Disclosure Report

in accordance with Part 8 of the Capital Requirements Regulation (CRR)

as of 30 June 2021

Deutsche Pfandbriefbank Group

Overview

Deutsche Pfandbriefbank Group („pbb Group")

EU KM1: Key metrics

All figures in € million, unless otherwise stated		30.06.2021	31.12.2020
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	2,777	2,854
2	Tier 1 capital	3,074	3,152
3	Total capital	3,693	3,798
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	17,992	17,744
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	15.4	16.1
6	Tier 1 ratio (%)	17.1	17.8
7	Total capital ratio (%)	20.5	21.4
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional CET1 SREP requirements (%)	2.5	2.5
EU 7b	Additional AT1 SREP requirements (%)	1.4	1.4
EU 7c	Additional T2 SREP requirements (%)	1.9	1.9
EU 7d	Total SREP own funds requirements (%)	10.5	10.5
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	0.02	0.02
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.52	2.52
EU 11a	Overall capital requirements (%)	13.02	13.02
12	CET1 available after meeting the total SREP own funds requirements (%)	9.2	9.9
	Leverage ratio		
13	Leverage ratio total exposure measure	52,386	52,335
14	Leverage ratio	5.9	6.0
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional CET1 leverage ratio requirements (%)	-	-
EU 14b	Additional AT1 leverage ratio requirements (%)	-	-
EU 14c	Additional T2 leverage ratio requirements (%)	-	-
EU 14d	**Total SREP leverage ratio requirements (%)**		
EU 14e	Applicable leverage buffer	-	-
EU 14f	Overall leverage ratio requirements (%)	-	-
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	5,728	5,292
EU 16a	Cash outflows - Total weighted value	2,211	2,171
EU 16b	Cash inflows - Total weighted value	512	510
16	Total net cash outflows (adjusted value)	1,699	1,660
17	Liquidity coverage ratio (%)	347	325
	Net Stable Funding Ratio		
18	Total available stable funding	49,963	n. a.
19	Total required stable funding	41,928	n. a.
20	NSFR ratio (%)	119	n. a.

[1] The table EU KM1 is disclosed for the first time as of 30 June 2021 in accordance with article 447 CRR; this is the reason why, in accordance with DVO (EU) 2021/637, note II, T-1 to T-4 data are not yet shown for all prior periods. Until the application of the CRR II regulations (applicable since 28 June 2021), the pbb Group disclosed as of 30 June and 31 December of each financial year. In future, the pbb Group will disclose in a quarterly cycle in accordance with article 433a CRR.

[2] The regulation regarding the leverage ratio was revised with CRR II; this is why the leverage ratios as of 30 June 2021 and 31 December 2020 are only comparable to a limited extent.

[3] The net stable funding ratio (NSFR) is disclosed for the first time as of 30 June 2021; this is why no figures are disclosed for the disclosure reference date 31.12.2020.

Note:

In accordance with art. 19 No. 4 DVO (EU) 2021/637, the monetary figures in a disclosure report are disclosed in million euros. The numbers provided are commercially rounded. Due to rounding, the sums shown in the tables may slightly differ from the arithmetic total of the individual amounts shown. Individual figures of less than T€ 500 are not shown due to commercial rounding.

With regard to the CRR and CRR II/CRD IV and CRD V regulations (referred to uniformly in the following as "CRR" or "CRD", if and to the extent that no statements are made in relation to the regulations of CRR II or CRD V which have been applicable for the first time since 28 June 2021, which are then explicitly designated as "CRR II" or "CRD V"), there continues to be uncertainty regarding how some of the regulations are to be interpreted, and some of the related mandatory regulation standards are not yet available in their final version. Accordingly, we will continuously adapt our assumptions and models to reflect our understanding and our interpretation of the rules and also those of the sector. Accordingly, our CRR/CRD parameters may differ from our previous expectations. Our CRR/CRD parameters might also not be comparable with similar parameters designated by our competitors as their assumptions and assessments may differ from ours.

Contents

Introduction

pbb Deutsche Pfandbriefbank is a leading specialist bank for the financing of investments in commercial properties and public infrastructure in Europe and the USA. It is one of the largest issuers of Pfandbriefe, also making it an important issuer of covered bonds in Europe. The shares of pbb are listed on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse). In its core markets, pbb offers customers a strong local presence along with expertise across all functions of the financing process. Thanks to its proficiency in structuring loans, its international approach and the co-operation with financing partners, pbb is able to realise both complex finance deals and cross-border transactions.

With the present Disclosure Report Deutsche Pfandbriefbank AG (pbb) implements the disclosure requirements under part 8 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation; CRR) in conjunction with the Amending Regulation (EU) 2019/876 (so-called CRR II) and the Amending Regulation (EU) 2020/873 (amendments as a result of the COVID-19 pandemic) for pbb and its downstream affiliates (pbb Group) as of 30 June 2021. The reporting currency is the Euro. pbb is directly supervised by the ECB. The disclosure period is from 1 January to 30 June 2021.

pbb (LEI code: DZZ47B9A52ZJ6LT6VV95) is the parent company of the regulatory group as defined in section 10a (1) sentence 1 of the German Banking Act (KWG) in conjunction with article 11 et seq. CRR and is thus responsible for regulatory disclosure requirements. Apart from some exceptions and transitional periods specified in article 3 of CRR II, the CRR Amending Regulation has been valid since 28 June 2021. The new regulations regarding disclosure are thus applicable for the first time in this Disclosure Report.

The disclosure requirements are set out in articles 431 to 455 CRR, additional requirements can be found in section 26a (1), sentence 1 of the German Banking Act (Kreditwesengesetz, “KWG”). In order to comply with these disclosure requirements, pbb applies the disclosure formats of the European Banking Authority (EBA) in accordance with Implementing Regulation (EU) 2021/637 (so-called Pillar 3 framework).

In accordance with article 433a CRR, this Disclosure Report contains information regarding:

- The own funds and capital ratios
- The own funds requirements and risk-weighted exposure amounts
- The countercyclical capital buffer
- The leverage ratio
- The default risk (credit risk and counterparty credit risk)
- The market risk (including the interest rate risk in the banking book)
- The liquidity and funding risk.

In addition, the Disclosure Report of the pbb Group contains voluntary additional information regarding:

- The handling of sustainability risks
- Measures applied in response to the COVID-19 crisis.

In line with article 432 CRR, institutions may decide not to disclose one or more items as specified in part 8, title II/III CRR provided that these are not significant or are classified as business secret or sensitive information. pbb has not made any use of this.

Scope of application

According to article 13 (1) CRR, the Disclosure Report is based on the consolidated situation of pbb Group. According to article 6 and 13 CRR, pbb as parent company of the Group is not required to provide additional disclosure at institution level or on a partially-consolidated basis. pbb itself is an EU parent institution in accordance with article 4 (1) point 29 CRR.

This report is based on the regulatory scope of consolidation according to articles 18 to 24 CRR. As at the reporting date, there was no difference between the regulatory scope and the accounting scope of consolidation used for pbb's consolidated financial statements (IFRS). A list of the subsidiaries of pbb consolidated for regulatory and accounting purposes is contained in the Disclosure Report as of 31 December 2020 (chapter 2.4 "Regulatory and accounting consolidation", table EU LI3, page 23). In the first half of 2021, there were no changes to the consolidation groups.

With regard to CAPVERIANT GmbH, Munich (business purpose: municipal finance market), which is consolidated for regulatory and accounting purposes, the state-owned French financial institution Caisse des Depots et Consignation (CDC), in the second quarter of 2021, acquired shares in the subsidiary which previously belonged entirely to pbb as a result of the conclusion of a previously made agreement. In addition, the capital of CAPVERIANT GmbH was increased by way of a capital increase taken up by CDC. Due to the participation of approximately 28.57 % of CDC in CAPVERIANT GmbH, the holding of pbb in the subsidiary has declined to approximately 71.43 %.

For the disclosure based on the consolidated situation, business relationships within the consolidation scope must be set off against each other and group-internal business must be eliminated. The regulatory figures and indicators are calculated on the basis of the IFRS accounting standards, the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). These regulations also form the basis for the pbb consolidated financial statements.

Means of disclosure

The Disclosure Report has been published as a separate report on the website of pbb (www.pfandbriefbank.com) under Investors / Mandatory Publications / Disclosure Report in accordance with part 8 of the CRR. The European Central Bank (ECB), Deutsche Bundesbank and Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) are informed of the time and the medium of the publication.

Formal methods and regulations to comply with disclosure requirements

A major element for complying with the Pillar 3 disclosure requirements, apart from the Disclosure Report itself, is the written documentation of the regulations and procedures used in the course of the disclosure process. According to article 431 (3) CRR, the pbb Group has thus adopted formal policies which assure compliance with the disclosure requirements and their adequacy in accordance with CRR, and has implemented and documented them in a disclosure policy. This policy describes all material, inherent principles of disclosure in accordance with part 8 of the CRR, e. g. the kind and scope of disclosure including the use of so-called disclosure waivers, the adequacy of information, the disclosure medium and disclosure terms, the frequency of disclosure, responsibilities as well as the integration of the disclosure process into bank-internal work processes and structures. Furthermore, the policy contains directives on the regular verification of the adequacy and practicality of disclosure practices applied at the pbb Group as well as defined disclosure standards and processes. The disclosure policy is verified and aligned with market requirements on a regular basis.

Within the framework of the disclosure process, the pbb Group has installed various control procedures which are used for monitoring whether the disclosed data are complete, correct and adequate. The procedures and regulations implemented for disclosure are also regularly monitored by Internal Audit and audited by the auditor. The Disclosure Report itself is not audited by the auditor of the pbb Group; this is the reason why the Pillar 3 disclosures in this report are not certified.

The confirmation of the Management Board in accordance with article 431 (3) CRR is shown at the end of the Disclosure Report.

The Disclosure Report is approved by the central management board of pbb.

Own funds and assets

Structure of own funds

The regulatory own funds which are relevant for compliance with the regulatory capital requirements and thus for the capital backing for the risk types default risk (credit risk, counterparty credit risk), market risk, operational risk, settlement risk and CVA risk are determined in accordance with the regulations of part 2 of the CRR. Regulatory own funds consist of common equity tier 1 (CET1) capital, additional tier 1 (AT1) capital as well as tier 2 (T2) capital.

For calculating its own funds, the pbb Group takes account of the requirements of prudent valuation of the assets recognised at fair value in accordance with article 34 CRR in conjunction with article 105 CRR. The pbb Group uses the simplified approach in accordance with article 4 et seq. of the Delegated Regulation (EU) 2016/101. Institutions are permitted to use this approach if the sum of the absolute value of assets and liabilities recognised at fair value in accordance with article 4 (1) less the possibility of offsetting pursuant to article 4 (2) of the EU regulation is below the threshold value of € 15 billion. For the pbb Group, this amount was € 4.9 billion as of the reporting date (31 December 2020: € 5.4 billion).

This chapter describes the own funds information in accordance with article 437 CRR for the pbb Group on a consolidated basis. For the pbb Group, the following table EU CC1 regarding the own funds structure in accordance with article 437 letters a, d, e and f CRR and article 444 letter e CRR shows the type and amounts of the regulatory own funds elements, the regulatory amending items and deductions as well as the own funds ratios as of the disclosure reference date 30 June 2021.

EU CC1: Composition of regulatory own funds

All figures in € million, unless otherwise stated		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	2,018	Ref. EU CC2, line 31
	Of which: Subscribed capital	380	Ref. EU CC2, line 32
	Of which: Additional paid-in capital	1,638	Ref. EU CC2, line 33
2	Retained earnings	954	Ref. EU CC2, line 34
3	Accumulated other comprehensive income (and other reserves)	-91	Ref. EU CC2, line 35
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,880**	Ref. EU CC2, line 37
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-5	Ref. EU CC2, line 38
8	Intangible assets (net of related tax liability) (negative amount)	-28	Ref. EU CC2, line 39
9	Empty set in the EU	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-22	Ref. EU CC2, line 40
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	29	Ref. EU CC2, line 41
12	Negative amounts resulting from the calculation of expected loss amounts	-	Ref. EU CC2, line 42
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	Ref. EU CC2, line 43
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Empty set in the EU	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	Of which: securitisation positions (negative amount)	-	
EU-20d	Of which: free deliveries (negative amount)	-	

[1] For regulatory purposes without retained earnings including the result of 2020 (earnings after tax) and excluding the consolidated profit from 1 January to 30 June 2021.

All figures in € million, unless otherwise stated		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Empty set in the EU	-	
25	Of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Empty set in the EU	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-78	Ref. EU CC2, line 44
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-104**	Ref. EU CC2, line 45
29	**Common Equity Tier 1 (CET1) capital**	**2,777**	Ref. EU CC2, line 46
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	298	Ref. EU CC2, line 47
31	Of which: classified as equity under applicable accounting standards	298	Ref. EU CC2, line 48
32	Of which: classified as liabilities under applicable accounting standards	-	Ref. EU CC2, line 49
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	Of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	298	Ref. EU CC2, line 50
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Empty set in the EU	-	

All figures in € million, unless otherwise stated		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	Ref. EU CC2, line 52
44	**Additional Tier 1 (AT1) capital**	**298**	Ref. EU CC2, line 53
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,074**	Ref. EU CC2, line 54
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	597	Ref. EU CC2, line 55
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	Of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	21	Ref. EU CC2, line 56
51	**Tier 2 (T2) capital before regulatory adjustments**	**618**	Ref. EU CC2, line 57
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Empty set in the EU	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Empty set in the EU	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	Ref. EU CC2, line 59
58	**Tier 2 (T2) capital**	**618**	Ref. EU CC2, line 60
59	**Total capital (TC = T1 + T2)**	**3,693**	Ref. EU CC2, line 61
60	**Total Risk exposure amount**	**17,992**	

All figures in € million, unless otherwise stated		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.43%	
62	Tier 1 (as a percentage of total risk exposure amount)	17.09%	
63	Total capital (as a percentage of total risk exposure amount)	20.52%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8.43%	
65	Of which: capital conservation buffer requirement	2.50%	
66	Of which: countercyclical buffer requirement	0.02%	
67	Of which: systemic risk buffer requirement	-	
EU-67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
EU-67b	davon: zusätzliche Eigenmittelanforderungen zur Eindämmung anderer Risiken als des Risikos einer übermäßigen Verschuldung	1.41%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**9.21%**	
Nationale Mindestanforderungen (falls abweichend von Basel III)			
69	[non relevant in EU regulation]	-	
70	[non relevant in EU regulation]	-	
71	[non relevant in EU regulation]	-	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	80	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	29	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	21	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	87	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Elements of own funds and equity ratios have been calculated according to the requirements of the CRR, and are based on the IFRS consolidated financial statements of the pbb Group, with due consideration given to the regulatory adjustments. pbb is directly or indirectly the main shareholder at the participations which are included in the regulatory scope of consolidation. Own funds as shown in the table are based on COREP reporting of own funds and own funds requirements of pbb Group as at the reporting date 30 June 2021 (without retained earnings including the result for 2020 less the related dividend distribution or AT1 costs and excluding the consolidated profit from 1 January to 30 June 2021).

Tier 1 capital

Regulatory tier 1 capital in accordance with article 25 CRR consists of common equity tier 1 (CET1) capital and additional tier 1 (AT1) capital. It is based on the balance sheet own funds of € 3,341 million according to IFRS, modified by regulatory adjustments. The composition of balance sheet own funds according to IFRS is explained in the interim report as of 30 June 2021 of the pbb Group, note 27 “Equity” (page 49).

Common equity tier 1 capital

As of 30 June 2021, the conditions for common equity tier 1 capital according to articles 26 to 50 CRR were applicable.

The subscribed capital (share capital) of pbb amounted to approx. € 380 million as of 30 June 2021 (unchanged), and consisted of 134,475,308 no-par-value ordinary bearer shares with a computed share in the subscribed capital (share capital) of approximately € 2.83 per share. pbb did not own any of its own shares during the first half of 2021.

In addition to the subscribed capital (share capital), the common equity tier 1 capital consists of the capital reserve of € 1,638 million, the retained earnings of € 954 million (without retained earnings including the result for 2020 and excluding the consolidated profit from 1 January to 30 June 2021), and the cumulative other comprehensive income of € -91 million. The common equity tier 1 capital before regulatory adjustments amounted to € 2,880 million.

Regulatory adjustments

The common equity tier 1 (CET1) capital before regulatory adjustments of € 2,880 million is adjusted for regulatory purposes by varíous positions required under the CRR and a total of € 104 million is deducted.

> Valuation adjustments based on the requirements of prudent valuation of assets recognised at fair value amounting to € 5 million are deducted in full from CET1 (line 7).

The prudent valuation has to be created in accordance with article 34 CRR. In accordance with article 4 of the Delegated Regulation (EU) 2016/101, institutions with fair valued items up to a limit of € 15 billion (after deducting items which are not relevant for equity) may use the simplified approach. The pbb Group utilises this option. In accordance with article 5 of the Delegated Regulation, a flat amount of 0.1 % of portfolios measured at fair value is deducted (again after deducting items which are not relevant for equity).

> In accordance with article 37 CRR in conjunction with article 36 (1) letter b CRR, intangible assets (such as purchased software and software produced in-house) of € 40 million are deducted from CET1 in the amount of € 28 million (line 8).

The exception from deduction of intangible assets in accordance with article 36 (1) letter b CRR is applicable for prudently valued software assets which are determined over a regulatory prescribed depreciation period of three years (but not longer than the accounting depreciation period). The pbb Group utilises this regulation for prudently valued software assets in the amount of € 13 million.

With this regulation, the European banking regulator is attempting to create a balance between the two conflicting interests: On the one hand, the digitalisation process means that it is necessary and desirable for banks to invest in their IT activities without having to fear a negative impact on their regulatory own funds; on the other hand, in the event of liquidation or takeover of a bank, the software which is used will have only a very limited useful life.

In addition to the balance sheet depreciation period which will not be changed, a shorter regulatory depreciation period of max. three years is applicable. This must not exceed the balance sheet depreciation period. The beginning of the depreciation period (as is also the case in the balance sheet) is defined as the point at which the software starts to be used. Software which is not yet used by the institution (because it is still in the development phase) must still be completely deducted from CET1. Once the software has started to be used, only the difference between the balance sheet depreciation and the higher regulatory depreciation has to be deducted from the CET1. Every software asset and every additional entry have to be considered separately.

The software which is not deducted from CET1 must be allocated to the risk assets, and must be backed with a risk weighting of 100 %. The pbb Group shows these software assets in the IRB approach in the risk position class “Sonstige Aktiva, die keine Kreditverpflichtungen sind”.

- As of 30 June 2021, there was a deduction of € 22 million from CET1 (line 10) in relation to deferred tax assets which did not result from temporary differences (after netting in the balance sheet with the deferred tax liabilities). In accordance with article 48 (4) CRR, risk weighting is applied in the standardised approach for credit risk to the deferred tax assets of € 80 million which result from temporary differences.

- In accordance with article 33 CRR, the cash flow hedge reserve of € -29 million still included in cumulative other comprehensive income is completely eliminated (line 11).

