

# **Disclosure Report**

In accordance with EU Regulation (EU) No. 575/2013  
(CRR)

As of 30 June 2016

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## 1 Introduction

With the present Disclosure Report Deutsche Pfandbriefbank AG (pbb) constitutes the disclosure requirements during the year under Part 8 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation; CRR) for pbb and its downstream affiliates as of 30 June 2016. 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"). pbb is the parent company of the regulatory group as defined in Section 10a of the German Banking Act (KWG) in conjunction with Article 11 et seq. CRR and is responsible for regulatory disclosure requirements.

In accordance with Article 433 CRR institutions have to consider whether it is necessary, more frequently than once a year to disclose the required disclosure information fully or partially. To examine the need for more frequent disclosure the Bundesanstalt für Finanzdienstleistungen (BaFin) has published on 8 June 2015 the circular 05/2015, which formally implements the guiding principles EBA/GL/2014/14 of the European Banking Authority (EBA) of 23 December 2014. The pbb Group meets the criterion "the consolidated balance sheet of the institution exceeds € 30 bn" according to title VI, number 18 letter b of the BaFin circular and discloses semiannually, beginning from the business year 2015 as of 30 June and 31 December of each fiscal year. The total assets according to IFRS of pbb group amounted € 67.5 bn as of 30 June 2016 (31 December 2015: € 66.8 bn).

The Disclosure Report as 30 June 2016 focuses primarily on the following information:

- Structure and adequacy of own funds
- Capital requirements and risk positions
- IRB-approach for credit risks
- Leverage ratio

In line with Article 432 CRR, institutions may refrain from disclosing one or more items as specified in Part 8, Title II/III of CRR provided that these are not significant or are classified as business secret or sensitive information. pbb however fully complies with all disclosure requirements.

According to Article 13 (1) CRR, the Disclosure Report is based on the consolidated situation of pbb Group. There are no significant subsidiaries as defined in Article 13 (1) CRR. According to Article 13 CRR, pbb as parent company of the Group is not required to provide a disclosure at institution level. This Report is based on the regulatory scope of consolidation according to Articles 18 to 24 CRR.

According to Article 434 (1) CRR, the Disclosure Report is publicised as an independent report on the website of pbb ([www.pfandbriefbank.com](http://www.pfandbriefbank.com)) under Investor Relations / Mandatory Publications. European Central Bank (ECB), Deutsche Bundesbank and BaFin are informed of the time and the medium of the publication.

### Note:

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

## 2 Own Funds

### 2.1 Structure of Own Funds

Regulatory own funds are decisive for the compliance with regulatory capital requirements and thus for capital requirements for counterparty default risks, market risks, operational risks, settlement risks as well as CVA risks, and they are determined according to Part 2 of CRR. Regulatory own funds are composed of Common Equity Tier 1 (CET1) capital, additional Tier 1 (AT1) capital as well as Tier 2 (T2) capital.

The following paragraphs deal with own funds for pbb Group on a consolidated basis according to Article 437 CRR in conjunction with the transitional provisions of Article 492 CRR.

According to Article 437 (1), Point (d) CRR in conjunction with Article 492 (3) and (4) CRR, the following Table showing the structure of own funds displays the type and amount of own funds of pbb Group as at the reporting date 30 June 2016 (31 December 2015). Own funds are calculated according to CRR. The amounts shown are based on the IFRS consolidated financial statement of pbb Group including regulatory adjustments. pbb is the direct or indirect main shareholder of shareholdings which are part of the consolidation scope.

**Table 1: Structure of Own Funds**

All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	
		30.06.2016	31.12.2015		30.06.2016	31.12.2015
	<b>Common Equity Tier 1 (CET1) capital: Instruments and reserves</b>					
1	Capital instruments and the related share premium accounts	2,017	2,017	26 (1), 27, 28, 29, EBA list 26 (3)	-	-
	of which: Subscribed capital	380	380	EBA list 26 (3)	-	-
	of which: Capital reserve	1,637	1,637	EBA list 26 (3)	-	-
2	Retained earnings	655	655	26 (1) (c)	-	-
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-51	16	26 (1)	-	-
3a	Funds for general banking risk	-	-	26 (1) (f)	-	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	-	486 (2)	-	-
4a	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (2)	-	-
5	Minority Interests (amount allowed in consolidated CET1)	-	-	84, 479, 480	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	26 (2)	-	-
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,621</b>	<b>2,688</b>			
	<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>					
7	Additional value adjustments (negative amount)	-3	-14	34, 105	-	-
8	Intangible assets (net of related tax liability) (negative amount)	-13	-8	36 (1) (b), 37, 472 (4)	-8	-13
9	Empty Set in the EU	-	-		-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-8	-7	36 (1) (c), 38, 472 (5)	-6	-10
11	Fair value reserves related to gains or losses on cash flow hedges	-61	-87	33 (a)	-	-

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All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	
		30.06.2016	31.12.2015		30.06.2016	31.12.2015
12	Negative amounts resulting from the calculation of expected loss amounts	-67	-31	36 (1) (d), 40, 159, 472 (6)	-44	-43
13	Any increase in equity that results from securitised assets (negative amount)	-	-	32 (1)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-14	-10	33 (b)	-10	-15
15	Defined-benefit pension fund assets (negative amount)	-	-3	36 (1) (e) , 41, 472 (7)	-	-4
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-	36 (1) (f), 42, 472 (8)	-	-
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	36 (1) (g), 44, 472 (9)	-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	-	-
20	Empty Set in the EU	-	-	-	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	36 (1) (k)	-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	36 (1) (k) (i), 89 to 91	-	-
20c	of which: securitisation positions (negative amount)	-	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	-	-
20d	of which: free deliveries (negative amount)	-	-	36 (1) (k) (iii), 379 (3)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	-
22	Amount exceeding the 15% threshold (negative amount)	-	-	48 (1)	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	36 (1) (i), 48 (1) (b), 470, 472 (11)	-	-
24	Empty Set in the EU	-	-	-	-	-
25	of which: deferred tax assets arising from temporary differences	-	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	-	-
25a	Losses for the current financial year (negative amount)	-	-	36 (1) (a), 472 (3)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	36 (1) (l)	-	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-	-	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	28	5	-	-	-
26aa	thereof: Deductions and adjustment items for not realised losses from exposures to central governments categorised as Available for Sale (AFS) according to IAS 39	32	6	467	-	-

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All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	
		30.06.2016	31.12.2015		30.06.2016	31.12.2015
26ab	thereof: Deductions and adjustment items for other not realised losses	-4	-1	467	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	-	481	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	36 (1) (j)	-	-
<b>28</b>	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>-138</b>	<b>-155</b>			
<b>29</b>	<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,483</b>	<b>2,533</b>			
	<b>Additional Tier 1 (AT1) capital: Instruments and reserves</b>					
30	Capital instruments and the related share premium accounts	350	350	51, 52	-	-
31	of which: classified as equity under applicable accounting standards	-	-		-	-
32	of which: classified as liabilities under applicable accounting standards	350	-		-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-140	-105	486 (3)	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (3)	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	85, 86, 480	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-	486 (3)	-	-
<b>36</b>	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>210</b>	<b>245</b>			
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>					
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	-	-	52 (1) (b), 56 (a), 57, 475 (2)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	56 (b), 58, 475 (3)	-	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-	56 (c), 59, 60, 79, 475 (4)	-	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-	56 (d), 59, 79, 475 (4)	-	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-31	-36		-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-31	-36	472, 472 (3) (a), 472 (4), 472 (6), 41a, 41b, 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-	-
41aa	of which: intangibles	-8	-13		-	-
41ab	of which: shortfall of provisions to expected losses calculated according to the IRB-Approach	-22	-23		-	-

