Disclosure Report

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

as at 30 September 2024

Deutsche Pfandbriefbank Group

Overview

Deutsche Pfandbriefbank Group ("pbb Group")

EU KM1: Key parameters

	All figures in € million, unless otherwise stated	a 30.09.2024	b 30.06.2024	c 31.03.2024	d 31.12.2023	e 30.09.2023
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2,955	2,934	2,854	2,910	2,695
2	Tier 1 capital	3,253	3,232	3,152	3,208	2,992
3	Total capital	3,555	3,562	3,511	3,604	3,409
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	20,436	20,925	18,829	18,495	17,766
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.5	14.0	15.2	15.7	15.2
6	Tier 1 ratio (%)	15.9	15.4	16.7	17.3	16.8
7	Total capital ratio (%)	17.4	17.0	18.6	19.5	19.2
	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 (%)	3.0	3.0	3.0	2.5	2.5
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.7	1.7	1.7	1.4	1.4
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.3	2.3	2.3	1.9	1.9
EU 7d	Total SREP own funds requirements (%)	11.0	11.0	11.0	10.5	10.5
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
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 (%)	0.71	0.72	0.76	0.68	0.67
EU 9a	Systemic risk buffer (%)	0.12	0.12	0.07	0.07	0.07
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	3.33	3.34	3.33	3.25	3.24
EU 11a	Overall capital requirements (%)	14.33	14.34	14.33	13.75	13.74
12	CET1 available after meeting the total SREP own funds requirements (%)	6.4	6.0	7.7	9.0	8.7
	Leverage ratio					
13	Total exposure measure	44,998	45,482	49,373	51,521	48,667
14	Leverage ratio (%)	7.2	7.1	6.4	6.2	6.1
	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	of which: 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)	3,783	3,551	3,443	3,748	4,094
EU 16a	Cash outflows - Total weighted value	2,096	2,119	2,186	2,209	2,225
EU 16b	Cash inflows - Total weighted value	692	700	667	624	467
16	Total net cash outflows (adjusted value)	1,404	1,418	1,518	1,585	1,759
17	Liquidity coverage ratio (%)	301	281	249	255	237
	net stable funding ratio					
18	Total available stable funding	37,948	38,204	38,527	39,342	38,985
19	Total required stable funding	32,582	33,338	35,288	35,311	34,105
20	NSFR ratio (%)	116	115	109	111	114

Note:

In accordance with Article 19 No. 4 of Regulation (EU) 2021/637 (Pillar 3 framework), the monetary values in the Disclosure Report of the pbb Group are shown in millions of euros. The figures are commercially rounded. Due to rounding, the totals shown in the tables may differ slightly from the arithmetical totals of the individual figures shown. Individual figures of less than € 500 thousand are generally not shown due to commercial rounding; these are shown as zero or as zero balances with a dash. When disclosing information, the principle of materiality in accordance with Article 432 (1) CRR is observed.

With regard to the Capital Requirements Regulation (CRR)/Capital Requirements Directive (CRD) regulations, there is still uncertainty as to how some of these regulations are to be interpreted, and some of the related mandatory regulatory standards are not yet available in their final version. Therefore, Deutsche Pfandbriefbank AG ("pbb") will continuously adjust assumptions and models as the understanding and interpretation of the rules and those of the industry evolve. Against this background, current CRR/CRD metrics may not be comparable with previous expectations. Also, CRR/CRD metrics may not be comparable to similarly titled metrics of competitors, as their assumptions and estimates may differ from those of pbb.

Since the disclosure date of 30 June 2024, the pbb Group has used the Foundation Internal Ratings Based Approach (F-IRBA), which is referred to below as the "IRB approach (IRBA)", to determine the own funds requirements for credit risk. For a transitional period until CRR III ("Basel IV") comes into force on 1 January 2025, the calculation of risk-weighted exposure values under F-IRBA will be calibrated to standardised risk parameters. Insofar as statements are made in this Disclosure Report on the Advanced Internal Ratings Based Approach (A-IRBA), which was applied for reporting dates or periods prior to 30 June 2024, this is then explicitly referred to as "A-IRBA". In light of the change in the model approach from A-IRBA to F-IRBA, the figures reported as at 30 June 2024 and 30 September 2024 are only comparable to a limited extent with the figures reported for reporting dates prior to 30 June 2024 or in previous periods.

