Disclosure Report

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

as at 30 September 2023

Deutsche Pfandbriefbank Group

Overview

Deutsche Pfandbriefbank Group („pbb Group“)

EU KM1: Key metrics

All figures in € million, unless otherwise stated		a 30.09.2023	b 30.06.2023	c 31.03.2023	d 31.12.2022	e 30.09.2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,695	2,775	2,831	2,843	2,823
2	Tier 1 capital	2,992	3,072	3,129	3,141	3,121
3	Total capital	3,409	3,518	3,650	3,707	3,715
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	17,766	17,297	17,089	17,017	17,279
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.2	16.0	16.6	16.7	16.3
6	Tier 1 ratio (%)	16.8	17.8	18.3	18.5	18.1
7	Total capital ratio (%)	19.2	20.3	21.4	21.8	21.5
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	2.5	2.5	2.5
EU 7b	thereof: to be made up of CET1 capital (percentage points)	1.4	1.4	1.4	1.4	1.4
EU 7c	thereof: to be made up of Tier 1 capital (percentage points)	1.9	1.9	1.9	1.9	1.9
EU 7d	Total SREP own funds requirements (%)	10.5	10.5	10.5	10.5	10.5
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.67	0.55	0.36	0.22	0.09
EU 9a	Systemic risk buffer (%)	0.07	0.07	0.06	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	3.24	3.12	2.92	2.72	2.59
EU 11a	Overall capital requirements (%)	13.74	13.62	13.42	13.22	13.09
12	CET1 available after meeting the total SREP own funds requirements (%)	8.7	9.8	10.4	10.6	10.2
	Leverage ratio					
13	Total exposure measure	48,667	48,594	54,061	53,419	56,138
14	Leverage ratio (%)	6.1	6.3	5.8	5.9	5.6
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	thereof: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.0	3.0	3.0	3.0	3.0
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	4,094	4,719	5,207	5,588	5,784
EU 16a	Cash outflows - Total weighted value	2,226	2,327	2,365	2,670	2,722
EU 16b	Cash inflows - Total weighted value	467	425	411	339	303
16	Total net cash outflows (adjusted value)	1,759	1,902	1,953	2,331	2,419
17	Liquidity coverage ratio (%)	237	254	275	254	250
	Net Stable Funding Ratio					
18	Total available stable funding	38,985	39,210	41,264	40,584	43,379
19	Total required stable funding	34,105	34,488	35,191	36,655	38,798
20	NSFR ratio (%)	114	114	117	111	112

Please note:

The monetary values reported in pbb Group's Disclosure Report are stated in millions of euros, in accordance with Article 19 no. 4 of Implementing Regulation (EU) 2021/637 (Pillar 3 framework). The figures have been rounded in line with standard commercial practice. Rounding means that the totals shown in the tables may differ slightly from the totals calculated by adding up the individual values shown. Individual values of less than € 500,000 are generally not disclosed due to commercial rounding, instead shown as zero or as zero balances indicated by a hyphen. The principle of materiality pursuant to Article 432 (1) of the CRR is observed when disclosing information.

With regard to the CRR and CRD regulations, uncertainty remains as to how some of the regulations are to be interpreted, and regulators have yet to publish the final versions of some of the related mandatory regulatory technical standards. As a result, Deutsche Pfandbriefbank AG ("pbb") will adjust its assumptions and models on an ongoing basis, as its understanding and interpretation of the rules, and those of the sector as a whole, evolve. With this in mind, current CRR/CRD metrics might not be comparable to previous expectations. CRR/CRD metrics may also not be comparable to metrics reported by competitors with similar designations, as their assumptions and estimates may differ from those of pbb.

To determine the own funds requirements for credit risk, pbb Group uses, among other things, the Advanced Internal Ratings Based Approach (A-IRB), which is referred to below as the "IRB approach". Where statements are made on the Foundation Internal Ratings Based Approach (F-IRB), this is explicitly referred to as "F-IRB".