- If an impairment deficit relating to the volume of impairments which have been created (stage 1 to stage 3) and provisions in lending business occurs in relation to the expected loss, article 159 CRR requires that this deficit has to be deducted from CET1 for banks which use the internal ratings-based approach (IRBA). As of 30 June 2021, the process of establishing the risk-provisioning volume resulted in a positive amount of € 21 million (line 50) resulting from the calculation of expected loss amounts (Wertberichtigungsüberschuss); this is the reason why no deduction occurred.

- The position “Other regulatory adjustments” (line 27a) contains in particular:

  The security payments of € 35 million, which have to be deducted from CET1. They comprise the European bank levy payable to the BaFin as the national resolution authority as well as the payments made to the compensation scheme of German banks (statutory deposit protection) and the deposit protection fund of the private banks in the Bundesverband der deutschen Banken (BdB - Federal Association of German Banks).

  Profits and losses which result from the institution’s own credit risk in relation to derivative liabilities measured at fair value (debt value adjustment, DVA) are deducted from CET1. This deduction requirement is based on article 33 (1) letter c CRR. As of 30 June 2021, a deduction of € 3 million occurred.

  The net additions for impairments (stage 1 to stage 3) and provisions in lending business, which have to be deducted from CET1. The risk provisioning values amount to € 36 million as of 30 June 2021. An addition of € 20 million was made for the financial instruments without any indications of impaired creditworthiness (stage 1 and stage 2), and an addition of € 16 million was made for the financial instruments with indications of impaired creditworthiness (stage 3).

  For the minimum coverage of non-performing exposures (NPL backstop), a figure of € 4 million is deducted from CET1. The pbb Group does not have any defaults which lead to an NPL backstop in accordance with the minimum coverage of non-performing exposures in accordance with the (EU) Regulation 2019 /630. The new articles 47a et seq. CRR introduced by this regulation are applicable only for defaulted loans and loans which were extended or increased after 26 April 2019. There are hardly any defaults in the pbb Group which result in an NPL backstop in accordance with the addendum of the European Central Bank (ECB). The ECB addendum

("Addendum to the ECB guideline for banks regarding non-performing loans: Regulatory expectations regarding risk provisioning for non-performing exposures") has extended the regulations for defaulted receivables which have defaulted since 1 April 2018 and which thus are not covered by article 47 letter a et seq. CRR. In addition to the above-mentioned regulations, the institutions receive SREP notices (Supervisory Review and Evaluation Process) of the ECB for its receivables which defaulted before 1 April 2018 (legacy holdings); these notices comprise the NPL backstop recommendations in slightly modified form. For the pbb Group, these legacy holdings result in an NPL backstop of approximately € 4 million, which the pbb Group deducts from CET1 in accordance with the recommendation of the SREP notice.

In total, the common equity tier 1 capital (CET1) of the pbb Group as of 30 June 2021 amounts to € 2,777 million.

Additional tier 1 capital

The tier 1 capital of the pbb Group comprises the common equity tier 1 capital (CET1) as well as additional tier 1 capital (AT1) which meets the requirements set out in articles 51 to 61 CRR.

The additional tier 1 capital comprises subordinate bearer bonds with a total nominal amount of € 300 million and with an initial interest rate of 5.750 % per annum; the bonds were issued by pbb in April 2018, and are available without any repayment incentives. For the balance sheet, the AT1 capital is also classified as own funds in accordance with IFRS as, subject to certain conditions, there is no obligation for repayment and for ongoing servicing (discretionary coupon). It is shown under the liabilities item "Additional equity instruments (AT1)". In the first half of 2021, a coupon payment of € 17 million was made in relation to the AT1 capital.

The bonds do not have a maturity date; however they can be called in ordinarily by pbb for the first time as of 28 April 2023 and subsequently every five years and also for regulatory and tax considerations, always subject to the prior approval of the relevant regulatory authority. The obligors do not have any ordinary right to terminate the bonds.

The bond conditions also provide for a temporary write-down of the nominal amount if the CET1 ratio falls below the level of 7.0 %. The level of 7.0 % relates primarily to the pbb Group in accordance with IFRS. This figure is also applicable at the level of the individual institution in accordance with HGB if pbb is no longer exempted from the requirement to determine the regulatory parameters for the individual institution. In addition to the above-mentioned contractual write-down right, the relevant resolution authority has the (statutory) possibility of converting the bonds into shares of pbb or to write down the bonds (so-called bail-in) in the event of a crisis of pbb subject to legally more closely defined conditions.

The bonds constitute direct, unsecured and subordinate liabilities of the issuer; they are of equal ranking with each other, but enjoy priority over liabilities of the issuer resulting from instruments of common equity tier 1 capital. In the case of work-out measures in relation to the issuer, and in the event of winding-up, liquidation or insolvency of the issuer, the liabilities arising from the bonds are serviced only after repayment of the tier 2 capital.

The additional tier 1 capital (AT1) of the pbb Group amounts to € 298 million with this issue (nominal amount of € 300 million less issue costs of € 2 million). No regulatory adjustments have been made in relation to the additional tier 1 capital.

The primary features in accordance with article 437 letter b CRR of the additional tier 1 capital issued by pbb are detailed in the Appendix "Disclosure Report (31.12.2020) - Primary features of the capital instruments". The Disclosure Report has been published as a separate report on the website of pbb (www.pfandbriefbank.com) under Investors / Mandatory Publications / Disclosure Report in accordance with part 8 of the CRR.

Tier 2 capital

The tier 2 capital (T2) of the pbb Group comprises longer-term subordinate liabilities which meet the criteria in accordance with article 62 to 65 CRR. No regulatory adjustments have been made in relation to the tier 2 capital.

The primary features in accordance with article 437 letter b CRR of the issued subordinate liabilities are also detailed in the Appendix “Disclosure Report (31.12.2020) - Primary features of the capital instruments”. The Disclosure Report has been published as a separate report on the website of pbb (www.pfandbriefbank.com) under Investors / Mandatory Publications / Disclosure Report in accordance with part 8 of the CRR.

Market-oriented interest is applied to all subordinate liabilities. The issuer does not have any obligation to repay these liabilities ahead of schedule. These loans are subordinated to all claims of those obligors who are not subordinated (in the event of liquidation, insolvency or in the event of insolvency or other proceedings), but they enjoy priority over the liquidation claims of the shareholders as well as the claims of the AT1 capital instruments (additional tier 1 capital). No subsequent limitation of subordination, maturity or notice period can be made. Debtors termination rights are subject to defined contractual conditions. The original terms are at least five years, and are usually between ten and 20 years. The relevant resolution authority has the (statutory) possibility of converting the tier 2 capital (T2) into shares of pbb or to write down the tier 2 capital (so-called bail-in) in the event of a crisis of pbb subject to legally more closely defined conditions.

After due consideration is given to discounts and amortisations in accordance with article 64 CRR as well as after addition of the positive amounts resulting from the calculation of expected loss amounts (Wertberichtigungsüberschuss) of € 21 million (EU CC1, line 50) the tier 2 capital (T2) as of 30 June 2021 amounted to a total of € 618 million. In accordance with article 62 letter d CRR, any positive amounts resulting from the calculation of expected loss amounts (Wertberichtigungsüberschuss) have to be added to the tier 2 capital (T2), in the amount of max. 0.6 % of the RWA (risk-weighted assets).

Own funds

The own funds of the pbb Group totalling € 3,693 million (31 December 2020: € 3,798 million) consist of common equity tier 1 (CET1) capital of € 2,777 million (31 December 2020: € 2,854 million), additional tier 1 capital (AT1) of € 298 million (31 December 2020: € 298 million) and tier 2 (T2) capital of € 618 million (31 December 2020: € 646 million).

Factors behind the reduction of € 105 million in regulatory own funds compared with the 2020 year-end figure are repayments of subordinate liabilities which had fallen due and declines in the recognition of subordinate bonds (T2 capital), due to daily amortisations in accordance with article 64 CRR. As described above, the regulatory own funds have been calculated without the retained earnings being increased by the result for 2020 (earnings after tax) and without recognising the consolidated profit from 1 January to 30 June 2021.

Reconciliation of regulatory capital and balance sheet equity

In accordance with article 437 letter a CRR, the following table EU CC2 shows the reconciliation of regulatory own funds with the consolidated balance sheet for the balance sheet equity (IFRS) for the pbb Group as of the interim report as of 30 June 2021. The balance sheet equity of the pbb Group, including the additional tier 1 capital (AT1) and the non-controlling shares of € 4 million (holding in CAPVERIANT GmbH) amounted to € 3,341 million as of 30 June 2021.

Further information regarding the balance sheet equity according to IFRS and related developments is set out in the interim report as of 30 June 2021 of the pbb Group, note “Changes in equity” (page 36) and note 27 “Equity” (page 49), published on the website of pbb.

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
		Balance sheet as in published financial statements under regulatory scope of consolidation [1]	Reference
All figures in € million		30.06.2021	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
1	Cash reserve	7,118	
2	Financial assets at fair value through profit or loss	1,273	
3	Financial assets at fair value through other comprehensive income	1,317	
4	Financial assets at amortised cost after credit loss allowances	47,834	
5	Positive fair values of hedge accounting derivatives	1,151	
6	Valuation adjustment from portfolio hedge accounting (assets)	17	
7	Tangible assets	35	
8	Intangible assets	40	
9	Other assets	50	
10	Current income tax assets	13	
11	Deferred income tax assets	103	
12	**Total assets**	**58,951**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements			
13	Financial liabilities at fair value through profit or loss	578	
14	Financial liabilities measured at amortised cost	53,133	
15	Subordinated liabilities 2)	646	
16	Negative fair values of hedge accounting derivatives	1,504	
17	Valuation adjustment from portfolio hedge accounting (liabilities)	88	
18	Provisions	216	
19	Other liabilities	56	
20	Current income tax liabilities	35	
21	**Liabilities**	**55,610**	
22	Equity attributable to the shareholders of pbb	3,039	
23	Subscribed capital	380	
24	Additional paid-in capital	1,638	
25	Retained earnings	1,113	
26	Accumulated other comprehensive income	-91	
27	Additional equity instruments (AT1) 2)	298	
28	Non-controlling interests	4	
29	**Equity**	3,341	
30	**Total equity and liabilities**	**58,951**	
Shareholders' Equity			
	Common Equity Tier 1 (CET1): Instruments and reserves		
31	Capital instruments and the related share premium accounts	2,018	Ref. EU CC1, line 1
32	Of which: Subscribed capital	380	Ref. EU CC1, line1a
33	Of which: Additional paid-in capital	1,638	Ref. EU CC1, line 1b
34	Retained earnings	954	Ref. EU CC1, line 2
35	Accumulated other comprehensive income	-91	Ref. EU CC1, line 3
36	Distribution of a dividend [2]	-	
37	**Common Equity Tier 1 (CET1) before regulatory adjustments**	**2,880**	Ref. EU CC1, line 6
	Common Equity Tier 1 (CET1): regulatory adjustments		
38	Additional value adjustments (negative amount)	-5	Ref. EU CC1, line 7
39	Intangible assets (net of related tax liability) (negative amount)	-28	Ref. EU CC1, line 8
40	Deferred tax assets depending on future profitability, with the exception of those resulting from temporary differences (reduced by corresponding tax liabilities if the criteria of article 38 (3) CRR are satisfied) (negative amount)	-22	Ref. EU CC1, line 10

		a	c
		Balance sheet as in published financial statements under regulatory scope of consolidation [1]	Reference
All figures in € million		30.06.2021	
41	Fair value reserves related to gains or losses on cash flow hedges	29	Ref. EU CC1, line 11
42	Negative amounts resulting from the calculation of expected loss amounts	-	Ref. EU CC1, line 12
43	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	Ref. EU CC1, line 14
44	Other regulatory adjustments	-78	Ref. EU CC1, line 27a
45	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**-104**	Ref. EU CC1, line 28
46	**Common Equity Tier 1 (CET1) capital**	**2,777**	Ref. EU CC1, line 29
	Additional Tier 1 (AT1) capital: Instruments and reserves		
47	Capital instruments and the related share premium accounts	298	Ref. EU CC1, line 30
48	Of which: classified as equity under applicable accounting standards	298	Ref. EU CC1, line 31
49	Of which: classified as liabilities under applicable accounting standards	-	Ref. EU CC1, line 32
50	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**298**	Ref. EU CC1, line 36
	Additional Tier 1 (AT1) capital: regulatory adjustments		
51	Not applicable at pbb	-	
52	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	Ref. EU CC1, line 43
53	**Additional Tier 1 (AT1) capital**	**298**	Ref. EU CC1, line 44
54	**Tier 1 capital (T1 = CET1 + AT1)**	**3,074**	Ref. EU CC1, line 45
	Tier 2 (T2) capital: Instruments and reserves		
55	Capital instruments and the related share premium accounts	597	Ref. EU CC1, line 46
56	Credit risk adjustments	21	Ref. EU CC1, line 50
57	**Tier 2 (T2) capital before regulatory adjustments**	**618**	Ref. EU CC1, line 51
	Tier 2 (T2) capital: regulatory adjustments		
58	Not applicable at pbb	**-**	
59	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	Ref. EU CC1, line 57
60	**Tier 2 (T2) capital**	**618**	Ref. EU CC1, line 58
61	**Total capital (TC = T1 + T2)**	**3,693**	Ref. EU CC1, line 59

[1] As of the reporting date, there are no differences between the regulatory consolidation group in accordance with CRR and the accounting consolidation group for the IFRS consolidated financial statements. In accordance with DVO (EU) 2021/637, note 8, point 9, the columns a and b of the EBA template EU CC2 have therefore been combined to form one column a.

[2] For accounting purposes, the additional tier 1 capital (AT1) is classified as own funds in accordance with IFRS, because there is no obligation for repayment and for current servicing. The instruments of tier 2 capital (T2) are included in the IFRS balance sheet under the liabilities.

[3] The non-controlling interests (line 28) of € 4 million result from the holding of Caisse de Depots et Consignation (CDC) in CAPVERIANT GmbH. These are not included in the regulatory own funds.

[4] In accordance with the resolution of the annual general meeting of 12 May 2021, pbb has paid its shareholders a dividend of € 0.26 per eligible share (€ 35 million). The dividend payment is consistent with a recommendation of the ECB, according to which the common equity tier 1 capital ratio of the bank should not decline by more than 20 basis points as a result of the dividend payment. This recommendation was applicable until 30 September 2021. The regulatory own funds as of 30 June 2021 have been calculated without the retained earnings including the result for 2020 and without recognising the consolidated profit of 1 January to 30 June 2021.

Exemptions in connection with the COVID-19 crisis

In view of the COVID-19 crisis, the bank regulator had provided the Institutions with various possibilities of exemptions with regard to the calculation of own funds and the own funds requirements with the “CRR Quick Fix” regulations. These temporary exemptions related to adjustments to the CRR as well as transitional arrangements regarding the CRR II applicable starting 28 June 2021.

As of year-end 2020, the pbb Group applies the COVID-19-related exemption in accordance with article 500b CRR (temporary exclusion of certain exposures to central banks of the euro system from their total exposures calculation regarding the leverage ratio, period of temporary application: 1 January 2020 to 27 June 2021) in conjunction with the Amending Regulation (EU) 2020/873 (“CRR Quick Fix”) and the guidelines EBA/GL/2020/11. With the resolution of 16 September 2020, the ECB stated that there are exceptional circumstances which justify a temporary exclusion of these exposures.

This decision was affirmed with the resolution of the ECB of 18 June 2021 and was extended until 31 March 2022. Accordingly, since 28 June 2021, the pbb Group has been applying the exemption in accordance with article 429a (1) letter n CRR, which permits institutions, subject to certain conditions, to exclude exposures to central banks of the euro system from the calculation of the leverage ratio. The impact on the leverage ratio of the pbb Group is detailed in chapter “Leverage ratio”.

However, the pbb Group does not apply the exemptions in accordance with article 468 CRR (temporary application of profits and losses which are measured at present value and not realised in other comprehensive income, period of temporary application: 1 January 2020 to 31 December 2022) as well as the optional transitional arrangements in accordance with article 473a CRR (Transitional regulations for reducing the impact of the introduction of IFRS 9 on own funds, period of temporary application: 1 January 2020 to 31 December 2024) in conjunction with the Amending Regulation (EU) 2020/873 (“CRR Quick Fix”). The pbb Group has in previous years also not used the original optional transitional regulations in accordance with article 473a CRR in conjunction with the guidelines EBA/GL/2018/01 for mitigating the impact of the introduction of IFRS 9 from 1 January 2018.
The own funds, the capital ratios and the leverage ratio detailed in this Disclosure Report accordingly reflect the full impact of the introduction of IFRS 9 and the expected credit loss – adjustment model as well as the full impact of unrealised profits/losses resulting from financial instruments measured at fair value (own fund item “Cumulative other comprehensive income”).
The table IFRS 9/article 468-FL “Comparison of own funds and the capital and leverage ratios of the institutions with and without application of the transitional regulations for IFRS 9 or equivalent expected credit losses as well as with and without application of the temporary treatment as per article 468 CRR“ in accordance with the guidelines EBA/GL/2020/12 is accordingly not relevant for the pbb Group.

pbb also does not use other CRR exemptions, such as those in accordance with article 500a CRR (Temporary application of government bonds issued in the currency of another member state, period of temporary application: 1 January 2020 to 31 December 2024) or article 500c CRR (Internal models market risk: Exclusion of violations due to the calculation of the add-back factor between 1 January 2020 and 31 December 2021) or article 500d CRR (Temporary calculation of the exposure value of regular-way purchases and sales awaiting settlement, period of temporary application: 1 January 2020 to 31 December 2021) in conjunction with the Amending Regulation (EU) 2020/873 (“CRR Quick Fix”).

Own funds and eligible liabilities (MREL)

Within the framework of the recovery and resolution regime (BRRD guideline; revised within the framework of the EU banking package in 2019 and enacted in national law in Germany with the Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz – SAG), institutions are obliged to maintain liabilities in the amount of the so-called MREL ratio which are convertible into equity in addition to the regulatory own funds. Clear limits have been set with regard to the possibility of converting liabilities (bail-in capacity). In particular, there is the principle that the position of any creditor must not be worse than that which would result under regular insolvency proceedings (NCWO principle of no creditor worse off). This for instance means that deposits, to the extent that they are backed by the national deposit protection funds, are not bail-in-capable, and are thus excluded from conversion. The precise extent of the MREL ratio is defined by the regulator in relation to specific institutions.

The pbb Group aims to comply with an MREL ratio of at least 8 % in relation to TLOF (total liabilities and own funds), and considerably exceeded this requirement in the first half of 2021 (as was indeed the case in the previous year).

Countercyclical capital buffer

The countercyclical capital buffer (CCB) pursuant to section 10d KWG is regarded as a macroprudential instrument of banking supervision. It is designed to counter the risk of excessive credit growth in the banking sector, i.e., in times of excessive credit growth, the banks should build an additional capital buffer, maintained out of common equity tier 1 capital (CET1) – which increases the loss absorption capacity of banks in a time of crisis.

In general, the ratio of the domestic countercyclical capital buffer (CCyB) can be between 0 and 2.5 % of the total risk amount and is determined for Germany on a quarterly basis by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). As of 30 June 2021, the ratio for Germany was 0 % (unchanged compared with the end of the previous year).