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All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	
		30.06.2016	31.12.2015		30.06.2016	31.12.2015
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-	477, 477 (3), 477 (4) (a)	-	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	-	467, 468, 481	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-	56 (e)	-	-
<b>43</b>	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	<b>-31</b>	<b>-36</b>			
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>180</b>	<b>209</b>			
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,663</b>	<b>2,742</b>			
	<b>Tier 2 (T2) capital: Instruments and reserves</b>					
46	Capital instruments and the related share premium accounts	206	230	62, 63	-	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	163	190	486 (4)	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-	483 (4)	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	87, 88, 480	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-	486 (4)	-	-
50	Credit risk adjustments	-	-	62 (c) & (d)	-	-
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>369</b>	<b>421</b>			
	<b>Tier 2 (T2) capital: regulatory adjustments</b>					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	63 (b) (i), 66 (a), 67, 477 (2)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	66 (b), 68, 477 (3)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	66 (c), 69, 70, 79, 477 (4)	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	66 (d), 69, 79, 477 (4)	-	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-22	-23		-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-22	-23	472, 472(3)(a), 472 (4), 472 (6), 472 (8)(a), 472 (9), 472 (10)(a), 472 (11)(a)	-	-
56aa	of which: shortfall of provisions to expected losses calculated according to the IRB-Approach	-22	-23		-	-

Disclosure Report as of 30 June 2016

All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013	
		30.06.2016	31.12.2015		30.06.2016	31.12.2015
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-	475, 475 (2) (a), 475 (3), 475 (4)(a)	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-	467, 468, 481	-	-
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>-22</b>	<b>-23</b>			
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>347</b>	<b>398</b>			
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>3,010</b>	<b>3,140</b>			
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-	-		-	-
<b>60</b>	<b>Total risk weighted assets</b>	<b>12,995</b>	<b>13,402</b>			
	<b>Capital ratios and buffers</b>					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	19.1%	18.9%	92 (2) (a), 465	-	-
62	Tier 1 (as a percentage of risk exposure amount)	20.5%	20.5%	92 (2) (b), 465	-	-
63	Total capital (as a percentage of risk exposure amount)	23.2%	23.4%	92 (2) (c)	-	-
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5.215%	-	CRD 128, 129, 130	-	-
65	of which: capital conservation buffer requirement	0.625%	-		-	-
66	of which: countercyclical buffer requirement	0.090%	-		-	-
67	of which: systemic risk buffer requirement	-	-		-	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	CRD 131	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.6%	-	CRD 128	-	-
69	[non relevant in EU regulation]	-	-		-	-
70	[non relevant in EU regulation]	-	-		-	-
71	[non relevant in EU regulation]	-	-		-	-
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	-	-
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	36 (1) (i), 45, 48, 470, 472 (11)	-	-
74	Empty Set in the EU	-	-		-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	86	66	36 (1) (c), 38, 48, 470, 472 (5)	-	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>				-	-

## Disclosure Report as of 30 June 2016

All figures in € million

Nr.	Capital instruments pbb Group	(A) AMOUNT AT DISCLOSURE DATE		(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE- REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013		
		30.06.2016	31.12.2015		30.06.2016	31.12.2015	
		76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		-	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	4	3	62	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	62	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	69	71	62	-	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>							
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	484 (3), 486 (2) & (5)	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	484 (3), 486 (2) & (5)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	210	245	484 (4), 486 (3) & (5)	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	140	105	484 (4), 486 (3) & (5)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	163	190	484 (5), 486 (4) & (5)	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	127	65	484 (5), 486 (4) & (5)	-	-	

Own funds as shown in the Table are based on COREP reporting of pbb Group as at the reporting date 30 June 2016 (excluding the net profit from 01.01. to 30.06.2016).

### Tier 1 capital

Tier 1 capital as per CRR generally consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital. Common equity Tier 1 capital consists of equity according to the IFRS financial statements adjusted for regulatory adjustments. In addition, under certain conditions hybrid capital issues may be included in the Additional Tier 1 capital. The composition of the balance sheet equity according to IFRS is described in pbb Group's 2016 Interim Report ([www.pfandbriefbank.com](http://www.pfandbriefbank.com)).

### Common Equity Tier 1 capital

As of 30 June 2016, the conditions for Common Equity Tier 1 capital according to Articles 26 to 50 CRR were applicable.

The subscribed capital of pbb as of 30 June 2016 still amounted to € 380 million and was divided into 134,475,308 no-par value ordinary bearer shares with a computed share in the subscribed capital of € 2.83 per share.

Common Equity Tier 1 capital is based on the components of the IFRS balance sheet equity which includes capital reserve, retained earnings and other reserves. As of 30 June 2016, this amounted to € 2,621 million before regulatory adjustments.

From the option under Article 26 section 2 CRR to credit under certain conditions interim profits before approval of the annual financial statements, the pbb Group does not exercise. Consequently, the net profit of € 66 million in the first half 2016 was not taken into account at 30 June 2016 in the calculation of the Common Equity Tier 1 capital.

## Regulatory Adjustments

According to CRR, various items are deducted from Common Equity Tier 1 (CET1) capital before regulatory adjustments amounting to € 2,621 million:

- Value adjustments based on prudent valuation requirements amounting to € 3 million are fully deducted from Common Equity Tier 1 capital. However at the same time they serve as additional value adjustments as defined in Article 159 CRR, thereby reducing the value adjustment deficit.  
Prudent valuation is required based on Article 34 CRR. Institutions with fair valued items up to a limit of € 15 billion (after deducting items which are not relevant for equity) may use, according to Article 4 of EBA/RTS/2014/06, a simplified approach. pbb Group benefits from this scheme. According to Article 6 of this operating standard, a flat amount of 0.1% of fair valued portfolios is deducted (again after deducting items which are not relevant for equity).
- According to Article 37 CRR, intangible assets amounting to € 21 million are fully deductible from the Tier 1 capital, however based on the Grandfathering provisions applicable as of 31 December 2015 only 60%, i.e. € 13 million, will be deducted.
- As of 30 June 2016 deductions of deferred tax assets amounted to € 8 million, i.e., 60% of € 14 million of deferred tax assets according to the Grandfathering provisions. These do not result from temporary differences after offsetting deferred tax liabilities. Deferred tax assets of € 86 million resulting from temporary differences are risk weighted at 250% according to Article 48 (4) CRR.
- The cash flow hedge reserve of € 61 million is fully set off according to Article 33 CRR.
- If loss allowances display a value adjustment deficit as compared with the expected loss according to Basel III, this has to be deducted from the Common Equity Tier 1 capital provided that the bank concerned applies the Internal Ratings-Based Approach (IRBA) according to Basel III (cf. Article 159 CRR). Of the deficit of € 111 million as of 30 June 2016, 60%, i.e. € 67 million, are deducted from the Common Equity Tier 1 capital due to the Grandfathering provisions. Half of the remainder of € 44 million is deducted from Additional Tier 1 capital and Tier 2 capital, i.e. € 22 million each.
- Of fair value gains and losses arising from the institution's own credit risk related to derivative liabilities amounting to € 24 million (DVA adjustment) 60%, i.e. € 14 million, are deducted from the Common Equity Tier 1 capital due to the Grandfathering provisions. This deduction is based on Article 33 (1), Point (c) CRR.
- According to Article 34 CRR, the AfS reserve is part of the regulatory Tier 1 capital, irrespective of its sign. However due to the Grandfathering provisions of Articles 467 and 468 CRR, the amount as of 30 June 2016, i.e. € - 22 million is partially eliminated again except for a remainder of € - 4 million (40% of the positive amount of AfS reserve items not related to central government exposures amounting to € 10 million).  
Articles 467 and 468 CRR contain a special provision concerning exposures to central governments classified as "Available for Sale". Until the abolition of IAS 39, these items may be set off completely provided that this special provision is applied by the national banking supervision authorities. The German banking supervision authorities do apply this special provision. The adjustment items for the AfS reserve according to the Grandfathering provisions are composed as follows: € - 4 million (40% of the positive amount of AfS reserve items not related to central government exposures) and € + 32 million (100% of the negative portion of AfS reserve items related to central government exposures).

