Disclosure Report

In accordance with Regulation (EU) No. 575/2013 (CRR)
in conjunction with Amending Regulation (EU) 2019/876

As of 30 June 2020

Overview (shortened)

Deutsche Pfandbriefbank Group (pbb Group)

All figures in € million, unless otherwise stated

Significant regulatory ratios	30.06.2020	31.12.2019	Change
Own funds (total capital, TC)	**3,659**	**3,733**	**-2%**
Tier 1 capital (T1)	3,045	3,109	-2%
Common equity tier 1 capital (CET1)	2,747	2,811	-2%
Additional tier 1 capital (AT1)	298	298	0%
Tier 2 capital (T2)	614	624	-2%
Risk weighted assets (RWA)	**17,352**	**17,721**	**-2%**
Credit risk	16,363	16,703	-2%
Credit risk (without counterparty credit risk)	15,880	16,184	-2%
Counterparty credit risk	483	519	-7%
thereof: CVA risk	196	239	-18%
Market risk	118	148	-20%
Operational risk	870	870	0%
Capital ratios			
Common equity tier 1 ratio ((CET1 ratio)	15.8%	15.9%	-0.1 percentage points
Tier 1 ratio (T1 ratio)	17.5%	17.5%	0.0 percentage points
Own funds ratio (Total capital ratio)	21.1%	21.1%	0.0 percentage points
Capital buffers			
Total capital buffer requirement	2.528%	2.836%	-0.308 percentage points
Institution-specific countercyclical capital buffer (ICCB)	0.028%	0.336%	-0.308 percentage points
Capital conservation buffer (CCB)	2.500%	2.500%	0.000 percentage points
Available CET1 capital after complying with the minimum capital requirements	1,966	2,014	-2%
Leverage ratio			
Tier 1 capital (T1)	3,045	3,109	-2%
Total leverage ratio exposure	59,407	55,023	8%
Leverage Ratio	5.1%	5.6%	-0.5 percentage points
Non-performing exposure (NPE)			
Non-performing exposure (gross)	509	519	-2%
Total exposure (gross)	55,924	55,229	1%
Non-performing exposure (NPE) ratio	0.9%	0.9%	0.0 percentage points
Non-performing loan (NPL) ratio	1.2%	1.2%	0.0 percentage points
Liquidity coverage ratio (LCR) [1)]			
Liquidity buffer (twelve-month average values)	4,961	5,453	-9%
Total net cash outflows (twelve-month average values)	1,972	2,402	-18%
Liquidity coverage ratio (twelve-month average values)	263%	229%	+34 percentage points

1) The values and figures of the liquidity coverage ratio shall be calculated in accordance with EBA/GL/2017/01 as simple averages of the end-of-month surveys over the 12 months preceding the end of each quarter. On 18 October 2021, the LCR amounts were corrected. The original publication of the Disclosure Report as of 30 June 2020 of 2 September 2020 was accordingly replaced.

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Note:

Numbers provided in the Disclosure Report are commercially rounded. Due to roundings, the sums shown in the tables may slightly differ from the arithmetic total of the individual amounts shown.

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 statements are not made to the currently not yet valid regulations of CRR II or CRD V, 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 technical 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.

Disclosure Report

1 Introduction

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 Amendment Regulation (EU) 2019/876 (so-called CRR II) for pbb and its downstream affiliates (pbb Group) as of 30 June 2020. pbb 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.

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 has voluntarily applied the disclosure formats of the EBA/GL/2016/11 guidelines of the European Banking Authority (EBA) on disclosure requirements under part 8 of the CRR as well as the EBA/GL/2017/01 guidelines on LCR disclosure to complement the disclosure of liquidity risk management under article 435 CRR. In this Disclosure Report, pbb has for the first time implemented the guidelines EBA/GL/2020/07 of 7 June 2020 regarding the disclosure of exposures which are subject to a measure applied in response to the COVID-19 crisis. On the other hand, the revised disclosure requirements according to part 8 of the CRR Amendment Regulation (CRR II) will only be applicable starting 28 June 2021.

pbb has disclosed the EBA/GL/2018/10 guidelines on the disclosure of non-performing and forborne exposures in the Disclosure Report as of 31 December 2019. There is no requirement for the pbb Group to disclose this information as of the reference date 30 June 2020. As was the case as of the end of 2019, the pbb Group as of 30 June 2020 has disclosed a gross NPL ratio of considerably below 5 % (1.2 %, 31 December 2019: 1.2 %). In accordance with point 15 of the guidelines EBA/GL/2018/10, the pbb Group regularly checks whether half-yearly disclosure is advisable as a result of the NPL ratio attaining or exceeding the threshold of 5 %.

According to article 433 CRR, institutions must verify, on the basis of the relevant features of their business, whether it is necessary for them to disclose the relevant information more than once a year in full or in part. With regard to assessing the need for more frequent disclosure, pbb follows the EBA/GL/2014/14 in conjunction with EBA/GL/2016/11 of the European Banking Authority. The pbb Group meets the criterion of “the consolidated assets of the institution exceed € 30 billion” as per title V point 18 letter b of these guidelines, and it is therefore pursuant to point 26 b subject to a semi-annual disclosure, on 30 June of any financial year (abridged) and 31 December of any financial year (complete). The IFRS balance sheet total of the pbb Group amounted to approx. € 60.7 billion as of 30 June 2020 (31 December 2019: € 56.8 billion).

This Disclosure Report contains information regarding:

- The own funds and capital ratios
- The risk-weighted position amounts and own funds requirements
- The leverage ratio
- The exposures in the advanced IRB approach for credit risks
- The liquidity coverage ratio.

According to article 13 (1) sentence 1 CRR, the Disclosure Report is based on the consolidated situation of the pbb Group. According to article 13 CRR, pbb as the parent company of the Group is not required to provide an additional disclosure at institution level. There are no significant subsidiaries as defined in article 13 (1) sentence 2 CRR.

The Disclosure Report is approved by the central management board of pbb and is publicised according to article 434 (1) CRR in conjunction with point 39 of the EBA/GL/2016/11, as an independent 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.

Deutsche Pfandbriefbank AG is directly supervised by the ECB.

Disclosure information in accordance with part 8 of the CRR

The present report comprises the information to be disclosed in the course of the year in accordance with point 25 of the guidelines EBA/GL/2014/14 in conjunction with EBA/GL/2016/11 in accordance with part 8 of the CRR (Basel III, Pillar 3), to the extent that such information has not in individual cases already been published in other documents of pbb. The following table provides an overview of the separate documents of pbb (and also the specific points in such documents) in which specified publications in accordance with part 8 of the CRR or corresponding additional information is to be found, if such information is not included in the present Disclosure Report. In addition, the corresponding chapters of the Disclosure Report refer to the separate positions.

Figure 1: Major disclosure information in separate documents

Disclosure issue according to part 8 of the CRR	Designation of the separate document	Web link
Article 435 (1) CRR: Liquidity coverage ratio	Additional information regarding the liquidity risk: Interim report as of 30 June 2020 of the pbb Group, risk and opportunity report, page 27 et seq. (Liquidity and funding risk)	www.pfandbriefbank.com (under Investors / Financial Reports and Additional Publications)
Article 437 CRR: Own funds	Additional information regarding balance sheet equity: Interim report as of 30 June 2020 of the pbb Group, page 37 (Changes in equity) and page 48 (note 28 Equity)	www.pfandbriefbank.com (under Investors / Financial Reports and Additional Publications)
Article 438 CRR: Capital requirements	Additional information concerning the adequacy of internal capital: Interim report as of 30 June 2020 of the pbb Group, risk and opportunity report, page 28 et seq. (Internal capital adequacy assessment process, ICAAP)	www.pfandbriefbank.com (under Investors / Financial Reports and Additional Publications)
Article 451 CRR: Leverage	-	-

Disclosure issue according to part 8 of the CRR	Designation of the separate document	Web link
Article 452 CRR: Use of the IRB approach to credit risk	Additional information regarding the definition of the credit risk types: Disclosure Report as of 31 December 2019 of the pbb Group, chapter 5.1 “Management of credit risk (incl. counterparty credit risk)”, page 75 et seq. Additional information regarding the rating systems underlying the IRBA coverage ratio: Disclosure Report as of 31 December 2019 of the pbb Group, chapter 5.5 “IRB approach”, page 114 fet seq.	www.pfandbriefbank.com (under Investors / Mandatory Publications / Disclosure Report in accordance with part 8 of CRR)
Article 449a CCR II: Disclosure of the environment, social and corporate management risks (a disclosure obligation applicable only starting 28 June 2022)	Additional information regarding pbb’s handling of sustainability risks (environmental, social and governance risks, ESG risks): Corporate report 2019/20, page 24 et seq. and non-financial report 2019 Green Bonds Framework	www.pfandbriefbank.com (under Investors / Financial Reports and Additional Publications) (under The Company / Corporate Responsibility / Green Bonds)

2 Own funds and capital ratios

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 credit risk (including 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 € 5.8 billion as of the reporting date (31 December 2019: € 5.7 billion).