On 26 February 2021, the BaFin announced that it will initially be leaving the countercyclical capital buffer for Germany at the level of 0 %, and that it is assuming that it will not be increased until the end of 2021. The reasons for this decision were the credit requirement of the real economy and potential loan defaults in the further course of the COVID-19 pandemic. The aim of the decision is to provide the German banking sector with planning security, and also to make it easier for the institutions to absorb losses from loan defaults and to continue to provide adequate volumes of loans to corporates and households. The level at which the BaFin will fix the countercyclical capital buffer after the COVID-19 pandemic will very much depend on the development in the cyclical vulnerabilities and risks in the banking sector.

The pbb Group has to determine its own institution-specific countercyclical capital buffer (ICCyB) itself. The value of the countercyclical capital buffer valid for Germany must be taken into account and applied to the sum of the relevant credit risk positions that are located in Germany. In addition to the domestic countercyclical capital buffer, foreign countercyclical capital buffers from countries in which the pbb Group receivables are held must also be included. The countercyclical capital buffers valid in such countries (see table "EU CCyB1, column m) must be recognised on a pro-rata basis. The institution specific countercyclical capital buffer for the pbb Group is thus derived from the weighted average of the domestic and foreign capital buffers of those countries in which the pbb Group holds significant credit risk positions against the private sector (see table EU CCyB1: as the sum of the weighted own funds requirement per country as per column l, multiplied by the country-specific ACB in % according to column m.

The following tables in accordance with article 440 letters a and b CRR show the geographical distribution of the credit risk positions essential for the calculation of the institution-specific countercyclical capital buffer as well as the amount of the pbb group-specific countercyclical capital buffer.

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

			a	b	c	d	e	f	g	h	i	j	k	l	m
			General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
All figures in € million, unless otherwise stated			Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value [1]	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts [2]	Own fund requirements weights [3] (%)	Countercyclical buffer rate [4] (%)
10	**Breakdown by country 5)**														
1	(AT)	Austria	589	371	-	-	-	-	15	-	-	15	186	1.20	0.00
2	(AW)	Aruba	45	-	-	-	-	-	-	-	-	-	-	-	-
3	(BD)	Bangladesh	23	-	-	-	-	-	-	-	-	-	1	0.01	-
4	(BE)	Belgium	154	150	-	-	-	-	3	-	-	3	38	0.24	0.00
5	(BM)	Bermuda	28	4	-	-	-	-	-	-	-	-	6	0.04	-
6	(CH)	Switzerland	38	217	-	-	-	-	13	-	-	13	166	1.06	0.00
7	(CZ)	Czech Republic	-	406	-	-	-	-	24	-	-	24	299	1.92	0.50
8	(DE)	Germany	618	12,952	-	-	-	-	224	-	-	224	2,798	17.96	0.00
9	(EG)	Egypt	32	-	-	-	-	-	-	-	-	0	2	0.01	-
10	(ES)	Spain	857	361	-	-	-	-	36	-	-	36	452	2.90	0.00
11	(FI)	Finland	-	280	-	-	-	-	13	-	-	13	164	1.05	0.00
12	(FR)	France	615	3,546	-	-	-	-	269	-	-	269	3,358	21.55	0.00
13	(GB)	United Kingdom	-	3,031	-	-	-	-	204	-	-	204	2,549	16.36	0.00
14	(GG)	Guernsey	-	4	-	-	-	-	-	-	-	0	5	0.03	-
15	(GH)	Ghana	39	-	-	-	-	-	-	-	-	0	4	0.02	-
16	(HU)	Hungary	-	150	-	-	-	-	9	-	-	9	108	0.70	0.00
17	(IE)	Ireland	119	-	-	-	-	-	-	-	-	-	-	-	0.00
18	(IT)	Italy	-	101	-	-	-	-	5	-	-	5	62	0.40	0.00
19	(JE)	Jersey	28	7	-	-	-	-	3	-	-	3	36	0.23	-
20	(KY)	Cayman Islands	105	-	-	-	-	-	-	-	-	-	-	-	-

All figures in € million, unless otherwise stated			a	b	c	d	e	f	g	h	i	j	k	l	m
			General credit exposures		**Relevant credit exposures – Market risk**				**Own fund requirements**						
			Exposure value under the standardised approach	**Exposure value under the IRB approach**	**Sum of long and short positions of trading book exposures for SA**	**Value of trading book exposures for internal models**	**Securitisation exposures Exposure value for non-trading book**	**Total exposure value [1]**	**Relevant credit risk exposures - Credit risk**	**Relevant credit exposures – Market risk**	**Relevant credit exposures – Securitisation positions in the non-trading book**	**Total**	**Risk-weighted exposure amounts [2]**	**Own fund requirements weights [3] (%)**	**Countercyclical buffer rate [4] (%)**
21	(LI)	Liechtenstein	-	5	-	-	-	-	-	-	-	-	-	0.00	0.00
22	(LU)	Luxemburg	130	194	-	-	-	-	24	-	-	24	300	1.92	0.50
23	(MU)	Mauritius	-	2	-	-	-	-	-	-	-	-	3	0.02	-
24	(NL)	Netherlands	-	997	-	-	-	-	51	-	-	51	639	4.10	0.00
26	(OM)	Oman	51	-	-	-	-	-	-	-	-	-	-	-	-
27	(PL)	Poland	-	1,286	-	-	-	-	72	-	-	72	895	5.75	0.00
28	(PT)	Portugal	361	-	-	-	-	-	6	-	-	6	72	0.46	0.00
29	(RO)	Romania	-	190	-	-	-	-	12	-	-	12	145	0.93	0.00
30	(SA)	Saudi Arabia	25	-	-	-	-	-	-	-	-	-	1	0.01	0.00
31	(SE)	Sweden	-	787	-	-	-	-	49	-	-	49	611	3.92	0.00
32	(SI)	Slovenia	-	71	-	-	-	-	5	-	-	5	63	0.41	0.00
33	(SK)	Slovakia	-	107	-	-	-	-	5	-	-	5	59	0.38	1.00
34	(US)	United States of America	127	2,952	-	-	-	-	204	-	-	204	2,554	16.39	0.00
35	(VG)	Virgin Islands	-	4	-	-	-	-	-	-	-	-	4	0.02	-
20	**Total**		**3,986**	**28,174**					**1,246**			**1,246**	**15,580**		

[1] Exposure at default (EAD).
[2] Risk-weighted assets (RWA).
[3] The weighting applied in relation to the ratio of the countercyclical capital buffer in every country, calculated as the sum of own funds requirements in the respective country (column j) divided by the sum of all own funds requirements, line 020).
[4] Country-specific countercyclical capital buffer (CCyB) rates according to the European Systemic Risk Board (ESRB) or Bank for International Settlements (BIS).
[5] Country: location of the obligor, i.e. the ordinary residence of the obligor or the location of the assets (real estate) for special financing.

EU CCyB2: Amount of institution-specific countercyclical capital buffer

All figures in € million, unless otherwise stated		a
1	Total risk exposure amount [1)]	17,992
2	Institution specific countercyclical capital buffer rate	0.02%
3	Institution specific countercyclical capital buffer requirement [2)]	4

1) Sum of risk-weighted assets (RWA) according to EU OV1, column (a).
2) Own funds requirement for the ICCyB, calculated by multiplying line 1 and line 2.

The institution-specific countercyclical capital buffer (ICCyB) for the pbb Group as of 30 June 2021 amounts to 0.02 % (31 December 2020: 0.02 %) which is thus below the level of year-end 2020 and also still significantly below the applicable maximum rate of 2.5 %.

In calculating the ICCyB as at 30 June 2021 for the pbb Group, the country-specific countercyclical capital buffers of the Czech Republic (0.5%), Slovakia (1.0%) and Luxembourg (0.5 %) were taken into account. The domestic countercyclical capital buffer for Luxembourg was increased from 0.25 % to 0.5 % as of 1 January 2021. The domestic countercyclical capital buffers of the other countries in which significant risk positions of the pbb group are located are 0 % or have not been set by the competent supervisory authority.

The owns fund requirement of € 4 million (0.02 % of the risk- weighted assets) is to be held in common equity tier 1 capital (CET1) in accordance with Section 10d (1) KWG. For this requirement, and also for the own funds requirement for the capital conservation buffer of 2.5 %, after complying with the CET1 capital ratio of 4.5 % of the total risk exposure amount, a figure of € 1,967 million of common equity tier 1 capital is available to the pbb Group.

Own funds requirements

As the parent company of the institutional group in accordance with Section 10a KWG in conjunction with article 11 et seq. CRR, pbb is responsible for ensuring compliance with the own funds requirements on a consolidated basis (regulatory consolidation group).

Methods for determining to the own funds requirement

The pbb Group applies the provisions of CRR and is therefore subject to the disclosure requirements according to part 8 of CRR. The provisions of CRR/CRD define the minimum amount of own funds as well as the calculation of own funds requirements. In order to meet the own funds requirements, the default risk (credit risk, counterparty credit risk),market risk, operational risk, settlement risk as well as the credit value adjustment risk (CVA risk) must be supported with capital. The regulatory key figures are calculated based on IFRS accounting standards.

Credit risk (excl. counterparty credit risk)

According to article 142 et seq. CRR, the pbb Group uses the advanced IRB approach, which is based on internal rating procedures, for the calculation of own funds requirements to support credit risks and also on the standard approach in accordance with article 111 et seqq. CRR.

Counterparty credit risk

For the calculation of own funds requirements for counterparty credit risk according to part 3, title II, chapter 6 CRR (i.e. for derivative transactions), the pbb Group has been applying the standard method (SA-CCR) as per article 274 et seq. CRR since 28 June 2021. Up to the point at which CRR II became valid, the pbb Group used the market valuation method.

According to part 3, title VI CRR, pbb uses the standard method as defined in article 384 CRR to calculate the additional own funds requirement for OTC derivatives required for the credit valuation adjustment (CVA) risk.

For security financing transactions (security lending/repo transactions), the pbb Group applies the provisions for minimising credit risk in accordance with chapter 4 of the CRR, the comprehensive method for recognising financial security in accordance with article 223 et seq. CRR.

The pbb Group uses the risk-sensitive method in accordance with article 308 CRR for calculating the own funds requirements for pre-financed contributions to the default fund of a qualified central counterparty.

Market risk

For calculating the own fund backing for the market risk in accordance with part 3, title IV of the CRR, the pbb Group applies the standardised approach in accordance with article 325 et seq. CRR. The bank's own internal models are not used at present.

Operational risk

The own fund backing for operational risk in accordance with part 3, title III of the CRR is calculated by the pbb Group using the standardised approach in accordance with article 317 et seq. CRR. The bank's own internal models are not used at present.

Settlement risk

The own fund requirements for the settlement and delivery risk in accordance with part 3, title V of the CRR are calculated using the rules defined in the articles 378 and 379 CRR.

Securitisations

As of the disclosure date 30 June 2021, the pbb Group did not have any exposures from securitisations in its portfolio (as was the case at the end of the previous year). There are no plans for new securitisations of own receivables for the financial year 2021. The business strategy of the pbb Group currently does not define new securitisations as a corporate aim.

Risk-weighted receivables and own funds requirements

As was the case at the end of the previous year, the minimum own funds requirement for the specified risk types as of 30 June 2021 amounted to 8 % of the risk-weighted receivables.

Compared with the end of the previous year, the overall own funds requirement, including the institution-specific countercyclical capital buffer (ICCyB) of 0.02 % and the capital conservation buffer (CCB) of 2.5 % is virtually unchanged at 10.52 % (31 December 2020: 10.52 %).

The risk-weighted exposures calibrated to expected Basel IV levels (risk-weighted assets; RWA) of the pbb Group amounted to € 17,992 million as of 30 June 2021 (31 December 2020: € 17,744 million); they are thus in line with the level of the end of 2020. Factors behind the slight increase in RWA are explained following the two tables EU OV1 and EU CR10.5.

In accordance with article 438 letter d CRR, the table EU OV1 shows the risk-weighted assets and the corresponding regulatory minimum own funds requirements (8 %) broken down according to risk types in accordance with part 3 of the CRR.

EU OV1: Overview of total risk exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWA) [1]	**Risk weighted exposure amounts (RWA)** [1]	**Total own funds requirements**
All figures in € million		**30.06.2021**	**31.12.2020**	**30.06.2021**
1	**Credit risk (excluding CCR)**	**16,465**	**16,308**	**1,317**
2	thereof: the standardised approach	2,159	2,318	173
3	thereof: the foundation IRB (FIRB) approach	-	-	-
4	thereof: slotting approach	-	-	-
EU 4a	thereof: equities under the simple riskweighted approach	0.1	0.1	0.01
5	thereof: the advanced IRB (AIRB) approach	14,305	13,989	1,144
6	**Counterparty credit risk** [2]	**571**	**458**	**46**
7	thereof: the standardised approach	324	270	26
8	thereof: internal model method (IMM)	-	-	-
EU 8a	thereof: exposures to a CCP	3	8	0.2
EU 8b	thereof: credit valuation adjustment - CVA	243	181	19
9	thereof: other CCR	-	-	-
10	Empty set in the EU	-	-	-
11	Empty set in the EU	-	-	-
12	Empty set in the EU	-	-	-
13	Empty set in the EU	-	-	-
14	Empty set in the EU	-	-	-
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**0**	**0**	**0**
17	thereof: SEC-IRBA approach	-	-	-
18	thereof: SEC-ERBA (including IAA)	-	-	-
19	thereof: SEC-SA approach	-	-	-
EU 19a	thereof: 1,250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**75**	**98**	**6**
21	thereof: the standardised approach	75	98	6
22	thereof: IMA	-		-
EU 22a	**Large exposures** [3]	**0**	**0**	**0**
23	**Operational risk**	**881**	**881**	**70**
EU 23a	thereof: basic indicator approach	-		-
EU 23b	thereof: standardised approach	881	881	70
EU 23c	thereof: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [4]	201	237	16
25	Empty set in the EU	-	-	-
26	Empty set in the EU	-	-	-
27	Empty set in the EU	-	-	-
28	Empty set in the EU	-	-	-
29	**Total**	**17,992**	**17,744**	**1,439**

[1] Risk-weighted assets (RWA).
[2] For calculating the own funds requirements for the counterparty credit risk in accordance with part 3, title II, chapter 6 of the CRR (derivative transactions),the pbb Group applied the market valuation method in accordance with article 274 CRR as of 31 December 2020.
[3] pbb Group does not maintain a trading book for security and derivative portfolios with the aim of generating short-term profits.
[4] Deferred tax assets depending on future profitability, due or not due to temporary differences.

In accordance with article 438 letter e CRR, the table EU CR10.5 also shows the risk-weighted exposures, the minimum own funds requirement and further information for holdings for which the simple IRBA risk weighting is used. The pbb Group has been using the simple IRBA risk weight for its equity exposures in accordance with article 155 (2) CRR.

The pbb Group does not use the simple IRBA risk weighting for specialised lending exposures in accordance with article 153 (5) CRR. The tables EU 10.1 bis EU CR10.4 are accordingly not relevant for the pbb Group.

EU CR10.5: Equity exposures under the simple risk-weighted approach

All figures in € million	a	b	c	d	e	f
Categories	**On-balance sheet exposure** [1]	**Off-balance sheet exposure** [1]	**Risk weight** [2]	**Exposure value** [3]	**Risk weighted exposure amount** [4]	**Expected loss amount** [5]
Private equity exposures	-	-	190%	-	-	-
Exchange-traded equity exposures	-	-	290%	-	-	-
Other equity exposures	0.03	-	370%	0.03	0.1	-
Total	**0.03**	**0**		**0.03**	**0.1**	**0**

[1] Carrying amount (nominal value in the case of off-balance-sheet items) after specific credit risk adjustments.
[2] Simple risk weighting for holdings.
[3] Exposure at default (EAD).
[4] Risk-weighted asset (RWA).
[5] Expected loss (EL).

Major factors behind the slight increase (a total of € 248 million) in the risk-weighted assets (RWA) is the new business concluded in the first half of 2021, particularly in the field of commercial real estate financing, and additionally currency effects (GBP) in the United Kingdom. In addition, the changed method for calculating the counterparty credit risk (for derivatives) in accordance with the standard method (SA-CCR) has had the effect of increasing the RWA. Opposite effects were repayments and redemptions as well as the decline in the foreign currency exposures (market risk).

The minimum own funds requirement for the risk-weighted assets of the pbb Group amounted to a total of € 1,439 million as of the reporting date (31 December 2020: € 1,420 million). In line with the business model of the pbb Group, which focusses on commercial real estate financing and also public investment financing, default risks account for 95 % of the own funds requirement (incl. counterparty credit risks and CVA risks), market risks account for less than 1 % and operational risks account for approx. 5 %.

The total own funds requirement, including the institution-specific countercyclical capital buffer (ICCyB) and the capital conservation buffer (CCB) amounted to € 1,893 million (31 December 2020: € 1,867 million).

The capital requirement for the capital buffers is to be held in CET1 capital in accordance with Section 10c (1) KWG and Section 10d (1) KWG. The pbb Group has a CET1 capital of € 1,967 million for this purpose, after observing the CET1 capital ratio of 4.5 % of the total risk premium (31 December 2020: € 2,056 million).

Surplus own resources

The surplus own resources (own funds less own funds requirement including capital buffer) amounted to € 1,800 million for the pbb Group as of 30 June 2021 (31 December 2020: € 1,931 million).

Capital ratios

The basis for determining the regulatory capital backing and the minimum capital ratios is the Capital Requirements Regulation (CRR) together with the Capital Requirements Directive (CRD). In accordance with these regulations, in the year 2021, the common equity tier 1 ratio (CET1 ratio: common equity tier 1 divided by the risk-weighted assets) must not fall below 4.5 %, the tier 1 ratio (T1 ratio: tier 1 divided by the risk-weighted assets) must not fall below 6.0 %, and the own funds ratio (own funds divided by the risk-weighted assets) must not fall below 8.0 %.

pbb, as the parent company of the institutional group within the meaning of Section 10a KWG in conjunction with article 11 et seq. CRR, is responsible for complying with the capital ratios on a summarised basis. The provisions in terms of regulatory capital ratios were complied with at any point in time during the first half of 2021. The capital ratios as of 30 June 2021 are as follows:

- Common equity tier 1 ratio (CET1 ratio): 15.4 % (31. December 2020: 16.1 %)
- Tier 1 capital ratio ((Tier 1 ratio): 17.1 % (31. December 2020: 17.8 %)
- Total capital ratio (Own funds ratio): 20.5 % (31. December 2020: 21.4 %).

Disclosure in accordance with article 437 letter f CRR is not relevant for the pbb Group, as pbb applies the regulations of the CRR.

SREP

The requirements of the European Central Bank (ECB), which exceed the existing regulatory requirements for the minimum capital requirements of the Supervisory Review and Evaluation Process (SREP), were complied with at all times by the pbb Group during the first half of 2021.

The objective of the Supervisory Review and Evaluation Process (“SREP”) is a comprehensive analysis of institutions supervised by the ECB – comprising an assessment of the business model, risk and corporate governance, risk situation, as well as capitalisation and liquidity status. Based on the results of the analysis as well as using benchmark comparisons, the ECB may impose minimum capitalisation or liquidity requirements, over and above existing regulatory requirements.

