Disclosure Report

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

as of 31 March 2022

Deutsche Pfandbriefbank Group

DEUTSCHE PFANDBRIEFBANK

Overview

Deutsche Pfandbriefbank Group („pbb Group“)

EU KM1: Key metrics

All figures in € million, unless otherwise stated		a 31.03.2022	b 31.12.2021	c 30.09.2021	d 30.06.2021	e 31.12.2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,824	2,875	2,703	2,777	2,854
2	Tier 1 capital	3,122	3,173	3,001	3,074	3,152
3	Total capital	3,701	3,766	3,594	3,693	3,798
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	16,726	16,792	18,116	17,992	17,744
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.9	17.1	14.9	15.4	16.1
6	Tier 1 ratio (%)	18.7	18.9	16.6	17.1	17.8
7	Total capital ratio (%)	22.1	22.4	19.8	20.5	21.4
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	2.5	2.5	2.5
EU 7b	thereof: to be made up of CET1 capital (percentage points)	1.4	1.4	1.4	1.4	1.4
EU 7c	thereof: to be made up of Tier 1 capital (percentage points)	1.9	1.9	1.9	1.9	1.9
EU 7d	Total SREP own funds requirements (%)	10.5	10.5	10.5	10.5	10.5
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50	2.50	2.50	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	0.02	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	2.52	2.52	2.52
EU 11a	Overall capital requirements (%)	13.02	13.02	13.02	13.02	13.02
12	CET1 available after meeting the total SREP own funds requirements (%)	10.8	10.4	8.7	9.2	9.9
	Leverage ratio [1)]					
13	Total exposure measure	51,542	52,549	52,758	52,386	52,335
14	Leverage ratio (%)	6.0	6.0	5.7	5.9	6.0
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	thereof: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.1	3.1	3.1	3.1	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.1	3.1	3.1	3.1	-
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	5,961	5,808	5,778	5,728	5,292
EU 16a	Cash outflows - Total weighted value	2,693	2,346	2,269	2,211	2,171
EU 16b	Cash inflows - Total weighted value	323	370	414	512	510
16	Total net cash outflows (adjusted value)	2,368	1,978	1,855	1,699	1,660
17	Liquidity coverage ratio (%)	270	308	321	347	325
	Net Stable Funding Ratio [2)]					
18	Total available stable funding	48,602	49,781	49,121	49,963	-
19	Total required stable funding	40,986	42,030	42,284	42,078	-
20	NSFR ratio (%)	119	118	116	119	-

[1] CRR II revised the regulations on the leverage ratio, which is why the leverage ratios reported since 30 June 2021 and the leverage ratio as at 31 December 2020 are comparable only to a limited extent.

[2] As the Net Stable Funding Ratio (NSFR) was disclosed for the first time as at 30 June 2021, no values are shown for the 31 December 2020 disclosure date.

Note:

The monetary values shown in this Disclosure Report are stated in millions of euros, in accordance with Article 19 no. 4 of Implementing Regulation (EU) 2021/637. The figures have been rounded in line with standard commercial practice. Rounding means that the totals shown in the tables may differ slightly from the totals calculated by adding up the individual values shown. Individual values of less than € 500,000 are not shown due to commercial rounding; these are shown as zero or as zero balances indicated by a hyphen. The principle of materiality pursuant to Article 432 (1) of the CRR is observed when disclosing information.

With regard to the CRR and CRR II/CRD IV and CRD V regulations (hereinafter referred to uniformly as “CRR” and “CRD” respectively if and to the extent that no statements are made on the CRR II and CRD V provisions that have been applicable for the first time since 28 June 2021; such statements shall then make explicit reference to “CRR II” and “CRD V”), uncertainty remains as to how some of the regulations are to be interpreted, and the final versions of some of the related mandatory regulatory technical standards are still unavailable. As a result, we will adjust our assumptions and models on an ongoing basis as our understanding and interpretation of the rules, and those of the sector as a whole, evolve. With this in mind, our current CRR/CRD metrics may not be comparable to our previous expectations. Our CRR/CRD metrics may also not be comparable to metrics reported by our competitors with similar designations, as their assumptions and estimates may differ from our own.