The remainder of this chapter describes the own fund information in accordance with article 437 CRR in conjunction with the Implementing Regulation (EU) No. 1423/2013 for the pbb Group on a consolidated basis.

For the pbb Group, the following table regarding the structure of own funds in accordance with article 437 (1) letter d CRR shows the type and amounts of the elements of own funds as well as the equity ratios as of the reference date 30 June 2020 (31 December 2019), without deduction of the dividend originally proposed by the Management Board and Supervisory Board for the financial year 2019.[1]

[1] On 3 April 2020, the Management Board and Supervisory Board of pbb decided to withdraw the dividend proposal for the financial year 2019 of € 0.90 per eligible share, which was published on 4 March 2020, and instead to propose to the ordinary annual general meeting that the cumulative profit generated in the year 2019 should be allocated in full to the other retained earnings. In accordance with this proposal, the ordinary annual general meeting adopted a resolution on 28 May 2020 for the cumulative profit generated in the year 2019 to be retained. pbb thus followed the recommendation of the ECB of 27 March 2020 to all SSM banks (single supervisory mechanism) for dividends for the financial year 2019 not to be paid at all or not to be paid before 1 October 2020. On 28 July 2020, the ECB extended this recommendation until 1 January 2021 for all major institutions under its supervision. In accordance with this recent recommendation of the ECB, the Management Board and Supervisory Board of pbb have decided to suspend the dividend payments until January 2021. The amount of € 121 million which is now not earmarked for distribution strengthens the harte common equity tier 1 capital (CET1) of pbb. pbb is thus taking account of the particular challenges which are associated with the COVID-19 crisis and, with the stronger capitalisation, is making its contribution towards stabilisation in the process of combating the COVID-19 crisis.

pbb is maintaining its dividend policy unchanged and as detailed in March 2020. Following the review of the ECB announced for the fourth quarter of 2020 regarding its position concerning dividend payments of banks, pbb will in the near future (and by no later than the publication of the provisional result for the financial year 2020, probably in March 2021) also comment on the possible resumption of dividend payments by pbb.

Table 1: Structure of own funds (shortened)

All figures in € million, unless otherwise stated

No.	Capital instruments pbb Group	30.06.2020 1)	31.12.2019 1) 2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2.917	2.938
28	Total regulatory adjustments to Common equity Tier 1 (CET1)	-170	-127
29	**Common Equity Tier 1 (CET1) capital**	**2.747**	**2.811**
36	Additional Tier 1 (AT1) capital before regulatory adjustments	298	298
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
44	**Additional Tier 1 (AT1) capital**	**298**	**298**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3.045**	**3.109**
51	Tier 2 (T2) capital before regulatory adjustments	614	624
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	**Tier 2 (T2) capital**	**614**	**624**
59	**Total capital (TC = T1 + T2)**	**3.659**	**3.733**
60	Total risk weighted assets (RWA)	17.352	17.721
	Capital ratios		
61	Common Tier 1 equity ratio (as a percentage of risk exposure amount)	15,8%	15,9%
62	Tier 1 capital ratio (as a percentage of risk exposure amount)	17,5%	17,5%
63	Total capital ratio (as a percentage of risk exposure amount)	21,1%	21,1%

1) The regulatory own funds are calculated without deduction of the dividend of € 0.90 per eligible share proposed on 4 March 2020, or a total of € 121 million. On 3 April 2020, the Management Board and Supervisory Board adopted a resolution to withdraw the dividend proposal for the financial year 2019 and instead to make a proposal to the ordinary annual general meeting for the cumulative profit generated in the year 2019 to be allocated in full to retained earnings. On 28 May 2020, the ordinary annual general meeting adopted a resolution for the cumulative profit generated in the year 2019 to be retained.

2) According to adopted financial statements 2019.

The 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. The basis for the own funds listed in the table is the COREP notification of own funds and own funds requirements of the pbb Group as of 30 June 2020 (disregarding the consolidated profit of 1 January to 30 June 2020).

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 own funds of € 3,237 million according to IFRS (31 December 2019: € 3,236 million), modified by regulatory adjustments. The composition and development of balance sheet own funds according to IFRS is explained in the interim report as of 30 June 2020 of the pbb Group, note 28 “Equity”.

Common equity tier 1 capital

As of 30 June 2020, 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 2020 (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.

In addition to the subscribed capital (share capital), the common equity tier 1 capital consists of the capital reserve of € 1,637 million, the retained earnings (excl. consolidated profit) of € 950 million, and the cumulative other comprehensive income of € -50 million. The consolidated profit of 1 January 2020 to 30 June 2020 (€ 23 million) is not included in the common equity tier 1 capital.

The common equity tier 1 capital before regulatory adjustments amounts to € 2,917 million.

Regulatory adjustments to the CET 1

Various adjustments totalling € 170 million which are required in the CRR are recognised in relation to the common equity tier 1 (CET1) capital before regulatory adjustments of € 2,917 million.

In addition to the adjustments for a prudent valuation of the assets measured at present value, these are mainly deductions for intangible assets (such as purchased and internally generated software), for the adjustment loss relating to the volume of adjustments (stage 1 to stage 3) compared with the expected loss, and also for net additions to adjustments and provisions in lending business in the first half of 2020, for profits and losses relating to derivative liabilities recognised at present value resulting from the institution's own credit risk (debt value adjustment, DVA) and for security payments to be deducted (such as the European bank levy 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 private banks at the Bundesverband der deutschen Banken). On the other hand, in accordance with article 33 CRR, the cash flow hedge reserve deducted in cumulative other comprehensive income is completely added for regulatory purposes.

Overall, the common equity tier 1 capital (CET1) of the pbb Group as of 30 June 2020 amounted to € 2,747 million (31 December 2019: € 2,811 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 52 to 54 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 there is no obligation for repayment and for ongoing servicing. It is shown under the liabilities item "Additional equity instruments (AT1)". In April 2020, a coupon payment of € 17 million was made in relation to the AT1 capital; this reduced the retained earnings.

Table 2: Additional tier 1 (AT1) capital – Capital instruments

No.[1)]	Issuer	Year of issue	Type	Nominal amount in € million	Interest rate in % p.a.	Maturity	First call date Issuer
2	Deutsche Pfandbriefbank AG	2018	Bearer bond	300	5.750%	perpetual	2023
Total				**300**			

1) The sequential numbering corresponds to the consecutive numbering of the capital instruments in the appendix "Disclosure Report (30.06.2020) - Main features of capital instruments".

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 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.

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 (1) letter b CRR of the additional tier 1 capital issued by pbb are detailed in the Appendix “Disclosure Report (30 June 2020) - Primary features of the capital instruments”. The Appendix has been published together with the Disclosure Report, on the website of pbb 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 63 CRR. No regulatory adjustments have been made in relation to the tier 2 capital.

The issued subordinated liabilities consist of the following table of issues (listed according to maturity). The primary features in accordance with article 437 (1) letter b CRR of these tier 2 capital instruments are also detailed in the Appendix “Disclosure Report (30 June 2020) - Primary features of the capital instruments”.