Minimum CET1 ratio

The SREP requirements as a major result of the SREP were adjusted by the ECB as of 12 March 2020 as a result of the COVID-19 pandemic, thus anticipating the changes in accordance with CRD V. Since 2020, the pbb Group has to maintain a minimum CET1 ratio of 8.4 % (without the country-specific and thus portfolio-specific varying countercyclical capital buffer of 0.023% as of 30 June 2021). This requirement is based on the final Basel III requirements (excluding transitional rules) and comprises a Pillar 1 minimum capital requirement (4.5) %), 56.25 % of the Pillar 2 capital requirement (Pillar 2 Requirement, P2R: 2.5 %) and the capital conservation buffer (CCB: 2.5 %). Of the Pillar 2 capital requirement (P2R: 2.5 %), approximately 1.4 % (56.25 %) has to be maintained in the form of common equity tier 1 capital (CET1), and approximately 1.9 % (75 %) has to be maintained in the form of tier 1 capital (tier 1).

The CET1 minimum capital requirement that has been applicable since 2020 also represents the threshold for mandatory calculation of a so-called maximum distributable amount (Maximum Distributable Amount, MDA). This generally limits distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional tier 1 capital (AT1 capital).

Total capital requirement

Since 2020, the pbb Group has to maintain an own funds ratio of 13.0 % (without the country-specific and thus portfolio-specific varying countercyclical capital buffer of 0.023 % as of 30 June 2021). It is based on the final Basel III requirements (excluding transitional rules) and comprises a Pillar 1 minimum capital requirement (8 %), a Pillar 2 capital requirement (P2R: 2.5 %) and the capital conservation buffer (2.5 %).

Leverage ratio

According to article 429 (2) CRR, the leverage ratio (a capital requirement which is not risk-based) is defined as the capital parameter (tier 1 capital) of an institution divided by that institution's total exposure parameter, and is expressed as a percentage. This figure is not risk-sensitive, and complements the risk-based perspective of own funds requirements and capital ratios. The aim is to limit the increase in leverage in the banking sector, to mitigate the risk of borrowings with a destabilising impact which can harm the financial system and the economy and to complement the risk-based requirements with a simple safety mechanism which is not risk-based.

The basis for determining the counterparty credit risk parameter of the leverage ratio is the CRR. According to these provisions, the calculation is based on the accounting carrying amount as the relevant measurement of assets. Specific regulatory measurements are applicable for derivatives and security financing transactions (security lending/repo transactions). The counterparty credit risk parameter also recognises off-balance-sheet exposures.

Since the application of the CRR II regulations, the risk exposures of the leverage ratio for derivatives have been determined on the basis of the new regulatory standard method (SA-CCR). This is more risk-sensitive than the previously utilised market valuation method. The exposures in accordance with the standard method include margin agreements, collateral for and durations of derivative transactions, the minimum transfer amount, the ongoing replacement costs, netting as well as a general factor of 1.4.

The exposure parameters of the leverage ratio for security financing transactions (security lending/repo transactions) comprises the gross receivables from security financing transactions which are netted with liabilities from security financing transactions if certain conditions are met. In addition to the gross receivables from security financing transactions, an add-on for the counterparty credit risk of security financing transactions is included. As of 30 June 2021, the pbb Group had not agreed any security lending/repo transactions; however, it had agreed reverse repo transactions in the amount of € 800 million.

The exposure parameters of the leverage ratio for off-balance-sheet exposures take account of the weighting factors (credit conversion factors, CCF) from the standardised approach for the credit risk of 0 %, 20 %, 50 % or 100 % depending on risk category, with a lower limit of 10 %.

The exposure parameters of the leverage ratio for other balance sheet items (excl. derivatives and security financing transactions) comprise the balance sheet value of the respective positions as well as regulatory adjustments for positions which are deducted for calculating the regulatory tier 1 capital.

In accordance with article 451 (1) letters a to c CRR and article 451 (3) CRR, the following tables EU LR1 - LRSum, EU LR2 - LRCom and EU LR3 - LRSpl show the leverage ratio for the pbb Group.

In accordance with article 92 (1) CRR, since 28 June 2021, institutions have been obliged to maintain a leverage ratio of min. 3 % at all times. This requirement was complied with at all times in the first half of 2021.

As was the case in the previous year, the leverage ratio for the pbb Group amounted to 5.9 % as of 30 June 2021 (EU LRCom, line 25a), and is thus considerably higher than this minimum requirement. The pbb Group is utilising the temporary exemption in accordance with article 429a (1) letter n CRR (currently limited until 31 March 2022), which allows institutions, under certain conditions, to exclude exposures to central banks of the euro system from the calculation of the leverage ratio. Without this partial exclusion of exposures to central banks of the euro system, the leverage ratio would be 5.3 % (EU LR2 – LRCom, line 25).

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

All figures in € million, unless otherwise stated		a Applicable amount
1	**Total assets as per published financial statements** [1]	**58,951**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation [2]	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transfer-ence)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable)) [3]	-5,977
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting frame-work but excluded from the leverage ratio total exposure measure in accordance with point (i) of point (i) of Arti-cle 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments [4]	-1,257
9	Adjustment for securities financing transactions (SFTs) [5]	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet expo-sures) [6]	1,705
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-5
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments [7]	-1,031
13	**Leverage ratio total exposure measure**	**52,386**

[1] Sum of assets (balance sheet total) of the pbb consolidated financial statements (IFRS).
[2] As of the reporting date, there are no differences between the regulatory consolidation group and the accounting consolidation group of the pbb consolidated financial statements (IFRS).
[3] Exposures to central banks of the euro system temporarily excluded for calculation of the leverage ratio (from 28 June 2021, limited until 31 March 2022). On 18 June 2021, the ECB stated that there continue to be exceptional circumstances which justify a temporary exclusion of these exposures.
[4] Difference between the accounting carrying amount (IFRS) of the derivatives and the regulatory exposure at default (EAD).
[5] Difference between the accounting carrying amount (IFRS) of the security financing transactions (security lending/repo transactions) and the regulatory exposure at default (EAD).
[6] Addition of off-balance-sheet exposures after recognising the credit conversion factors (CCF) from the credit risk standard approach.
[7] The other adjustments mainly comprise cash collateral provided by pbb in derivative business.

EU LR2 - LRCom: Leverage ratio common disclosure

All figures in € million, unless otherwise stated		a 30.06.2021	b 31.12.2020[1)]
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	56,956	n. a.
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	n. a.
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-1,557	n. a.
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	n. a.
5	(General credit risk adjustments to on-balance sheet items)		n. a.
6	(Asset amounts deducted in determining Tier 1 capital)	-	n. a.
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**55,345**	
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	229	n. a.
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	n. a.
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	284	n. a.
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	n. a.
EU-9b	Exposure determined under Original Exposure Method	-	n. a.
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	n. a.
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	n. a.
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	-	n. a.
11	Adjusted effective notional amount of written credit derivatives	-	n. a.
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	n. a.
13	**Total derivatives exposures**	**513**	
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	800	n. a.
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	n. a.
16	Counterparty credit risk exposure for SFT assets	-	n. a.
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	n. a.
17	Agent transaction exposures	-	n. a.
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	n. a.
18	**Total securities financing transaction exposures**	**800**	
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	3,155	n. a.
20	(Adjustments for conversion to credit equivalent amounts)	-1,450	n. a.
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	n. a.
22	**Off-balance sheet exposures**	**1,705**	
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	n. a.
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	-5,977	n. a.
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	n. a.
EU-22d	(Excluded promotional loans of public development banks: - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	n. a.
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units): - Promotional loans granted by a public development credit institution - Promotional loans granted by an entity directly set up by the central government, regional governments or local authorities of a Member State - Promotional loans granted by an entity set up by the central government, regional governments or local authorities of a Member State through an intermediate credit institution)	-	n. a.
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	n. a.
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	n. a.
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	n. a.

All figures in € million, unless otherwise stated		a 30.06.2021	b 31.12.2020 [1]
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	n. a.
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	n. a.
EU-22k	**(Total exempted exposures)**	**-5,977**	
Capital and total exposure measure			
23	**Tier 1 capital**	**3,074**	n. a.
24	**Leverage ratio total exposure measure**	**52,386**	n. a.
Leverage ratio			
25	Leverage ratio	5.9	n. a.
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	5.9	n. a.
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) [2]	5.3	n. a.
26	Regulatory minimum leverage ratio requirement (%) [3]	3.1	n. a.
EU-26a	Additional leverage ratio requirements (%) [4]	-	n. a.
EU-26b	davon: in Form von harten Kernkapital	-	n. a.
27	Required leverage buffer (%)	-	n. a.
EU-27a	Gesamtanforderung an die Verschuldungsquote (in %) [5]	3.1	n. a.
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Completely implemented	
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable 6)	451	n. a.
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables 6)	800	n. a.
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	51,136	n. a.
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	51,136	n. a.
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.01	n. a.
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.01	n. a.

[1] The regulations for the leverage ratio have been revised with CRR II. Accordingly, the table EU LR2-LRCom will be disclosed for the first time as of 30 June 2021; this is the reason why no data have yet been shown for the previous period T-1.

[2] Leverage ratio calculated incl. the temporarily excluded exposures (limited from 28 June 2021 to 31 March 2022) to central banks of the euro system in accordance with table EU LR1 - LRSum, line 4.

[3] Adjusted leverage ratio in accordance with article 429a (7) CRR for the duration of the exclusion of the temporarily excluded exposures to central banks of the euro system.

[4] Additional own funds requirement imposed by the relevant authority (ECB) for limiting the risk of excessive debt.

[5] Sum of lines 26 and EU-26a. The line 27 is applicable only for G-SRI and is thus not relevant for pbb.

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

All figures in € million		a CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**49,423**
EU-2	Trading book exposures [1]	-
EU-3	Banking book exposures, of which:	49,423
EU-4	Covered bonds	1,107
EU-5	Exposures treated as sovereigns	15,425
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,917
EU-7	Institutions	1,106
EU-8	Secured by mortgages of immovable properties	25,816
EU-9	Retail exposures	-
EU-10	Corporate	2,404
EU-11	Exposures in default	412
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	236

[1] A trading book for portfolios of securities and derivatives with the intention of generating short-term profits is not maintained by the pbb Group.

At 5.9 % (31 December 2020: 6.0 %), the leverage ratio for the pbb Group as of 30 June 2021, in each case excluding the exposures to central banks of the euro system, is in line with the level seen at the end of 2020. The slight reduction is attributable to the decline of € 51 million in the counterparty credit risk parameter and the simultaneous slight decline of € 78 million in tier 1 capital (tier 1). Tier1 capital as at 30 June 2021 amounts to € 3,074 million (31 December 2020: € 3,152 million), the total risk position parameter is € 52,386 million (31 December 2020: € 52,335 million).

Credit risk

Credit risk

The credit risk (credit risk, counterparty credit risk) in general is defined as the risk due to an unexpected default or decline in the market value of a receivable (loan or bond) or a derivative (alternatively of an entire portfolio of claims/derivatives) resulting from a deterioration in the collateral value or deterioration in the creditworthiness of a country or a counterparty. The default risk comprises the credit risk, migration risk, realisation risk of defaulted positions, transfer and conversion risk, tenant risk, settlement risk, extension risk as well as concentration risk which are defined as follows in pbb Group's risk strategy.

In accordance with article 442 CRR, the following chapter contains information concerning the credit risk, in particular information concerning loans, securities (bonds) and off-balance-sheet exposures, for which pbb Group calculates the risk-weighted exposures using the advanced IRB approach based on bank-internal rating methods (IRBA) or the standard approach (CRSA).

Information in accordance with article 439 CRR regarding the counterparty credit risk as per part 3, title II, chapter 6, regarding derivatives and security financing transactions (security lending/repo transactions), and information in accordance with article 449 CRR regarding securitisations as per part 3, title II, chapter 5, is detailed in the following chapters “Counterparty credit risk” or “Securitisations”.

Credit portfolio

As of 30 June 2021, the gross carrying amount of the on-balance-sheet and off-balance-sheet credit exposures amounted to a total of € 52,219 million (31 December 2020: € 53,274 million); of this figure, loans account for € 40,828 million, bonds account for € 8,200 million and off-balance-sheet exposures account for € 3,190 million (such as extended loan commitments and finance guarantees).

In accordance with article 442 letters c, f and g CRR, the following tables EU CR1, EU CR1-A and EU CR2 also show information regarding performing or non-performing exposures, the impairments and provisions which have been created as well as collateral which has been received and finance guarantees.

EU CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount [1]						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received [2]	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
All figures in € million			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	8,181	8,181	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	**40,283**	**32,277**	**7,487**	**545**		**545**	-150	-52	-98	**-133**	-	**-133**	-	**27,865**	**411**
020	Central banks [3]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	10,313	9,889	156	-	-	-	-22	-	-22	-	-	-	-	207	-
040	Credit institutions	1,351	1,351	-	-	-	-	-	-	-	-	-	-	-	552	-
050	Other financial corporations	1,203	868	335	48	-	48	-3	-1	-3	-	-	-	-	1,139	48
060	Non-financial corporations	27,400	20,154	6,995	496	-	496	-125	-51	-73	-133	-	-133	-	25,953	362
070	Of which SMEs	9,378	7,009	2,183	168	-	168	-46	-21	-25	-47	-	-47	-	9,323	121
080	Households	16	16	-	1	-	1	-	-	-	-	-	-	-	16	1
090	**Debt securities**	**8,200**	**8,064**	**0**	**0**	**0**	**0**	**-2**	**-2**	**0**	**0**	**0**	**0**	**0**	**1,508**	**0**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	5,635	5,546	-	-	-	-	-1	-1	-	-	-	-	-	663	-
120	Credit institutions	2,535	2,490	-	-	-	-	-	-	-	-	-	-	-	845	-
130	Other financial corporations	31	28	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**3,190**	**2,767**	**388**	**0**	**0**	**0**	**18**	**12**	**5**	**0**	**0**	**0**	———	**2,601**	**0**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	———	-	-
170	General governments	152	117	-	-	-	-	-	-	-	-	-	-	———	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	———	-	-
190	Other financial corporations	137	137	-	-	-	-	-	-	-	-	-	-	———	125	-
200	Non-financial corporations	2,901	2,514	388	-	-	-	17	12	5	-	-	-	———	2,476	-
210	Households	-	-	-	-	-	-	-	-	-	-	-	-	———	-	-
220	**Total**	**51,673**	**43,109**	**7,875**	**546**	**0**	**546**	**-134**	**-41**	**-93**	**-133**	**0**	**-133**	**0**	**31,975**	**411**

[1] Gross carrying amount (nominal value of off-balance-sheet exposures) before deduction of impairments on financial assets and provisions in lending business, but after write-offs, before applications of credit risk mitigation techniques and before credit conversion factors (CCF).

[2] The value of the disclosed collateral and guarantees is limited to the carrying amount (nominal value in the case of off-balance-sheet items of the secured/guaranteed exposures.

[3] The classification of a counterparty according to the FINREP sectors depends on the direct counterparty (such as the direct borrower, counterparty or issuer of the securities) or, in the event of exposures which have been jointly taken on by several obligors, based on the leading or most substantial obligor.

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EU CR1-A: Maturity of exposures

All figures in € million		a	b	c	d	e	f
		Net exposure value [1]					
		On demand [2]	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity [3]	Total
1	Loans and advances 4)	1,081	6,987	16,334	16,142	-	40,544
2	Debt securities	-	1,087	2,082	5,027	3	8,199
3	**Total**	**1,081**	**8,073**	**18,416**	**21,169**	**3**	**48,743**

[1] Net value of the exposures: gross carrying amount after deduction of impairments relating to financial assets as well as after write-downs but before the application of credit risk mitigating techniques. Off-balance-sheet items are disregarded in EU CR1-A.
[2] The counterparty is able to determine when the exposure is repaid (such as short-term balance receivables, etc.).
[3] Apart from situations in which the counterparty can choose the repayment date, the exposure does not have a fixed remaining term.
[4] In accordance with DVO (EU) 2021/637, note XVI, loans which are held for sale, cash at central banks and sight deposits are excluded.

EU CR2: Changes in the stock of non-performing loans and advances

All figures in € million		a
		Gross carrying amount [1]
010	**Initial stock of non-performing loans and advances [2]**	**480**
020	Inflows to non-performing portfolios [3]	84
030	Outflows from non-performing portfolios [4]	-
040	Outflows due to write-offs	-
050	Outflow due to other situations [5]	-18
060	**Final stock of non-performing loans and advances [6]**	**546**

[1] Gross carrying amount (nominal value of off-balance-sheet exposures) of the defaulted on-balance-sheet and off-balance-sheet exposures before deduction of impairments on financial assets and provisions in lending business, but after write-offs, before applications of credit risk mitigation techniques and before credit conversion factors (CCF).
[2] Volume of defaulted loans at the end of last financial year.
[3] Loans which defaulted during the reporting period.
[4] Loans which have regained the status “not defaulted” as of the reporting date, i.e. are no longer classified as defaulted/non-performing.
[5] Balancing item from transfers to restructuring management in the reporting period less resolutions/restructuring and repayments/redemptions.
[6] Volume of non-performing loans as of the disclosure reference date.

The gross value of the on-balance-sheet and off-balance-sheet credit risk exposures as of 30 June 2021 decreased by € 1,055 million compared with the end of 2020, by approximately 2 % to a total of € 52,219 million (31 December 2020: € 53,274 million). A major factor in this respect were repayments and redemptions (such as bonds which fell due), which more than compensated for the new business in commercial real estate financing conducted in the first half of 2021. The volume of new business (incl. prolongations with terms of more than one year) amounted to € 3.8 billion, of which prolongations with a term of more than one year accounted for € 1.1 billion.

In the first half of 2021, the volume of non-performing loans increased by a total of € 66 million compared with the end of the previous year, namely to € 546 million (31 December 2020: € 480 million). As of the disclosure reference date, the pbb Group did not have any non-performing bonds and off-balance-sheet exposures.

In commercial Real Estate Finance (REF), three financing arrangements were transferred to restructuring management. A further increase was attributable to exchange rate factors regarding loans in GBP after taking account of compensatory partial repayments. This was opposed by total repayments from three borrowers as well as further partial repayments. In Public Investment Finance (PIF), repayments of receivables backed by export guarantees of the Federal Republic of Germany as well as currency effects in relation to financing arrangements extended in USD resulted in a decline.

For the pbb Group, the NPE (non-performing exposures) ratio amounted to 1.0 % as of 30 June 2021 and the NPL (non-performing loans) ratio, which recognises only non-performing receivables (loans and exposures), but does not recognise any bonds and off-balance-sheet exposures (such as loan commitments and financial guarantees amounted 1.3 %. In accordance with art. 8 No. 4 DVO (EU) 2021/637, the ratios are calculated without taking account of held-for-sale loans, without cash at central banks and other sight deposits. The NPE as well as the NPL ratio are thus both roughly in line with the level seen at the end of the previous year (31 December 2020: NPE ratio 0.9 % and NPL ratio 1.2 %).

Credit quality

The following tables EU CQ1, EU CQ4 and EU CQ5 in accordance with article 442 letters c and e CRR contain information regarding the credit quality of the on-balance-sheet and off-balance-sheet exposures, including forborne (restructured) exposures, non-performing and defaulted exposures, as well as the associated credit risk adjustments and impairments and are broken down according to geographical regions and economic branches (NACE code).