Contents

Introduction

Deutsche Pfandbriefbank ("pbb")

Deutsche Pfandbriefbank Group ("pbb Group") consists primarily of the parent entity Deutsche Pfandbriefbank AG ("pbb"). pbb, which has its registered office in Munich/Garching, is a leading European specialist in commercial real estate finance, focusing on business eligible for inclusion in Pfandbrief cover. The geographic focus is on Europe and the US. It issues Mortgage Pfandbriefe, collateralised by real property liens, and, measured by outstanding volume, is one of the largest issuers of Pfandbriefe (German covered bonds), making it an important player in the European covered bond markets. pbb offers its clients a strong local presence in its core markets, covering all phases of the financing process. The Bank leverages its loan structuring expertise, cross-border business approach and relationships with partners to deliver complex financing solutions and execute cross-border transactions.

On 10 October 2023, pbb's Supervisory Board appointed Kay Wolf as a member of the Management Board, with effect from 1 February 2024. He will succeed Andreas Arndt as Chairman of the Management Board after a brief familiarisation period.

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

pbb is classified as a significant supervised institution in a euro area member state under the Single Supervisory Mechanism (SSM), meaning that it is subject to direct supervision by the European Central Bank (ECB). pbb is not, however, classed as a Global Systemically Important Institution (G-SII). Disclosure pursuant to Article 441 of the Capital Requirements Regulation (CRR, "Disclosure of indicators of global systemic importance") is not relevant for pbb Group.

Objective of the Disclosure Report

As the parent company of a regulatory group of institutions, pbb (LEI code: DZZ47B9A52ZJ6LT6VV95) uses this Disclosure Report to implement the disclosure requirements pursuant to Part 8 of the CRR, i.e. Regulation (EU) 2019/876 amending Regulation (EU) 575/2013, for pbb Group as at 30 September 2023.

Provisions on the disclosure requirements are set out in Articles 431 to 455 of the CRR; additional requirements can be found in section 26a (1) sentence 1 of the German Banking Act (Kreditwesengesetz – "KWG"). To comply with these disclosure requirements, pbb applies the uniform disclosure formats of the European Banking Authority (EBA) in accordance with Implementing Regulation (EU) 2021/637 (Pillar 3 framework). Reporting currency is the euro. pbb is classed as a large institution pursuant to Article 4 (1) no. 146 of the CRR, meaning that it implements the frequency requirements pursuant to Article 433a of the CRR. The relevant disclosure period for this report is from 30 June 2023 to 30 September 2023.

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

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

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

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

Formal procedures and regulations to comply with disclosure requirements

To comply with Pillar 3 disclosure requirements, pbb Group has adopted and implemented formal procedures and regulations and documented them in a Disclosure Policy. For further information on this topic, please refer to the Disclosure Report as at 30 June 2023 (chapter "Introduction").

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

Means of disclosure

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

Scope of application

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

The basis is the scope of prudential consolidation pursuant to Articles 18 to 24 of the CRR. The scope of prudential consolidation and the accounting scope of consolidation for pbb's consolidated financial statements (IFRS) are identical as at the disclosure date. Disclosure on the basis of the consolidated situation requires that business relationships within pbb Group are offset and that intra-group transactions are eliminated. The regulatory values and indicators are calculated on the basis of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS).

The Disclosure Report as at 31 December 2022 (chapter "Regulatory and accounting consolidation", page 26), table EU LI3: Outline of the differences in the scopes of consolidation (entity by entity), comprises a list of pbb's subsidiaries consolidated for regulatory purposes. CAPVERIANT GmbH, Munich, was merged with pbb on 4 September 2023.

Waiver pursuant to the CRR

In the third quarter of 2023, pbb once again made use of the relief provided by the waiver pursuant to Article 7 (3) of the CRR as well as a waiver granted by the ECB pursuant to section 2a (2) of the KWG. For further information on this topic, please refer to the Disclosure Report as at 31 December 2022 (chapter "Introduction", page 7). pbb Group has not made use of individual consolidation in accordance with Article 9 of the CRR.

Own funds requirements and RWA

Own funds requirements and RWA

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

Key metrics

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

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

Available own funds

pbb Group's regulatory own funds decisive for meeting the regulatory own funds requirements and, as a result, for capital backing, amounted to a total of € 3,409 million (€ -109 million compared to 30 June 2023). This sum is comprised of € 2,695 million Common Equity Tier 1 capital (CET1, € -80 million compared to 30 June 2023), € 298 million Additional Tier 1 (AT1) capital and € 416 million Tier 2 capital (T2, € -29 million compared to 30 June 2023). Regulatory own funds are calculated in line with the regulatory provisions of the CRR, without accounting for interim profit generated between 1 January and 30 September 2023.