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Introduction

Deutsche Pfandbriefbank ("pbb")

Deutsche Pfandbriefbank Group ("pbb Group") consists primarily of the parent entity Deutsche Pfandbriefbank AG ("pbb"). pbb, which has its registered office in Munich/Garching, is a specialist lender for commercial real estate finance and public investment finance in Europe and the United States of America, focusing on business eligible for inclusion in Pfandbrief cover. It issues Mortgage Pfandbriefe, collateralised by real property liens, as well as Public Sector Pfandbriefe, collateralised by claims against the public sector. Measured by outstanding volume, pbb is one of the largest issuers of Pfandbriefe, which also makes it an important player in the European covered bond markets. In its core markets, pbb maintains a strong local presence for its clients, covering all functions of the financing process. Thanks to its loan structuring expertise, its cross-border business approach, and cooperation with other financing partners, pbb is in a position to provide complex financings as well as cross-border transactions.

pbb is listed in the Prime Standard segment of the Regulated Market at the Frankfurt Stock Exchange. Its shares are included in the SDAX® index.

pbb is classified as a significant supervised institution in a euro area member state under the Single Supervisory Mechanism (SSM), meaning that it is subject to direct supervision by the European Central Bank (ECB). pbb is not, however, classed as a Global Systemically Important Institution (G-SII).

Objective of the Disclosure Report

As the parent company of the regulatory group of institutions, pbb (LEI code: DZZ47B9A52ZJ6LT6VV95) is using this Disclosure Report to implement the disclosure requirements pursuant to Part 8 of the Capital Requirements Regulation, Regulation (EU) 2019/876 (CRR II) amending Regulation (EU) No 575/2013 (CRR I), for pbb and its subordinated affiliated companies (pbb Group) as at 31 March 2022.

Provisions on the disclosure requirements are set out in Articles 431 to 455 of the CRR; additional requirements can be found in section 26a (1) sentence 1 of the German Banking Act (Kreditwesengesetz, KWG). To comply with these disclosure requirements, pbb applies the uniform disclosure formats of the European Banking Authority (EBA) in accordance with Implementing Regulation (EU) 2021/637 (Pillar 3 framework). The reporting currency is the euro. The relevant disclosure period is from 1 January 2022 to 31 March 2022. pbb is classed as a large institution pursuant to Article 4 (1) no. 146 of the CRR, meaning that it implements the frequency requirements pursuant to Article 433a of the CRR.

In accordance with Article 433a (1) (c) of the CRR, this Disclosure Report includes information on:

- Key metrics
- Own funds requirements and risk-weighted exposure amounts (RWA)
- Liquidity Coverage Ratio (LCR).

Institutions may, in accordance with Article 432 of the CRR, omit one or more items of information referred to in Part 8 Titles II and III of the CRR where the information provided by those disclosures is not regarded as material or those items include information that is regarded as proprietary or confidential. pbb has not made use of this option.

The tables EU MR2-B "RWA flow statements of market risk under the internal model approach (IMA)" and EU CCR7 "RWA flow statements of CCR exposures under the IMM" are not relevant for pbb Group. pbb Group does not currently use any bank-internal models (IMA) to calculate the own funds requirement for market risks, nor does it employ an internal model method (IMM) for counterparty credit risk.

Formal procedures and regulations to comply with disclosure requirements

To comply with Pillar 3 disclosure requirements, pbb Group has adopted and implemented formal procedures and regulations and documented them in a Disclosure Policy. For further information on this topic, please refer to the Disclosure Report as at 31 December 2021 (chapter “Introduction”, page 6).

The Disclosure Report is approved by the entire Management Board of pbb. An attestation issued by the Management Board pursuant to Article 431 (3) of the CRR can be found at the end of this Disclosure Report.