As described above, as of the disclosure reference date, the pbb Group discloses an NPL ratio (gross carrying amount of the non-performing loans divided by the gross carrying amount of the performing and non-performing loans) of considerably less than 5 %. Accordingly, in accordance with art. 8 No. 3 DVO (EU) 2021/637, disclosure of the tables EU CR2a, EU CQ2, EU CQ6 and EU CQ8 in accordance with article 442 letter c CCR is not relevant for the pbb Group. In accordance with art. 8 No. 5 and 6 DVO (EU) 2021/637, the pbb Group regularly checks whether further disclosure obligations have to be considered as a result of the threshold of 5 % for the NPL ratio being exceeded.

Disclosure of table EU CQ7 “Collateral obtained by taking possession and execution processes” in accordance with article 442 letter c CRR is also not relevant for the pbb Group. EU CQ7 provides an overview of the salvage acquisitions carried out by the institution which result from non-performing exposures and which have been obtained by way of taking possession. As of the disclosure reference date, the pbb Group had not carried out any salvage acquisitions.

Credit risk

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures [1]				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures [2]	
			Non-performing forborne [3]						
All figures in € million		Performing forborne [3]		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	1,380	474	474	474	-22	-122	1,710	351
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	26						26	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	119	48	48	48			167	48
060	Non-financial corporations	1,235	426	426	426	-22	-122	1,517	303
070	Households	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	15	-	-	-	-	-	13	-
100	**Total**	**1,395**	**474**	**474**	**474**	**-22**	**-122**	**1,723**	**351**

[1] Gross carrying amount (nominal value of granted loan commitments) before deduction of impairments on financial assets and provisions in lending business, but after write-offs, before applications of credit risk mitigation techniques and before credit conversion factors (CCF).

[2] The value of the disclosed collateral and guarantees is limited to the carrying amount (nominal value in the case of extended loan commitments) of the secured/guaranteed forborne exposures.

[3] Exposures with forbearance measures in accordance with article 47b CRR, depending on whether they satisfy the criteria in accordance with article 47a CRR “Non-performing exposures”, can be determined as performing or non-performing.

EU CQ4: Quality of non-performing exposures by geography

All figures in € million			a	b	c	d	e	f	g
			Gross carrying/nominal amount [1]				**Accumulated impairment**	**Provisions on off-balance-sheet commitments and financial guarantees given**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures** [3]
				Of which non-performing					
					Of which defaulted	Of which subject to impairment [2]			
010	**On-balance-sheet exposures**		**57,209**	**545**	**545**	**545**	**-286**	**0**	**0**
1	(AT)	Austria	6,350	-	-	-	-1	-	-
2	(CH)	Switzerland	333	-	-	-	-	-	-
3	(CZ)	Czech Republic	311	-	-	-	-	-	-
4	(DE)	Germany	22,217	39	39	39	-34	-	-
5	(ES)	Spain	2,184	-	-	-	-3	-	-
6	(FI)	Finland	312	-	-	-	-	-	-
7	(FR)	France	7,625	-	-	-	-11	-	-
8	(GB)	United Kingdom	1,735	184	184	184	-74	-	-
9	(IT)	Italy	1,763	14	14	14	-12	-	-
10	(JE)	Jersey	817	83	83	83	-29	-	-
11	(JP)	Japan	298	-	-	-	-	-	-
12	(LU)	Luxemburg	3,417	97	97	97	-56	-	-
13	(NL)	Netherlands	1,285	40	40	40	-3	-	-
14	(PL)	Poland	1,528	15	15	15	-3	-	-
15	(PT)	Portugal	564	-	-	-	-23	-	-
16	(SE)	Sweden	780	-	-	-	-2	-	-
17	(US)	United States of America	3,030	75	75	75	-25	-	-
18		Other countries [4]	2,662	-	-	-	-8	-	-

All figures in € million			a	b	c	d	e	f	g
			Gross carrying/nominal amount [1)]				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures [3)]
				Of which non-performing		Of which subject to impairment [2)]			
					Of which defaulted				
020	**Off-balance-sheet exposures**		**3,192**	**0**	**0**	**0**	**0**	**17**	**0**
1	(CH)	Switzerland	6	-	-	-	-	-	-
2	(DE)	Germany	1,651	-	-	-	-	12	-
3	(ES)	Spain	19	-	-	-	-	-	-
4	(FI)	Finland	7	-	-	-	-	-	-
5	(FR)	France	624	-	-	-	-	2	-
6	(GB)	United Kingdom	1	-	-	-	-	-	-
7	(IT)	Italy	28	-	-	-	-	-	-
8	(LU)	Luxemburg	535	-	-	-	-	3	-
9	(NL)	Netherlands	54	-	-	-	-	-	-
10	(PL)	Poland	22	-	-	-	-	-	-
11	(SE)	Sweden	92	-	-	-	-	-	-
12	(US)	United States of America	153	-	-	-	-	-	-
13		Other countries [4)]	-	-	-	-	-	-	-
030	**Total**		**60,401**	**546**	**546**	**546**	**-285**	**17**	**0**

[1)] Gross carrying amount (nominal value of off-balance-sheet exposures) before deduction of impairments on financial assets and provisions in lending business, but after write-offs, before applications of credit risk mitigation techniques and before credit conversion factors (CCF).
[2)] An exposure is considered to be "impaired" if, in accordance with the accounting regulations applied by pbb Group, the International Financial Reporting Standards (IFRS), an impairment of stage 3 has been created.
[3)] Accumulated negative changes in the fair value as a result of the credit risk, for financial assets at fair value through profit or loss, an impairment in fair value is implied.
[4)] The regional allocation of exposures to a country is determined in accordance with the domicile of the direct counterparty (such as the direct borrower, counterparty or the issuer of the securities). Due to considerations of materiality, the pbb Group does not provide an individual disclosure of all countries in accordance with DVO (EU) 2021/637, note XVI, in EU CQ4. The line "Other countries" combines 24 countries whose share in the accounting credit exposures is less than 1 % in each case: Aruba, Bangladesh, Belgium, Burundi, Bermuda, Canada, Cameroon, Cyprus, Denmark, Egypt, Guernsey, Ghana, Gibraltar, Ireland, Isle of Man, Cayman Islands, Liechtenstein, Latvia, Mauritius, Norway, Oman, Romania, Saudi Arabia, Slovenia, Slovakia and British Virgin Islands. The line "Other countries" also contains exposures to supranational organisations. In accordance with DVO (EU) 2021/637, note XVI, these are not allocated to the domicile of the institution, and instead are allocated to this heading.
[5)] For the off-balance-sheet credit exposures, the individual countries are disclosed completely. A materiality threshold is not applied in this case.

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

All figures in € million		a	b	c	d	e	f
		Gross carrying amount [1]				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing [2] [3]	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	51	-	-	51	-	-
040	Electricity, gas, steam and air conditioning supply	57	-	-	57	-	-
050	Water supply	174	-	-	174	-	-
060	Construction	271	-	-	271	-2	-
070	Wholesale and retail trade	103	-	-	103	-	-
080	Transport and storage	115	-	-	115	-	-
090	Accommodation and food service activities	173	-	-	123	-2	-
100	Information and communication	18	-	-	18	-	-
110	Financial and insurance actvities	-	-	-	-	-	-
120	Real estate activities	25,926	496	496	25,727	-254	-
130	Professional, scientific and technical activities	187	-	-	187	-	-
140	Administrative and support service activities	128	-	-	128	-1	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	64	-	-	64	-	-
170	Human health services and social work activities	604	-	-	604	-	-
180	Arts, entertainment and recreation	20	-	-	20	-	-
190	Other services	3	-	-	3	-	-
200	**Total**	**27,896**	**496**	**496**	**27,646**	**-259**	**0**

[1] Gross carrying amount (nominal value of off-balance-sheet exposures) before deduction of impairments on financial assets and provisions in lending business, but after write-offs, before applications of credit risk mitigation techniques and before credit conversion factors (CCF).
[2] The classification according to the NACE code of the counterparty is based on the primary business activity of the direct counterparty (such as the direct borrower, counterparty or the issuer of the securities) or the primary business activity of the main or most substantial obligor. The NACE codes correspond to the NACE regulation: Statistical classification of economic activities in the European Community.
[3] The classification of a counterparty recognises only those counterparties which are included in sectors in connection with non-financial corporations. In accordance with DVO (EU) 2021/451, note V, the FINREP sector "Non-financial corporations" contains corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and the rendering of non-financial services.

The gross carrying amount of the on-balance-sheet (loans and advances, bonds) and off-balance-sheet credit exposures (loan commitments) amounted to a total of € 52,219 million as of 30 June 2021.

Defaulted and non-defaulted exposures

The non-defaulted exposures amounted to € 51,673 million (99.0%). The gross value of the defaulted exposures amounted to a total of € 546 million; of this figure, € 545 million is attributable to loans and advances, and € 0.4 million is attributable to off-balance-sheet exposures. A stage 3 impairment of € 133 million has been created in relation to the defaulted exposures. The collateral and financial guarantees received for the non-performing exposures amount to € 411 million.

An exposure in the IRB approach and in the standardised approach is considered to be "defaulted" if there is a default as defined in article 178 CRR or if another contractual or regulatory trigger is applicable. The pbb Group assumes a default if for instance a borrower is more than 90 days past due with significant arrears/overdrawn facilities or if it is not likely that the borrower will fully meet his payment obligations. The exposures of a borrower which satisfy one or more default criteria are given a PD category to which a probability of default (PD) of 100 % is allocated. The default definition used under IFRS 9 is the same as that used for regulatory purposes.

Non-defaulted exposures are receivables which, in accordance with article 178 CRR, are not considered to be defaulted; i.e. for which none of the default events specified at that point has occurred.

Non-performing exposures

All exposures for which a default is considered to exist in accordance with article 178 CRR are also considered to be "non-performing" by the pbb Group. Accordingly, the defaulted receivables of € 546 million specified above are also considered to be "non-performing" exposures.

An exposure is considered to be "non-performing" if one of the following criteria is satisfied: It is a major exposure which is more than 90 days past due, or it is an exposure for which it is unlikely that the obligor will settle his liabilities in full without using collateral, irrespective of whether payments are already past due and irrespective of the number of days of any delay in payment.

An exposure is classified as "non-performing" irrespective of whether the exposure is classified as "defaulted" for regulatory purposes in accordance with article 178 CRR or is classified as impaired for accounting purposes in accordance with the relevant IFRS accounting regulations.

Impaired exposures

An exposure is considered to be "impaired" if an individual stage 3 impairment has been created in accordance with the International Financial Reporting Standards (IFRS) - the accounting regulations applied by the pbb Group. The volume of stage 3 impairments amounted to € 133 million as of 30 June 2021 and the gross carrying amount of the impaired exposures was € 546 million.

The criteria for stage 3 impairments according to IFRS 9 do not differ significantly from the objective criteria according to IAS 39 which resulted in the creation of an individual allowance. The rules and methods regarding impairment in accordance with IFRS 9 are explained in greater detail in the Disclosure Report as of 31 December 2020, section "Credit risk adjustments" (page 99 et seq.).

All exposures for which a stage 3 impairment has been identified in accordance with the IFRS accounting regulations are also considered by the pbb Group to be "non-performing".

Forborne (restructured) exposures

The gross carrying amount of the forborne (loans and advances) and off-balance-sheet (loan commitments) exposures was stated as € 1,869 million as of the disclosure date; these mostly consist of standstill agreements and the suspension of contractual agreements. Of these forborne exposures, € 474 million are considered to be non-performing (or defaulted); impairments of € 122 million have been created in relation to these exposures. The collateral/guarantees received for these non-performing exposures with forbearance measures amount to € 351 million.

The forborne exposures accounted for approx. 3.5 % of the total gross carrying amounts. Receivables at risk of default are restructured by the pbb Group if the financial position of the borrower has deteriorated but if there is still a positive going-concern forecast for the respective loan exposure. This is achieved by modifying the terms and conditions or ancillary agreements by means of a unilateral or mutual declaration(s) of intent. Restructuring agreements should maximise the opportunities for the pbb Group to realise its outstanding receivables or at least minimise the risk of default of the loan exposure. These generally include standstill agreements, lifetime extensions, changed interest payment/repayment terms, interest/repayment reductions or the suspension of contractual agreements (for instance financial covenants) so that the borrower is again able to meet his contractual payment obligations. The default risk associated with restructured loans is the responsibility of the Credit Risk Management units (CRM) of the Group.

Write-offs

In the first half of 2021, the pbb Group did not recognise any write-offs in relation to financial assets or consumption of impairments.

A financial asset has to be written off by using the existing booked impairment if a recovery is not feasible based on adequate judgement. This is generally the case if in the process of a realisation of the collateral a residual claim remains and if it is foreseeable that no further amounts are expected from the borrower (for example due to insolvency/lack of funds). The pbb Group attempts to collect the remaining receivables completely or at least partly by enforcement activities for written-off loans in justified exceptions.

Credit risk mitigation techniques

According to article 453 CRR, this chapter describes the credit risk mitigation techniques used by pbb Group for the credit risk (loans and advances as well as bonds).

The strategic business units of the pbb Group are Commercial Real Estate Finance (REF) and also Public Investment Finance (PIF); the focus is on Pfandbrief-eligible business. Within the framework of default risk (credit risk, counterparty credit risk) mitigation, the pbb Group accepts the following collateral:

- Real estate (property charges)
- Warranties and guarantees
- Financial collateral.

In this context, property charges (real estate) are particularly important for real estate financing operations. The pbb Group also accepts warranties and guarantees as well as financial collateral (mainly cash collateral and securities in certain cases) as collateral. The pbb Group uses financial securities as collateral within the framework of netting agreements in the context of derivative or security lending/repo transactions.

Non-cash collateral is taken into consideration with the effect of reducing credit risk for the purpose of estimating the loss given default (LGD). For the purpose of calculating the EAD (exposure at default) of the exposure values, financial collateral is taken into consideration with the effect of reducing credit risk. Warranties and guarantees are taken into consideration for mitigating credit risk by way of regular PD substitution. This ensures that the lower risk weighting of the guarantor is attributed to the secured portion of an exposure.

In real estate financing, the financing collateral generally comprises not only the property charges but also rental concessions and the assignment of insurance payments, which however are not recognised as mitigating credit risk in accordance with CRR.

The credit exposures which are secured by eligible collateral and for which the pbb Group calculates the risk-weighted position amounts using the advanced IRB approach (IRBA) based on bank-internal rating procedures or the standard approach (CRSA) are shown in the following table EU CQ3 in accordance with article 453 letter f CRR, and are shown separately for loans and advances as well as bonds.

EU CR3: CRM techniques overview

All figures in € million		a	b	c	d	e
		Unsecured carrying amount [2]	Secured carrying amount [3]			
				Of which secured by collateral [4]	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances [1]	20,733	28,276	26,247	2,029	-
2	Debt securities [1]	6,692	1,508	-	1,508	————
3	**Total**	**27,425**	**29,785**	**26,247**	**3,537**	**-**
4	Of which non-performing exposures	135	411	363	48	-
5	Of which defaulted	135	411	————	————	————

[1] EU CR3 shows the net value of the exposures: gross carrying amount after deduction of impairments in relation to financial assets as well as write-offs but before application of credit risk mitigation techniques. Off-balance-sheet positions are not recognised.

[2] Exposures in relation to which no credit risk mitigation technique has been applied, for which no collateral has been pledged and no guarantees have been received. “Loans and advances” also shows cash at central banks as well as receivables from credit institutions due daily.

[3] Exposures to which at least one credit risk mitigation mechanism in accordance with part 3, title II, chapter 4 of the CRR is allocated. These are collateral/guarantees which can be used for reducing risk for the calculation of own funds requirements for lending business. In addition to the non-cash collateral/guarantees, cessions of rental income and the cession of insurance payments are generally also used; however, these are not recognised for the purpose of reducing credit risk in accordance with the CRR. The value of the disclosed collateral/guarantees is limited to the net value of the secured/guaranteed exposures.

[4] Exposures secured by collateral (mainly real estate/encumbrances).

The procedures for receiving collateral are regulated in pbb Group in internal processing guidelines for every type of collateral. Standardised contracts are generally used in order to enable legal enforceability; these are constantly reviewed against the background of the constantly changing legal environment. A group-wide process has been established for this purpose with the aim of ensuring that the enforceability of all CRR-relevant collateral is constantly subjected to legal monitoring. The calculation and definition of the collateral values is documented transparently. Expert opinions which are used for assessing a liquidation value contain statements regarding the marketability of the collateral.

Credit risk – standard approach

According to article 142 et seq. CRR, the pbb Group uses the advanced IRB approach, which is based on internal rating procedures, for the calculation of own funds requirements to support credit risks as well as the standard approach in accordance with article 111 et seq. CRR.

The following chapter in accordance with the articles 444 and 453 CRR contains information concerning on-balance-sheet and off-balance-sheet credit exposures for which the pbb Group calculates the risk-weighted position amounts using the standard approach (CRSA). The exposures at defaults (EAD) of the on-balance-sheet and off-balance-sheet exposures amounted to a total of € 57,519 million as of 30 June 2021; of this figure, € 29,642 million (approx. 52 %) was attributable to the standard approach.

Application of permanent partial use in accordance with article 150 CRR

The following sub-portfolios in particular are subject to the standard approach:

- Exposures to central governments and central banks, regional governments, local authorities, administrative bodies and public-sector entities in accordance with article 150 (1) letters a and d CRR
- Exposures to institutions in accordance with article 150 (1) letter b CRR (including Eurex Clearing)
- Exposures to companies which generate most of their revenues outside the real-estate sector
- Exposures to private individuals
- Default exposures which belong to an area which is being phased out in accordance with article 150 (1) letter c CRR in conjunction with Section 14 SolvV (e.g. small-volume retail loans, credit standing assessed by means of retail scoring)
- Other default exposures which are not subject to any rating procedure according to the IRB approach approved by the German banking regulator.

Impact of credit risk mitigation

In accordance with article 453 letters g, h and i CRR and article 444 letter e CRR, the following tables EU CR4 and EU CR5 show the impact of eligible collateral for the exposures which are handled in accordance with the standard approach (CRSA).

Table EU CR4 shows, for each CRSA exposure category, the receivables before and after the application of credit risk mitigation techniques and credit conversion factors (CCFs), and also contains information concerning the risk-weighted assets (RWA) and the RWA density.

Table EU CR5 also shows the break-down of the CRSA exposures over individual creditworthiness stages (risk weightings) per CRSA exposure category.