Introduction

Deutsche Pfandbriefbank ("pbb")

Deutsche Pfandbriefbank Group ("pbb Group") consists mainly of the parent company Deutsche Pfandbriefbank AG ("pbb"). Headquartered in Munich/Garching, pbb is a leading European specialist bank for commercial real estate finance (Real Estate Finance, REF) with a focus on Pfandbrief-eligible business. Its geographical focus is on Europe and the USA. It issues Mortgage Pfandbriefe collateralised by real estate liens and is one of the largest issuers of Pfandbriefe in terms of outstanding volume, making it an important issuer of covered bonds in Europe. In its core markets, pbb offers its clients a strong local presence with expertise across all functions of the financing process. Thanks to its expertise in structuring loans, its cross-border approach and its cooperation with financing partners, pbb realises both complex financings and cross-border transactions.

The shares of pbb are listed in the Prime Standard of the Regulated Market of the Frankfurt Stock Exchange. They are included in the SDAX®.

pbb is categorised as a significant supervised institution in a euro area member state under the Single Supervisory Mechanism (SSM) and is therefore directly supervised by the European Central Bank (ECB). However, pbb is not classified as a global systemically important institution (G-SII). Disclosure in accordance with Article 441 Capital Requirements Regulation (CRR) "Disclosure of indicators of global systemic importance" is not relevant for the pbb Group.

Aim of the Disclosure Report

With this Disclosure Report, pbb (LEI code: DZZ47B9A52ZJ6LT6VV95), as the parent institution of the regulatory group of institutions, implements the disclosure requirements in accordance with part 8 of the CRR for the pbb Group as at 30 September 2024.

The disclosure requirements are set out in Articles 431 to 455 CRR; additional requirements are set out in Section 26a (1) sentence 1 of the German Banking Act (Kreditwesengesetz - KWG). In order to fulfil these disclosure requirements, pbb applies the uniform disclosure formats of the European Banking Authority (EBA) in accordance with the Implementing Regulation (EU) 2021/637 (Pillar 3 framework). The reporting currency is the euro.

In accordance with Article 4 (1) No. 146 CRR, pbb is a large institution and thus implements the frequency requirements pursuant to Article 433a CRR. The relevant disclosure period for this report is from 30 June 2024 to 30 September 2024. In accordance with Article 433a (1) (c) CRR, this Disclosure Report includes information on:

- the key parameters (key metrics)
- the capital requirements and risk-weighted exposure amounts (risk-weighted assets, RWA)
- the liquidity coverage ratio (LCR).

In accordance with article 432 CRR, institutions may refrain from disclosing one or more of the information specified in part 8, title II/III of the CRR if this information is not to be regarded as material or is to be classified as a business secret or as confidential. pbb has not made use of this option.

The tables EU MR2-B "RWA flow statement of market risks under the internal models approach (IMA)" and EU CCR7 "RWA flow statements of CCR risk positions under the IMM" are not relevant for the pbb Group. The pbb Group currently uses neither its own internal models approach (IMA) for calculating the own funds requirement for market risk nor an internal model method (IMM) for counterparty credit risk.

Formal procedures and regulations for the fulfilment of disclosure obligations

pbb Group has implemented formal procedures and regulations for the fulfilment of Pillar 3 disclosure requirements and documented them in a disclosure guideline. Further information on this is described in the Disclosure Report as at 30 June 2024 (chapter "Introduction", page 6).

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

Means of disclosure

In accordance with article 434 CRR, the Disclosure Report is published as a separate report on pbb's website (www.pfandbriefbank.com) under Investors / Mandatory Publications / Disclosure Report pursuant to Part 8 of the CRR. The ECB, Deutsche Bundesbank and the German Federal Financial Supervisory Authority (BaFin) will be notified by pbb of the date and medium of publication.