Table 3: Tier 2 (T2) capital – Capital instruments

No. [1)]	Issuer	Year of issue	Type	Nominal amount in € million	Interest rate in % p.a.	Maturity
3	Deutsche Pfandbriefbank AG	2006	Registered bond	1	4.900	2020
4	Deutsche Pfandbriefbank AG	2000	Bearer bond	15	variable (10-y. € CMS)	2020
5	Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	10	4.350	2021
6	Deutsche Pfandbriefbank AG	2006	Registered bond	10	4.570	2021
7	Deutsche Pfandbriefbank AG	2006	Bearer bond	7	4.560	2021
8	Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	1	4.910	2021
9	Deutsche Pfandbriefbank AG	2002	Borrowers' note loan	4	6.550	2022
10	Deutsche Pfandbriefbank AG	2002	Borrowers' note loan	6	6.550	2022
11	Deutsche Pfandbriefbank AG	2002	Bearer bond	10	6.570	2022
12	Deutsche Pfandbriefbank AG	2003	Bearer bond	10	6.750	2023
13	Deutsche Pfandbriefbank AG	2008	Bearer bond	10	8.060	2023
14	Deutsche Pfandbriefbank AG	2003	Borrowers' note loan	5	6.330	2023
15	Deutsche Pfandbriefbank AG	2003	Borrowers' note loan	5	6.330	2023
16	Deutsche Pfandbriefbank AG	2005	Borrowers' note loan	10	4.650	2025
17	Deutsche Pfandbriefbank AG	2016	Borrowers' note loan	2	3.950	2026
18	Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	2.5	4.530	2026
19	Deutsche Pfandbriefbank AG	2001	Bearer bond	6	6.550	2026
20	Deutsche Pfandbriefbank AG	2006	Registered bond	5	5.125	2026
21	Deutsche Pfandbriefbank AG	2016	Borrowers' note loan	5	3.880	2026
22	Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	5	5.040	2026
23	Deutsche Pfandbriefbank AG	2016	Bearer bond	35	3.250	2026
24	Deutsche Pfandbriefbank AG	2017	Bearer bond	150	4.600	2027
25	Deutsche Pfandbriefbank AG	2017	Bearer bond	60	3.375	2027
26	Deutsche Pfandbriefbank AG	2017	Bearer bond	300	2.875	2027
27	Deutsche Pfandbriefbank AG	2016	Bearer bond	5	4.120	2031
28	Deutsche Pfandbriefbank AG	2017	Registered bond	7.5	4.550	2032
Total				**687**		

1) The sequential numbering corresponds to the consecutive numbering of the capital instruments in the appendix "Disclosure Report (30.06.2020) - Main features of capital instruments".

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.

After recognition of discounts and amortisations in accordance with article 64 CRR, the tier 2 capital of the pbb Group as of 30 June 2020 amounted to a total of € 614 million (31 December 2019: € 624 million).

Total capital

The own funds of the pbb Group amount to a total of € 3,659 million (31 December 2019: € 3,733 million), and are broken down as follows: € 2,747 million common equity tier 1 capital (CET1), € 298 million additional tier 1 capital (AT1) and € 614 million tier 2 capital (T2).

The slight decline of € 74 million in the regulatory own funds of the pbb Group compared with the end of 2019 is due mainly to the net additions of € 71 million to adjustments and provisions in lending in the first half of 2020 (resulting in a reduction in CET1 capital) as well as declines in the recognition of the subordinate bonds (T2 capital) due to daily amortisations in accordance with article 64 CRR.

Optional IFRS 9 transitional regulations

The pbb Group does not apply the optional transitional regulations in accordance with article 473 (2) letter a CRR for mitigating the effects of the introduction of IFRS 9 after 1 January 2018. The disclosure of the table IFRS 9-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” in accordance with the guidelines EBA/GL/2018/01 is accordingly not relevant for the pbb Group.

COVID 19 simplification options

In response to the Covid-19 crisis, the bank regulator has provided the institutions with various options for simplifying the calculation of own funds and own funds requirement, or provided the prospect of such options. As of 30 June 2020, pbb did not apply any of these COVID-19-related simplifications, with the exception of the regulatory SREP requirements for minimum capital adequacy.

Capital ratios

The regulations of the CRR/CRD form the basis for the regulatory own funds requirements and the capital ratios. According to these provisions, 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 % in the financial year 2020.

pbb, as the parent company of the institutional group in accordance with section 10a KWG in conjunction with article 11 et seq. CRR, is responsible for ensuring compliance with the capital ratios on a summarised basis. The provisions regarding the regulatory capital ratios were complied with at all times in the first half of 2020.

SREP

This is also applicable for the requirements regarding the minimum capital of the Supervisory Review and Evaluation Process (SREP) of the European Central Bank (ECB) which exceed the existing regulatory requirements. These requirements were also complied with at all times by the pbb Group during the first half of 2020.

The aim of the supervisory review and evaluation process is to achieve holistic analysis of the institutions regulated by the ECB. This comprises the assessment of the business model, risk and corporate governance, the risk situation as well as the capital and liquidity backing. 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

For 2020, and as a result of the SREP 2019, pbb Group has been required to maintain a minimum CET1 ratio of 9.5 % (unchanged compared with the previous year) (excluding the countercyclical capital buffer, which varies according to country, and hence, for specific portfolios – as at 30 June 2020, it stood at 0.028 %).

This capital requirement is based on the final Basel III requirements (excluding transitional rules) and comprises a Pillar 1 minimum capital requirement (4.5 %), a Pillar 2 capital requirement (Pillar 2 Requirement, P2R: 2.5 %) and the capital conservation buffer (CCB: 2.5 %).

This SREP requirement was modified by the ECB as of 12 March 2020 as a result of the COVID-19 crisis. Accordingly, of the additional Pillar 2 requirement (P2R: 2.5 %), approximately 1.4 % (56.25 %) has to be maintained as common equity tier 1 capital (CET1) and approximately 1.9 % (75 %) has to be maintained as tier 1 capital (tier 1). With this adjustment, the CET1 minimum ratio has been reduced to 8.4 %, and the tier 1 minimum ratio has been reduced to 10.4 % (11.0 % before COVID-19).

The institution-specific countercyclical capital buffer for the pbb Group of 0.028 % as of 30 June 2020 is caldulated from the weighted average of the domestic and foreign capital buffers of those countries in which the pbb Group holds significant credit exposures against the private sector. The 0.308 percentage point reduction in the CCB compared with the end of the previous year (31 December 2019: 0.336 %) is mainly attributable to the COVID-19-related reduction in the domestic countercyclical capital buffer to 0 % in each case for Denmark (31 December 2019: 1 %), France (31 December 2019: 0.25 %), the United Kingdom (31 December 2019: 1 %), Ireland (31 December 2019: 1 %) and Sweden (31 December 2019: 2.5 %), as well as the corresponding reduction to 1 % for the Czech Republic (31 December 2019: 1.5 %). For Germany, with the “general ruling regarding the reduction of the ratio of the domestic countercyclical capital buffer” of 31 March 2020, the BaFin also fixed the countercyclical capital buffer to 0 %.

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

Total capital requirement

Furthermore, pbb Group had to fulfil a total capital requirement of 13.0 % in 2020 (unchanged compared with the previous year); excluding the countercyclical capital buffer of 0.028 % as of 30 June 2020, which varies according to country, and hence, for specific portfolios). This capital requirement is based on the final Basel III requirements (excluding transitional rules) and comprises a Pillar 1 minimum capital requirement (8.0 %), a Pillar 2 capital requirement (P2R: 2.5 %) and the capital conservation buffer (2.5 %). The SREP total capital requirement has not changed as a result of the COVID-19-related adjustments.

Own funds and eligible liabilities (MREL)

Within the framework of the resolution and restructuring regime – Amendment Directive (EU) 2019/879 (BRRD II) and Amendment Regulation (EU) 2019/876 (CRR II) concerning the loss absorption and recapitalisation capacity of credit institutions - institutions are required to maintain not only the regulatory own funds but also where necessary liabilities which are convertible into equity in order to ensure that they are able in total to comply with the minimum requirement for own funds and eligible liabilities (MREL). 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 2020 (as was indeed the case in the previous year).

3 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 the own funds requirement

The regulations of CRR/CRD form the basis for the calculation of own funds requirements. In order to comply with the own funds requirements, the credit risk (including counterparty credit risk), the market risk, the operational risk, the settlement risk as well as the credit value adjustment risk (CVA risk) must be backed with capital. The regulatory parameters are calculated based on the IFRS accounting standards.