EU CR4: Standardised approach - credit risk exposure and CRM effects

All figures in € million, unless otherwise stated		a	b	c	d	e	f
		Exposures before CCF and before CRM [1]		Exposures post CCF and post CRM [2]		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs [3]	RWAs density [4] (%)
1	Central governments or central banks	15,934	-	18,040	-	78	0.43
2	Regional government or local authorities	5,528	104	6,492	58	506	7.72
3	Public sector entities	2,014	28	1,823	8	162	8.85
4	Multilateral development banks	607	-	570	-	-	-
5	International organisations	141	-	141	-	-	-
6	Institutions	1,106	-	50	-	16	31.29
7	Corporates	2,192	228	538	159	675	96.83
8	Retail	-	-	-	-	-	75.00
9	Secured by mortgages on immovable property	416	79	416	40	174	38.22
10	Exposures in default	49	-	1	-	1	119.24
11	Exposures associated with particularly high risk	94	40	94	21	172	150.00
12	Covered bonds	1,107	-	1,107	-	136	12.26
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	3	-	3	-	39	1250.00
15	Equity	-	-	-	-	-	-
16	Other items [5]	80	-	80	-	201	250.00
17	**Total**	**29,272**	**479**	**29,356**	**286**	**2,159**	**7.29**

[1] Net value of the CRSA exposures: Gross carrying amount after deduction of impairments/provisions and write-offs, but before application of credit risk mitigation techniques and credit conversion factors (CCF).
[2] CRSA exposures at default (EAD) before deduction of impairments/provisions and write-offs as well as after application of credit risk mitigation techniques and credit conversion factors (CCF).
[3] Risk-weighted CRSA assets (RWA).
[4] RWA density (%): calculated by dividing the RWA per CRSA exposure category (column e) by the respective EAD (column c plus d).
[5] Deferred tax assets dependent on future profitability, resulting from or not from temporary differences.

EU CR5: Standardised approach

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
All figures in € million		Risk weight															Total	Of which unrated [2]
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	17,659	-	-	-	381	-	-	-	-	2	-	-	-	-	-	18,041	7,893
2	Regional government or local authorities	3,603	-	-	-	2,340	-	21	-	-	16	-	-	-	-	-	5,981	1,834
3	Public sector entities	1,246	-	-	-	572	-	18	-	-	49	-	-	-	-	-	1,885	1,093
4	Multilateral development banks	570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	570	-
5	International organisations	141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141	-
6	Institutions	-	72	-	-	53	-	232	-	-	-	-	-	-	-	-	357	76
7	Corporates	22	-	-	-	3	-	-	-	-	715	-	-	-	-	-	740	721
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	517	-	-	-	-	358	98	-	-	1	-	-	-	-	-	974	974
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	116	-	-	-	-	115	115
12	Covered bonds	-	-	-	857	250	-	-	-	-	-	-	-	-	-	-	1,107	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	3	3
16	Other items [3]	-	-	-	-	-	-	-	-	-	1	0	-	-	-	-	1	-
17	**Total**	**23,759**	**72**	**0**	**857**	**3,599**	**358**	**369**	**0**	**0**	**784**	**116**	**0**	**0**	**3**	**0**	**29,916**	**12,710**

[1] EU CR5 shows the CRSA exposures at default (EAD) after deduction if impairments/provisions and write-offs and also after application of credit risk mitigation techniques and credit conversion factors (CCF).
[2] A rating of a recognised rating agency (External Credit Assessment Institutions, ECAI) is not available.
[3] Deferred tax assets dependent on future profitability, resulting from or not from temporary differences.

The increase of € 109 million (in total) in the exposures after credit risk mitigation is mainly due to the netting of warranties/guarantees (substitution approach). The guarantors are mainly financial institutions and public-sector customers. The substitution effects resulting from warranties/guarantees mean that the secured portion of an IRBA receivable (e.g. of a company) is shown with the lower risk weighting of the guarantor (for instance a public body) in the standardised approach or, that guaranteed CRSA receivables are assigned to the lower risk weighting of the guarantor. In the pbb Group, default exposures with regard to public clients and financial institutions are treated in the standardised approach.

Credit risk – IRB approach

According to article 142 et seq. CRR, the pbb Group uses the advanced IRB approach, which is based on internal rating procedures, for the calculation of own funds requirements to support credit risks as well as the standard approach in accordance with article 111 et seq. CRR.

The following chapter in accordance with the articles 452 and 453 CRR contains information concerning on-balance-sheet and off-balance-sheet credit exposures for which the pbb Group calculates the risk-weighted position amounts using the IRB approach. The exposures at default (EAD) of the on-balance-sheet and off-balance-sheet exposures amounted to a total of € 57,519 million as of 30 June 2021; of this figure, € 27,877 million (approx. 48 %) was attributable to the IRB approach.

IRBA exposures

The exposure at default (EAD) is the relevant regulatory parameter used for determining the risk-weighted assets (RWA) and for calculating the own funds requirements.

The EAD for IRBA exposures in line with CRR shows the outstanding receivable in the event of a default. For most products, this is the IFRS carrying amount shown in the balance sheet, incl. cumulative interest. In the event of a committed credit line, this is multiplied by the product-specific credit conversion factor (CCF) and forms a further part of the EAD. The credit conversion factor (CCF) expresses the expected utilisation (in percent) of an existing undrawn credit line within one year until the event of a default. The CCF is currently 50 % to 100 % for mortgage loans and 100 % for all other products (e.g. guarantee loans and public investment finance).

Derivatives and security financing transactions (security lending/repo transactions) form an exception in this respect; for these transactions, the EAD does not correspond to the carrying amount, and instead has to be established with a different method in accordance with CRR (e.g. the standard method SA-CCR for derivatives).

The EAD is established for all receivables, irrespective of whether or not a default has occurred.

In accordance with articles 452 letter g and 453 letter g CRR, the following tables EU CR6 and EU CR7-A show the on-balance-sheet and off-balance-sheet IRBA exposures, broken down according to IRBA exposure categories, in conjunction with the main parameters which are used for calculating the own funds requirements.

In accordance with article 453 letter j CRR, the table EU CR7 regarding the impact of credit derivatives used as exposure mitigating techniques in relation to the risk-weighted assets (RWA) is not relevant for the pbb Group. As was the case at the end of the previous year, the pbb Group does not have any credit derivatives in its portfolio.

EU CR6: IRB approach - Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
All figures in € million, unless otherwise stated	PD range [1]	On-balance sheet exposures [2]	Off-balance-sheet exposures pre-CCF [3]	Exposure weighted average CCF [4]	Exposure post CCF and post CRM [5]	Exposure weighted average PD (%) [6]	Number of obligors	Exposure weighted average LGD (%) [7]	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors [8]	Density of risk weighted exposure amount [9]	Expected loss amount	Value adjustments and provisions
Central governments and central banks		-	-	-	-	-	-	-	-	-	-	-	-
Institutions		-	-	-	-	-	-	-	-	-	-	-	-
Retail [11]		-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

All figures in € million, unless otherwise stated	a	b	c	d	e	f	g	h	i	j	k	l	m
	PD range [1]	**On-balance sheet exposures [2]**	**Off-balance-sheet exposures pre-CCF [3]**	**Exposure weighted average CCF [4]**	**Exposure post CCF and post CRM [5]**	**Exposure weighted average PD (%) [6]**	**Number of obligors**	**Exposure weighted average LGD (%) [7]**	**Exposure weighted average maturity (years)**	**Risk weighted exposure amount after supporting factors [8]**	**Density of risk weighted exposure amount [9]**	**Expected loss amount**	**Value adjustments and provisions**
Corporates - SMEs													
	0.00 to <0.15	46	1	50.00%	46	0.09%	22	2%	4	1	1.74%	-	-
	0.00 to <0.10	11	-	-	11	0.05%	3	3%	4	-	1.16%	-	-
	0.10 to <0.15	35	1	50.00%	35	0.10%	19	2%	5	1	1.93%	-	-
	0.15 to <0.25	67	-	50.00%	66	0.20%	44	4%	4	3	4.58%	-	-
	0.25 to <0.50	924	4	100.00%	926	0.41%	83	5%	5	69	7.41%	-	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-		-	-
	0.75 to <2.50	225	66	56.00%	261	1.03%	34	16%	4	96	36.72%	-	-
	0.75 to <1.75	224	66	56.00%	260	1.02%	31	16%	4	96	36.83%	-	-
	1.75 to <2.5	1	-	-	1	2.00%	3	5%	5	-	13.37%	-	-
	2.50 to <10.00	6	-	-	6	3.16%	4	24%	3	3	58.30%	-	-
	2.5 to <5	6	-	-	6	3.16%	4	24%	3	3	58.30%	-	-
	5 to <10	-	-	-	-	-	-	-	-	-		-	-
	10.00 to <100.00	0	-	-	-	17.50%	1	9%	5	-	41.50%	-	-
	10 to <20	0	-	-	-	17.50%	1	9%	5	-	41.50%	-	-
	20 to <30	-	-	-	-	-	-	-	-	-		-	-
	30.00 to <100.00	-	-	-	-	-	-	-	-	-		-	-
	100.00 (Default)	7	-	-	7	100%	3	22%	5	5	62.50%	2	2
Subtotal		**1,276**	**71**	**58.13%**	**1,313**	**1.09%**	**191**	**7%**	**5**	**177**	**13.44%**	**2**	**2**

All figures in € million, unless otherwise stated	a	b	c	d	e	f	g	h	i	j	k	l	m
	PD range [1]	On-balance sheet exposures [2]	Off-balance-sheet exposures pre-CCF [3]	Exposure weighted average CCF [4]	Exposure post CCF and post CRM [5]	Exposure weighted average PD (%) [6]	Number of obligors	Exposure weighted average LGD (%) [7]	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors [8]	Density of risk weighted exposure amount [9]	Expected loss amount	Value adjustments and provisions
Corporates - specialised lending [10]													
	0.00 to <0.15	163	-	-	163	0.09%	8	15%	3	15	0.09%	-	-
	0.00 to <0.10	21	-	-	21	0.05%	1	2%	1		0.01%	-	-
	0.10 to <0.15	142	-	-	142	0.10%	7	17%	4	15	0.11%	-	-
	0.15 to <0.25	1,411	86	0.50%	1,454	0.20%	27	14%	4	216	0.15%	-	1
	0.25 to <0.50	6,540	454	0.55%	6,775	0.39%	149	23%	3	2,195	0.32%	6	8
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	8,803	521	0.60%	9,117	1.34%	166	27%	3	5,554	0.61%	33	37
	0.75 to <1.75	7,564	474	0.60%	7,850	1.24%	146	28%	3	4,878	0.62%	27	28
	1.75 to <2.5	1,239	46	0.61%	1,268	2.00%	20	22%	3	676	0.53%	6	9
	2.50 to <10.00	5,380	1,452	0.73%	6,440	4.02%	105	25%	3	5,037	0.78%	65	81
	2.5 to <5	3,895	944	0.67%	4,530	3.21%	73	25%	3	3,324	0.73%	37	47
	5 to <10	1,485	508	0.84%	1,910	5.93%	32	25%	3	1,712	0.90%	28	35
	10.00 to <100.00	289	82	0.50%	330	13.88%	7	38%	2	551	1.67%	18	15
	10 to <20	255	1	0.50%	255	10.00%	5	36%	2	353	1.39%	9	12
	20 to <30	35	81	0.50%	75	27.00%	2	45%	2	198	2.62%	9	3
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	488	-	-	488	100%	9	26%	2	305	0.62%	129	128
Subtotal		**23,075**	**2,594**	**0.66%**	**24,769**	**3.82%**	**471**	**25%**	**3**	**13,873**	**0.56%**	**251**	**270**

All figures in € million, unless otherwise stated	a	b	c	d	e	f	g	h	i	j	k	l	m
	PD range [1]	On-balance sheet exposures [2]	Off-balance-sheet exposures pre-CCF [3]	Exposure weighted average CCF [4]	Exposure post CCF and post CRM [5]	Exposure weighted average PD (%) [6]	Number of obligors	Exposure weighted average LGD (%) [7]	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors [8]	Density of risk weighted exposure amount [9]	Expected loss amount	Value adjustments and provisions
Corporates - others													
	0.00 to <0.15	859	4	0.50%	799	0.10%	24	9%	4	52	0.06%	-	-
	0.00 to <0.10	42	-	-	3	0.05%	5	4%	5	-	0.03%	-	-
	0.10 to <0.15	817	4	0.50%	796	0.10%	19	9%	4	52	0.06%	-	-
	0.15 to <0.25	684	4	0.50%	683	0.20%	14	3%	5	33	0.05%	-	-
	0.25 to <0.50	251	-	-	251	0.31%	21	20%	5	94	0.37%	-	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	60	-	-	60	1.02%	7	2%	3	3	0.05%	-	-
	0.75 to <1.75	60	-	-	60	1.02%	7	2%	3	3	0.05%	-	-
	1.75 to <2.5	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	2.50%	1	12%	1	-	0.28%	-	-
	2.5 to <5	-	-	-	-	2.50%	1	12%	1	-	0.28%	-	-
	5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	17.50%	1	3%	2	-	0.18%	-	-
	10 to <20	-	-	-	-	17.50%	1	3%	2	-	0.18%	-	-
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30.00 to <100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	1	-	-	1	100%	1	-	1	-	0.62%	-	-
Subtotal		**1,857**	**8**	**0.50%**	**1,795**	**0.24%**	**69**	**8%**	**5**	**182**	**0.10%**	**-**	**-**

Total (all risk position classes)	**26,207**	**2,673**	**0.66%**	**27,877**	**3.46%**	**731**	**23%**	**3**	**14,231**	**0.51%**	**254**	**-271**

[1] PD bandwidths for the estimated probability of default (PD), disregarding substitution effects as a result of credit risk mitigation techniques.
[2] Gross carrying amount before deduction of impairments (but after write-offs) as well as before application of credit risk mitigation techniques.
[3] Nominal value before deduction of provisions as well as before application of credit risk mitigation techniques and before credit conversion factors (CCF).
[4] Exposure-weighted average conversion factor for the off-balance-sheet exposures, weighted with the off-balance-sheet exposure according to column (c).
[5] IRBA exposure at default (EAD) after application of credit risk mitigation techniques and credit conversion factors (CCF), but before deduction of impairments/provisions.
[6] Exposure-weighted average probability of default (PD), weighted with the exposure value according to column (e).
[7] Exposure-weighted average loss given default (LGD), weighted with the exposure value according to column (e).
[8] Risk-weighted IRBA assets (RWA) after support factors for SMEs and infrastructure according to articles 501 and 501a CRR. IRBA exposure categories “Equity exposures” and “Other non credit-obligation assets”- which are not based on separate LGD and/or CCF estimates are not disclosed.
[9] RWA density (%): calculated by dividing the RWA (column j) by the respective EAD (column e).
[10] The IRBA exposure categories Central Governments and Central Banks, Institutions and Bulk Business do not occur in the pbb Group; this is the reason why there is no further break-down of these exposure categories.
[11] Excl. specialised financing in accordance with article 153 (4) CRR.

EU CR7-A: IRB approach - Disclosure of the extent of the use of CRM techniques

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
			Credit risk Mitigation techniques [2]											**Credit risk Mitigation methods in the calculation of RWEAs**	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
All figures in € million, unless otherwise stated		**Total exposures** [1]	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only) [3]	RWEA with substitution effects (both reduction and sustitution effects) [4]
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-		
3	Corporates	27,877	-	98.41	98.41	-	-	-	-	-	-	-	-	14,231	14,231
3.1	Of which Corporates – SMEs	1,313	-	1.00	99.66	-	-	-	-	-	-	-	-	177	177
3.2	Of which Corporates – Specialised lending	24,769	-	98.63	98.63	-	-	-	-	-	-	-	-	13,873	13,873
3.3	Of which Corporates – Other	1,795	-	94.41	94.41	-	-	-	-	-	-	-	-	182	182
4	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	**Total**	**27,877**	**-**	**98.41**	**98.41**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,231**	**14,231**

[1] Exposure at default (EAD) after credit conversion factors (CCF), without recognising credit risk mitigation techniques/substitution effects as a result of a guarantee.
[2] The collaterals disclosed in the columns (b) to (l) show the percentage of the correspondingly secured exposures in relation to the total exposures according to column (a). The value of the collateral is limited to the value of the secured exposure.
[3] Risk-weighted IRBA assets (RWA) after credit risk mitigation techniques. The classification in an IRBA exposure category depends on the relevant exposure category of the original obligor.
[4] Risk-weighted IRBA assets (RWA) after credit risk mitigation techniques. The classification in an IRBA exposure category depends on the relevant exposure category of the collateral provider.

For on-balance-sheet and off-balance-sheet IRBA credit exposures excl. the IRBA exposure categories “Equity exposures” and “Other non credit-obligation assets” which are not based on separate LGD and/or CCF estimates, the EAD as of 30 June 2021 amounted to € 27,877 million, and the RWA amounted to € 14,231 million.

The average RWA density for these IRBA exposures across all IRBA exposure categories is approximately 51 %, whereby the IRBA exposure categories Central Governments and Central Banks, Institutions and Bulk Business do not occur in the pbb Group. Risk weights are important factors when determining risk-weighted exposures which must be backed with own funds in a risk-oriented manner; the RWAs are calculated by multiplying the risk weight with the IRBA exposure at default (EAD). The changes in RWA in the first half of 2021 as well as the main relevant reasons are shown in the following table EU CR8.

The loss given default (LGD) indicates the expected loss suffered by the pbb Group if a customer fails to pay. In the IRB approach, this is on average 23 % for these exposures.

The probability of default (PD) indicates the probability that a borrower/counterparty will be unable over a period of one year to service their contractual loan obligations (irrespective of the amount of the exposure and the collateral provided). The PD for the IRBA exposures is on average 3.46 %.

The unutilised IRBA loan commitments amounted to a total of € 2,673 million. The average credit conversion factor (CCF) which expresses the expected utilisation (in percent) of an existing undrawn credit line within one year until the event of a default amounts to 66 %.

Model estimates for PD, LGD and CCF contain conservative adjustments which cover estimation uncertainties associated with the models. Estimates for LGD and CCF are also designed as so-called downturn estimates, i.e. the aim is to achieve a forecast of figures which are also appropriate in periods affected by an economic downturn.

In accordance with article 438 letter h CRR, the following table EU CR8 shows the changes in the risk-weighted assets (RWA) incl. the IRBA exposure categories “Equity exposures” and “Other non credit-obligation assets” in the first half of 2021, as well as the corresponding main reasons. The RWA in the IRB approach amounted to € 14,305 million as of the reporting date (31 December 2020: € 13,989 million) and are thus € 316 million higher than was the case at the end of the previous year.

EU CR8: RWA flow statements of credit risk exposures under the IRB approach

		a
All figures in € million		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**13,989**
2	Asset size (+/-)	512
3	Asset quality (+/-)	329
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	187
8	Other (+/-)	-712
9	**Risk weighted exposure amount as at the end of the reporting period**	**14,305**

[1] Risk-weighted assets (RWA) after support factors for SMEs and infrastructure in accordance with the articles 501 and 501a CRR as well as incl. IRBA exposure categories “ Equity exposures” and “ Other non credit-obligation assets”.

A major factor behind the increase of a total of € 316 million in the risk-weighted assets (RWA) is the new business in commercial Real Estate Finance conducted in the first half of 2021, which more than compensated for the repayments and redemptions (EU CR8, line 2). Further factors were rating downgrades of individual exposures in the Real Estate Finance portfolio (EU CR8, line 3) as well as currency effects in the United Kingdom (EU CR8, line 7). This was opposed by various factors, incl. syndications carried out in the first half of 2021 (EU CR8, line 8).

Counterparty credit risk

The counterparty credit risk (CCR) defines the risk of default of the counterparty of a transaction before the final settlement of the payments associated with this transaction.

In accordance with the articles 439, 444 and 452 CRR, the following chapter contains information regarding the counterparty credit risk of pbb Group from derivative and security finance transactions (security lending/repo transactions). pbb uses regular-way framework agreements incl. the corresponding collateral agreements.