The decline in Common Equity Tier 1 capital (CET1) by € 80 million was primarily attributable to an overall increase of capital deductions (regulatory adjustments), largely due to higher impairments (stage 1 to stage 3) and provisions in the lending business and the minimum loss coverage for non-performing exposures (NPL backstop). The real estate market crisis, which has lasted much longer than expected, has had an impact upon net income from risk provisioning, especially concerning additions for real estate financings in the US (please also refer to section "NPL ratio and risk provisioning"). This was offset by a lower value adjustment deficit under the IRB approach.

pbb made a precautionary capital deduction of € 30 million in accordance with Article 3 of the CRR (on the same level as after the first six months of 2023). Article 3 of the CRR allows institutions to make an additional capital deduction beyond the provisions of the CRR, which – in light of the difficult macroeconomic environment and the tense situation on the real estate markets – pbb made use of as a precautionary measure.

The reduction of the Tier 2 (T2) capital by € 29 million results from the repayments of subordinated liabilities that fell due and the decrease in the recognition of subordinated bonds due to daily amortisation in accordance with Article 64 of the CRR.

Capital ratios

According to the regulations set out in the CRR/CRD, the Common Equity Tier 1 (CET1) ratio (CET1 divided by RWA) must not fall below 4.5% in 2023, the Tier 1 (T1) capital ratio (Tier 1 divided by RWA) must not fall below 6.0%, and the total capital ratio (own funds divided by RWA) must not fall below 8.0%. pbb Group complied with these provisions at all times during the third quarter of 2023.

The regulatory capital ratios as at 30 September 2023 were:

- CET1 ratio 15.2% (-0.8 percentage points compared to 30 June 2023)
- Tier 1 ratio 16.8% (-1.0 percentage points compared to 30 June 2023)
- Total capital ratio 19.2% (-1.1 percentage points compared to 30 June 2023)

The decline in capital ratios compared to the first six months of 2023 was attributable an increase in risk-weighted exposure amounts (RWA: € +469 million compared to 30 June 2023) combined with a simultaneous decrease in regulatory own funds during this period.

SREP requirement

pbb Group complied with the minimum capital requirements of the ECB's SREP, which extend beyond the existing regulatory requirements, at all times during the third quarter of 2023.

The Pillar 2 capital requirement (P2R) for pbb Group – based on the final Basel III requirements – effective since 1 January 2023, remains unchanged year-on-year, at 2.5%. In accordance with Article 104a of the CRD (and section 6c of the KWG, respectively), the P2R has to be maintained in the form of CET1 capital of around 1.4% (56.25% of the P2R) and in the form of Tier 1 capital of around 1.9% (75.00% of P2R). The minimum CET1 ratio from SREP capital requirement thus amounts to 8.4% and comprises the Pillar 1 minimum capital requirement of 4.5%, the capital conservation buffer of 2.5% and the Pillar 2 capital requirement (CET1) of 1.4%.

Apart from the minimum CET1 ratio, pbb Group has to fulfil an overall capital requirement of 13.0% in 2023. It is also based on the final Basel III requirements and comprises the Pillar 1 minimum own funds requirement of 8.0%, the capital conservation buffer of 2.5% and the Pillar 2 capital requirement (P2R) of 2.5%.

The institution-specific countercyclical capital buffer of 0.67 % and the capital buffer for systemic risks of 0.07% are not taken into account.

Institution-specific countercyclical capital buffer

The institution-specific countercyclical capital buffer (ICCB) for pbb Group amounted to 0.67% as at the disclosure date (+0.12 percentage points compared to 30 June 2023), meaning that it remained well below the applicable maximum ratio of 2.5%.

The modest ICCB rise was due to increased countercyclical capital buffers in countries in which pbb Group has credit exposures (vis-à-vis the private sector). The competent supervisory authorities increased the country-specific countercyclical capital buffers for the United Kingdom (2.0%, +1.0 percentage percentage points compared to 30 June 2023) and Slovakia (1.5%, +0.5 percentage points compared to 30 June 2023) in the third quarter of 2023, offset by the reduction of the countercyclical capital buffer for the Czech Republic (2.25%, -0.25 percentage points compared to 30 June 2023). Regarding Germany, BaFin has left the countercyclical capital buffer unchanged at 0.75% since 1 February 2023.