Credit risk (incl. counterparty credit risk)

For determining the own funds requirements for credit risks, the pbb Group uses the advanced IRB approach based on internal rating procedures in accordance with article 142 et seq. CRR as well as the standardised approach in accordance with article 111 et seq. CRR. The following table shows the coverage for IRBA exposure at default (EAD) and for risk-weighted IRBA assets (RWA) in accordance with section 11 SolvV.

Table 4: IRB approach coverage

	Degree of coverage IRB approach [1]	
	EAD	RWA
31 December 2014	95%	99%
31 December 2015	96%	99%
31 December 2016	97%	99%
31 December 2017	97%	99%
31 December 2018	96%	98%
31 December 2019	77%	85%
30 June 2020	77%	86%

1) Exposures to central states and central banks in accordance with article 150 (1) letter d CRR are not included in the calculation of the IRBA coverage.

The advanced IRB approach in the credit portfolio of the pbb Group as of June 30, 2020 covers 77 % of the exposure at default (EAD) and 86 % of risk-weighted assets (RWA), the IRBA coverage ratio is thus virtually unchanged compared with the end of the previous year.

For calculating the own funds requirements for the counterparty credit risk in accordance with part 3, title II, chapter 6 of the CRR (i.e. for derivative transactions), the pbb Group uses the mark-to-market method in accordance with article 274 CRR.

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.

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

Market risk

For calculating the own fund backing for market risks 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.

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.

CVA risk

For calculating the additional own funds requirement for OTC derivatives for the risk of a credit valuation adjustment (CVA risk) in accordance with part 3, title VI of the CRR, the pbb Group applies the standard method in accordance with article 384 CRR. This is based on the effective maturity, a rating-related weighting and the EAD, whereby the EAD for the relevant transactions is determined using the mark-to-market method in accordance with article 274 CRR.

Risk-weighted receivables and own funds requirements

As was the case at the end of the previous year, the minimum own funds requirements for the specified risk types as of 30 June 2020 amounted to 8 % of the risk-weighted receivables.

The total own funds requirement is 10.528 % (31 December 2019: 10.836 %). The slight reduction of 0.308 percentage points compared with the end of the previous year is due to the decline in the institution-specific countercyclical capital buffer (CCB) in accordance with section 10 d KWG in conjunction with section 64r KWG, which amounted to 0.028 % of the total risk amount for the pbb Group as of 30 June 2020 (31 December 2019: 0.336 %). On the other hand, the capital conservation buffer (CCB) in accordance with section 10c KWG is unchanged, at 2.5 % of the total risk amount (31 December 2019: 2.5 %).

The risk-weighted receivables (risk-weighted assets; RWA) of the pbb Group amounted to € 17,352 million as of 30 June 2020 (31 December 2019: € 17,721 million), they have thus declined by € 369 million compared with the end of the previous year.

In accordance with article 438 letters c to f CRR in conjunction with EU OV1 of the guidelines EBA/GL/2016/11, the following table shows the risk-weighted assets as well as the regulatory capital backing, broken down according to risk types.

Table 5: Risk-weighted assets and minimum capital requirements (EU OV1)

All figures in € million

		Risk-weighted assets (RWA)		Minimum capital requirement
		30.06.2020	31.12.2019	30.06.2020
1	**Credit risk (without counterparty credit risk)**	**15,880**	**16,184**	**1,270**
2	thereof: standardised approach (CRSA)	2,416	2,460	193
2a	Exposures to central governments or central banks	100	158	8
2b	Exposures to regional governments or local authorities	564	569	45
2c	Exposures to other public sector entities	147	154	12
2d	Exposures to multilateral development banks	-	-	-
2e	Exposures to international organisations	-	-	-
2f	Exposures to institutions	37	18	3
2g	Exposures to corporates	751	722	60
2h	Retail exposures	0.1	0.2	0.01
2i	Exposures secured by mortgages on immovable property	237	230	19
2j	Exposures in default	2	2	0.1
2k	Exposures associated with particularly high risk	209	256	17
2l	Exposures in the form of covered bonds	138	139	11
2m	Exposures to institutions and corporates with short-term credit assessment	-	-	-
2n	Exposures in the form of units or shares in collective investment undertakings (CIUs)	3	3	0.2
2o	Equity exposures	-	-	-
2p	Other items 1)	228	209	18
3	thereof: foundation IRB (FIRB) approach	-	-	-
4	thereof: advanced IRB (AIRB) approach	13,463	13,723	1,077
4a	Exposures to central governments and central banks	-	-	-
4b	Exposures to institutions	-	-	-
4c	Exposures to corporates	13,382	13,652	1,071
4ca	thereof: small and medium-sized enterprises (SME)	280	459	22
4cb	thereof: specialised lending exposures	12,956	13,089	1,036
4cc	thereof: other	146	104	12
4g	Retail exposures	-	-	-
4h	Other non credit-obligation assets	81	72	6
5	thereof: equity IRB exposures under the simple risk-weighted approach or the internal model approach (IMA)	0.1	0.1	0.01
5a	thereof: internal model approach (IMA)	-	-	-
5b	thereof: simple risk-weighting approach	0.1	0.1	0.01
5ba	thereof: exchange-traded equity investments	-	-	-
5bb	thereof: unlisted, but part of a sufficiently diversified portfolio	-	-	-
5bc	thereof: other investments	0.1	0.1	0.01
6	**Counterparty credit risk 2)**	**483**	**519**	**39**
7	thereof: mark-to-market method	287	279	23
8	thereof: original exposure method	-	-	-
9	thereof: standardised approach	-	-	-
10	thereof: internal model method (IMM)	-	-	-
11	thereof: risk exposure amount for contributions to the default fund of a central counterparty (CCP)	1	1	0.0
12	thereof: CVA risk 3)	196	239	16
12a	thereof: advanced method	-	-	-
12b	thereof: standardised method	196	239	16
12c	thereof: alternative method, based on the original exposure method	-	-	-

All figures in € million

		Risk-weighted assets (RWA) 30.06.2020	Risk-weighted assets (RWA) 31.12.2019	Minimum capital requirement 30.06.2020
13	**Settlement risk**	**0**	**0**	**0**
13a	thereof: in the banking book	-	-	-
13b	thereof: in the trading book	-	-	-
14	**Securitisation exposures in the banking book (after the cap)**	**0**	**0**	**0**
15	thereof: IRB approach	-	-	-
16	thereof: IRB supervisory formula approach (SFA)	-	-	-
17	thereof: internal assessment approach (IAA)	-	-	-
18	thereof: standardised approach	-	-	-
19	**Market risk**	**118**	**148**	**9**
20	thereof: standardised approach	118	148	9
20a	thereof: position risk	-	-	-
20b	thereof: foreign-exchange risk	118	148	9
20c	thereof: commodity risk	-	-	-
21	thereof: internal model approach (IMA)	-	-	-
22	**Large exposures in the trading book** 4)	**0**	**0**	**0**
23	**Operational risk**	**870**	**870**	**70**
24	thereof: basic indicator approach	-	-	-
25	thereof: standardised approach	870	870	70
26	thereof: advanced measurement approach (AMA)	-	-	-
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	228	209	-
28	Floor adjustment	-	-	-
29	**Total**	**17,352**	**17,721**	**1,388**

1) Subject to future profitability, from or not from temporary differences resulting from deferred tax assets.
2) Counterparty credit risk in accordance with Part Three, Title II, Chapter 6 of the CRR (derivative transactions).
3) Credit Value Adjustments; capital requirement for the risk of an adjustment of credit valuation for OTC derivatives.
4) pbb does not maintain a trading book for securities or derivatives portfolios held to realise short-term gains.

The main reason for the slight decline (by a total of € 369 million) in the risk-weighted assets (RWA) are currency effects in the United Kingdom (GBP). COVID-19-related revaluations of retail and hotel properties within the framework of a portfolio review have also resulted in higher LGDs (loss given default) and thus to a higher risk weighting, which to a large extent neutralised the otherwise positive effects of some revaluations of properties in the first half of 2020. pbb monitors and analyses the current market developments, in particular certain market segments, such as retail and hotel properties, which are particularly affected by the impact of the COVID-19 crisis.

