: on the one hand, valuation parameters derived from external sources now reflect uncertainty factors in a more adequate manner, albeit not yet fully. On the other hand, the probability of further significant interest rate increases has decreased given the steps already carried out by the ECB. This has enabled pbb Group to reverse €41 million of the management overlay in the first half of 2023, reducing it to €28 million. Whilst the management overlay still accounts for discounts to expected office real estate values in the base and pessimistic scenarios, the extent of these discounts is lower than at the end of 2022.

12. General and Adminstrative Expenses

General and administrative expenses

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Personnel expenses	-68	-62
Wages and salaries	-56	-52
Social security expenses	-8	-7
Pension expenses and related employee benefit expenses	-4	-5
Other personnell expenses/income	-	2
Non-personnel expenses	-55	-44
Office and operating expenses	-2	-2
Consulting expenses	-14	-8
IT expenses	-28	-26
Other non-personnel expenses	-11	-8
Total	**-123**	**-106**

13. Expenses from Bank Levies and Similar Dues

Expenses from bank levies and similar dues

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Bank levies	-22	-31
Compensation scheme of German banks	-2	-
Total	**-24**	**-31**

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.-30.6.2023	1.1.-30.6.2022
Depreciation	-10	-9
Tangible assets	-4	-3
Thereof: right-of-use of lease contracts	-3	-3
Intangible assets	-6	-6
Total	**-10**	**-9**

15. Income Tax

Income tax

in € million	1.1.-30.6.2023	1.1.-30.6.2022
Current taxes	-12	-15
Deferred taxes	-	-1
Total	**-12**	**-16**

16. Earnings per Share

Earning per share

		1.1.-30.6.2023	1.1.-30.6.2022
Net income attributable to shareholders of pbb	in € million	69	92
Thereof attributable to the ordinary shareholders	in € million	59	83
Thereof attributable to the AT1 investors	in € million	10	9
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		**0.44**	**0.62**
Diluted earnings per share		**0.44**	**0.62**

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	30.6.2023	31.12.2022
Positive fair values of stand-alone derivatives	555	562
Shares in investment funds qualified as debt instruments	3	2
Debt securities	118	117
Bonds and notes	118	117
Public-sector issuers	81	80
Other issuers	37	37
Loans and advances to customers	384	394
Public-sector loans and advances	134	138
Real estate loans and advances	250	256
Total	**1,060**	**1,075**

18. Financial Assets at Fair Value Through Other Comprehensive Income

Financial Assets at Fair Value Through Other Comprehensive Income

in € million	30.6.2023	31.12.2022
Debt securities	1,317	1,409
Bonds and notes	1,317	1,409
Public-sector issuers	648	653
Other issuers	669	756
Loans and advances to customers	143	283
Public-sector loans and advances	43	83
Others	100	200
Total	**1,460**	**1,692**

19. Financial Assets at Amortised Cost After Credit Loss Allowances

Financial assets at amortised cost before credit loss allowances

in € million	30.6.2023	31.12.2022
Debt securities	4,472	5,377
Bonds and notes	4,472	5,377
Public-sector issuers	3,515	4,421
Other issuers	957	956
Loans and advances to other banks	3,801	5,763
Public-sector loans and advances	547	544
Investments in money	2,356	4,243
Other loans and advances to other banks	898	976
Loans and advances to customers	38,343	37,839
Public-sector loans and advances	8,487	8,888
Real estate loans and advances	29,810	28,911
Other loans and advances to customers	46	40
Claims from finance lease agreements	137	142
Total	**46,753**	**49,121**

Development in risk provisioning

in € million	1.1.2023	Net additions/ reversals	Use	Other	30.6.2023
Allowances for credit losses on financial assets	-387	-22	24	-13	-398
measured at amortised cost	-387	-22	24	-13	-398
Debt securities	-1	-	-	-	-1
Loans and advances to customers	-386	-22	24	-13	-397
Provisions in the lending business	-13	1	-	-	-12
Total	**-400**	**-21**	**24**	**-13**	**-410**

Credit loss allowances on financial assets at amortised cost

in € million	30.6.2023	31.12.2022
Stage 1	-57	-45
Debt securities	-1	-1
Loans and advances	-56	-44
Stage 2	-116	-131
Loans and advances	-116	-131
Stage 3	-225	-211
Loans and advances	-225	-211
Total	**-398**	**-387**

20. Positive Fair Values of Hedge Accounting Derivatives

Positive fair values of hedge accounting derivatives

in € million	30.6.2023	31.12.2022
Positive market values of hedge accounting derivatives	234	262
Total	**234**	**262**

21. Tangible Assets

Tangible assets include right-of-use assets from leasing for land and buildings in the amount of €23 million (31 December 2022: €24 million).

22. Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss

in € million	30.6.2023	31.12.2022
Negative fair values of stand-alone derivatives	708	686
Total	**708**	**686**

23. Financial liabilities at Amortised Cost

Financial liabilities at amortised cost

in € million	30.6.2023	31.12.2022
Liabilities to other banks	5,545	7,507
Liabilities to central banks	909	2,616
Registered Mortgage Pfandbriefe	363	354
Registered Public Pfandbriefe	493	543
Other registered securities	193	192
Other liabilities to other banks	3,587	3,802
Liabilities to customers	18,898	17,889
Registered Mortgage Pfandbriefe	3,134	3,027
Registered Public Pfandbriefe	5,668	5,869
Other registered securities	1,844	1,838
Other liabilities to customers	8,252	7,155
Bearer bonds	19,586	21,641
Mortgage Pfandbriefe	11,072	11,977
Public Pfandbriefe	1,929	2,043
Other bearer bonds	6,585	7,621
Subordinated liabilities	602	635
Securitised subordinated liabilities	567	600
Non-securitised subordinated liabilities	35	35
Total	**44,631**	**47,672**

24. Negative Fair Values of Hedge Accounting Derivatives

Negative fair values of hedge accounting derivatives

in € million	30.6.2023	31.12.2022
Negative market values of micro hedge accounting	987	1,125
Total	**987**	**1,125**

25. Provisions

Provisions

in € million	30.6.2023	31.12.2022
Provisions for pensions and other post employment defined benefit obligations	43	39
Restructuring provisions	1	1
Provisions for commitments and guarantees given	12	13
Other provisions	71	82
Total	**127**	**135**

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 4.02% (31 December 2022: 4.20%) was used for the measurement of the defined benefit pension obligations. The other actuarial assumption are unchanged as of 30 June 2023 compared to the consolidated financial statements 2022.

Other provisions comprise those for legal and tax risks amounted of €14 million (31 December 2022: €18 million), and for legal expenses of €19 million (31 December 2022: €20 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 certainty, is highly dependent on the outcome of the proceedings. The assessment of this probability and the quantification of the obligation are largely based on estimates. The actual liability can vary considerably from this estimate. Accounting for the individual legal procedure, pbb analyses developments of the individual case as well as of comparable cases. Depending on the significance and complexity of the respective case, pbb is drawing on its own expertise or opinions by external consultants and in particular by legal advisors. The provisions recognised for the proceedings are not reported separately as pbb believes that the outcome of the proceedings would be seriously compromised by their disclosure.

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

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

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 €20 million (31 December 2022: €22 million).

27. Equity

Equity as at was €83 million lower compared to 31 December 2022, mainly reflecting the dividend payment of €128 million (€0.95 per dividend-bearing share), as resolved by the Annual General Meeting on 25 May 2023, and the AT1 coupon of €17 million. Furthermore, equity was reduced due to a €5 million decline in reserves from financial assets at fair value through other comprehensive income, and a €4 million decline in reserves from pension commitments. Conversely, current profit after taxes of €69 million for the first half of the year had a positive impact.

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 on 12 April 2018 carries an initial coupon of 5.75% p.a. (€17 million) and has no final maturity. As stipulated in the Terms and Conditions of the Notes, the coupon for the new interest period starting from 28 April 2023 is the prevailing reference interest rate (the five-year euro mid-market swap rate) on the reference date plus 5.383% per annum. Generally the coupon payments are at pbb's discretion, unless certain conditions are met.

28. Maturities of Specific Financial Assets and Liabilities

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable 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
						30.6.2023
Cash reserve	442	-	-	-	-	442
Financial assets at fair value through profit or loss	3	4	5	330	163	505
Debt securities	-	-	-	81	37	118
Loans and advances to customers	-	4	5	249	126	384
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	162	535	432	331	1,460
Debt securities	-	160	414	413	330	1,317
Loans and advances to customers	-	2	121	19	1	143
Financial assets at amortised cost before credit loss allowances	943	5,323	5,657	21,051	13,779	46,753
Debt securities	-	87	274	1,912	2,199	4,472
Loans and advances to other banks	898	2,359	-	250	294	3,801
Loans and advances to customers	45	2,873	5,373	18,830	11,222	38,343
Claims from finance lease agreements	-	4	10	59	64	137
Total financial assets	**1,388**	**5,489**	**6,197**	**21,813**	**14,273**	**49,160**
Financial liabilities at cost	1,645	5,787	7,140	19,447	10,612	44,631
Liabilities to other banks	388	2,633	1,181	851	492	5,545
Thereof: Registred bonds	-	29	63	578	378	1,048
Liabilities to customers	1,219	1,931	2,548	5,220	7,980	18,898
Thereof: Registred bonds	-	362	343	2,317	7,625	10,647
Bearer bonds	38	1,208	3,410	12,803	2,127	19,586
Subordinated liabilities	-	15	1	573	13	602
Total financial liabilities	**1,645**	**5,787**	**7,140**	**19,447**	**10,612**	**44,631**