Altogether, Common Equity Tier 1 (CET1) capital of pbb Group as of 30 June 2016 amounted to € 2,483 million (31 December 2015: € 2,533 million). The main features of Common Equity Tier 1 instruments issued by pbb Group according to Article 437 (1), Point (b) CRR are described in Chapter 4 "Notes".

### Additional Tier 1 capital

The Tier 1 capital of pbb Group consists of Common Equity Tier 1 (CET1) capital as well as Additional Tier 1 (AT1) capital as far as the regulations of Articles 52 to 54 CRR are met. These are hybrid capital instruments. The term hybrid capital instrument specifically means the issuance of so-called “preferred securities” by special-purpose vehicles which have been specifically established for this purpose. As of 30 June 2016 and also as at the end of the previous year, preferred securities of € 350 million were issued by a special-purpose vehicle.

**Table 2: Additional Tier 1 (AT1) capital – Capital Instruments**

Issuer	Parent company	Year of issue	Type	Nominal amount in € million	Interest rate in %	Maturity	first call date Issuer
Hypo Real Estate International Trust I	Deutsche Pfandbriefbank AG	2007	Preferred Securities	350	5.864	indefinite	2017 <sup>1)</sup>
<b>Total</b>				<b>350</b>			

1) The bonds of Deutsche Pfandbriefbank AG on their emission vehicle issued emission is - after the first call date - terminable at any other interest payment date by the Deutsche Pfandbriefbank AG, subject to approval by BaFin / Bundesbank.

The so-called hybrid capital has characteristics of both equity and debt. Using a suitable combination of these features, the capital can be optimally aligned with investors' and borrowers' interests, thereby allowing for an ideal structuring.

Hybrid instruments differ from classical Tier 2 capital in that they are subject to more stringent maturity requirements. What is more, in the event of bankruptcy, hybrid Tier 1 capital instruments may only be satisfied once the Tier 2 capital (longer-term subordinated liabilities) has been paid back. Other than traditional Tier 1 capital instruments, hybrid instruments have a profit entitlement in the form of a fixed or variable interest, based on the existence of a net profit. Furthermore, hybrid capital may be issued for an indefinite period or as long-term issues.

The securities were issued in 2007 and are subject to a fixed interest rate in line with market rates up until the possible date of termination by the bank. Thereafter they are subject to a floating interest rate including an interest step up. The issued securities meet the following requirements according to the Sydney Declaration of the Basle Committee for Banking Supervision, i.e.

- they do not contain any interest accumulation provisions
- under a bankruptcy, they are only satisfied once the Tier 2 capital (subordinated liabilities) has been paid back
- they have an unlimited term and cannot be terminated by the investor
- they are subject to just one moderate interest rate adjustment provision in conjunction with a termination right in favor of the debtor which can be first used 10 years after the issue date
- they are issued and fully paid in
- they are available for the company on an ongoing basis in order to cover for losses.

pbb's issue of € 350 million is subject to a right of termination on the part of the bank in 2017 in conjunction with a step up. According to the transitional provisions in Article 489 CRR, a certain percentage of the amount of € 350 million qualifies as Additional Tier 1 capital and this percentage falls by 10% annually, i.e. as of 30 June 2016, 60% of the amount qualified as Additional Tier 1 capital. The non-qualifying portion can be applied to the Grandfathering stock of the Tier 2 capital as far as the limit of 60% of the recognisable amount was not used as of 31 December 2012.

Thus the Additional Tier 1 (AT1) capital before regulatory adjustments of pbb Group is calculated as follows: € 350 million multiplied by 60% = € 210 million (as described above, € 140 million are set off against the Tier 2 capital).

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### Regulatory Adjustment

Of these € 210 million, the following items are deducted. Based on the Grandfathering provisions, these items must not be deducted from the Common Equity Tier 1 capital but partly from Additional Tier 1 capital:

- € 8 million (40% of intangible assets of € 21 million)
- € 22 million (20% of the value adjustment deficit of € 111 million).

Altogether the Additional Tier 1 (AT1) capital of pbb Group as of 30 June 2016 amounted to € 180 million (31 December 2015: € 209 million). The main features of Additional Tier 1 capital issued by pbb Group according to Article 437 (1), Point (b) CRR are described in Chapter 4 “Notes”.

### Tier 2 capital

Tier 2 capital of pbb Group consists of long-term subordinated loans less regulatory adjustments to Common Equity Tier 1 capital which have to be applied to the Tier 2 capital due to transitional provisions. These adjustments imply a 20% deduction for the value adjustment deficit. The provisions for the recognition of long-term subordinated loans according to Article 63 CRR are mostly complied with. For a few security issues the Grandfathering clause according to Article 490 CRR is applied.

Tier 2 instruments are subject to interest in line with market rates. The reduction of € 51 million as compared with 31 December 2015 mainly results from long-term subordinated loans which became due in 2016 as well as from the daily amortisation over the last five years as provided for by Basel III.

The subordinated loans consist of the following issues (listed according to maturity).

**Table 3: Tier 2 (T2) capital – Capital Instruments**

Issuer	Year of issue	Type	Nominal amount in € million	Interest rate in %	Maturity
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	2	4.270	2016
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	2	4.725	2016
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	5	4.625	2016
Deutsche Pfandbriefbank AG	2006	Registered Bond	15	4.245	2017
Deutsche Pfandbriefbank AG	2007	Borrowers' note loan	10	4.795	2017
Deutsche Pfandbriefbank AG	2007	Borrowers' note loan	10	4.810	2017
Deutsche Pfandbriefbank AG	2006	Registered Bond	10	4.050	2018
Deutsche Pfandbriefbank AG	2008	Borrowers' note loan	1	variable	2018
Deutsche Pfandbriefbank AG	2008	Registered Bond	60	variable	2018
Deutsche Pfandbriefbank AG	2008	Borrowers' note loan	10	7.515	2018
Deutsche Pfandbriefbank AG	2008	Bearer bond	25	8.000	2018
Deutsche Pfandbriefbank AG	2008	Borrowers' note loan	75	8.000	2018
Deutsche Pfandbriefbank AG	2008	Bearer bond	10	7.496	2018
Deutsche Pfandbriefbank AG	2006	Registered Bond	5	4.520	2019
Deutsche Pfandbriefbank AG	2000	Bearer bond	15	variable	2020
Deutsche Pfandbriefbank AG	2006	Registered Bond	1	4.900	2020
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	10	4.350	2021
Deutsche Pfandbriefbank AG	2006	Registered Bond	10	4.570	2021
Deutsche Pfandbriefbank AG	2006	Bearer bond	7	4.560	2021
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	1	4.910	2021
Deutsche Pfandbriefbank AG	2002	Borrowers' note loan	4	6.550	2022
Deutsche Pfandbriefbank AG	2002	Borrowers' note loan	6	6.550	2022
Deutsche Pfandbriefbank AG	2002	Bearer bond	10	6.570	2022
Deutsche Pfandbriefbank AG	2003	Bearer bond	10	variable	2023
Deutsche Pfandbriefbank AG	2003	Borrowers' note loan	5	6.330	2023
Deutsche Pfandbriefbank AG	2003	Borrowers' note loan	5	6.330	2023
Deutsche Pfandbriefbank AG	2008	Bearer bond	10	8.060	2023