Opposite effects included a higher risk weighting due to individual COVID-19-related rating downgrades of some exposures of commercial real estate financing. In the first half of 2020, in order to mitigate the impact of the COVID-19 crisis, pbb reached agreement with the customer and on an individual basis adjusted the cash flows of a small number of financing arrangements. On the other hand, the volume of disbursed commercial real estate financing remained virtually stable. The new business conducted in commercial real estate financing in the first half of 2020 more than compensated for the considerable decline compared with the previous year in premature repayments driven by condition-related considerations.

The minimum own funds requirement for the risk-weighted assets of the pbb Group amounted to a total of € 1,388 million as of the reporting date (31 December 2019: € 1,418 million). In line with the business model of the pbb Group, which focusses on commercial real estate financing and also public investment financing, credit risks account for 94 % of the own funds requirement (incl. counterparty credit risks and CVA risks), market risks account for 1 % and operational risks account for 5 %.

The total own funds requirement amounted to € 1,827 million (31 December 2019: € 1,920 million). The slight reduction of € 93 million compared with the end of the previous year is due not only to the reduction in RWA but also to the decline (described above) in the institution-specific countercyclical capital buffer (CCB) for the pbb Group.

In accordance with section 10c (1) KWG and section 10d (1) KWG, the capital requirement for the capital buffer must be maintained in common equity tier 1 (CET1) capital. After complying with the CET1 ratio of 4.5 % of the total risk amount, a total of € 1,966 million (31 December 2019: € 2,014 million) of common equity tier 1 (CET1) capital is available to the pbb Group for this purpose.

Surplus own resources

The surplus own resources (own funds less own funds requirement incl. capital buffer) amounted to € 1,832 million for the pbb Group as of 30 June 2020 (31 December 2019: € 1,813 million).

4 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 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 capital 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 calculation of the ratio is based on the provisions of the Delegated Regulation (EU) 2015/62 of the European Commission for amending the Regulation (EU) No. 575/2013 of the European Parliament and Council with regard to the leverage ratio. According to these provisions, the calculation and disclosure of the regulatory leverage ratio is based on the carrying amount as the relevant measurement of assets. Specific regulatory measurements are applicable for derivatives and security financing transactions (security lending/repo transactions). Off-balance-sheet exposures are also taken into consideration in order to determine the overall risk of leverage.

In accordance with article 451 CRR in conjunction with the Implementation Regulation (EU) 2016/200 regarding the disclosure of the leverage ratio, the following table shows the leverage ratio for the pbb Group. There has so far not been a binding maximum limit in the European Union for the leverage ratio. However, with the CRR II, the article 92 (1) CRR was amended in such a way that institutions (starting 28 June 2021) must maintain a leverage ratio of at least 3 % at all times.

As was the case in the previous year, the leverage ratio for the pbb Group amounted to 5.1 % as of 30 June 2020, and is thus considerably higher than this minimum requirement.

Table 6: Leverage ratio (EU LRCom shortened)

All figures in € million, unless otherwise stated

Leverage ratio common disclosure		30.06.2020	31.12.2019
20	Tier 1 capital	3,045	3,109
21	Total leverage ratio exposures	59,407	55,023
22	Leverage ratio	5.1%	5.6%

The leverage ratio is part of the capital and multi-year planning of the pbb Group. In line with the business and risk strategy and also in line with the restructuring plan which is a legal requirement, the leverage ratio is provided with an early warning threshold and a limit which form part of ongoing monitoring. The ratio is determined on a monthly basis and is integrated in the Group's risk management and risk controlling systems. The Management Board of pbb is informed of the leverage ratio on a regular basis (monthly) within the framework of the management report.

Compared with the end of 2019, the leverage ratio for the pbb Group as of 30 June 2020 declined slightly to 5.1 % (31 December 2019: 5.6 %). The decline is attributable to the increase of € 4,384 million in the total exposure parameter and the slight decline of € 64 million in the tier 1 capital (T1). The tier 1 capital amounted to € 3,045 million as of 30 June 2020 (31 December 2019: € 3,109 million), and the total exposure parameter amounted to € 59,407 million (31 December 2019: € 55,023 million).

The participation of pbb in the ECB series of targeted longer-term refinancing operations (TLTRO III) is a major factor behind the increase in the total exposure parameter; this has resulted in particular in a considerable increase in the cash reserve. On 24 June 2020, the ECB made available loans in the total amount of € 1,308.4 billion with a duration of max. three years to the banks in the euro zone within the framework of a targeted longer-term refinancing transaction. As of 30 June 2020, the pbb Group had drawn down a credit tranche of € 7.5 billion for three years within the framework of this TLTRO III programme. At the same time, the pbb Group repaid its liabilities of € 1.9 billion from the TLTRO II programme of the ECB ahead of schedule as of 24 June 2020.

5 IRBA exposures

In accordance with article 452 letters d, e and f CRR in conjunction with the guidelines EBA/GL/2016/11, the following chapter contains information regarding credit risk positions (incl. counterparty credit risk positions) for which the pbb Group calculates the risk-weighted assets in accordance with the advanced IRB approach (IRBA) based on bank-internal rating procedures.

The 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). The reason for this can be either a deterioration in a country's or counterparty's creditworthiness or by a deterioration in collateralization. The credit risk comprises the default risk, migration risk, realization risk of defaulted positions, transfer and conversion risk, tenant risk, settlement risk, extension risk as well as concentration risk. The individual credit risk types are described in the Disclosure Report 2019 of the pbb Group on page 75 et seq.

For determining the own funds requirements for credit risks, the pbb Group uses the advanced IRB approach based on internal rating methods (IRBA) as well as the standardised approach (CRSA). The following sub-portfolios in particular are subject to the CRSA:

- 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
- 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)
- Receivables due from central counterparties (Eurex Clearing)
- Other default exposures which are not subject to any rating procedure according to the IRB approach approved by the German banking regulator.

As of 30 June 2020, the advanced IRB approach in the credit portfolio of the pbb Group covers 77 % of the risk positions (exposure at default, EAD) and 86 % of the risk-weighted assets (RWA), the IRBA coverage ratio is thus virtually unchanged compared with the end of the previous year. The IRBA rating systems underlying the coverage ratio, for which the pbb Group has received application approval, are listed in the Disclosure Report 2019 of the pbb Group on page 114 et seq.

The following table in accordance with article 452 letters d to f CRR in conjunction with EU CR6 of the guidelines EBA/GL/2016/11 shows (broken down according to PD areas and IRBA exposure categories) the (on-balance-sheet and off-balance-sheet) original receivable amounts as well as the corresponding IRBA exposure amounts (EAD) as well as the risk-weighted receivable amounts (RWA) together with the RWA density, in conjunction with the main parameters which are used for calculating the own funds requirements with the rating systems described above: These include the weighted average IRBA parameters probability of default (PD), loss given default (LGD), product-specific credit conversion factor (CCF) and maturity (in years) as well as the amounts of the expected loss (EL) and the impairments/provisions which have been created. The table EU CR6 does not include exposures for which the receivable value is calculated in accordance with part 3, title II, chapter 6 "Counterparty credit risk" (derivative transactions) or in accordance with part 3, title II, chapter 5 "Securitisation" (not relevant for the pbb Group) of the CRR.

In addition, in accordance with article 452 letter e CRR in conjunction with EU CCR4 of the EBA/GL/2016/11, the table also shows the receivable amounts and main risk parameters of the counterparty credit risk positions in the IRB approach for which the receivable value is calculated in accordance with part 3, title II, chapter 6 of the CRR. These regulations regarding the calculation of the exposure value for the counterparty credit risk are applied by the pbb Group for derivative transactions; for this purpose, it uses the mark-to-market method in accordance with article 274 CRR. The counterparty credit risk (CRR) is defined as the risk of the counterparty of a transaction defaulting before final settlement of the payments associated with this transaction.