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable 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
						31.12.2022
Cash reserve	1,044	-	-	-	-	1,044
Financial assets at fair value through profit or loss	2	6	4	178	323	513
Debt securities	-	-	-	80	37	117
Loans and advances to customers	-	6	4	98	286	394
Shares in investment funds qualified as debt instruments	2	-	-	-	-	2
Financial assets at fair value through other comprehensive income	-	122	394	840	336	1,692
Debt securities	-	20	362	720	307	1,409
Loans and advances to customers	-	102	32	120	29	283
Financial assets at amortised cost before credit loss allowances	1,013	2,422	10,516	20,268	14,902	49,121
Debt securities	-	175	825	1,979	2,398	5,377
Loans and advances to other banks	976	248	3,996	250	293	5,763
Loans and advances to customers	37	1,996	5,685	17,981	12,140	37,839
Claims from finance lease agreements	-	3	10	58	71	142
Total financial assets	**2,059**	**2,550**	**10,914**	**21,286**	**15,561**	**52,370**
Financial liabilities at cost	1,928	6,175	6,701	20,956	11,912	47,672
Liabilities to other banks	355	2,875	1,940	1,780	557	7,507
Thereof: Registred bonds	-	15	52	594	428	1,089
Liabilities to customers	1,536	803	2,847	4,439	8,264	17,889
Thereof: Registred bonds	-	267	310	2,238	7,920	10,735
Bearer bonds	37	2,469	1,894	14,163	3,078	21,641
Subordinated liabilities	-	28	20	574	13	635
Total financial liabilities	**1,928**	**6,175**	**6,701**	**20,956**	**11,912**	**47,672**

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
					30.6.2023
Assets in the scope of IFRS 13	**49,481**	**48,205**	**5,131**	**13,314**	**29,760**
Measured at fair value in the statement of financial position	2,754	2,754	1,309	1,183	262
Financial assets at fair value through profit or loss	1,060	1,060	3	807	250
Positive fair values of stand-alone derivatives	555	555	-	555	-
Debt securities	118	118	-	118	-
Loans and advances to customers	384	384	-	134	250
Shares in investment funds qualified as debt instruments	3	3	3	-	-
Financial assets at fair value through other comprehensive income	1,460	1,460	1,306	142	12
Debt securities	1,317	1,317	1,306	-	11
Loans and advances to customers	143	143	-	142	1
Positive fair values of hedge accounting derivatives	234	234	-	234	-
Not measured at fair value in the statement of financial position	46,727	45,451	3,822	12,131	29,498
Cash reserve	442	442	442	-	-
Financial assets at amortised cost [1)]	46,355	45,009	3,380	12,131	29,498
Debt securities	4,471	4,340	2,461	1,246	633
Loans and advances to banks	3,801	3,805	879	2,906	20
Loans and advances to customers	37,946	36,722	40	7,837	28,845
Claims from finance lease agreements	137	142	-	142	-
Valuation adjustment from porfolio hedge accounting	-70	-	-	-	-
Liabilities in the scope of IFRS 13	**46,219**	**44,906**	**15,649**	**19,049**	**10,208**
Measured at fair value in the statement of financial position	1,695	1,695	-	1,695	-
Financial liabilities at fair value through profit or loss	708	708	-	708	-
Negative fair values of stand-alone derivatives	708	708	-	708	-
Negative fair values of hedge accounting derivatives	987	987	-	987	-
Not measured at fair value in the statement of financial position	44,524	43,211	15,649	17,354	10,208
Financial liabilities measured at amortised cost	44,631	43,211	15,649	17,354	10,208
Liabilities to other banks	5,545	5,469	388	3,810	1,271
Liabilities to customers	18,898	18,409	1	9,799	8,609
Bearer bonds	19,586	18,843	15,025	3,566	252
Subordinated liabilities	602	490	235	179	76
Valuation adjustment from porfolio hedge accounting	-107	-	-	-	-

[1)] Less credit loss allowances.