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Issuer	Year of issue	Type	Nominal amount in € million	Interest rate in %	Maturity
Deutsche Pfandbriefbank AG	2005	Borrowers' note loan	10	4.650	2025
Deutsche Pfandbriefbank AG	2016	Borrowers' note loan	2	3.950	2026
Deutsche Pfandbriefbank AG	2001	Bearer bond	10	6.550	2026
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	3	4.530	2026
Deutsche Pfandbriefbank AG	2006	Registered bond	5	5.125	2026
Deutsche Pfandbriefbank AG	2016	Borrowers' note loan	3	3.880	2026
Deutsche Pfandbriefbank AG	2016	Borrowers' note loan	2	3.880	2026
Deutsche Pfandbriefbank AG	2006	Borrowers' note loan	5	5.040	2026
Deutsche Pfandbriefbank AG	2003	Loan	60	6.540	2028
Deutsche Pfandbriefbank AG	2007	Loan	90	5.099	2032
<b>Total</b>			<b>524</b>		

None of the subordinated loans may lead to a premature repayment obligation on the part of the issuer. These loans are subordinated to all creditors' claims unless these are subordinated as well (in case of liquidation, insolvency or in the event of other insolvency or other proceedings). No subsequent limitation of subordination, maturity or notice period can be made. Debtors' termination rights are subject to defined contractual conditions. The original term is at least five years and is usually between 10 and 20 years.

The Tier 2 (T2) capital before adjustments is calculated as follows: € 140 million of € 350 million of Additional Tier 1 capital going beyond the limit of 60% of the Additional Tier 1 capital (according to the Grandfathering provision of 30 June 2016) plus € 524 nominal value of Additional Tier 2 capital issues combine to nominal value of € 664 million (see Table 5 "Balance Sheet Reconciliation").

### Regulatory Adjustments

The following items are deducted from the Tier 2 (T2) capital before regulatory adjustments with a nominal value of € 624 million:

- Amortisation of Tier 2 instruments of € 167 million according to Article 64 CRR
- Limitation of Tier 2 instruments to 70% of the qualifying stock as of 31 December 2012 (Article 486 CRR): This limit is exceeded by a total amount of € 127 million.

This determines an amount to qualifying capital instruments of Tier 2 capital before regulatory adjustments of € 369 million (see Table 1 "Structure of Own Funds"). In this still occurs following regulatory adjustment:

- Deduction of € 22 million from the value adjustment deficit of € 111 million (20%).

After these regulatory adjustments, the Tier 2 (T2) capital amounts to a total of € 347 million (31 December 2015: € 398 million). The main features of Tier 2 instruments issued by pbb according to Article 437 (1), Point (b) CRR are described in Chapter 4 "Notes".

### Own Funds

pbb Group's own funds totalling € 3,010 million (31 December 2015: € 3,140 million) consist of Common Equity Tier 1 (CET1) capital of € 2,483 million, Additional Tier 1 (AT1) capital of € 180 million as well as Tier 2 (T2) capital of € 347 million.

The main features of CET1, AT1 and T2 instruments issued by pbb according to Article 437 (1), Point (b) CRR are described in the Notes. The following Table displays the development of regulatory own funds in first half of 2016.

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### Table 4: Own Funds Development

All figures in € million

	30.06.2016 <sup>2)</sup>	31.12.2015 <sup>1)</sup>	Change
Common Equity Tier 1 (CET1) capital	2,483	2,533	-2%
Additional Tier 1 (AT1) capital	180	209	-14%
<b>Tier 1 (T1) capital</b>	<b>2,663</b>	<b>2,742</b>	<b>-3%</b>
Tier 2 (T2) capital	347	398	-13%
<b>Own funds</b>	<b>3,010</b>	<b>3,140</b>	<b>-4%</b>

1) After approved annual financial statements 2015 and after result distribution 2015.

2) According to regulatory requirements of CRR, even without taking into account accrued profits in the financial year 2016.

The reduction of pbb Group's own funds by € 130 million as compared to 31 December 2015 was mainly driven by reductions in qualifying hybrid capital and long-term subordinated loans resulting from repayments, daily amortisation according to Basel III and a reduction of grandfathered items in all three categories of capital. A contrary effect incurred in the first half of 2016 due to new issues of Borrowers' note loans with a nominal value of € 7 million (see table 3). Emissions take place on a fixed-income basis, further activities are planned in the second half of 2016.

### Reconciliation of Regulatory Own Funds and Financial Position Equity

According to Article 437 (1), Point (a) CRR, the following Table shows a reconciliation of regulatory own funds and financial position equity according to IFRS for pbb Group. pbb Group's financial position equity amounted to € 2,687 million as of 30 June 2016 (31 December 2015: € 2,746 million).

### Table 5: Balance Sheet Reconciliation

All figures in € million

Nr.	Capital Instruments pbb Konzern	(A) Total equity according to commercial IFRS-consolidation scope		(B) Total equity according to regulatory CRR-consolidation scope		(C) Regulatory own funds according to CRR	
		30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	<b>Common Equity Tier 1 (CET1): Instruments and reserves</b>						
1	Capital instruments and the related share premium accounts	2,017	2,017	2,017	2,017	2,017	2,017
1a	thereof: Subscribed capital	380	380	380	380	380	380
1b	thereof: Additional paid-in capital	1,637	1,637	1,637	1,637	1,637	1,637
2	Retained earnings	655	483	655	483	655	483
3	Accumulated other comprehensive income (and other reserves)	-51	16	-51	16	-51	16
3a	thereof: AIS-Reserve	-22	-4	-22	-4	-22	-4
3b	thereof: Cashflow-Hedge-Reserve	61	87	61	87	61	87
3c	thereof: Gains / losses from pension commitments	-95	-71	-95	-71	-95	-71
3d	thereof: Foreign currency reserve	5	4	5	4	5	4
4	Consolidated result from 1 January to 31 December 2015	66	230	66	230	-	230
5	Distribution	-	-	-	-	-	-58
6	<b>Common Equity Tier 1 (CET1): before regulatory adjustments</b>	<b>2,687</b>	<b>2,746</b>	<b>2,687</b>	<b>2,746</b>	<b>2,621</b>	<b>2,688</b>
	<b>Common Equity Tier 1 (CET1): regulatory adjustments</b>						
7	Additional value adjustments (negative amount)	-	-	-	-	-3	-14
8	Intangible assets (net of related tax liability) (negative amount)	-	-	-	-	-13	-8
9	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-	-	-	-8	-7
10	Defined-benefit pension fund assets (negative amount)	-	-	-	-	-	-3