Table 7: IRBA exposures and PD ranges (EU CR6)

All figures in € million, unless otherwise stated

	Exposure classes according to PD ranges in % IRB approach	Original on-balance-sheet gross exposures [1]	Off-balance-sheet exposures pre-CCF [2]	Average CCF [3] in %	Exposure at default (EAD) post CRM and post CCF [4]	Average PD [5] in %	Number of obligors	Average LGD [6] in %	Average maturity in years	Risk-weighted assets (RWA)	RWA density [7] in %	Expected loss (EL)	Value adjustments (allowances) and provisions
		a	b	c	d	e	f	g	h	i	j	k	l
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-
11	Institutions	-	-	-	-	-	-	-	-	-	-	-	-
21	Corporates												
22	0.00 to < 0.15	1,244	0.2	50%	1,147	0.09%	65	11%	4	102	9%	0.1	—
23	0.15 to < 0.25	2,431	4	50%	2,427	0.20%	98	12%	4	307	13%	1	—
24	0.25 to < 0.50	8,224	305	77%	8,414	0.39%	263	22%	3	2,568	31%	7	—
25	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	—
26	0.75 to < 2.50	9,011	1,060	70%	9,670	1.37%	209	26%	4	5,827	60%	34	—
27	2.50 to < 10.00	4,375	1,575	82%	5,531	3.61%	106	24%	3	4,055	73%	49	—
28	10.00 to < 100,00	137	-	-	137	10.10%	4	44%	1	252	184%	6	—
29	100.00 (Default)	434	1	50%	434	100%	13	28%	1	271	62%	101	—
30	Subtotal	25,856	2,945	77%	27,760	2.95%	758	23%	3	13,382	48%	197	170
31	thereof: specialised lending												
32	0.00 to < 0.15	390	-	-	390	0.09%	15	27%	3	80	21%	0.1	—
33	0.15 to < 0.25	1,648	-	-	1,648	0.20%	36	16%	3	255	15%	1	—
34	0.25 to < 0.50	6,972	164	69%	7,057	0.38%	150	25%	3	2,352	33%	7	—
35	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	—
36	0.75 to < 2.50	8,501	850	62%	8,986	1.37%	162	27%	4	5,731	64%	33	—
37	2.50 to < 10.00	4,318	1,575	82%	5,475	3.58%	96	24%	3	4,021	73%	48	—
38	10.00 to < 100,00	135	-	-	135	10.00%	1	45%	1	252	186%	6	—
39	100.00 (Default)	425	1	50%	425	100%	8	28%	1	266	62%	99	—
40	Subtotal	22,390	2,589	76%	24,117	3.27%	468	25%	3	12,956	54%	193	165

All figures in € million, unless otherwise stated

	Exposure classes according to PD ranges in % IRB approach	Original on-balance-sheet gross exposures [1]	Off-balance-sheet exposures pre-CCF [2]	Average CCF [3] in %	Exposure at default (EAD) post CRM and post CCF [4]	Average PD [5] in %	Number of obligors	Average LGD [6] in %	Average maturity in years	Risk-weighted assets (RWA)	RWA density [7] in %	Expected loss (EL)	Value adjustments (allowances) and provisions
		a	b	c	d	e	f	g	h	i	j	k	l
41	thereof: SMEs												
42	0.00 to < 0.15	68	0.2	50%	52	0.09%	27	3%	5	1	3%	0.002	—
43	0.15 to < 0.25	73	3	50%	73	0.20%	44	6%	4	5	6%	0.01	—
44	0.25 to < 0.50	981	120	88%	1,076	0.42%	90	8%	5	142	13%	0.4	—
45	0.50 to < 0.75	-	-	-	-	-	-	-	-	-	-	-	—
46	0.75 to < 2.50	475	210	90%	649	1.39%	42	5%	5	93	14%	0.5	—
47	2.50 to < 10.00	55	-	-	55	5.90%	7	21%	3	34	61%	1	—
48	10.00 to < 100,00	1	-	-	1	17.50%	2	4%	3	0.1	16%	0.01	—
49	100.00 (Default)	8	-	-	8	100%	4	27%	5	5	62%	2	—
50	Subtotal	1,661	334	89%	1,914	1.32%	216	7%	5	280	15%	3	4
51	thereof: purchased receivables	-	-	-	-	-	-	-	-	-	-	-	-
61	Retail	-	-	-	-	-	-	-	-	-	-	-	-
62	Equity	0.02	-	-	0.02	-	2	-	-	0.1	370%	-	—
63	thereof: internal model approach (IMA)	-	-	-	-	-	-	-	-	-	-	-	—
64	thereof: PD-/LGD approach	-	-	-	-	-	-	-	-	-	-	-	—
65	thereof: simple risk-weighting approach	0.02	-	-	0.02	-	2	-	-	0.1	370%	-	—
66	Other non credit-obligation assets	81	-	-	81	-	1	-	-	81	1	-	-
67	**Total IRB approach**	**25,937**	**2,945**	**77%**	**27,841**	**2.94%**	**761**	**22%**	**3**	**13,463**	**48%**	**197**	**170**

1) Gross carrying value before deduction of allowances (but after write-offs) as well as before considering any credit risk mitigation (CRM) techniques.
2) Nominal value before deduction of provisions as well as before considering any credit risk mitigation (CRM) techniques and before credit conversion factors (CCF).
3) Relationship between column (d) and column (b) for off-balance-sheet exposures.
4) IRBA regulatory exposure value (exposure at default, EAD), i.e. after considering any credit risk mitigation (CRM) techniques and credit conversion factors (CCF), but before credit risk adjustment (allowances and provisions).
5) Average probability of default (PD) weighted by the EAD.
6) Average loss given default (LGD) weighted by the EAD.
7) Relationship between column (i) and column (d).

Table 8: Counterparty credit risk exposures under the IRB approach (EU CCR4)

All figures in € million, unless otherwise stated

	Exposure classes according to PD ranges IRB approach	Exposure at default (EAD) post CRM [1]	Average PD [2] in %	Number of obligors	Average LGD [3] in %	Average maturity in years	Risk-weighted assets (RWA)	RWA density [4] in %
		a	b	c	d	e	f	g
1	Central governments and central banks	-	-	-	-	-	-	-
11	Institutions	-	-	-	-	-	-	-
21	Corporates							
22	0.00 to < 0.15	5	0.07%	4	56%	5	2	48%
23	0.15 to < 0.25	19	0.20%	9	56%	4	13	71%
24	0.25 to < 0.50	53	0.41%	54	56%	3	45	83%
25	0.50 to < 0.75	-	-	-	-	-	-	-
26	0.75 to < 2.50	59	1.23%	47	56%	4	80	135%
27	2.50 to < 10.00	24	3.71%	18	56%	3	36	153%
28	10.00 to < 100.00	-	-	-	-	-	-	-
29	100.00 (Default)	-	-	-	-	-	-	-
30	Subtotal	160	1.17%	132	56%	4	176	110%
31	thereof: specialised lending							
32	0.00 to < 0.15	3	0.09%	3	56%	5	1.3	50%
33	0.15 to < 0.25	11	0.20%	8	56%	4	9	76%
34	0.25 to < 0.50	51	0.40%	52	56%	3	43	85%
35	0.50 to < 0.75	-	-	-	-	-	-	-
36	0.75 to < 2.50	59	1.23%	47	56%	4	80	135%
37	2.50 to < 10.00	16	2.71%	17	56%	3	25	150%
38	10.00 to < 100.00	-	-	-	-	-	-	-
39	100.00 (Default)	-	-	-	-	-	-	-
40	Subtotal	140	1.00%	127	56%	4	157	112%
41	thereof: SMEs							
42	0.00 to < 0.15	-	-	-	-	-	-	-
43	0.15 to < 0.25	-	-	-	-	-	-	-
44	0.25 to < 0.50	2	0.45%	1	56%	1	1	53%
45	0.50 to < 0.75	-	-	-	-	-	-	-
46	0.75 to < 2.50	-	-	-	-	-	-	-
47	2.50 to < 10.00	7	6.00%	1	56%	3	11	158%
48	10.00 to < 100.00	-	-	-	-	-	-	-
49	100.00 (Default)	-	-	-	-	-	-	-
50	Subtotal	9	4.67%	2	56%	2	12	133%
51	Retail	-	-	-	-	-	-	-
52	Equity	-	-	-	-	-	-	-
53	thereof: internal model approach (IMA)	-	-	-	-	-	-	-
54	thereof: PD-/LGD approach	-	-	-	-	-	-	-
55	thereof: simple risk-weighting approach	-	-	-	-	-	-	-
56	**Total**	**160**	**1.17%**	**132**	**56%**	**4**	**176**	**110%**

1) IRBA regulatory exposure value (exposure at default, EAD) or credit equivalent amount after considering any credit risk mitigation (CRM) techniques.
2) Average probability of default (PD) weighted by the EAD.
3) Average loss given default (LGD) weighted by the EAD.
4) Relationship between column (f) and column (a).