Capital buffer for systemic risks

pbb has also applied the sector-specific systemic risk buffer of 2.00%, introduced by BaFin in accordance with the "General Administrative Act ordering a capital buffer for systemic risks under section 10e of the KWG" since 1 February 2023. This systemic risk buffer applies to credit exposures secured by domestic residential real estate (i.e. real estate located in Germany), and also serves to counteract the specific risks on the residential real estate market that cannot be fully covered by the domestic countercyclical capital buffer mentioned above.

The risk-weighted exposure amounts for these loans secured by domestic residential real estate totalled € 587 million (30 June 2023: € 612 million), resulting in an own funds requirement of € 12 million (i.e. 0.07% of aggregate RWA, cf. EU KM1, line EU 9a). The own funds requirement for the systemic risk buffer and the institution-specific countercyclical capital buffer must be maintained in Common Equity Tier 1 (CET1) capital.

Leverage ratio

As an indicator that is not risk-based, the leverage ratio complements the risk-based perspective of the own funds requirements and capital ratios; in accordance with Article 429 (2) of the CRR, the leverage ratio is calculated as an institution's capital measure (the Tier 1 capital) divided by that institution's total exposure measure. Institutions are required to maintain a leverage ratio of at least 3% at all times in accordance with Article 92 (1) of the CRR. pbb Group met this requirement at all times during the third quarter of 2023.

The leverage ratio for pbb Group amounted to 6.1% as at 30 September 2023 (-0.2 percentage points compared to 30 June 2023), meaning that it remained significantly ahead of the minimum requirement. The reduction was due to a slight increase in the total exposure measure (€ +73 million compared to 30 June 2023) combined with a decrease in Tier 1 capital during the same period.

The ECB did not impose additional own funds requirements (as a percentage of the total exposure measure) on pbb to address the risk of excessive leverage in accordance with Article 104 (1) (a) of the CRD (Pillar 2 requirement, P2R: 0%).

NPL ratio and risk provisioning

In the face of persistent weakness on the commercial real estate market, pbb has significantly increased loss allowance in line with its conservative approach to risk. Net gains/losses from impairments on financial assets (net income from risk provisioning) amounted to € -104 million (30 June 2023: € -21 million) in the first nine months of the 2023 financial year, predominantly related to office financings in the US.

pbb Group's non-performing exposure (NPE) ratio based on gross carrying amounts was 3.1% as at 30 September 2023, up +0.7 percentage points compared to 30 June 2023, and its non-performing loan (NPL) ratio, which only includes receivables (loans and advances), but no debt securities or off-balance sheet exposures, rose by +0.7 percentage points compared to 30 June 2023, reaching 3.6%. In accordance with Article 8 no. 4 of the Pillar 3 framework, these ratios were calculated excluding loans and advances held for sale, cash balances with central banks and other demand deposits.

Liquidity Coverage Ratio

The liquidity coverage requirement or Liquidity Coverage Ratio (LCR) is the ratio of an institution's liquidity buffer (i.e. sum of high-quality liquid assets) to its net cash outflows during a phase of stress lasting 30 calendar days. Regulatory provisions require a minimum LCR of 100%. The LCR figures calculated for pbb Group during the third quarter of 2023 significantly exceeded this minimum value at all times.

The average LCR (average of the last twelve end-of-month values) amounted to 237%. As at the disclosure date of 30 September 2023, the LCR amounted to 218% (30 June 2023: 163%). For further information on the LCR, please refer to the chapter "Liquidity Coverage Ratio" in this Disclosure Report.

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR), which reflects medium- and long-term structural stable liquidity, is calculated as the ratio of available stable funding (ASF) to required stable funding (RSF). Regulatory provisions require a minimum NSFR of 100%.

The LCR figures for pbb Group during the third quarter of 2023 significantly exceeded the minimum NSFR. As at the disclosure date, the NSFR amounted to 114% (30 June 2023: 114 %). Key factors for a robust maturity structure of assets vs. liabilities are both real estate financing and the corresponding funding. No assets or liabilities are treated as being interdependent by pbb Group.