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All figures in € million

Nr.	Capital Instruments pbb Konzern	(A) Total equity according to IFRS-consolidation scope		(B) Total equity according to regulatory CRR-consolidation scope		(C) Regulatory own funds according to CRR	
		30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
		11	DVA-Adjustment for derivatives	-	-	-	-
12	Value adjustment deficit	-	-	-	-	-67	-31
13	Elimination of CF-Hedge-Reserve	-	-	-	-	-61	-87
14	Elimination of unrealised losses 40 % (without Exposures to central governments)	-	-	-	-	-4	-1
15	Elimination of unrealised losses 100 % (only Exposures to central governments)	-	-	-	-	32	6
16	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-	-	-	-	-138	-155
17	<b>Common Equity Tier 1 (CET1)</b>	<b>2,687</b>	<b>2,746</b>	<b>2,687</b>	<b>2,746</b>	<b>2,483</b>	<b>2,533</b>
	<b>Additional Tier 1 (AT1) capital: Instruments and reserves</b>						
18	Capital instruments and the related share premium accounts	350	350	350	350	350	350
18a	of which: classified as equity under applicable accounting standards	350	350	350	350	350	350
19	Accrued interest in balance sheet	1	11	1	11	-	-
20	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-	-	-	-140	-105
21	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>351</b>	<b>361</b>	<b>351</b>	<b>361</b>	<b>210</b>	<b>245</b>
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>						
22	Balance, which is deducted from the Additional Tier 1 (AT1) capital and not from CET1 during transitional period according to Article 472 CRR	-	-	-	-	-31	-36
22a	thereof: Intangible assets	-	-	-	-	-9	-13
22b	thereof: value adjustment deficit	-	-	-	-	-22	-23
23	Total regulatory adjustments of Additional Tier 1 (AT1) capital	-	-	-	-	-31	-36
24	<b>Additional Tier 1 (AT1) capital 1)</b>	<b>351</b>	<b>361</b>	<b>351</b>	<b>361</b>	<b>180</b>	<b>209</b>
25	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>3,038</b>	<b>3,107</b>	<b>3,038</b>	<b>3,107</b>	<b>2,663</b>	<b>2,742</b>
	<b>Tier 2 capital (T2): Instruments and reserves</b>						
26	Capital instruments and the related share premium accounts	524	719	524	719	524	719
27	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	-	-	-	-	140	105
28	Deferred interests within the balance sheet	10	27	10	27	-	-
29	Hedge Adjustments within the balance sheet	17	18	17	18	-	-
30	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>550</b>	<b>764</b>	<b>550</b>	<b>764</b>	<b>664</b>	<b>824</b>
	<b>Tier 2 (T2) capital: regulatory adjustments</b>						
31	Amortisation of Tier 2 capital instrument according to Article 64 CRR	-	-	-	-	-167	-339
32	Amortised Tier 2 capital additionally exceeding AT1 nominal	-	-	-	-	496	485
33	Cut back of Grandfathering instruments to 60 %	-	-	-	-	-127	-65
34	Additional deduction and adjustment items from Tier 2 capital to be deducted or added according to pre-CRR-treatment required deductions	-	-	-	-	-127	-65
34a	thereof: Not eligible as Additional Tier 1 capital (AT1) according to Article 52 CRR, but as Tier 2 capital (T2) according to Article 63 CRR	-	-	-	-	-127	-65
35	Balance, which is deducted from the Tier 2 capital and not from CET1 during transitional period according to Article 472 CRR	-	-	-	-	-22	-23
35a	thereof: value adjustment deficit	-	-	-	-	-22	-23

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All figures in € million

Nr.	Capital Instruments pbb Konzern	(A) Total equity according to commercial IFRS-consolidation scope		(B) Total equity according to regulatory CRR-consolidation scope		(C) Regulatory own funds according to CRR	
		30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
36	Total regulatory adjustments of Tier 2 (T2) capital	-	-	-	-	-316	-427
37	Tier 2 capital (T2) <sup>1)</sup>	550	764	550	764	347	398
38	Total capital (TC = T1 + T2)	3,588	3,871	3,588	3,871	3,010	3,140

1) The instruments of additional Tier 1 capital und Tier 2 capital are part of the liabilities within the IFRS balance sheet.

More information on the financial position equity based on IFRS can be found in the Group Management Report of pbb Group's 2016 Interims Report as of 30 June 2016 which is publicised on the website of pbb ([www.pfandbriefbank.com](http://www.pfandbriefbank.com)).

## 2.2 Capital Requirements

### Methods to Determine the Own Funds Requirement

Since 1 January 2014 pbb Group has been applying the provisions of CRR (Basel III) and is therefore subject to the disclosure requirements according to Part 8 of CRR. The provisions of CRR/CRD IV define the minimum amount of own funds as well as the calculation of capital requirements. In order to meet the capital requirements, the counterparty default risk (credit risk), market risk, operational risk, settlement risk as well as the credit value adjustment risk (CVA risk) must be supported with capital. The regulatory key figures are calculated based on IFRS accounting standards.

### Counterparty Default Risk

According to Article 142 et seq. CRR, pbb uses the Advanced IRB Approach, which is based on internal rating procedures, for the calculation of capital requirements to support counterparty default risks. The following Table displays the coverage for IRBA exposure at default (EAD) as well as for risk-weighted IRBA assets (RWA) according to Section 11 SolvV.

**Table 6: IRB Approach Coverage**

	Degree of coverage IRB-Approach	
	EAD	RWA
31. December 2015	96%	99%
30. June 2016	96%	99%

In pbb Group's credit portfolio the Advanced IRB Approach covers approx. 96% of the exposure at default (EAD). The remaining 4% of EAD which are subject to the standard approach according to CRR regulations include e.g. counterparty default exposure to public sector borrowers (i.e. amounts due from German municipalities) and the non-strategic remaining portfolio which consists of smaller retail customer real estate loans.

For the calculation of capital requirements for counterparty credit risk according to Part 3, Title II, Chapter 6 CRR, pbb Group applies the mark-to-market method as per Article 274 CRR.

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### Market Risk

According to Part 3, Title IV CRR, pbb Group calculates own funds required for market risk based on the standardised approach as defined in Articles 325 et seq. CRR. Own internal bank models are currently not used.

### Operational Risk

According to Part 3, Title III CRR, pbb group calculates own funds required for operational risk based on the standardised approach as defined in Articles 317 et seq. CRR.

### Settlement Risk

According to Part 3, Title V CRR, own funds required for settlement and advance performance risk are calculated based on the rules laid down in Articles 378 and 379 CRR.

### CVA Risk

According to Part 3, Title VI CRR, pbb Group uses the standardised approach as defined in Article 384 CRR to calculate own funds required for the credit valuation adjustment (CVA) risk. This is based on the effective maturity, a rating-based weight and the EAD, where the EAD of the transactions concerned is determined using the mark-to-market method according to Article 274 CRR.

## Capital Requirements

The capital requirement as of 30 June 2016 for the risk categories mentioned above amounts to 8.715% (31 December 2015: 8%) of risk-weighted assets (RWA). The increase of 0,715% results from the introduction of capital buffers in 2016, the capital conservation buffer in the amount of 0.625% of the total risk amount and the institution specific countercyclical capital buffer, which amounts as of 30 June 2016 for pbb Group 0.090% of the total risk amount.

**Table 7: Risk-weighted Assets**

All figures in € million

	30.06.2016 <sup>2)</sup>	31.12.2015 <sup>1)</sup>	Change
Risk-weighted assets	12,995	13,402	-3%

1) After approved annual financial statements 2015 and after result distribution 2015.

2) According to regulatory requirements of CRR, even without taking into account accrued profits in the financial year 2016.

As of 30 June 2016, RWAs of pbb Group amounted to € 12,995 million (31 December 2015: € 13,402 million), i.e., 3% less than at the end of the previous year. RWA distribution among risk categories is as follows:

- Counterparty default risk           € 11,786 million           (31. December 2015: € 12,163 million)
- CVA risk                               € 357 million               (31. December 2015: € 374 million)
- Market risk                           € 57 million                 (31. December 2015: € 70 million)
- Operational risk                   € 795 million               (31. December 2015: € 795 million)

According to Article 438, Points (c), (d), (e) and (f) CRR, the following Tables show the regulatory own funds requirement as well as the risk-weighted assets for pbb Group, listed by risk categories.