Means of disclosure

In accordance with Article 434 of the CRR, the Disclosure Report is published as a standalone report on pbb’s website (www.pfandbriefbank.com) under Investors / Mandatory Publications / Disclosure Report in accordance with Part 8 of the CRR. pbb informs the European Central Bank (ECB), Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin) of the date and medium of publication.

Scope of application

In accordance with Article 13 (1) of the CRR, the Disclosure Report includes disclosure on the basis of the consolidated situation for pbb Group. Additional disclosure at individual institution level or on a sub-consolidated basis in accordance with Articles 6 and 13 of the CRR is not required for pbb as the ultimate parent institution of the regulatory group of institutions. pbb is itself an EU parent institution pursuant to Article 4 (1) no. 29 of the CRR.

The basis is the scope of prudential consolidation pursuant to Articles 18 to 24 of the CRR. There are no differences between the scope of prudential consolidation and the accounting scope of consolidation for pbb’s consolidated financial statements (IFRS) as at the disclosure date. Disclosure on the basis of the consolidated situation requires that business relationships within pbb Group are offset and that intra-group transactions are eliminated. The regulatory values and ratios are calculated on the basis of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS).

Waiver pursuant to the CRR

In the first quarter of 2022, as in the previous year, pbb made use of the relief provided by the waiver pursuant to Article 7 (3) of the CRR. For further information on this topic, please refer to the Disclosure Report as at 31 December 2021 (chapter “Introduction”, page 7).

Own funds requirements and RWA

Own funds requirements and RWA

This chapter shows the material changes of the key metrics (EU KM1) pursuant to Article 447 of the CRR and information on own funds requirements and risk-weighted exposure amounts (risk-weighted assets, RWA) for pbb Group in accordance with Article 438 (d) to (g) of the CRR. As the parent company of the group of institutions within the meaning of section 10a of the KWG in conjunction with Articles 11 et seqq. of the CRR, pbb is responsible for complying with the own funds requirements on a combined basis (regulatory scope of consolidation).

Key metrics

Table EU KM1 pursuant to Article 447 (a) to (g) and Article 438 (b) of the CRR provides market participants with a general overview of the material key metrics for pbb Group. Specifically, this refers to available own funds, risk-weighted exposure amounts, capital ratios and capital buffers, capital requirements of the ECB's Supervisory Review and Evaluation Process (SREP) which extend beyond the existing regulatory requirements, as well as leverage and liquidity indicators.

For more detailed information regarding own funds requirements and risk-weighted exposure amounts (RWA) for the risk types default risk (credit risk, counterparty credit risk), market risk, operational risk, settlement risk and CVA risk, please refer to the sub-sequent sections on "Methods for determining the own funds requirement" and "Own funds requirements and RWA".

Available own funds

pbb Group's regulatory own funds decisive for meeting the own funds requirements and, as a result, for capital backing, amounted to a total of € 3,701 million (€ -65 million compared to 31 December 2021). This sum is comprised of € 2,824 million Common Equity Tier 1 capital (CET1, € -51 million), € 298 million Additional Tier 1 (AT1) capital and € 579 million Tier 2 capital (T2, € -14 million). Regulatory own funds are calculated in line with the regulatory provisions of the CRR, without accounting for consolidated profit generated between 1 January and 31 March 2022 (net income after taxes).

The decline in own funds compared to the end of the 2021 financial year is mainly a result of lower accumulated other comprehensive income (cf. pbb Group's Quarterly Information as at 31 March 2022, "Equity" note) and higher CET1 capital deductions. Accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income declined by € 22 million, due to effects induced by interest rate and credit developments. The increased CET1 capital deductions mainly relate to the value adjustment deficit from impairments and provisions in the lending business compared to the expected loss (no deduction item was recognised as at 31 December 2021 due to a value adjustment excess). pbb Group's net income from risk provisioning increased predominantly due to the model structure, as a result of changed economic forecasts in the wake of the ongoing war in Ukraine.