Methods for determining the own funds requirement

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

Credit risk (excluding counterparty credit risk)

pbb Group currently uses either the Advanced Internal Ratings Based Approach (A-IRB) in accordance with Articles 142 et seqq. of the CRR, or the Credit Risk Standardised Approach (CRSA) in accordance with Articles 111 et seqq. of the CRR, to determine the own funds requirements for the credit risk linked to a certain exposure, depending on its exposure class and attributable portfolio.

Having started to base its equity reporting on the Basel IV standards some time ago, pbb Group now intends to expedite specific implementation of Basel IV rules by introducing the Foundation Internal Ratings Based Approach (F-IRB) as the relevant model and risk standard for the majority of the portfolio going forward, i.e. after the European Union's adoption of Basel IV, and has informed the ECB accordingly. Until the F-IRB is applied, pbb Group as an IRB bank intends to temporarily use standardised model parameters for calculating RWA.

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

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

Counterparty credit risk

pbb Group applies the standardised approach (SA-CCR) in accordance with Articles 274 et seqq. of the CRR to calculate the own funds requirements for counterparty credit risk pursuant to Part 3, Title II, Chapter 6 of the CRR (i.e. for derivative transactions). pbb does not currently use any proprietary internal models (IMM).

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

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

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

Market risk

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

Operational risk

pbb Group calculates capital backing for operational risk pursuant to Part 3, Title III of the CRR using the standardised approach in accordance with Articles 317 et seqq. of the CRR. pbb does not currently use any proprietary internal models.

Settlement risk

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

Own funds requirements and RWA

Risk-weighted exposure amounts

As at 30 September 2023, pbb Group's risk-weighted exposure amounts across all risk types totalled € 17,766 million (30 June 2023: € 17,297 million); this corresponds to an increase of € 469 million in the third quarter of 2023.

RWA amounts increased as far as credit risk is concerned (€ +507 million compared to 30 June 2023 under the IRB and standardised approach), since new business generated in the Commercial Real Estate Finance segment during the third quarter of 2023 significantly exceeded regular and early repayments. RWA amounts were also up due to rating downgrades for individual exposures. This was offset by netting effects related to the extension of real estate financings, along with limit downgrades and changes in the allocation of exposures to exposure classes (corporates versus small and medium-sized enterprises, SMEs). The table below provides more detailed information on RWA development under the IRB approach.

Counterparty credit risk (€ -37 million compared to 30 June 2023) mainly decreased as a result of a lower securities financing transaction volume (€ -19 million compared to 30 June 2023) and a lower CVA risk for OTC derivatives (€ -15 million compared to 30 June 2023).

Market risk is stable. At € 12 million, this is slightly lower by comparison with the six-month period (€ -2 million compared to 30 June 2023).

Operational risk remained unchanged compared to 30 June 2023; the regulatory own funds requirement is calculated once a year as at year-end.

Own funds requirements

The minimum own funds requirement for the above-mentioned risk types remained unchanged as at 30 September 2023, at 8% of RWA, amounting to a total of € 1,421 million (30 June 2023: € 1,384 million) as at the disclosure date. Given the nature of pbb Group's business model, which focuses on Commercial Real Estate Finance, 95% of the own funds requirement is attributable to default risks (credit risk and counterparty credit risk, including CVA risk), with less than 1% attributable to market risks and around 5% to operational risks.

The overall capital requirement – including the capital conservation buffer (CCoB) of 2.5%, the institution-specific countercyclical capital buffer (ICCB) of 0.67%, the sector-specific systemic risk buffer of 0.07%, and the Pillar 2 capital requirement (P2R) of 2.5% – is 13.74% (EU KM1, line EU 11a) and totalled € 2,441 million (30 June 2023: € 2,356 million) as at the disclosure date.

Table EU OV1 in accordance with Article 438 (d) of the CRR shows the risk-weighted exposure amounts (RWA) and corresponding total own funds requirements, broken down by risk type pursuant to Part 3 of the CRR.