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 positions 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 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. for derivatives in accordance with the mark-to-market method): market value plus regulatory add-on for potential future increases in market value, taking account of any effects of netting and collateral which is provided).

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

For IRBA positions (excl. counterparty credit risk exposures), the EAD amounted to € 27,841 million as of 30 June 2020 (31 December 2019: € 28,509 million), and the RWA amounted to € 13,463 million (31 December 2019: € 13,723 million).

The average RWA density for the IRBA loan receivables is 48 % across all IRBA exposure classes (31 December 2019: 48 %). Risk weights are important factors when determining risk-weighted assets 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 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 22 % on average for the loan receivables (excluding counterparty credit risk exposures) (31 December 2019: 22 %).

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 (excluding counterparty credit risk exposures) on average is 2.94 % (31 December 2019: 2.80 %).

The unutilised IRBA loan commitments amounted to a total of € 2,945 million (31 December 2019: € 3,258 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 77 % (31 December 2019: 79 %).

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.

For counterparty credit risk exposures (IRBA), the EAD amounted to € 160 million as of 30 June 2020 (31 December 2019: € 137 million), and the RWA amounted to € 176 million (31 December 2019: € 155 million). The average RWA density for these derivative transactions is stated as 110 % (31 December 2019: 113 %). The loss given default (LGD) is 56 % on average (31 December 2019: 56 %), and the probability of default (PD) is 1.17 % on average (31 December 2019: 1.39 %).

The counterparties in derivative transactions are mainly OECD credit institutions or Eurex Clearing whereby pbb does not show the receivables due from the central counterparty Eurex Clearing in the IRB approach, and instead shows them in the standard approach (CRSA). 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.

6 Liquidity coverage ratio

The 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. The ratio is calculated on the basis of the requirements of the Delegated Regulation (EU) 2015/61 of the Commission of 10 October 2014 for complementing the (EU) Directive No. 575/2013 of the European Parliament and Council regarding the liquidity coverage requirement of credit institutions.

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 %.

As was the case in the previous year, the figures for the first half of 2020 determined for the pbb Group were considerably higher than 100 %. The liquidity coverage ratio was 375 % as of 30 June 2020 (31 December 2019: 182 %).

In accordance with article 435 (1) CRR in conjunction with the guidelines EBA/GL/2017/01 of the European Banking Authority (EBA), the following table shows the information concerning the LCR for the pbb Group. In accordance with point 20 of the EBA/GL/2017/01, the information comprises the figures and the relevant numbers for each of the four calendar quarters before 30 June 2020. These figures and numbers have to be calculated as simple average figures of the month-end details collated over the twelve months before the end of each quarter.

Table 9: Liquidity coverage ratio (EU LIQ1 shortened)

All figures in € million, unless otherwise stated

	Liquidity Coverage Ratio (LCR) pbb Group	**Total unweighted value** (12-month-average) [1]				**Total weighted value** (12-month-average) [1]			
	Quarter ending on:	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2020	31.03.2020	31.12.2019	30.09.2019
	Number of data points used in the calculation:	12	12	12	12	12	12	12	12
		a	b	c	d	e	f	g	h
21	Liquidity buffer	———	———	———	———	4,961	5,329	5,453	5,801
22	Total net cash outflows	———	———	———	———	1,972	2,173	2,402	2,439
23	Liquidity Coverage Ratio (in %)	———	———	———	———	263%	251%	229%	241%

1) The values and figures shall be calculated in accordance with EBA/GL/2017/01 as simple averages of the end-of-month surveys over the 12 months preceding the end of each quarter.
On 18 October 2021, the LCR amounts were corrected. The original publication of the Disclosure Report as of 30 June 2020 of 2 September 2020 was accordingly replaced.

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.

The table EU LIQ1 for the liquidity coverage ratio (LCR) contains all positions relevant for the LCR calculation. pbb is also the only credit institution within the pbb Group. Liquidity management is carried out exclusively by pbb.

7 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” of 2 June 2020, 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 2020, the new corona virus SARS-CoV-2 resulted in the global spread of the COVID-19 disease. Extensive protection measures were taken in many countries in order to combat the pandemic. An example of one of these measures was the restriction of the business activity of many companies. World-wide, economic output measured in terms of gross domestic product has declined dramatically, and unemployment has increased.

The economic recession has also had an impact on the banks, including higher impairments recognised in relation to financial instruments. However, with better capitalisation and also with better liquidity backing, the banks are now probably in a better position to face the economic challenge than was the case in previous crises.

As a result of its good capital and liquidity backing and also its risk-conservative business model, the pbb Group considers that it has established a good position. The operational stability and internal procedures of the pbb Group were not significantly impaired at any time despite the crisis. The prompt reaction to the changed situation had an effect in this respect. For instance, forward-looking protection measures for the employees were taken, and examples of further measures were mobile and flexible work opportunities.

In order to mitigate the impact of the COVID-19 crisis, various forms of resolutions were adopted in Germany and in other countries regarding statutory postponements of certain loan instalments which were due in the event of customers experiencing emergency situations due to the crisis. In Germany, the corresponding regulations relate exclusively to loan agreements with consumers and micro-enterprises, and are accordingly of minor significance for the pbb Group. A similar situation is also applicable for moratoria of other countries to the extent that they relate exclusively to consumer transactions, as well as for private moratoria initiated by the banking associations which pbb has not joined.

The following table in accordance with the guidelines EBA/GL/2020/07 in conjunction with EBA/GL/2020/02 of the European banking regulator (table 3 “Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis” of the guidelines) shows the new financing arrangements to customers which were carried out by the pbb Group in response to the COVID-19 crisis and which are backed by public guarantees.

The pbb Group does not apply general payment moratoria in accordance with point 10 of the guidelines EBA/GL/2020/02; this is applicable in the case of statutory moratoria (for instance the payment moratorium of the BaFin for extended consumer loans) or for moratoria without legal form (for instance the “vdp moratorium repayment” for loans secured by property charges/real estate). Accordingly, the tables 1 (“Information on loans and advances subject to legislative and non-legislative moratoria”) and 2 (“Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria”) of the guidelines EBA/GL/2020/07 in conjunction with EBA/GL/2020/02 are not relevant for the pbb Group.

Table 10: 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

	Measures in response to the COVID-19 crisis	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
		a	b	c	d
1	**Newly originated loans and advances subject to public guarantee schemes**	0.2	-	0.2	-
2	thereof: Households	-			-
3	thereof: Collateralised by residential immovable property	-			-
4	thereof: Non-financial corporations	0.2	-	0.2	-
5	thereof: Small and Medium-sized Enterprises	0.05			-
6	thereof: Collateralised by commercial immovable property	0.2			-

1) Gross carrying value before deduction of credit losses allowances on financial assets and provisions in the lending business, but after write-offs.
2) The reported amount of the state guarantee is limited to the gross carrying amount of the asset. Other securities or warranties/guarantees have not been considered.

In the case of existing business, pbb, instead of joining the statutory or private moratoria, has actively attempted to find economic solutions on an individual basis together with the customers whose business for instance has been affected. In the first half of 2020, agreement was reached with customers in the case of a small number of financing arrangements regarding an adjustment to the contractually agreed payment flows. In general, in the event of adjustments being made to the contractual payment flows, current repayments were suspended or contractual agreements regarding the assessment of financial parameters were suspended for a certain period. If necessary, the financing arrangements were classified as forbearance for regulatory purposes. The gross carrying amount of these exclusively performing financing arrangements amounted to 1 % of the total financing volume.

These contract modifications have not had any significant impact on the income statement. None of the modifications was so extensive that it was in reality a new financing arrangement in accordance with the requirements of IFRS 9. Accordingly, the previous financing arrangement did not have to be derecognised, and the modified financing arrangement did not have to be entered.

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 2020, the volume amounted to € 0.2 million. These are financing arrangements which have been extended by pbb and which are guaranteed by the KfW. The complete or partial liability exemption by the KfW also enables pbb to avoid having to provide backing with own funds.