Impairment measurements include forecasts for future economic developments. In line with current publications by, for example, the European Central Bank (ECB), pbb Group is now anticipating significantly lower economic growth for 2022 and 2023 than it did at the beginning of 2022. This is mainly a result of the macroeconomic consequences of the war between Russia and Ukraine, such as supply chain shortages and higher inflation, leading to an increase in stage 1 and stage 2 impairments due to the structure of the model. This increase takes into account effects from the comparison of forecasts relevant for the measurement of impairments, especially the change in unemployment rates for 2022 and 2023.

Management overlay – recognised in 2021 with the aim of considering delayed defaults and bankruptcies following government support measures – was generally maintained in the first quarter of 2022. However, the aggregate overlay of € 54 million as at 31 December 2021 was reduced to € 44 million as at 31 March 2022, since the COVID-19-related infection waves in winter 2021/2022 triggered a less extensive, yet still palpable, economic impact than previous waves had done.

Factors influencing the slight decline in Tier 2 capital included repayments of subordinated liabilities that fell due and decreases in the recognition of subordinated bonds (T2 capital) due to daily amortisation in accordance with Article 64 of the CRR.

Capital ratios

According to the regulations set out in the CRR/CRD, the Common Equity Tier 1 (CET1) ratio (CET1 divided by RWA) must not fall below 4.5 % in 2022, the Tier 1 (T1) capital ratio (Tier 1 divided by RWA) must not fall below 6.0 %, and the own funds ratio (own funds divided by RWA) must not fall below 8.0 %. pbb Group complied with the provisions at all times during the first quarter of 2022.

The regulatory capital ratios as at 31 March 2022 were: a Common Equity Tier 1 ratio of 16.9 % (-0.2 percentage points compared to 31 December 2021), a Tier 1 capital ratio of 18.7 % (-0.2 percentage points), and an own funds ratio of 22.1 % (-0.3 percentage points). The slight reduction of risk-weighted exposure amounts (€ -66 million) was more than offset by the decline in regulatory own funds.

Leverage ratio

As an indicator that is not risk-based, the leverage ratio complements the risk-based perspective of the own funds requirements and capital ratios; in accordance with Article 429 (2) of the CRR, the leverage ratio is calculated as an institution’s capital measure (the Tier 1 capital) divided by that institution’s total exposure measure. Since 28 June 2021, institutions have been required to maintain a leverage ratio of at least 3 % at all times in accordance with Article 92 (1) of the CRR. pbb Group met this requirement at all times during the first quarter of 2022.

pbb Group’s leverage ratio as at 31 March 2022 remained unchanged at 6.0 % and was thus not only well above the minimum requirement but also above the adjusted overall leverage ratio requirement (EU KM1, line 14e). Within this context, pbb Group applied the temporary relief (which applies for a fixed term until 31 March 2022) under Article 429a (1) (n) of the CRR for the last time, which allowed institutions to exclude exposures to Eurosystem central banks from the leverage ratio calculation subject to certain conditions. The exposures vis-à-vis central banks total € 5,818 million, of which € 4,682 million is subject to this temporary exclusion. The remaining exposures of € 1,136 million must be applied to adjust the leverage ratio requirement pursuant to Article 429a (7) of the CRR for the duration of the exclusion. This adjusted overall leverage ratio requirement therefore amounts to 3.1 %.

From 1 April 2022 onwards, exposures vis-à-vis Eurosystem central banks are to be included in the leverage ratio again.

Liquidity Coverage Ratio

The liquidity coverage requirement or Liquidity Coverage Ratio (LCR) is the ratio of an institution's liquidity buffer (i.e. the sum of high-quality liquid assets) to its net cash outflows during a phase of stress lasting 30 calendar days. Regulatory provisions require a minimum LCR of 100 %. The LCR figures for pbb Group during the first quarter of 2022 significantly exceeded 100 % at all times.