EU OV1: Overview of risk-weighted exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWA) 1)	**Risk weighted exposure amounts (RWA) 1)**	**Total own funds requirements**
All figures in € million		**30.09.2023**	**30.06.2023**	**30.09.2023**
1	**Credit risk (excluding CCR)**	**16,507**	**16,000**	**1,321**
2	thereof: the standardised approach	1,797	1,980	144
3	thereof: the foundation IRB (FIRB) approach	-	-	-
4	thereof: slotting approach	-	-	-
EU 4a	thereof: equities under the simple risk-weighted approach	0.2	0.2	0.02
5	thereof: the advanced IRB (AIRB) approach	14,710	14,020	1,177
6	**Counterparty credit risk**	**287**	**324**	**23**
7	thereof: the standardised approach 2)	108	115	9
8	thereof: internal model method (IMM)	-	-	-
EU 8a	thereof: exposures to a CCP 3)	6	2	0.5
EU 8b	thereof: credit valuation adjustment - CVA	128	143	10
9	thereof: other CCR 4)	45	64	4
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**0**	**0**	**0**
17	thereof: SEC-IRBA approach	-	-	-
18	thereof: SEC-ERBA (including IAA)	-	-	-
19	thereof: SEC-SA approach	-	-	-
EU 19a	thereof: 1,250% / deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**12**	**14**	**1**
21	thereof: the standardised approach	12	14	1
22	thereof: IMA	-	-	-
EU 22a	**Large exposures 5)**	**0**	**0**	**0**
23	**Operational risk**	**959**	**959**	**77**
EU 23a	thereof: basic indicator approach	-	-	-
EU 23b	thereof: standardised approach	959	959	77
EU 23c	thereof: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) 6)	261	264	21
29	**Total**	**17,766**	**17,297**	**1,421**

1) Risk-weighted exposure amounts (risk-weighted assets, RWA).
2) Exposures calculated pursuant to Part 3, Title II, Chapter 6 of the CRR (derivative transactions).
3) Exposures for contributions to the default fund of a central counterparty (Eurex Clearing).
4) Exposures for securities financing transactions (securities lending/repo transactions).
5) pbb Group does not maintain a trading book for securities or derivatives portfolios held to realise short-term gains.
6) Deferred tax assets dependant on future profitability (not) resulting from temporary differences.
The disclosure in this line is for information purposes only; the amount is already included in line 1 (credit risk) and line 2 (thereof: standardised approach).

Table EUR CR8 in accordance with Article 438 (h) of the CRR also outlines the changes of risk-weighted exposure amounts under the IRB approach in the third quarter of 2023 and highlights the main reasons for these changes.

The total IRBA risk-weighted exposure amounts (RWA), i.e. including the exposure classes “Equity exposures” and “Other non-credit obligation assets”, amounted to € 14,710 million (30 June 2023: € 14,020 million).

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

		a
All figures in € million		**Risk weighted exposure amount [1)]**
1	**Risk weighted exposure amount as at 30.06.2023**	**14,020**
2	Asset size (+/-)	524
3	Asset quality (+/-)	248
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	99
8	Other (+/-)	-181
9	**Risk weighted exposure amount as at 30.09.2022**	**14,710**

[1)] Risk-weighted IRBA exposure amounts (risk-weighted assets, RWA) after application of the SME supporting factor pursuant to Article 501 of the CRR including the IRBA exposure classes “Equity exposures” and “Other non-credit obligation assets”.
In contrast, counterparty credit risk exposures (derivatives and securities financing transactions) are not included in EU CR8.

A key influencing factor for the RWA increase under the IRB approach was new business generated in the Commercial Real Estate Finance segment in the third quarter of 2023 which significantly exceeded regular and early repayments (EU CR8, line 2). Rating downgrades for certain exposures (EU CR8, line 3) and currency effects (EU CR8, line 7), particularly related to the US dollar (USD) and the Swedish krona (SEK), also contributed to higher RWA, offset by various effects (EU CR8, line 8), above all netting effects related to the extension of real estate financings and changes in the allocation of exposures to exposure classes (corporates versus small and medium-sized enterprises, SMEs).

Liquidity Coverage Ratio

Liquidity Coverage Ratio

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

Pursuant to Article 412 of the CRR, the LCR obliges institutions to hold high-quality liquid assets as a liquidity buffer, in order to be able to compensate for net cash outflows during phases of stress lasting 30 days. The prescribed scenario includes both market-wide and institution-specific effects. In phases of stress, institutions may use up their liquid assets to cover their net cash outflows, even if the LCR might then fall below the applicable minimum of 100%.