The current developments are regularly discussed in the Management Board and the Supervisory Board. An enterprise-wide task force has also been initiated for clarifying questions relating to specific issues. For the target markets of pbb, this task force is responsible particularly for the close observation and analysis of current market developments, the close monitoring of certain market segments such as hotel and retail which are particularly affected by the impact of the COVID-19 crisis, 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, there continues to be close monitoring of current developments at the level of individual exposures, specifically in relation to the cash flow and security values

8 Sustainability risks

Sustainability risks (environmental, social and governance risks, ESG risks) are defined as events or conditions in the fields of environment, social or governance whose occurrence might have actual or potentially negative effects on the net assets, financial position and results of operations as well as the reputation of an enterprise. The bank regulator expects that enterprises ensure a system of handling sustainability risks and that they document this (for instance in the business and risk strategy, the business organisation and risk management as well as governance).

pbb is a leading specialist bank for the financing of investments in commercial real estate and public infrastructure in Europe and the USA. As a financing partner for the real estate industry and public sector, it performs an important real economy and macro-economic function. At the same time, pbb is one of the major issuers in terms of the volume of outstanding Pfandbriefe, and is also an important issuer of covered bonds in Europe. In this way, it pools the funds for lending, and transforms illiquid loans with concentrated risks into investment opportunities with a diversified risk structure and high fungibility.

In the exercising of its business activity, the pbb Group bears responsibility towards the environment in which it operates:

- Employees
- Customers and bank partners
- Investors in equity and debt of pbb
- Service providers and suppliers
- Society and the environment.

The principle of sustainability is the guiding principle behind the exercising of this responsibility. The pbb Group defines sustainability as the essential idea of using one’s own actions to make an essential contribution towards safeguarding the long-term future and taking account of the consequences for all stakeholders of the company as well as the environment. Law-abiding and moral conduct, responsible governance and compliance with high ethical principles form a necessary condition in this respect. For this reason, the pbb Group aims to achieve an optimum combination of permanent economic success and sustainability aspects, and thus create long-term value for all stakeholders, to generate benefits for the company and to conserve natural resources. In view of a constant process of change affecting markets and stakeholder requirements, the pbb Group considers that regular and open dialogue is essential in order to recognise the needs of stakeholders at an early stage and to be able to take account of these needs in the decision-making processes.

A particular aspiration of the pbb Group is to actively support the development process towards sustainability. In this context, the sustainability strategy of the pbb Group also focusses on taking suitable measures to constantly strengthen and further expand the sustainability awareness and also to embed sustainability aspects as an integral element in the company. The sustainability strategy focusses on aspects which have a significant impact on the business activity and the business success of pbb and which can also be significantly influenced by the pbb Group. The main aspects are identified annually within the framework of a materiality analysis.

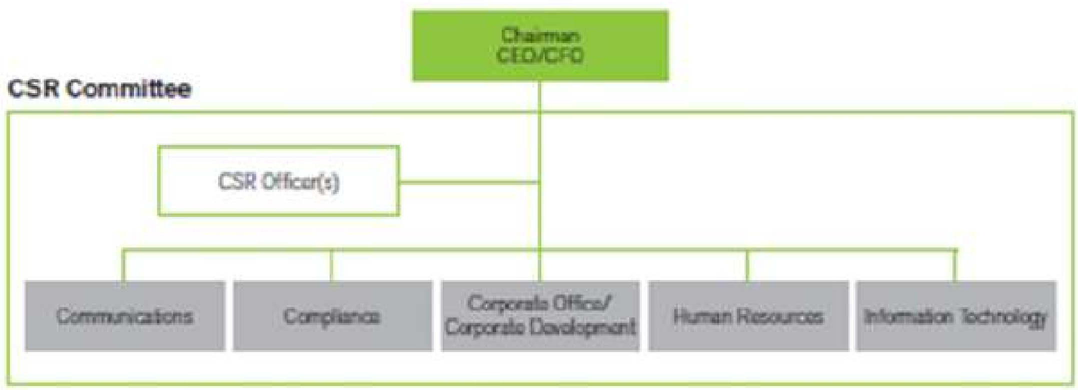
In addition, the sustainable development goals (SDGs) have also been recognised in the sustainability strategy of pbb since 2018. The aim of the SDGs is to achieve general assurance of a sustainable development at the economic, social as well as ecological levels. Their integration in the sustainability strategy aims to ensure that pbb is able to create a sound basis and actively shape sustainable growth and thus a successful future.

CSR Committee

A major instrument for handling sustainability risks in the pbb Group is the CSR Committee (Corporate Social Responsibility, CSR), which was established in 2017. The purpose and operational framework of the CSR Committee are set out in rules of procedure.

The members of the CSR Committee are appointed by the Management Board. It consists of the heads of Communications, Compliance, Corporate Office/Corporate Development, Human Resources, Information Technology as well as the CSR officer appointed by the CSR Committee.

Figure 2: CSR Committee



Membership in the CSR Committee is linked to the respective function. This ensures that the various divisions are always represented in the CSR Committee. The head of Communications is the chairman of the CSR Committee.

The CSR Committee is responsible for the development of the sustainability strategy and monitoring its implementation. The CSR Committee also adopts sustainability targets and the measures necessary for target attainment. It is informed at least once a year within the framework of an ordinary meeting by the CSR officer regarding current statutory developments and market requirements and also regarding the status of implementation and target attainment of previously adopted measures and targets. The CSR Committee where appropriate uses this as the basis for adopting new measures and targets. In the evaluation and prioritisation of measures and targets, the CSR Committee always follows the principle of materiality.

A protocol is drawn up for each of the meetings of the CSR Committee. The Management Board receives timely information regarding the dates of the meetings, and is able to attend the meetings. In addition, the Management Board is also able to obtain further reports and recommendations of the CSR Committee at all times. At the Management Board level, Andreas Arndt (CEO/CFO) is responsible for Corporate Governance and thus also for CSR requirements.

Further information concerning the subject of sustainability in the pbb Group can be found in the “Corporate Report 2019/20” and in the “Non-financial report 2019” of the pbb Group, both of which are published on the website of pbb.

Green Bonds

pbb makes its contribution towards climate protection and treats the natural resources in a responsible manner; it explicitly acknowledges the Paris climate goals as well as the sustainable finance goals of the European Union and the German government. In this connection, pbb adopted its green bond framework in March 2020.

In the case of real estate financing, environmental aspects in addition to the traditional credit risks are analysed and integrated in the credit process. The particularly environmentally-friendly properties serve as the reference portfolio for the green bonds of pbb. With the issue of green bonds, pbb enables investors to target their investments specifically into sustainable capital market products.

The green bond framework follows the ICMA green bond principles and focusses primarily on properties with low energy consumption. The properties are selected by a Green Bond Committee, whose members are responsible for decisions regarding the inclusion of the loans in the reference portfolio, whereby all inclusions require a unanimous decision.

In line with the green bond framework of pbb, green bonds can be issued in the form of Pfandbriefe and senior unsecured (preferred and non-preferred) bonds.

9 Outlook

CRR Amending Regulation

On 7 June 2019, the so-called risk-reducing package (consisting of CRR II, CRD V, BRRD II and SRMR II), which also includes a revision of the CRR/CRD IV reform package, was published in the EU Official Journal. The Amending Regulation (EU) 2019/876 (CRR II), in which the main disclosure requirements are also regulated (part 8 “Disclosure by the institutions”), came into force on 27 June 2019, and – with some exceptions for transitional deadlines specified in article 3 of the CRR II - is to be applicable starting 28 June 2021.

In order to define EU-uniform disclosure formats (tables) and corresponding instructions for the necessary disclosures, the European Banking Authority (EBA), in accordance with article 434a CRR II, was engaged to draw up a corresponding Implementing Technical Standard (ITS) by 28 June 2020. The EBA published the final standard EBA/ITS/2020/04, the so-called new Pillar 3 framework, on 24 June 2020. It has not yet been published in the Official Journal of the European Union.

The new regulations regarding disclosure (including the new features from the CRR II) as well as the uniform disclosure formats of the EBA will be applicable for the first time in the Disclosure Report as of 30 June 2021.

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 imminent challenges in connection with the COVID-19 crisis, the BCBS decided on 27 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.

At present, it is not yet possible to make a reliable estimate of transposition into European law, probably within the framework of a CRR III and amendment of the Pillar 3 framework (EBA/ITS/2020/04) applicable starting 28 June 2021.

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