The average LCR (average of the last twelve end-of-month values) as at 31 March 2022 amounted to 270 %. As at the disclosure date, the LCR was 229 % (+2 percentage points compared to 31 December 2021). For further information on the LCR, please refer to the chapter “Liquidity Coverage Ratio”.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR), which serves to secure medium- and long-term structural stable liquidity, is calculated from the ratio of available stable funding (ASF) to required stable funding (RSF). With effect from 28 June 2021, regulatory provisions require a minimum NSFR of 100 %.

The NSFR determined for pbb Group amounted to 119 % as at 31 March 2022 and was thus broadly in line with the year-end 2021 level (+1 percentage point) and above the minimum regulatory level. Determining factors are real estate and public infrastructure financing on the one hand and corresponding funding activities on the other. No assets or liabilities are treated as being interdependent by pbb Group.

Sustainability

pbb remains strongly committed to sustainability – as demonstrated by the increasing volume of green loans (> € 800 million as at the end of March 2022) which the Bank has been issuing since the fourth quarter of 2021. pbb was also active on the green bond market, with a € 750 million issue, topped up with € 200 million in April 2022. With three green benchmark bonds placed since the beginning of 2021 and around € 2 billion in outstanding volume, pbb is among the most active issuers in this segment.

Impact of the Ukraine war

pbb is currently seeing no direct impact from the Ukraine war on its business. Since Ukraine and Russia are not among pbb Group’s target markets, the Bank has no direct exposure to these countries; the implications for the loan book and operating business are low and manageable, from today’s perspective.

pbb Group has three Russia-related public investment financings with a gross carrying amount totalling € 59 million in its portfolio, of which two financings are fully guaranteed and one financing is guaranteed to a very large extent by Euler-Hermes, the Federal Republic of Germany’s export credit agency. The uncovered part amounted to just under € 3 million, of which more than € 2 million was impaired at stage 3 level in the first quarter of 2022. pbb Group has no direct exposure to borrowers domiciled in Russia, Belarus or Ukraine, nor has it financed any properties in these countries. Moreover, pbb has not extended any financings to per-sons included on the European Union’s sanctions list as at the reporting date.

Methods for determining the own funds requirement

pbb Group applies the provisions set out in the CRR, meaning that it is subject to the disclosure requirements of Part 8 of the CRR. The CRR/CRD regulations form the basis for the minimum amount of own funds, as well as the calculation of own funds requirements. In order to comply with the own funds requirements, default risk (credit risk, counterparty credit risk, including CVA risk), market risk, operational risk and settlement risk must be backed with capital. The regulatory ratios are calculated based on the IFRS accounting standards.

Credit risk (excluding counterparty credit risk)

When calculating the own funds requirements for credit risk, pbb Group uses the advanced IRB approach based on internal ratings in accordance with Articles 142 et seqq. of the CRR, as well as the standardised approach in accordance with Articles 111 et seqq. of the CRR.

As far as its participating interests are concerned, it applies the simple IRBA risk weight for equity exposures in accordance with Article 155 (2) of the CRR. By contrast, pbb Group does not apply the simple IRBA risk weight for specialised lending pursuant to Article 153 (5) of the CRR.

As at the end of 2021, pbb Group did not have any exposures from securitisation in its portfolio as at the disclosure date. There are currently no plans for any new securitisation of pbb's own receivables. Nor does pbb Group's business strategy currently define new securitisation transactions as a corporate objective.

Counterparty credit risk

pbb Group applies the standardised approach (SA-CCR) to the calculation of own funds requirements for counterparty credit risk pursuant to Part 3, Title II, Chapter 6 of the CRR (i.e. for derivative transactions) in accordance with Articles 274 et seqq. of the CRR.

pbb Group uses the standardised approach pursuant to Article 384 of the CRR to calculate the additional own funds requirement for OTC derivatives for credit valuation adjustment risk (CVA risk) according to Part 3, Title VI of the CRR.

As far as securities financing transactions (securities lending/repo transactions) are concerned, pbb Group applies the provisions for credit risk mitigation in accordance with Chapter 4 of the CRR, namely the Financial Collateral Comprehensive Method in accordance with Articles 223 et seqq. of the CRR.