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Table 8: Capital Requirements and Risk-weighted Assets for Counterparty Default Risks

All figures in € million

Credit risk	Capital requirement and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
<b>IRB-Approach</b>					
Exposures to central governments and central banks	235	2,693	219	2,739	7%
Exposures to institutions	259	2,973	234	2,926	11%
Exposures to corporates	501	5,745	494	6,180	1%
Thereof to SME	277	3,181	295	3,692	-6%
Thereof to specialised lending exposures	-	-	-	-	-
Thereof: Other	223	2,563	199	2,488	12%
Retail exposures	-	-	-	-	-
Thereof secured by mortgages on immovable property / SME	-	-	-	-	-
Thereof secured by mortgages on immovable property / not SME	-	-	-	-	-
Thereof for qualifying revolving retail exposures	-	-	-	-	-
Thereof other retail exposures / SME	-	-	-	-	-
Thereof other retail exposures / not SME	-	-	-	-	-
Other non credit-obligation assets	4	50	5	59	-8%
<b>Total</b>	<b>999</b>	<b>11,460</b>	<b>952</b>	<b>11,904</b>	<b>5%</b>

All figures in € million

Credit risk	Capital requirement and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
<b>Standardised approach</b>					
Exposures to central governments and central banks	-	-	-	-	-
Exposures to regional governments and local authorities	-	-	-	-	-
Exposures to other public sector entities	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-
Exposures to institutions	1	9	1	10	-1%
Exposures to corporates	6	66	3	42	69%
Retail exposures	0.1	1	0.1	1	-26%
Items secured by mortgages on immovable property	2	26	2	29	-3%
Exposures in default	0.3	4	1	8	-48%
Items associated with particular high risk	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-
Exposures to institutions and corporates with short-term credit assessment	-	-	-	-	-
Exposures in the form of units or shares in CIUs	-	3	-	-	-
Other items <sup>1)</sup>	19	215	13	166	41%
<b>Total</b>	<b>28</b>	<b>324</b>	<b>21</b>	<b>258</b>	<b>37%</b>

1) Subject to future profitability, from or not from temporary differences resulting from deferred tax assets.

## Disclosure Report as of 30 June 2016

All figures in € million

Securitisations	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Standard approach	-	-	-	-	-
Thereof re-securitisation	-	-	-	-	-
IRB approach	-	-	-	-	-
Thereof re-securitisation	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

All figures in € million

Risk from equity holdings	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
<b>Standard approach</b>					
Thereof equity investments if method retained/grandfathered	0.02	0.2	0.02	0.2	9%
<b>Total</b>	<b>0.02</b>	<b>0.2</b>	<b>0.02</b>	<b>0.2</b>	<b>9%</b>
<b>IRB approach</b>					
Internal model approach	-	-	-	-	-
PD/LGD approach	-	-	-	-	-
Simple risk-weighting approach	0.01	0.1	0.01	0.1	9%
Thereof exchange-traded equity investments	-	-	-	-	-
Thereof unlisted, but part of a sufficiently diversified portfolio	-	-	-	-	-
Thereof other investments	0.01	0.1	0.01	0.1	9%
<b>Total</b>	<b>0.01</b>	<b>0.1</b>	<b>0.01</b>	<b>0.1</b>	<b>9%</b>

All figures in € million

Counterparty credit risk	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Own funds requirements for pre-funded contributions to the default fund of central counterparties (CCP)	0.2	2	0.02	0.3	670%
<b>Total</b>	<b>0.2</b>	<b>2</b>	<b>0.02</b>	<b>0.3</b>	<b>670%</b>

**Table 9: Capital requirements and Risk-weighted Assets for CVA Risks**

All figures in € million

CVA risk <sup>1)</sup>	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Advanced method	-	-	-	-	-
Standardised method	31	357	30	374	4%
Alternative method, based on the original exposure method	-	-	-	-	-
<b>Total</b>	<b>31</b>	<b>357</b>	<b>30</b>	<b>374</b>	<b>4%</b>

1) Credit Value Adjustments; risk positions for the adjustment of credit valuation

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Table 10: Capital Requirements and Risk-weighted Assets for Market Risks

All figures in € million

Market risk	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Standard approach	5	57	6	70	-11%
Position risk	-	-	-	-	-
Thereof debt issues	-	-	-	-	-
Thereof debt issues	-	-	-	-	-
Foreign-exchange risk	5	57	6	70	-11%
Commodity risk	-	-	-	-	-
Internal model approach	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>57</b>	<b>6</b>	<b>70</b>	<b>-11%</b>

Table 11: Capital Requirements and Risk-weighted Assets for Settlement Risks

All figures in € million

Settlement risk	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Settlement risk not included in the trading book	-	-	-	-	-
Settlement risk included in the trading book	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

Table 12: Capital Requirements and Risk-weighted Assets for Large Loans in the Trading Book

All figures in € million

Large exposures in the trading book	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Additional own funds requirements due to excess of large exposures in the trading book	-	-	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>

1) pbb Group does not hold a trading book for securities- and derivatives portfolios with the aim of generating short-term profit

Table 13: Capital Requirements and Risk-weighted Assets for Operational Risks

All figures in € million

Operational risk	Capital requirements and risk-weighted assets				
	30.06.2016		31.12.2015		Change Capital requirement
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets	
Basic indicator approach	-	-	-	-	-
Standard approach	69	795	64	795	9%
Advanced measurement approach (AMA)	-	-	-	-	-
<b>Gesamt</b>	<b>69</b>	<b>795</b>	<b>64</b>	<b>795</b>	<b>9%</b>

## Disclosure Report as of 30 June 2016

As at the reporting date, the capital requirement for pbb Group's risk-weighted assets of € 12,995 million totals € 1,133 million (31 December 2015: € 1,072 million). Due to pbb Group's business model which is focused on commercial real estate and public investment finance, 93% of capital requirements are for counterparty default and CVA risk, 1% is for market risk and 6% for operational risk.

The slight decline in risk weighted exposure amounts resulted primarily from changes in the Loss Given Default (LGD) for the determination of risk weights, as well as from repayments and the further-strategic decrease in the non-strategic portfolios. Opposing effects were mainly caused by the volume of new business in strategic real estate financing in the first half 2016 well as an inventory increase of derivative financial instruments due to market-related effects of lower interest rates.

The increase in the capital requirement is due to the introduction of the capital conservation buffer and the institution specific countercyclical capital buffer in 2016, whereby the regulatory capital requirements for the Group pbb rose by 0.715% to 8.715%.

### Surplus Own Funds

As of 30 June 2016, pbb Group's surplus of own funds (own funds less capital requirements amounted to € 1,877 million (31 December 2015: € 2,068 million).

## 2.3 Capital Ratios

Since 1 January 2014 Regulation (EU) No. 575/2013 (Capital Requirements Regulation; CRR) as well as Directive 2013/36/EU (Capital Requirements Directive; CRD IV) have been in place. They form the basis for the calculation of regulatory capital and capital ratios.

According to these provisions, the Common Equity Tier 1 Ratio (CET1 Ratio; Common Equity Tier 1 divided by risk-weighted assets) must not fall below 4.5%, the Tier 1 Ratio (T1 Ratio: Tier 1 divided by risk-weighted assets) must not fall below 6.0% and the Own Funds Ratio (own funds divided by risk-weighted assets) must not fall below 8.0% in financial year 2016.

**Table 14: Capital Ratios**

All figures in %

	Common Tier 1 equity ratio		Tier 1 capital ratio		Total Capital ratio	
	30.06.2016 <sup>2)</sup>	31.12.2015 <sup>1)</sup>	30.06.2016 <sup>2)</sup>	31.12.2015 <sup>1)</sup>	30.06.2016 <sup>2)</sup>	31.12.2015 <sup>1)</sup>
pbb Group	19.1	18.9	20.5	20.5	23.2	23.4

1) After approved annual financial statements 2015 and after result distribution 2015.

2) According to regulatory requirements of CRR, even without taking into account accrued profits in the financial year 2016.

pbb Group has a sufficient capital base. The targets in terms of regulatory capital ratios were met at all times in the first half of 2016. This also applies to the over, the existing regulatory requirements beyond the minimum level of capitalisation of the supervisory Review and evaluation process (Supervisory Review and Evaluation Process, SREP) of the European Banking Supervision (EBA). The main result of the SREP was, that pbb Group was determined a CET1- Minimum rate of 10.75%, which was met by the Group at 30 June 2016.