Fair value hierarchy **31.12.2022**

in € million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Assets in the scope of IFRS 13	**52,722**	**51,549**	**5,941**	**15,532**	**30,076**
Measured at fair value in the statement of financial position	3,029	3,029	1,397	1,360	272
Financial assets at fair value through profit or loss	1,075	1,075	2	817	256
Positive fair values of stand-alone derivatives	562	562	-	562	-
Debt securities	117	117	-	117	-
Loans and advances to customers	394	394	-	138	256
Shares in investment funds qualified as debt instruments	2	2	2	-	-
Financial assets at fair value through other comprehensive income	1,692	1,692	1,395	281	16
Debt securities	1,409	1,409	1,395	-	14
Loans and advances to customers	283	283	-	281	2
Positive fair values of hedge accounting derivatives	262	262	-	262	-
Not measured at fair value in the statement of financial position	49,693	48,520	4,544	14,172	29,804
Cash reserve	1,044	1,044	1,044	-	-
Financial assets at amortised cost [1)]	48,733	47,476	3,500	14,172	29,804
Debt securities	5,376	5,260	2,518	2,198	544
Loans and advances to banks	5,763	5,741	945	3,524	1,272
Loans and advances to customers	37,452	36,328	37	8,303	27,988
Claims from finance lease agreements	142	147	-	147	-
Valuation adjustment from porfolio hedge accounting	-84	-	-	-	-
Liabilities in the scope of IFRS 13	**49,372**	**47,793**	**16,575**	**19,547**	**11,671**
Measured at fair value in the statement of financial position	1,811	1,811	-	1,811	-
Financial liabilities at fair value through profit or loss	686	686	-	686	-
Negative fair values of stand-alone derivatives	686	686	-	686	-
Negative fair values of hedge accounting derivatives	1,125	1,125	-	1,125	-
Not measured at fair value in the statement of financial position	47,560	45,982	16,575	17,736	11,671
Financial liabilities measured at amortised cost	47,672	45,982	16,575	17,736	11,671
Liabilities to other banks	7,507	7,406	355	4,197	2,854
Liabilities to customers	17,889	17,308	1	9,567	7,740
Bearer bonds	21,641	20,707	15,952	3,781	974
Subordinated liabilities	635	561	267	191	103
Valuation adjustment from porfolio hedge accounting	-112	-	-	-	-

[1)] Less credit loss allowances.

Level 2 instruments disclosed at fair value at 30.6.2023

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 30.6.2023

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 are valued using a proxy approach. In the alternative scenario, there were only slight changes (+/-<€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 2022	**346**	**28**	**-**
Profit or loss	-21	-8	-
Additions (new business)	153	-	-
Disposals/repayments	-222	-4	-
Balance at 31.12. 2022	**256**	**16**	**-**
Balance at 1.1.2023	**256**	**16**	**-**
Profit or loss	-10	-4	-
Additions (new business)	69	-	-
Disposals/repayments	-65	-	-
Balance at 30.6.2023	**250**	**12**	**-**

On-balance sheet netting of derivatives which are settled through Eurex Clearing led to a reduction in total assets of €1.6 billion as at 30 June 2023 (31 December 2022: €1.7 billion).

OTHER NOTES

30. Contingent Liabilities and Other Commitments

Contingent liabilities and other commitments

in € million	30.6.2023	31.12.2022
Contingent liabilities	**65**	**70**
from guarantees and indemnities	65	70
Other financial commitments	**2,203**	**2,999**
Irrevocable loan commitments	2,203	2,999
Commitments from bank levies	**48**	**42**
Collateral pledged	48	42
Total	**2,316**	**3,111**

As at balance sheet date the fair value of contingent liabilities amounted to €65 million (31 December 2022: €70 million) and the fair value of irrevocable loan commitments to €2,167 million (31 December 2022: €2,947 million)

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.- 30.6.2023	1.1.- 31.12.2022
Employees (excluding apprentices)	850	826
Thereof: senior staff in Germany	20	19
Total	**850**	**826**

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 2023.

Munich, 1 August 2023

Deutsche Pfandbriefbank AG
The Management Board

Andreas Arndt Thomas Köntgen Andreas Schenk Marcus Schulte

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles 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, 1 August 2023

Deutsche Pfandbriefbank AG
The Management Board

Andreas Arndt	Thomas Köntgen	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 2023, 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 2023 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, 2 August 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

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

Imprint

Deutsche Pfandbriefbank AG (publisher)
Parkring 28
85748 Garching
Germany

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

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.