When it comes to calculating the own funds requirements for contributions to the default fund of a qualifying central counterparty, pbb Group applies the risk-sensitive approach in accordance with Article 308 of the CRR.

Market risk

Capital backing for market risk pursuant to Part 3, Title IV of the CRR is calculated using the standardised approach in accordance with Articles 325 et seqq. of the CRR at pbb Group. pbb does not currently use its own internal models.

Operational risk

Capital backing for operational risk pursuant to Part 3, Title III of the CRR is calculated using the standardised approach in accordance with Articles 317 et seqq. of the CRR at pbb Group. pbb does not currently use its own internal models.

Settlement risk

The own funds requirements for settlement risk and risks associated with outstanding delivery pursuant to Part 3, Title V of the CRR are calculated based on the rules set out in Articles 378 and 379 of the CRR.

Own funds requirements and RWA

Risk-weighted assets (RWA)

Risk-weighted assets (RWA) of pbb Group across all risk types amounted to € 16,726 million as at 31 March 2022 (31 December 2021: € 16,792 million).

The slight RWA decline (€ -66 million) was mainly due to lower counterparty credit risk (€ -47 million) – with the higher interest rate levels leading to a lower fair value of hedging derivatives – and foreign exchange exposures (€ -26 million in market risk). Risk-weighted credit exposures (IRB approach and standardised approach) were more or less unchanged compared to the levels seen at the end of 2021 (€ +7 million). Despite strong new business in commercial real estate finance and an increased Real Estate Finance portfolio (REF), decreases incurred through repayments and derecognitions, among other things, were only partially offset.

Own funds requirements

The minimum own funds requirement for the above-mentioned risk types as at 31 March 2022 remained unchanged compared to 31 December 2021, at 8 % of RWA, amounting to a total of € 1,338 million (31 December 2021: € 1,343 million) as at the disclosure date. In line with pbb Group's business model, which focuses on commercial real estate finance and also on public investment finance, 94 % of the own funds requirement is attributable to default risks (including counterparty credit and CVA risks), with less than 1 % attributable to market risks and around 6 % to operational risks.

The total own funds requirement – including the capital conservation buffer (CCoB) of 2.5 %, the institution-specific countercyclical capital buffer (ICCB) of 0.02 % and the Pillar 2 capital requirement (P2R) of 2.5 % – remained unchanged as against the disclosure date of 31 December 2021 at 13.02 %, amounting to a total of € 2,178 million (31 December 2021: € 2,186 million) as at the disclosure date.

Table EU OV1 pursuant to Article 438 (d) of the CRR shows the risk-weighted assets RWA) and the corresponding regulatory mini-mum own funds requirements broken down by risk type pursuant to 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		31.03.2022	31.12.2021	31.03.2022
1	**Credit risk (excluding CCR)**	**15,392**	**15,385**	**1,231**
2	thereof: the standardised approach	2,141	2,228	171
3	thereof: the foundation IRB (FIRB) approach	-	-	-
4	thereof: slotting approach	-	-	-
EU 4a	thereof: equities under the simple risk-weighted approach	0.1	0.1	0.01
5	thereof: the advanced IRB (AIRB) approach	13,251	13,157	1,060
6	**Counterparty credit risk**	**379**	**426**	**30**
7	thereof: the standardised approach	158	217	13
8	thereof: internal model method (IMM)	-	-	-
EU 8a	thereof: exposures to a CCP [2]	3	3	0.2
EU 8b	thereof: credit valuation adjustment - CVA	218	206	17
9	thereof: other CCR	-	-	-
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)**	**33**	**59**	**3**
21	thereof: the standardised approach	33	59	3
22	thereof: IMA	-	-	-
EU 22a	**Large exposures [3]**	**0**	**0**	**0**
23	**Operational risk**	**922**	**922**	**74**
EU 23a	thereof: basic indicator approach	-	-	-
EU 23b	thereof: standardised approach	922	922	74
EU 23c	thereof: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) [4]	273	277	22
29	**Total**	**16,726**	**16,792**	**1,338**

[1] Risk-weighted exposure amounts (risk-weighted assets, RWA).
[2] Exposures for contributions to the default fund of a central counterparty (Eurex Clearing).
[3] pbb Group does not maintain a trading book for securities or derivatives portfolios held to realise short-term gains.
[4] Deferred tax assets dependant on future profitability (not) resulting from temporary differences.
The disclosure in this line is for information purposes only; the amount is already included in line 1 (credit risk).