For the calculation of own funds requirements for counterparty credit risk according to part 3, title II, chapter 6 CRR (for derivative transactions), the pbb Group has been applying the standard method (SA-CCR) as per article 274 et seq. CRR since 28 June 2021. Up to the point at which CRR II became valid, the pbb Group used the market valuation method.

According to part 3, title VI CRR, pbb uses the standard method as defined in article 384 CRR to calculate the additional own funds requirement for OTC derivatives required for the credit valuation adjustment (CVA) risk.

For security financing transactions (security lending/repo transactions), the pbb Group applies the provisions for minimising credit risk in accordance with chapter 4 of the CRR, the comprehensive method for recognising financial security in accordance with article 223 et seq. CRR. As of the reference date 30 June 2021, the pbb Group had not agreed any security lending/repo transactions; however, it had agreed reverse repo transactions in the amount of € 800 million.

The pbb Group uses the risk-sensitive method in accordance with article 308 CRR for calculating the own funds requirements for pre-financed contributions to the default fund of a qualified central counterparty.

The pbb Group uses derivatives mainly to hedge market risks resulting for instance from changes in interest rates or exchange rates. These hedging transactions are opposed by underlyings of asset or liability positions. The hedging of interest and exchange rate risks is intended to reduce and/or avoid market risks. The counterparties in derivative transactions are mainly OECD credit institutions or Eurex Clearing. The pbb Group also provides derivatives for real estate customers and public law entities, for instance to enable them to hedge market risks of commercial real estate financing.

The purpose of using security financing transactions (security lending/repo transactions) is to assure short-term liquidity management; this is also a key source of the secured refinancing of pbb. The main counterparties are OECD credit institutions or Eurex Clearing.

pbb is a direct clearing member of Eurex Clearing. Eurex Clearing is the central clearing house used by pbb or the qualified central counterparty (qualified CCP) in accordance with article 4 point 88 CRR. The pbb Group uses the possibility of using a central counterparty for clearing purposes for certain contract types and of thus reducing bilateral default risk.

In accordance with article 439 letters e to l CRR as well as the articles 444 letter e and 452 letter g CRR, the following tables EU CCR1 to EU CCR5 and EU CCR8 show the exposures at default (EAD) for the counterparty credit risk as well as risk-weighted assets (RWA).

In accordance with article 438 letter h CRR, the tables EU CCR6 “Credit derivatives exposures” in accordance with article 439 letter j CRR and EU CCR7 “RWA flow statement of CCR exposures under the IMM” are not relevant for the pbb Group. The pbb Group does not have any credit derivatives in its portfolio, nor does it use a method based on an internal model (IMM).

EU CCR1: Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
	All figures in € million, unless otherwise stated	**Replacement cost (RC) [4]**	**Potential future exposure (PFE) [5]**	**EEPE [6]**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM [7]**	**Exposure value post-CRM [8]**	**Exposure value [9]**	**RWA [10]**
EU1	EU - Original Exposure Method (for derivatives)	-	-	———	1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-	———	1.4	-	-	-	-
1	SA-CCR (for derivatives) [2]	166	179	———	1.4	1,593	430	426	324
2	IMM (for derivatives and SFTs)	---	———	-	-	-	-	-	-
2a	Of which securities financing transactions netting sets	———	———	-	———	-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets	———	———	-	———	-	-	-	-
2c	Of which from contractual cross-product netting sets	———	———	-	———	-	-	-	-
3	Financial collateral simple method (for SFTs)	———	———	———	———	-	-	-	-
4	Financial collateral comprehensive method (for SFTs) [3]	———	———	———	———	-	-	-	-
5	VaR for SFTs	———	———	———	———	-	-	-	-
6	**Total**	**———**	**———**	**———**	**———**	**1,593**	**430**	**426**	**324**

[1] Table EU CCR1 does not contain any exposures to central counterparties (CCP).

[2] pbb uses the standard approach (SA-CCR) in accordance with part 3, chapter 6, section 3 of the CRR for measuring the exposure value for the counterparty credit risk.

[3] For security financing transactions (security lending/repo transactions), pbb uses the stipulations for credit risk mitigation in accordance with part 3, chapter 4 of the CRR, the comprehensive method in accordance with article 223 et seqq. CRR.

[4] Replacement cost (RC), taking account of the received/provided collateral, calculated in accordance with article 275 CRR.

[5] Potential future exposure (PFE) calculated in accordance with article 278 CRR.

[6] Effective expected positive replacement value (effective EPE) in accordance with article 272 point 22 CRR using the method based on an internal model (IMM).

[7] Derivatives (line 1): exposure value after netting but before credit risk mitigation (received collateral) and without recognition of CVA (credit value adjustments) losses with an impact on the income statement. SFTs (line 4): exposure value (amount of cash or security) before netting and before credit risk mitigation.

[8] Derivatives (line 1): exposure value after netting and after credit risk mitigation (received collateral), but without recognition of CVA losses with an impact on the income statement. SFTs (line 4): exposure at default (EAD) after netting and after credit risk mitigation.

[9] Exposure at default (EAD), the relevant amount (comprising the risk weighting of the counterparty) for calculating the risk-weighted exposures (column h). The EAD of a netting rate is calculated as follows: EAD = 1.4 x (RC + PFE). Derivatives (line 1): exposure value after netting and after credit risk mitigation (received collateral) as well as after recognition of CVA losses with an impact on the income statement. SFTs (line 4): exposure value after netting and after credit risk mitigation.

[10] Risk-weighted assets (RWA) for determining the own funds requirements using the credit risk standard approach or IRB approach.

EU CCR8: Exposures to central counterparties (CCPs)

All figures in € million, unless otherwise stated		a **Exposure value [1]**	b **RWA [2]**
1	**Exposures to QCCPs (total)**	—	**3**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	72	1
3	(i) OTC derivatives	5	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	67	1
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin [3]	39	—
8	Non-segregated initial margin [4]	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	8	2
11	**Exposures to non-QCCPs (total)**	—	**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	—
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

[1] Exposure at default (EAD), excl. exposures to non-CCP (CCP: central counterparty).
[2] Risk-weighted asset (RWA), excl. exposures to non-CCP.
[3] Collateral which is held out-of-court and segregated in the event of insolvency in accordance with article 300 point 1 CRR.
[4] Collateral which is not held out-of-court and segregated in the event of insolvency in accordance with article 300 point 1 CRR.

EU CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights

All figures in € million, unless otherwise stated		a	b	c	d	e	f	g	h	i	j	k
	Exposure classes	**Risk weight**										
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	2	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	72	-	-	22	213	-	-	-	-	-
7	Corporates	2	-	-	-	-	-	-	-	16	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**4**	**72**	**0**	**0**	**22**	**213**	**0**	**0**	**16**	**0**	**0**

[1] Exposure at default (EAD), excl. transactions cleared with Eurex Clearing, of the central counterparty (CCP) used by pbb.

EU CCR4: IRB approach – CCR exposures by exposure class and PD scale

All figures in € million, unless otherwise stated	PD scale [1]	a Exposure value [2]	b Exposure weighted average PD (%) [3]	c Number of obligors	d Exposure weighted average LGD (%) [4]	e Exposure weighted average maturity (years)	f RWA [5]	g Density of risk weighted exposure amounts [6]
Central governments and central banks								
	Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Institutions								
	Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Retail [7]								
	Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**

All figures in € million, unless otherwise stated	PD scale [1]	a Exposure value [2]	b Exposure weighted average PD (%) [3]	c Number of obligors	d Exposure weighted average LGD (%) [4]	e Exposure weighted average maturity (years)	f RWA [5]	g Density of risk weighted exposure amounts [6]
Corporates								
1	0.00 to <0.15	10	0.20%	5	112%	10	6	120%
2	0.15 to <0.25	15	0.20%	7	56%	5	11	72%
3	0.25 to <0.50	32	0.66%	36	112%	8	23	178%
4	0.50 to <0.75	-	-	-	-	-	-	-
5	0.75 to <2.50	79	1.42%	46	56%	3	99	125%
6	2.50 to <10.00	33	3.17%	20	56%	3	56	168%
7	10.00 to <100.00	2	10.00%	2	56%	2	3	190%
8	100.00 (Default)	-	-	-	-	-	-	-
	Sub-total	**171**	**1.67%**	**117**	**112%**	**8**	**198**	**197%**
Total (all CCR-relevant risk position classes)		**171**	**1.67%**	**117**	**112%**	**8**	**198**	**197%**

[1] PD bandwidths for the estimated probability of default (PD) excluding substitution effects as a result of credit risk mitigation techniques.
[2] Exposure at default (EAD), excluding transactions cleared with Eurex Clearing, of the central counterparty (CCP) used by pbb.
[3] Exposure-weighted average probability of default (PD), weighted with the exposure value in accordance with column (a).
[4] Exposure-weighted average loss given default (LGD), weighted with the exposure value in accordance with column (a).
[5] Risk-weighted assets (RWA), after support factors for SMEs and infrastructure in accordance with the articles 501 and 501a CRR.
[6] RWA density (%): calculated by dividing the RWA (column f) by the respective EAD (column a).
[7] The IRBA exposure category Bulk Business does not occur in the pbb Group; this is the reason why no further break-down of the exposure category is provided.

EU CCR5: Composition of collateral for CCR exposures

All figures in € million, unless otherwise stated		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated [1]	Unsegregated [2]	Segregated [1]	Unsegregated [2]	Segregated [1]	Unsegregated [2]	Segregated [1]	Unsegregated [2]
1	Cash – domestic currency	-	667	-	1,585	-	-	-	-
2	Cash – other currencies	-	19	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	39	-	-	800	-	-
9	**Total**	**0**	**686**	**39**	**1,585**	**0**	**800**	**0**	**0**

[1] Collateral which is held out-of-court and segregated in the event of insolvency in accordance with article 300 point 1 CRR.
[2] Collateral which is not held out-of-court and segregated in the event of insolvency in accordance with article 300 point 1 CRR.

As of 30 June 2021, the exposure at default (EAD) for the counterparty credit risk amounted to a total of € 498 million, and the risk-weighted assets (RWA) amounted to € 325 million. Of these figures, € 72 million (EAD) and € 1 million (RWA) respectively were attributable to receivables due from the central counterparty Eurex Clearing which are not shown in table CCR1, and instead are shown separately in table CCR8. Eurex Clearing is the central clearing house used by pbb. pbb is a direct clearing member.

The exposures for prefunded default fund contributions to the central counterparty amount to approx. € 8 million (EAD) and € 2 million (RWA).

Collateral is received mainly in the form of cash collateral and, in certain cases, securities. A collateral service agreement is also in place with the central Eurex Clearing counterparty. Collateral is mainly provided in the form of securities using a specific securities portfolio set up for this purpose for Eurex Clearing. Cash collateral can however also be provided.

The exposures at default (EAD) and the risk-weighted assets (RWA) for the CVA risk are shown in the following table EU CCR2 in accordance with article 439 letter h CRR. The EAD is shown as € 236 million, and the RWA is shown as € 243 million. The CVA charge is the additional own funds requirement for the risk of a credit valuation adjustment (CVA risk) in the case of OTC derivatives; i.e. for potential (unexpected) market value losses in connection with a deterioration in the creditworthiness of a counterparty.

EU CCR2: Transactions subject to own funds requirements for CVA risk

All figures in € million, unless otherwise stated		a	b
		Exposure value [2]	**RWA**
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	———	-
3	(ii) stressed VaR component (including the 3× multiplier)	———	-
4	Transactions subject to the Standardised method [1]	236	243
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**236**	**243**

[1] For determining the own funds requirements for a credit valuation adjustment risk (CVA risk) in the case of OTC derivatives, pbb uses the standard method in accordance with article 384 CRR. Transactions with Eurex Clearing, the central counterparty (CCP) used by pbb, are not included in the own funds requirement for the CVA risk.
[2] Exposure at default (EAD), relevant amount (contains the risk weighting of the counterparty) for calculating the risk-weighted assets (column b).

In accordance with article 382 CRR, no CVA charge is calculated for receivables due from the central counterparty Eurex Clearing.

Securitisations

As was the case at the end of the previous year, the pbb Group as of the disclosure date 30 June 2021 does not have any exposures in relation to securitisations in the portfolio. The tables in accordance with article 449 CRR in conjunction with EU SEC1 to EU SEC5 accordingly do not have to be disclosed for the pbb Group.

There are no plans for any new securitisations of own receivables for the financial year 2021. According to the pbb Group's business strategy, new securitisations are not a company objective.

Market risk

Own funds requirement for the market risk

Market risk is defined as the risk of a market value loss, or a negative change in net interest income for the period, due to volatility of the market prices of financial instruments.

In accordance with part 3, title IV of the CRR, market risks must be backed with own funds. The pbb Group still does not maintain a trading book for security and derivative portfolios with the aim of achieving short-term profits. Accordingly, the transactions of the pbb Group are exclusively subject to the own funds requirements for the foreign currency risk of the banking book (the risk due to changes in foreign exchange rates), as detailed in the following table EU MR1 in accordance with article 445 CRR. For calculating the own fund backing for market risks, the pbb Group applies the standardised approach in accordance with article 325 et seq. CRR.

The own funds backing for market risks amounted to € 6 million as of the reporting date (31 December 2020: € 8 million) and is thus in line with the level seen at the end of 2020.The slight decline is attributable to a reduction in the foreign currency exposures.

EU MR1: Market risk under the standardised approach

		a	a
All figures in € million, unless otherwise stated		**Risk-weighted assets (RWA)**	**Minimum capital requirement**
Outright products			
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	75	6
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus approach	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	75	6

The pbb Group currently does not use its own internal models (IMA) in accordance with article 363 CRR for calculating the own funds requirement. Accordingly, the tables in accordance with article 455 CRR in conjunction with EU MRB, EU MR2-A and EU MR2-B, EU MR3 and EU MR4 are not relevant for the pbb Group.

Interest rate risks in the investment book

Unlike the situation with default risks, other market risks (foreign currency risks) or operational risks, there is no provision in the CRR for regulatory own funds backing for the interest rate risk in the banking book. pbb ist subject to direct supervision by the ECB and fulfils the additional own funds requirements and capital requirements in accordance with the Supervisory Review and Evaluation Process (SREP) of the ECB.

Notwithstanding the fact that there is no provision for own funds backing, the methods and processes used by the pbb Group for the interest rate risk in the banking book are the same as those used for measuring market risk, as described in the Disclosure Report 2020 (chapter 6.1 “Market risk management”). As detailed there, pbb also considers the periodic interest rate risks in addition to the present-value interest rate risks, and measures, manages and monitors these risks on a regular basis.

The present-value interest rate risk in the banking book is determined by Risk Management & Control (RMC) on a daily basis, independently of trading. All rate-sensitive positions of the banking book are considered for this purpose. Compliance with the sensitivity triggers and the Value at Risk (VaR) limits is monitored and reported to the Management Board of pbb. In line with the regulatory requirements, the non-interest-bearing components of equity (liabilities side of the balance sheet) are not recognised (see EBA guidelines EBA/GL/2018/02 ”Guidelines on the management of interest rate risks in the banking book” and the BaFin Circular 06/2019 (BA) “Interest rate risks in the banking book”). However, the assets of these resources are included. In addition, assumptions are also made with regard to the retention time of impairments which have been created as well as the related fixed interest. There are also special assumptions regarding credit repayments ahead of schedule (these result in a reduction of approximately 1.0 years in the average weighted remaining term of the relevant loans) as well as for the fixed interest of money market accounts from retail business (resulting in an average fixed interest term of approx. 0.85 years for the affected money market accounts).

The periodic interest rate risk in the banking book reflects the risk relating to changes in the rate structure curves in relation to the bank’s results of operations. The measurement process considers the changes in the net interest income (delta static net interest income) according to IFRS 9 resulting from interest rate changes. Under the assumption of a constant balance sheet total, expiring transactions or redemptions are re-concluded with equivalent amounts. This process also uses the model books implemented in pbb for the pattern of early repayments and the development in the volume of retail business. The figures are calculated as of the half-year point and as of the end of the year with a simulation horizon over the following four quarters. The variances from the base figure NII (net interest income) are shown as delta % NII in the following table “Present-value interest rate risk and change in the net interest income in the banking book”.

In addition, the dynamic earnings model is used for managing the periodic interest rate risk (in accordance with EBA/GL/2018/02). Contrary to the static net interest income, a constant balance sheet total is not assumed in this case; instead, the new business data are taken from multiple-year planning and, in addition to the net interest income, the net commission income, the net realisation income, the net result of financial instruments to be measured through profit or loss as well as the changes in the cumulative other comprehensive income are calculated. The negative variances from the base figure are always monitored at the end of each quarter with a trigger for the change in the income statement and also in the cumulative other comprehensive income. In the reporting period 31 December 2020 to 30 June 2021, the triggers were complied with at all times in eight different interest stress scenarios of pbb (incl. the scenarios specified by the EBA).

The following two tables show the interest rate risk in the banking book for the pbb Group in accordance with article 448 (1) letter a and b CRR. The table EU IRRBB1 shows the increase or decline in the present values of the banking book items in the event of an interest rate shock. The present value changes are broken down according to currencies. The table EU IRRBB2 shows the change in net interest income and the present value of the banking book positions in the event of shifts in the rate structure curves within the six interest rate scenarios specified in accordance with the EBA guidelines EBA/GL/2018/02.

EU IRRBB1: Present-value interest rate risks in the banking book according to currencies

All figures in € million, unless otherwise stated		a	b	c	d
		Present value change 30.06.2021		Present value change 31.12.2020	
		Decline in interest - 200 Bp	Increase in interest + 200 Bp	Decline in interest - 200 Bp	Increase in interest + 200 Bp
1	EUR	103	-330	64	-316
2	USD	30	-12	29	-16
3	SEK	2	-	3	-1
4	CHF	-	-1	-	-
5	GBP	30	1	28	-6
6	JPY	-	-	-	-
7	Other 1)	-	-	-	-
8	**Total**	**165**	**-342**	**124**	**-340**
9	Total capital (TC)	3,693	3,693	3,798	3,798
10	**Present value change in % of total capital**	**4.5%**	**9.3%**	**3.3%**	**9.0%**

[1] Foreign currencies with immaterial changes in present value in a stress case (where relevant) are pooled under the heading “Other”.

EU IRRBB2: Present-value interest rate risks and change in net interest income in the banking book

All figures in € million, unless otherwise stated		a	b	c	d
		Delta EVE [1]) 30.06.2021	Delta EVE [1]) 31.12.2020	Delta NII [2]) 30.06.2021	Delta NII [2]) 31.12.2020
1	Parallel up	-342	-340	142	150
2	Parallel down	81	61	29	31
3	Steepener	-13	1	————	————
4	Flattener	-4	-1	————	————
5	Short rate up	-117	-125	————	————
6	Short rate down	88	61	————	————
7	**Maximum**	**-342**	**-340**	————	————
8	Tier 1 capital (T1)	3,074	3,152	————	————
9	**Present value change in % of tier 1 capital**	**11.1%**	**10.8%**	————	————

[1] ∆ EVE: parameter for changes in the present value of all interest-sensitive instruments in the banking book resulting from sudden interest rate movements, on the assumption that all positions in the banking book expire without replacement.
[2] ∆ NII: The change in NII is an earnings-based parameter, and measures the change in the net interest income in the following four quarters resulting from a sudden interest rate movement. The disclosed delta NII details relate to a parallel shift of +/- 200 basis points in the rate structure curves.