Regulatory provisions require a minimum LCR of 100%. The LCR figures calculated for pbb Group during the third quarter of 2023 significantly exceeded this minimum value at all times. As at the disclosure date of 30 September 2023, the LCR amounted to 218% (30 June 2023: 163%).

Disclosures on the Liquidity Coverage Ratio

Table EU LIQ1 below, in accordance with Article 451a (2) of the CRR, shows all information on the LCR for pbb Group, including all values and figures as at 30 September 2023 for each of the three calendar quarters preceding the disclosure date. However, as opposed to the above-mentioned values as at the reporting date, these values and figures are simple averages of the figures collected at the end of each month over the twelve months preceding the end of each quarter. Table EU LIQ1 includes all items needed for the calculation of the LCR.

The LCR average stood at 237% as at 30 September 2023 (EU LIQ1, line 23, column e), largely due the institution's substantial liquidity reserve consisting of high-quality liquid assets (HQLA). Changes in the liquidity reserve and in net cash outflows are linked to the different dynamics of new business in real estate finance and its funding.

Liquidity management within pbb Group

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

Funding sources

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

Liquidity buffer

As at the disclosure date of, the liquidity reserves amounted to € 4,094 million (on average), consisting of high-quality level 1 liquid assets. The liquidity buffer consists primarily of liquid cash reserves (around 90%) and HQLA level 1 bonds. Level 1 comprises deductible deposits at Deutsche Bundesbank, along with debt securities issued by central governments, regional governments or local authorities, public-sector entities, multilateral development banks, international organisations or credit institutions backed by state guarantees.

Liquidity inflows and outflows

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

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

On average, cash outflows from derivatives accounted for only a minor share of all net cash outflows during the third quarter of 2023. To calculate potential collateral calls for derivatives, pbb Group uses the historical look-back approach (HLBA), meaning that collateral calls from the past are analysed to derive a conservative assumption as to potential future collateral calls. This assumed amount was € 465 million on average. Potential rating changes are not expected to have significant effects on the ability to provide collateral.

Currency mismatches

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

EU LIQ1: Quantitative information on LCR

All figures in € million, unless otherwise stated		a	b	c	d	e	f	g	h
		Total unweighted value (average) [1]				Total weighted value (average) [1]			
EU 1a	**Quarter ending on:**	**30.09.2023**	**30.06.2023**	**31.03.2023**	**31.12.2022**	**30.09.2023**	**30.06.2023**	**31.03.2023**	**31.12.2022**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)	———	———	———	———	**4,094**	**4,719**	**5,207**	**5,588**
Cash - outflows									
2	Retail deposits and deposits from small business customers, of which:	1,196	1,175	1,102	982	249	247	235	217
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	1,183	1,160	1,085	956	237	232	217	191
5	Unsecured wholesale funding	832	899	855	970	649	676	612	688
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	413	484	510	582	230	261	267	300
8	Unsecured debt	419	415	345	388	419	415	345	388
9	Secured wholesale funding	———	———	———	———	61	61	53	35
10	Additional requirements	465	469	470	470	465	469	470	470
11	Outflows related to derivative exposures and other collateral requirements	465	469	470	470	465	469	470	470
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	44	30	25	32	25	11	7	14
15	Other contingent funding obligations	2,722	2,941	3,185	3,563	777	864	988	1,246
16	**Total cash outflows**	———	———	———	———	**2,226**	**2,327**	**2,365**	**2,670**
Cash - inflows									
17	Secured lending (e.g. reverse repos)	404	450	246	304	6	8	5	9
18	Inflows from fully performing exposures	479	435	429	385	306	278	269	241
19	Other cash inflows	155	140	138	89	155	140	138	89
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	———	———	———	———	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	———	———	———	———	-	-	-	-
20	**Total cash inflows**	1,038	1,024	813	778	**467**	**425**	**411**	**339**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	1,038	1,024	813	778	467	425	411	339
Total adjusted value									
EU-21	**Liquidity buffer**	———	———	———	———	**4,094**	**4,719**	**5,207**	**5,588**
22	**Total net cash outflows**	———	———	———	———	**1,759**	**1,902**	**1,953**	**2,331**
23	**Liquidity coverage ratio (%)**	———	———	———	———	**237**	**254**	**275**	**254**

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

List of tables

Attestation of the Management Board

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

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

Munich, 12 December 2023

Deutsche Pfandbriefbank AG

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