## Disclosure Report as of 30 June 2016

### 2.4 Leverage Ratio

According to Article 429 (2) CRR, the leverage ratio is calculated as an institution's capital measure divided by that institution's total exposure measure 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 calculation of the ratio is based on the provisions of Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council on leverage ratios.

According to Article 451 CRR, the following Tables show the leverage ratio factors for pbb Group. So far there is no binding upper limit applicable to the leverage ratio. However within the framework of Basel III, a maximum leverage ratio reference value of > 3% is being tested and observed until 1 January 2017. The European Banking Authority (EBA) published on 3 August 2016 a report on the impact assessment and calibration of the leverage ratio (EBA-Op-2016-13). EBA recommends the introduction of a binding minimum leverage ratio in the European Union (EU) from 1 January 2018. The required minimum ratio should be 3%.

As of 30 June 2016 the leverage ratio of pbb Group was 4.3% (31 December 2015: 4.5%) which is significantly above the minimum requirements.

**Table 15: Leverage Ratio I**

All figures in € million

Summary reconciliation of accounting assets and leverage ratio exposures		Applicable Amounts	
		30.06.2016	31.12.2015
1	Total assets as per published financial statements	67,492	66,761
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013 "CRR"	-	-
4	Adjustments for derivative financial instruments	-5,913	-5,663
5	Adjustments for securities financing transactions "SFTs"	226	199
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,551	1,589
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-96	-62
7	Other adjustments	-1,978	-1,546
<b>8</b>	<b>Total leverage ratio exposure</b>	<b>61,282</b>	<b>61,278</b>

**Table 16: Leverage Ratio II**

All figures in € million

Leverage ratio common disclosure		CRR leverage ratio exposures	
		30.06.2016	31.12.2015
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	60,546	60,195
2	(Asset amounts deducted in determining Tier 1 capital)	-96	-62

Disclosure Report as of 30 June 2016

All figures in € million

Leverage ratio common disclosure		CRR leverage ratio exposures	
		30.06.2016	31.12.2015
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)</b>	<b>60,450</b>	<b>60,133</b>
	<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	557	426
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	450	471
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-1,978	-1,546
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
<b>11</b>	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>-971</b>	<b>-649</b>
	<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	26	6
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	226	199
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15a)</b>	<b>252</b>	<b>205</b>
	<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	3,540	3,557
18	(Adjustments for conversion to credit equivalent amounts)	-1,989	-1,968
<b>19</b>	<b>Other off-balance sheet exposures (sum of lines 17 to 18)</b>	<b>1,551</b>	<b>1,589</b>
	<b>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</b>		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
	<b>Capital and total exposures</b>		
<b>20</b>	<b>Tier 1 capital</b>	<b>2,663</b>	<b>2,742</b>
<b>21</b>	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>61,282</b>	<b>61,278</b>
	<b>Leverage ratio</b>		
<b>22</b>	<b>Leverage ratio</b>	<b>4.3</b>	<b>4.5</b>
	<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-	-

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Table 17: Leverage Ratio III

All figures in € million

	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), thereof:	58,568	58,649
EU-2	Trading book exposures	0	-
EU-3	Banking book exposures, thereof:	58,568	58,649
EU-4	Covered bonds	2,145	2,145
EU-5	Exposures treated as sovereigns	22,840	23,380
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	3,462	3,277
EU-7	Institutions	2,045	1,622
EU-8	Secured by mortgages of immovable properties	18,193	17,855
EU-9	Retail exposures	1	2
EU-10	Corporate	9,084	9,455
EU-11	Exposures in default	595	797
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	203	116

The leverage ratio is part of pbb Group's capital and multi-year planning. The ratio is determined on a monthly basis and integrated into the group's risk management and risk controlling systems. pbb's Management Board is informed on the leverage ratio on a regular basis (monthly) within the framework of the Management Report.

As of 30 June 2016 pbb Group's leverage ratio decreased slightly to 4.3% (31 December 2015: 4.5%) compared with 31 December 2015. The reduction is mainly due to the decrease of Tier 1 capital by € 79 million. As of 30 June 2016 the Tier 1 capital amounted to € 2,663 million (31 December 2015: € 2,742 million). The measure of total risk exposure remained almost constant at € 61,282 million (31 December 2015: 61,278 million).

### 3 Credit Risk

The credit risk in general is defined as the risk of an unexpected default or decline in the fair value of a receivable or a derivative, resulting from a deterioration in the hedging situation or deterioration in the creditworthiness of a country or a counterparty. The credit risk comprises the loan risk, counterparty default risk, issuer risk, country risk, concentration risk, fulfilment risk, tenant risk and realisation risk (related to defaulted clients).

#### General Information about IRBA Positions

The following Tables according to Article 452, Points (d) and (e) (i, ii) CRR show the IRBA exposures at default by PD and exposure classes as well as the average PDs, LGDs and risk weights in percent weighted by the exposures.

Table 18 Total IRBA Credit Risk Positions

Exposure classes IRB-Approach	PD ≤0,5%				PD >0,5% ≤5%			
	EAD in € million	Ø LGD	Ø PD	Ø RW	EAD in € million	Ø LGD	Ø PD	Ø RW
Exposures to central governments and central banks	24,497	26%	0.03%	10%	448	28%	1.00%	58%
Exposures to institutions	6,454	30%	0.17%	30%	737	11%	1.33%	41%
Exposures to corporates	12,834	9%	0.32%	13%	12,737	12%	1.61%	30%
Thereof to SME	7,264	8%	0.33%	10%	8,667	12%	1.64%	27%
Thereof: Other	5,570	11%	0.30%	17%	4,070	13%	1.54%	37%
Retail exposures	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-
<b>Total</b>	<b>43,785</b>	<b>21%</b>	<b>0.13%</b>	<b>14%</b>	<b>13,922</b>	<b>13%</b>	<b>1.57%</b>	<b>32%</b>

Exposure classes IRB-Approach	PD >5% <100%				Total (excl. Default)			
	EAD in € million	Ø LGD	Ø PD	Ø RW	EAD in € million	Ø LGD	Ø PD	Ø RW
Exposures to central governments and central banks	-	-	-	-	24,946	26%	0.04%	11%
Exposures to institutions	240	59%	10.00%	298%	7,431	29%	0.61%	40%
Exposures to corporates	252	20%	9.29%	81%	25,823	11%	1.04%	22%
Thereof to SME	77	33%	10.84%	132%	16,008	10%	1.09%	20%
Thereof: Other	175	14%	8.62%	59%	9,815	12%	0.97%	26%
Retail exposures	-	-	-	-	-	-	-	-
Equity exposures	0.01	0%	54%	370%	0	0%	54.00%	370%
<b>Total</b>	<b>493</b>	<b>39%</b>	<b>9.64%</b>	<b>187%</b>	<b>58,200</b>	<b>20%</b>	<b>0.56%</b>	<b>20%</b>

Exposure classes IRB-Approach	Default PD = 100%			
	EAD in € million	Ø LGD	Ø PD	Ø RW
Exposures to central governments and central banks	-	-	-	-
Exposures to institutions	244	6%	100%	0%
Exposures to corporates	266	68%	100%	0%
Thereof to SME	228	69%	100%	0%
Thereof: Other	39	63%	100%	0%
Retail exposures	-	-	-	-
Equity exposures	-	-	-	-
<b>Total</b>	<b>510</b>	<b>39%</b>	<b>100%</b>	<b>0%</b>

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The loss given default (LGD) indicates the loss ratio suffered by the bank if a customer failed to pay. For non-defaulting IRBA exposures this is 20% on average (31 December 2015: 21%).