Table EU CR8 in accordance with Article 438 (h) of the CRR also outlines the changes of risk-weighted exposure amounts under the IRB approach in the first quarter of 2022 and highlights the main reasons for these changes.

The total IRBA risk-weighted exposure amounts (RWA), including the exposure classes “Equity exposures” and “Other non-credit obligation assets”, amounted to € 13,251 million (31 December 2021: € 13,157 million).

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 31.12.2021**	**13,157**
2	Asset size (+/-)	113
3	Asset quality (+/-)	48
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	35
8	Other (+/-)	-102
9	**Risk weighted exposure amount as at 31.03.2022**	**13,251**

[1] Risk-weighted IRBA exposure amounts (risk-weighted assets, RWA).

A key influencing factor for the increased RWA under the IRB approach was new REF business generated in the first quarter of 2022, compensating for repayments and derecognitions (EU CR8, line 2). Other influencing factors included rating downgrades of individual exposures in the REF portfolio (EU CR8, line 3) and foreign exchange movements (EU CR8, line 7). This was offset by other effects, such as syndications and lower development financing volumes (EU CR8, line 8).

Liquidity Coverage Ratio

Liquidity Coverage Ratio

The liquidity coverage requirement or Liquidity Coverage Ratio (LCR) is the ratio of an institution's liquidity buffer (i.e. the sum of high-quality liquid assets) to its net cash outflows during a phase of stress lasting 30 calendar days. The LCR is stated as a percentage.

Pursuant to Article 412 of the CRR, the LCR obliges institutions to hold a liquidity buffer in the form of high-quality liquid assets, in order to be able to compensate for net cash outflows under stressed conditions over a period of thirty days. The prescribed scenario includes both market-wide and institution-specific effects. In phases of stress, institutions may use up their liquid assets to cover their net cash outflows, even if the LCR might then fall below the applicable minimum of 100 %.

Regulatory provisions require a minimum LCR of 100 %. The LCR figures for pbb Group during the first quarter of 2022 significantly exceeded 100 % at all times. As at the disclosure date of 31 March 2022, the Liquidity Coverage Ratio amounted to 229 % (31 December 2021: 227 %).

Disclosures on the Liquidity Coverage Ratio

Table EU LIQ1 below, in accordance with Article 451a (2) of the CRR, shows all information on the LCR for pbb Group, including all values and figures for each of the four calendar quarters preceding the disclosure date (31 March 2022). However, as opposed to the above-mentioned values as at the reporting date, these values and figures are simple averages of the figures collected at the end of each month over the twelve months preceding the end of each quarter. Table EU LIQ1 includes all items needed for the calculation of the LCR.

The LCR exceeded 200 % on the reporting dates during the period under review, largely due the institution’s substantial liquidity reserve consisting of high-quality liquid assets (HQLA). Changes in the liquidity reserve and in net cash outflows are linked to the different dynamics in the new Real Estate Finance business and its funding.

Liquidity management within pbb Group

pbb is pbb Group’s only credit institution. Thus, only pbb performs liquidity management.

Funding sources

pbb Group uses a broad range of funding sources. Aside from deposits made by retail and institutional clients, funding is obtained through the issuance of Pfandbriefe, promissory notes and unsecured bonds on the capital market, but also through open-market transactions with the ECB and repo transactions on the interbank market and Eurex.