Overall, as of 30 June 2021, the pbb Group discloses (under the above assumptions in accordance with the guidelines EBA/GL/2018/02) the largest negative potential changes in present values from those interest shock scenarios which show parallel upward shifts in the rate structure curves. Accordingly, the maximum present value loss in the banking book amounts to € 343 million in the regulatory standard test, and is caused by the interest rate shock scenarios “Increase of + 200 basis points in interest rates”.

In the case of periodic interest rate risks, a sudden parallel increase in the rate structure curves would have a positive impact on the delta static NII. As of 30 June 2021, the change in delta static NII amounted to a total of € 142 million in the case of a parallel shift of + 200 basis points in the rate structure curves, and amounted to € 29 million in the case of a parallel shift of - 200 basis points (with a dynamic lower interest rate limit in accordance with EBA/GL/2018/02). The change in the delta is mainly due to the participation of pbb in the ECB series of Targeted Longer-Term Refinancing Operations (TLTRO III) and the associated special conditions as well as the increase in the cash reserve.

Liquidity and funding risk

Liquidity coverage ratio

The liquidity coverage requirement or liquidity coverage ratio (LCR) is defined as the liquidity buffer of an institution (i.e. holdings of high-quality liquid assets) divided by its net liquidity outflows during a stress phase of 30 calendar days, and is expressed as a percentage.

In accordance with article 412 CRR, the aim of the LCR is to oblige institutions to maintain a liquidity buffer in the form of highly liquid assets in order to be able to compensate for net outflows of cash over a period of 30 days in a stress scenario. The defined stress scenario comprises market-wide as well as institution-specific effects. In stress periods, institutions are permitted to use their liquid assets to cover their net liquidity outflows, even if such use of liquid assets would mean that the liquidity coverage ratio in such phases would fall below the minimum threshold of 100 %.

For regulatory purposes, compliance with a minimum value of 100 % for the liquidity coverage ratio is mandatory. As was the case in the first half of 2021, the figures determined for the pbb Group were at all times considerably higher than 100 %. The liquidity coverage ratio was 338 % as of 30 June 2021 (31 December 2021: 279 %).

The following table EU LIQ1 in accordance with article 451a (2) CRR shows the information regarding the LCR for the pbb Group. The information comprises the values and figures for each of the four calendar quarters preceding the disclosure reference date 30 June 2021. These values and figures are calculated as simple averages of the month-end collated figures over the twelve months preceding the end of each quarter.

The pbb Group uses a wide range of refinancing sources, including deposits of private and institutional customers, issues on the capital markets as well as the raising of secured and unsecured funds via wholesale refinancing arrangements, whereby the main emphasis is on issues of Pfandbriefe.

As of the disclosure reference date 30 June 2021, the liquidity reserves amounted to € 5,728 million (average), consisting of highly liquid level 1 assets. The liquidity buffer consists mainly of liquid cash funds (approx. 90 %) as well as HQLA level 1 bonds. Level 1 assets comprise deductible deposits with the Deutsche Bundesbank, bonds issued by central governments, regional or local authorities, public bodies, multilateral development banks or international organisations as well as credit institutions with government backing.

In the first half of 2021, cash flows of derivative positions on average accounted for only a minor percentage of the overall net cash flows. The pbb Group uses a historical look-back approach (HLBA) as the method for calculating the potential backing requirements for derivatives, i.e. backing requirements observed in the past are analysed and used for deriving a conservative assumption for potential future backing requirements. On average, this assumption was € 491 million. Possible rating changes are not expected to have any significant impact on the provision of collateral.

The liquidity outflows are broken down as follows (in order of size):

- Committed mortgage loans and other loans which have not yet been drawn
- Due refinancing funds
- Potential collateral demands.

The sensitivity of the currency cash flows does not have any major impact on the liquidity position of the pbb Group. In line with the definition of the Basel Committee on Banking Supervision (BCBS), the currency positions of the pbb Group are not considered to be significant.

The table EU LIQ1 contains all positions relevant for the LCR calculation. pbb is the only credit institution of the pbb Group. Liquidity management is carried out exclusively by pbb.

EU LIQ1: Quantitative information of LCR

		a	b	c	d	e	f	g	h
All figures in € million, unless otherwise stated			Total unweighted value (average) [1]				Total weighted value (average) [1]		
EU 1a	**Quarter ending on:**	**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2021**	**30.06.2021**	**31.03.2021**	**31.12.2020**	**30.09.2021**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)	—	—	—	—	5,728	5,417	5,292	4,924
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	716	694	706	722	149	144	145	147
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	709	688	701	718	142	138	140	144
5	Unsecured wholesale funding	670	611	626	576	460	415	436	373
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	448	417	395	414	238	221	205	211
8	Unsecured debt	222	193	231	162	222	193	231	162
9	Secured wholesale funding	—	—	—	—				
10	Additional requirements	454	453	446	451	454	453	446	451
11	Outflows related to derivative exposures and other collateral requirements	454	453	446	451	454	453	446	451
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	51	46	67	61	34	30	51	45
15	Other contingent funding obligations	3,733	3,826	3,915	4,113	1,114	1,101	1,091	1,160
16	**Total cash outflows**	—	—	—	—	**2,211**	**2,142**	**2,171**	**2,177**
Cash – inflows									
17	Secured lending (e.g. reverse repos)	67	42	42	42				
18	Inflows from fully performing exposures	562	514	505	359	328	305	310	234
19	Other cash inflows	184	191	200	190	184	191	200	190
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—	-	-	-	-
20	**Total cash inflows**	813	747	748	591	**512**	**496**	**510**	**424**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	813	747	748	591	512	496	510	424
Total adjusted value									
EU-21	**Liquidity buffer**	—	—	—	—	**5,728**	**5,417**	**5,292**	**4,924**
22	**Total net cash outflows**	—	—	—	—	**1,699**	**1,646**	**1,660**	**1,753**
23	**Liquidity coverage ratio**	—	—	—	—	**347%**	**338%**	**325%**	**297%**

[1] The values and figures are calculated for each of the four calendar quarters preceding the disclosure reference date, as simple averages of the month-end figures collated over the twelve months preceding the end of each quarter.

Net stable funding ratio

The net stable funding ratio (NSFR) is calculated as the ratio between available stable funding (ASF) and required stable funding (RSF); it is expressed as a percentage.

By way of contrast with the liquidity coverage ratio (LCR), which is designed to guarantee a liquidity buffer in a stress case over a period of 30 days, the net stable funding ratio (NSFR) is intended to assure medium- and long-term structural, stable liquidity. The aim of the NSFR is to guarantee a viable maturity structure of assets and liabilities. Determining factors are real estate and public infrastructure finance on the one hand and the corresponding refinancing on the other. The pbb Group does not treat any assets and liabilities as interdependent.

For regulatory purposes, compliance with a minimum value of 100 % for the net stable funding ratio has been mandatory since 28 June 2021. As of 30 June 2021, the NSFR calculated for the pbb Group was 119 %, and was above the required minimum ratio.

The following table EU LIQ2 in accordance with article 451a (3) CRR shows the quarterly end figures of the NSFR for the pbb Group. The NSFR is disclosed for the first time as of 30 June 2021; this is the reason why the table for the previous quarter (as of 31 March 2021) is not included.

EU LIQ2: Net stable funding ratio

		a	b	c	d	e
		Unweighted value by residual maturity				**Weighted value**
All figures in € million, unless otherwise stated		**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
Available stable funding (ASF) Items						
1	Capital items and instruments	3,074	-	-	618	3,693
2	Own funds	3,074	-	-	618	3,693
3	Other capital instruments	—	-	-	-	-
4	Retail deposits	—	1,198	682	1,426	3,118
5	Stable deposits	—	-	-	-	-
6	Less stable deposits	—	1,198	682	1,426	3,118
7	Wholesale funding:	—	4,017	3,641	40,687	43,096
8	Operational deposits	—	-	-	-	-
9	Other wholesale funding	—	4,017	3,641	40,687	43,096
10	Interdependent liabilities	—	-	-	-	-
11	Other liabilities:	-	36	-	56	56
12	NSFR derivative liabilities	-	—	—	—	—
13	All other liabilities and capital instruments not included in the above categories	—	36	-	56	56
14	**Total available stable funding (ASF)**	—	—	—	—	**49,963**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**	—	—	—	—	**6,525**
EU-15a	**Assets encumbered for more than 12m in cover pool**	—	**-**	**-**	**26,676**	**22,674**
16	**Deposits held at other financial institutions for operational purposes**	—	**-**	**-**	**-**	**-**
17	Performing loans and securities:	—	2,788	3,186	10,712	12,184
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	—	200	600	-	300
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	—	107	44	311	344
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:	—	2,129	1,635	7,508	9,256
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	90	79	172	1,026
22	Performing residential mortgages, of which:	—	301	140	1,171	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	—	237	99	1,018	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	—	52	767	1,722	2,284
25	**Interdependent assets**	—	**-**	**-**	**-**	**-**
26	**Other assets:**	**-**	**1,978**	**-**	**220**	**694**
27	Physical traded commodities	—	—	—	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	—	-	-	-	-
29	NSFR derivative assets	—	-	70	-	70
30	NSFR derivative liabilities before deduction of variation margin posted	—	-	1,583	-	79
31	All other assets not included in the above categories	—	325	-	220	545
32	**Off-balance sheet items**	—	**-**	**-**	**-**	**-**
33	**Total RSF**	—	—	—	—	**42,078**
34	**Net Stable Funding Ratio (%)**	—	—	—	—	**119%**

Sustainability risks

The sustainability risk (environmental, social and governance, ESG risk) is generally defined as the risk of negative effects resulting from climate change as well as the violation or inadequate recognition of environmental, social and governance aspects in the exercising of the business activity of the bank.

The ESG risk comprises the following components:

- Environmental risk, defined as the risk of losses and negative effects arising from inadequate environmental protection and climate change as well as the measures for avoiding or adapting to climate change or improving environmental protection. A distinction is made between physical and transitional risk. Climate change is generally understood to mean the change to the climate on earth caused by humans. The consequences of climate change include an increase in annual average temperature, as well as an increase in climate variability and extreme weather events.

- Social risk, defined as the risk of negative effects resulting from the inadequate recognition of social aspects (including diversity, job security, health protection) as well as inadequate social commitment.

- Governance risk, defined as the risk of negative effects resulting from inadequate recognition of sustainability aspects in governance as well as inadequate management and control processes (compliance).

The ESG risk is overall classified as material in the pbb Group. ESG risks are recognised within the framework of existing risk types, such as the operational risk, the business and strategic risk as well as the credit risk and market risk.

In general, there are also potential opportunities for pbb in the context of ESG risks. A key element for the finance industry in the context of the Paris Climate Agreement of 2015 is the need to contain climate change and to adapt to the consequences. Sustainability in the finance system – sustainable finance – by way of involving environmental, social and governance aspects in the decision-making process of financial players is intended to make a significant contribution in this respect. Sustainable lending plays a key role in this context at pbb. All things being equal, there will be additional earnings opportunities from financing projects with a lower carbon footprint and improved ESG profile.

Green bond and green loan framework

In order to be in a better position to take account of the sustainability aspects for lending purposes, pbb has since May 2020 been systematically collating various sustainability criteria of the financed properties. Examples of these criteria are the energy consumption "Green Building" certifications as well as other criteria. These are also to be included in the IT systems going forward. In this way, pbb will increasingly gain an overview of the sustainability of its credit portfolio and the associated risks.

On this basis, the pbb Group has drawn up a green bond framework, and is able to refinance its operations via green bonds. In January 2021, pbb successfully placed its first green bond on the market. With the issue of green bonds, the pbb Group provides investors with the possibility of targeted investment in sustainable capital market products.

In addition, for the purpose of extending green loans in future, the the pbb Group has developed a green loan framework in line with EU taxonomy; the requirements of this green loan framework go even further than the requirements of the green bond framework. The market launch is planned for the fourth quarter of 2021.

Carbon footprint

In recent years, pbb has been consistently extending its carbon footprint reporting, and has started initiatives with the aim of further reducing and extending reporting. A major element in this respect is the carbon footprint in connection with lending.

Information regarding Covid-19 measures

In accordance with the guidelines EBA/GL/2020/07 “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis”, the following chapter contains the disclosure information regarding measures of the pbb Group applied in response to the COVID-19 crisis.

In the first half of 2021, the COVID-19 pandemic continued to have a considerable impact on social and economic life in many countries. Incidence figures have been reduced in many countries particularly as a result of non-pharmaceutical measures such as lockdowns. However, as a result of virus variants and declining willingness among the population to be vaccinated, there have been reversals in several countries, and there continues to be a considerable degree of uncertainty regarding further developments. This mixed picture is also reflected in the economic development. In some sectors, there is already a considerable recovery, whereas other sectors are still having to cope with considerable levels of hesitation. For instance, the development in the service sector has been negatively affected by moderate consumer spending.

In order to mitigate the impact of the COVID-19 pandemic, various decisions were adopted in Germany and in other countries in different forms, including legally stipulated deferrals of certain due loan instalments in the event of a customer having to contend with an emergency situation due to the impact of the crisis. In Germany, the corresponding regulations related exclusively to loan contracts with consumers and micro-enterprises, and were accordingly not relevant for the pbb Group. Similar criteria are applicable for moratoria of other countries to the extent that they related solely to consumer business and also for private moratoria initiated by the bank associations which pbb has not joined.

Instead, with regard to existing business, pbb has actively been working together with individual customers in order to identify viable solutions. With the agreement of the customers, the contractual payment streams of a small number of financing arrangements have been adjusted. In general, contractual agreements regarding the calculation of financial parameters have been suspended or alleviated for a certain period, or current repayments have been deferred with the adjustments to the contractual payment streams.

In accordance with the guidelines EBA/GL/2020/07 of the European Banking Authority, the following table EU COVID-19/Template 3 shows the new financing arrangements extended to customers who are secured by public guarantees and which have been carried out by the pbb Group in response to the COVID-19 crisis.

As described above, the pbb Group does not apply general payment moratoria in accordance with note 10 of the guidelines EBA/GL/2020/02 in conjunction with EBA/GL/2020/02, EBA/GL/2020/08 and EBA/GL/2020/15; this is applicable for legislative as well as non-legislative moratoria. Accordingly, the further tables of the guidelines EBA/GL/2020/07 “Information on exposures subject to legislative and non-legislative moratoria” and “Break-down of exposures subject to legislative and non-legislative moratoria, according to remaining terms of the moratoria” are not relevant for the pbb Group.

EU COVID-19 / Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

	All figures in € million, unless otherwise stated	Gross carrying amount [1)		Maximum amount of the guarantee that can be considered [2)	Gross carrying amount [1)
			thereof: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	1.5	-	1.3	-
2	thereof: Households	-	————	————	-
3	thereof: Collateralised by residential immovable property	-	————	————	-
4	thereof: Non-financial corporations	1.5	-	1.3	-
5	thereof: Small and Medium-sized Enterprises	0.6	————	————	-
6	thereof: Collateralised by commercial immovable property	1.5	————	————	-

[1) Gross carrying amount before deduction of impairments of financial assets and provisions in lending business, but after write-offs.
[2) The disclosed amount of the state guarantee is limited to the gross carrying amount of the loan receivable. Other collateral or warranties/guarantees are not taken into consideration.

The number and extent of financing increases to customers - guaranteed by the Kreditanstalt für Wiederaufbau (KfW) or other development banks - were also very low; as of 30 June 2021, the volume amounted to € 1.5 million. These are finance arrangements extended by pbb which are guaranteed by the KfW. The complete or partial liability exemption provided by the KfW enables pbb, among other measures, to waive the requirement for backing with own resources.

The current developments are regularly discussed in the Management Board and the Supervisory Board. In addition, a task force for clarifying questions in connection with the COVID-19 pandemic and for strengthening processing capacity has been initiated on a group-wide basis. For the target markets of pbb, this task force is particularly responsible for the observation and analysis of current market developments, monitoring of certain market segments which are particularly affected by the impact of the COVID-19 pandemic, as well as the analysis and assessment of state protection and support measures in relation to their relevance for our borrowers. In the pbb Group, the current development continues to be closely monitored at the level of individual exposures, specifically in relation to the cash flow and collateral values.

Outlook

Pillar 3 framework

The Implementing Regulation (EU) 2021/637 (the Pillar 3 framework), with which EU-wide uniform disclosure formats developed by the EBA in accordance with article 434a CRR for compliance with the disclosure obligations in accordance with part 8 of the CRR, has been applicable since 28 June 2021. The aim of the specified regulations is to provide a coherent and complete framework for Pillar 3 disclosure.

Further disclosure requirements which are not yet governed within the Pillar 3 framework will be successively included in the comprehensive regulatory Pillar 3 framework. These include the following:

- The disclosure of own funds and eligible liabilities (MREL/TLAC) in accordance with article 437a CRR (generally applicable starting 1 January 2024)
- The disclosure of the rate risks of exposures not held in the trading book in accordance with article 448 CRR (the consultation of the EBA standard of 28 May 2021 ends on 30 August 2021)
- The disclosure of the environmental, social and governance risks (ESG risks) in accordance with article 449a CRR (generally applicable starting 28 June 2022).

The temporary disclosure obligations in response to the COVID-19 crisis (please refer to chapter "Information concerning COVID-19 measures"), as far as can be seen at present, have to be disclosed up to and including the reference date 31 December 2021.

Frequency of disclosure

In accordance with article 433a CRR, the pbb Group discloses the information specified in part 8 of the CRR on a quarterly basis, namely as of the disclosure dates 31 March, 30 June, 30 September and 31 December of each financial year.

Basel disclosure requirements, phase 3

On 11 December 2018, the Basel Committee on Banking Supervision (BCBS) published the final version of its standard Pillar 3 disclosure requirements – updated framework" (BCBS 455). The standard, which comprises the so-called phase 3 of the updating of the disclosure requirements by the BCBS, focuses mainly on the finalising of the Basel III framework (Basel IV). In view of the challenges in connection with the COVID-19 crisis, the BCBS decided in March 2020 to extend the time scale for implementing the Basel III finalising package by one year to 1 January 2023. Accordingly, the transitional deadlines for the output floor are to be applicable until 1 January 2028 (instead of previously 1 January 2027). The new implementation date for the market risk framework and the Pillar 3 disclosure requirements is to be 1 January 2023 in each case. On the occasion of the G20 Summit in November 2020, the Basel Committee confirmed that it intended to stick to this COVID-19-induced amended schedule. Accordingly, the BCBS members expect to see complete implementation of the Basel III (IV) standards by 1 January 2023.

At present, it is not yet possible to make a reliable estimate for a transportation of the BCBS requirements into European law, probably within the framework of a CRR III and amendment of the Pillar 3 framework applicable starting 28 June 2021.

List of tables

Confirmation of the Management Board

In accordance with article 431 (3) sentence 1 to 3 CRR

The Management Board of pbb confirms that, to the best of its knowledge, this Disclosure Report has been prepared in accordance with and in compliance with the formal procedures and regulations implemented in the pbb Group for complying with the disclosure obligations in accordance with part 8 of the CRR.

Munich, 21 September 2021

Deutsche Pfandbriefbank AG

The Management Board

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