Area of application

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

The basis is the regulatory scope of consolidation in accordance with Articles 18 to 24 CRR. There are no differences between the regulatory scope of consolidation and the accounting scope of consolidation for pbb's consolidated financial statements (IFRS) as of the disclosure date. Disclosure on the basis of the consolidated situation requires that business relationships within the pbb Group are netted and intragroup transactions are eliminated. The regulatory values and key figures are determined on the basis of the IFRS accounting standards, the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

A list of pbb's subsidiaries consolidated for regulatory purposes is included in the Disclosure Report as of 31 December 2023 (chapter "Regulatory and accounting consolidation", page 26 f.), table EU LI3 "Description of the differences between the basis of consolidation (by individual company) ". In the first half of 2024, pbb consolidated Niagara Asset Management LLC, Wilmington, Delaware, USA, for the first time for both accounting and regulatory purposes. The company, a wholly-owned subsidiary of pbb, is a financial institution for regulatory purposes in accordance with Article 4 (1) No. 26 CRR. There were no changes in the third quarter of 2024.

Waiver rule in accordance with CRR

In the third quarter of 2024, pbb continued to utilise the relief provided by the waiver rule pursuant to Article 7 (3) CRR as well as a waiver granted by the ECB pursuant to section 2a (2) KWG. Further information on this can be found in the Disclosure Report as at 30 June 2024 (chapter "Introduction", page 7 f.). The pbb Group has not utilised consolidation on an individual basis in accordance with Article 9 CRR.

Own funds requirements and RWA

Own funds requirements and RWA

This chapter shows the material changes in the key parameters (EU KM1) for the pbb Group in accordance with Article 447 CRR as well as information on own funds requirements and risk-weighted exposure amounts (RWA) in accordance with Article 438 (d) and (h) CRR. As the parent company of the banking group within the meaning of section 10a KWG in conjunction with section 11 et seq. Article 11 et seq. CRR, pbb is responsible for compliance with the own funds requirements on a summarised basis (regulatory scope of consolidation).

Key parameters

The table EU KM1 in accordance with Article 447 (a) to (g) and Article 438 (b) CRR is intended to provide market participants with an overview of the key parameters for the pbb Group. Specifically, these are the available Own funds, the risk-weighted exposure amounts, the capital ratios and capital buffers, the capital requirements of the ECB's Supervisory Review and Evaluation Process (SREP) which go beyond the existing regulatory requirements, as well as the leverage and liquidity ratios.

Further information on the capital requirements and risk-weighted exposure amounts for the risk types of credit risk (credit risk, counterparty credit risk including CVA risk), market risk, operational risk and settlement risk are described in the following sections "Capital adequacy procedures" and "Capital requirements and RWA".

Own funds available

pbb Group's regulatory Own funds, which are decisive for meeting the regulatory capital requirements and thus for capital adequacy, amount to a total of € 3,555 million (€ -8 million compared with 30 June 2024). They comprise € 2,955 million in Common Equity Tier 1 capital (€ +21 million compared to 30 June 2024, CET1), € 298 million in additional core capital (AT1) and € 302 million in supplementary capital (€ -29 million compared to 30 June 2024; T2). Regulatory Own funds were calculated without taking into account the interim profit from 1 July to 30 September 2024 (earnings after taxes in the third quarter of 2024: € 34 million).

Regulatory Own funds are based on pbb's consolidated financial statements (IFRS), taking regulatory adjustments into account. For further information on equity (IFRS) and its changes, please refer to the Note "Equity" (page 8) in pbb Group's Quarterly Statement as of 30 September 2024 (published on pbb's website). Equity reported in the statement of financial position of the pbb Group amounts to € 3,412 million.

The € 21 million increase in Common Equity Tier 1 capital (CET1) is mainly due to an overall reduction in capital deductions (regulatory adjustments), including for intangible assets and the minimum cover for non-performing risk positions (NPL backstop). The € 29 million decrease in supplementary capital (T2) resulted from reductions in the inclusion of subordinated bonds due to daily amortisation in accordance with Article 64 CRR.