The probability of default (PD) which, irrespective of the exposure amount and the collateral provided, indicates the probability that a borrower/counterparty will be unable in the future to service their debt is 0.56% on average for non-defaulting IRBA exposures (31 December 2015: 0.58%).

The probabilities of default (PD) and loss given defaults (LGD) used by pbb Group are defined as so-called through-the-cycle risk parameters representing multiannual average values. The current default and loss rates (so-called point-in-time risk parameters) may differ from through-the-cycle values depending on the current position in the economic cycle.

The average risk weight for non-defaulting IRBA exposures across all IRBA exposure classes is 20% (31 December 2015: 20%). Risk weights are important factors when determining risk-weighted assets (RWA) which must be backed with own funds in a risk-oriented manner; RWAs are calculated by multiplying the risk weight with the IRBA exposure at default (EAD).

The retail business (e.g., small volume retail loans where the customer credit rating is determined based on a retail scoring but which are phased out as set out in Article 150, Point (c) CRR in conjunction with Section 14 SolvV) as well as shareholdings which were held prior to 1 January 2008 according to Article 495 (1) CRR are exempt from the IRB approach.

### Undrawn IRBA Credit Commitments

According to Article 452, Point e (iii) CRR, the following Tables show the exposure for undrawn credit commitments. According to the regulatory disclosure requirements, pbb Group shows the total amount of undrawn credit commitments (including their assessment basis, column A) as well as the commitment-weighted average exposure value (Ø EAD, column C) for every IRBA exposure class. In addition, the exposure of undrawn credit commitments (the sum of undrawn credit commitments, weighted by a credit conversion factor (CCF) column B) as well as the weighted average CCF (Ø CCF, column D) per IRBA exposure class are shown.

**Table 19: Total Undrawn IRBA Credit Commitments**

all figures in € million

Exposure classes IRB-Approach	(A) Total value of undrawn commitments	(B) Position value of undrawn commitments	(C) Ø EAD	(D) Ø CCF
Exposures to central governments	32	32	9	100%
Exposures to institutions	179	179	20	100%
Exposures to corporates	3,317	1,468	17	44%
Thereof to SME	1,628	750	17	46%
Thereof: Other	1,690	718	18	42%
Retail exposures	-	-	-	-
Equity exposures	-	-	-	-
<b>Total</b>	<b>3,528</b>	<b>1,678</b>	<b>17</b>	<b>48%</b>

pbb Group calculates the exposure at default (EAD) of undrawn credit commitments based on the following credit conversion factors (CCF): 40% for mortgage loans and 100% for all other products (e.g. guarantees and public sector financing).

As at the reporting date 30 June 2016, credit commitments of € 3,528 million (31 December 2015: € 3,547million) were undrawn, the related weighted average CCF was 48% (31 December 2015: 51%).

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## 4 Notes

### Main Features of Capital Instruments

According to Article 437 (1), Point (b) CRR, the following Tables show the main features of Common Equity Tier 1 (CET1) capital, additional Tier 1 (AT1) capital as well as Tier 2 (T2) capital instruments issued by pbb Group.

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	Capital instruments main features template	Common Equity Tier 1 (CET1) capital 01	Additional Tier 1 (AT1) capital 02	Tier 2 (T2) capital 03	Tier 2 (T2) capital 04	Tier 2 (T2) capital 05
1	Issuer	Deutsche Pfandbriefbank AG	Hypo Real Estate International Trust I	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	n/a	XS0303478118	HL_SSD_0000079834000	HL_SSD_0000079844000	HL_SSD_0000079864000
3	Governing law(s) of the instrument	german	USA	german	german	german
	<b>Regulatory treatment</b>					
4	Transitional CRR rules	CET1	AT 1	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	CET1	not eligible	Tier 2	Tier 2	Tier 2
6	Chargeable on level	pbb group	pbb group	pbb group	pbb group	pbb group
7	Instrument type (types to be specified by each jurisdiction)	Shares	Preferred Securities	Borrowers' note loan	Borrowers' note loan	Borrowers' note loan
8	Amount recognised in regulatory capital (in Euro million)	380	210	0	0	0
9	Nominal amount of instrument	380	350	2	2	5
9a	Issue price	not traded	1	1	1	1
9b	Redemption price	n/a	100 % or liquidation proceeds + interest	1	1	1
10	Accounting classification	Capital stock	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost
11	Original date of issuance	varying	14.06.2007	08.08.2006	16.08.2006	12.09.2006
12	Perpetual or dated	indefinite	indefinite	with expiry date	with expiry date	with expiry date
13	Original maturity date	no maturity	no maturity	08.08.2016	16.08.2016	12.09.2016
14	Issuer call subject to prior supervisory approval	no	yes	no	no	no
15	Option call date, contingent call dates and redemption amount	n/a	14.06.2017	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	annually	n/a	n/a	n/a
	<b>Coupons / dividends</b>					
17	Fixes or floating dividend/coupon	n/a	actually fix, then variable	fix	fix	fix
18	Coupon rate and any related index	n/a	0.05864	4.27	4.725	4.625
19	Existence of a dividend stopper	No	n/a	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	fully discretionary	partly discretionary	obligatory	obligatory	obligatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	fully discretionary	partly discretionary	obligatory	obligatory	obligatory
21	Existence of step up or other incentive to redeem	n/a	yes	no	no	no
22	Noncumulative or cumulative	n/a	not cumulative	n/a	n/a	n/a
23	Convertible or non-convertible	not convertible	not convertible	not convertible	not convertible	not convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a
27	If convertible mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a
30	Write-down features	n/a	n/a	no	no	no
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Silent participation	subordinated capital	all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors
36	Non-compliant transitioned features	no	no	no	no	no
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a









Disclosure Report as of 30 June 2016

Tier 2 (T2) capital 34	Tier 2 (T2) capital 35	Tier 2 (T2) capital 36	Tier 2 (T2) capital 37	Tier 2 (T2) capital 38	Tier 2 (T2) capital 39	Tier 2 (T2) capital 40
Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG	Deutsche Pfandbriefbank AG
HI_SSD_0000079814000	HG_SSD_0100087994000	HG_SSD_0100088004000	DE0008053976	DE0008053331	DE000A0SM1B5	HG_SSD_0100214754000
german	german	german	german	german	german	german
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
pbb group	pbb group	pbb group	pbb group	pbb group	pbb group	pbb group
Borrowers' note	Borrowers' note	Borrowers' note	Bearer bond	Bearer bond	Bearer bond	Borrowers' note
1	4	6	10	10	10	5
1	4	6	10	10	10	5
1	1	1	1	1	1	1
1	1	1	1	1	1	1
Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost	Liabilities carried forward at cost
04.05.2006	07.03.2002	07.03.2002	06.03.2002	19.03.2003	25.04.2008	05.09.2003
with expiry date	with expiry date	with expiry date	with expiry date	with expiry date	with expiry date	with expiry date
04.05.2021	07.03.2022	07.03.2022	18.03.2022	24.03.2023	02.05.2023	05.09.2023
no	no	no	no	yes	no	yes
n/a	29.02.2012	29.02.2012	18.03.2022	24.03.2013	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
fix	fix	fix	fix	actually fix, then vaiable	fix	fix
4.91	6.55	6.55	6.57	6.75	8.06	6.33
No	No	No	No	No	No	No
obligatory	obligatory	obligatory	obligatory	obligatory	obligatory	obligatory
obligatory	obligatory	obligatory	obligatory	obligatory	obligatory	obligatory
no	no	no	no	no	no	no
n/a	n/a	n/a	n/a	n/a	n/a	n/a
not convertible	not convertible	not convertible	not convertible	not convertible	not convertible	not convertible
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors	all non-subordinated creditors
no	no	no	no	no	no	no
n/a	n/a	n/a	n/a	n/a	n/a	n/a





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