Liquidity buffer

As at the disclosure date of 31 March 2022, liquidity reserves amounted to € 5,961 million (on average), consisting of high-quality level 1 liquid assets. The liquidity buffer consists primarily of liquid cash reserves (around 90 %) and HQLA level 1 bonds. Level 1 comprises deductible deposits at Deutsche Bundesbank, along with debt securities issued by central governments, regional governments or local authorities, public institutions, multilateral development banks, international organisations or credit institutions backed by state guarantees.

Liquidity inflows and outflows

Liquidity inflows primarily consist of expected loan repayments and obtained funding. Liquidity outflows are composed as follows (in order of size):

- Undrawn mortgage or other loan commitments
- Maturing funding instruments
- Potential collateral calls.

On average, cash outflows from derivatives accounted for only a minor share of all net cash outflows during the first quarter of 2022. To calculate potential collateral calls for derivatives, pbb Group uses the historical look-back approach (HLBA), meaning that collateral calls from the past are analysed to derive a conservative assumption as to future collateral calls. The assumption amounted to € 453 million on average. Potential rating changes are not expected to have significant effects on the ability to provide collateral.

Currency mismatches

The sensitivity of foreign currency cash flows has no material impact on pbb Group’s liquidity position. Based on the definition of the Basel Committee on Banking Supervision (BCBS), pbb Group's currency exposures are not considered material.

EU LIQ1: Quantitative information on LCR

All figures in € million, unless otherwise stated		a	b	c	d	e	f	g	h
		Total unweighted value (average) [1]				Total weighted value (average) [1]			
EU 1a	**Quarter ending on:**	**31.03.2022**	**31.12.2021**	**30.09.2021**	**30.06.2021**	**31.03.2022**	**31.12.2021**	**30.09.2021**	**30.06.2021**
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)	—	—	—	—	**5,961**	**5,808**	**5,778**	**5,728**
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	741	729	729	716	167	157	153	149
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	718	715	719	709	143	143	144	142
5	Unsecured wholesale funding	1,068	863	753	670	792	610	522	460
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	584	541	472	448	308	288	241	238
8	Unsecured debt	484	322	281	222	484	322	281	222
9	Secured wholesale funding	—	—	—	—	-	-	-	-
10	Additional requirements	453	457	455	454	453	457	455	454
11	Outflows related to derivative exposures and other collateral requirements	453	457	455	454	453	457	455	454
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	41	33	35	51	24	16	18	34
15	Other contingent funding obligations	3,642	3,514	3,609	3,733	1,257	1,106	1,121	1,114
16	**Total cash outflows**	—	—	—	—	**2,693**	**2,346**	**2,269**	**2,211**
Cash - inflows									
17	Secured lending (e.g. reverse repos)	161	78	25	67	8	4	-	-
18	Inflows from fully performing exposures	417	431	494	562	253	262	293	328
19	Other cash inflows	62	104	121	184	62	104	121	184
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**	640	613	640	813	**323**	**370**	**414**	**512**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	640	612	640	813	323	369	414	512
Total adjusted value									
EU-21	**Liquidity buffer**	—	—	—	—	**5,961**	**5,808**	**5,778**	**5,728**
22	**Total net cash outflows**	—	—	—	—	**2,368**	**1,978**	**1,855**	**1,699**
23	**Liquidity coverage ratio (%)**	—	—	—	—	**270%**	**308%**	**321%**	**347%**

[1] These values and figures are calculated for each of the four calendar quarters preceding the disclosure date, simply using the average of the figures collected at the end of each month over the twelve months preceding the end of each quarter.

List of Tables

Confirmation of the Management Board

In accordance with Article 431 (3) sent. 1 to 3 of the CRR

The Management Board of pbb confirms that, to the best of its knowledge, this Disclosure Report has been prepared in accordance and compliance with the formal procedures and regulations adopted and implemented at pbb Group to adhere to the disclosure requirements pursuant to Part 8 of the CRR.

Munich, 31 May 2022

Deutsche Pfandbriefbank AG

The Management Board

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