Capital ratios

According to the CRR/CRD regulations, in 2024 the CET1 ratio (CET1 ratio: CET1 divided by RWA) must not fall below 4.5%, the Tier 1 ratio (Tier 1 ratio: Tier 1 divided by RWA) must not fall below 6.0% and the own funds ratio (own funds ratio: own funds divided by RWA) must not fall below 8.0%. The pbb Group met these requirements at all times during the third quarter of 2024.

As at 30 September 2024, the capital ratios were as follows

- CET1 ratio: 14.5% (30 June 2024: 14.0%)
- Tier 1 ratio: 15.9% (30 June 2024: 15.4%)
- Own funds ratio: 17.4% (30 June 2024: 17.0%).

The increase in the capital ratios compared to the end of the first half of 2024 is due to the decrease in risk-weighted exposure amounts (RWA: € -489 million compared to 30 June 2024) and the only slight change in regulatory Own funds in this period (Own funds: € -8 million compared to 30 June 2024).

Since June 2024, pbb has applied the F-IRBA instead of the A-IRBA in addition to the CRSA, with the calculation of risk-weighted exposure values under the F-IRBA being calibrated to standardised risk parameters for a transitional period until CRR III comes into force on 1 January 2025. Without this calibration, this would have resulted in a CET1 ratio of 17.3% and an own funds ratio of 20.7% as at 30 September 2024.

SREP requirement

In the third quarter of 2024, the pbb Group complied at all times with the minimum capitalisation requirements of the ECB's SREP, which go beyond the existing regulatory requirements.

The Pillar 2 Requirement (P2R) applicable for pbb in the financial year 2024 is 3.0%. This means that pbb has had to maintain a minimum CET1 ratio of 8.7% since 1 January 2024 (excluding the countercyclical capital buffer, which varies from country to country and thus from portfolio to portfolio, and excluding the sectoral systemic risk buffer). In addition to the Pillar 2 capital requirement (3.0%), this requirement is made up of the Pillar 1 minimum capital requirement (4.5%) and the capital conservation buffer (2.5%), with the Pillar 2 capital requirement comprising around 1.7% (56.25% of P2R) in Common Equity Tier 1 capital (CET1) and around 2.3% (75.00% of P2R) in Tier 1 capital (Tier 1).

In addition to the CET1 minimum ratio, pbb has had to meet a total capital requirement of 13.5% since 1 January 2024 (excluding the countercyclical capital buffer, which varies from country to country and therefore from portfolio to portfolio, and excluding the sectoral systemic risk buffer). This is made up of the Pillar 1 minimum capital requirement (8.0%), the capital conservation buffer (2.5%) and the Pillar 2 capital requirement (3.0%).

Institution-specific countercyclical capital buffer

The institution-specific countercyclical capital buffer (ICCB) for the pbb Group amounted to 0.71% as at the disclosure date (30 June 2024: 0.72%) and is therefore significantly below the applicable maximum ratio of 2.5%.

One reason for the slight decline in the IACP are changes in the country-specific countercyclical capital buffers for the Czech Republic (1.25%, -0.50 percentage points compared to 30 June 2024) and Hungary (0.50%, +0.50 percentage points compared to 30 June 2024), in which credit risk positions (vis-à-vis the private sector) of the pbb Group are located.

Capital buffer for systemic risks

In addition to the countercyclical capital buffer, pbb applies the sectoral systemic risk buffer (SRP) of 2.00% introduced by BaFin in accordance with the "General ruling ordering a capital buffer for systemic risks pursuant to section 10e KWG". This systemic risk buffer applies to credit risk positions collateralised by residential property in Germany and is also intended to counteract the specific risks on the residential property market that cannot be fully covered by the above-mentioned domestic countercyclical capital buffer. In March 2024, following a review in accordance with Section 10e (2) sentence 3 KWG, BaFin decided to maintain the level of the sectoral systemic risk buffer.

The risk-weighted exposure amounts (RWA) for these loans secured by residential property in Germany amount to € 1,243 million (30 June 2024: € 1,273 million), resulting in a capital requirement of € 25 million (i.e. 0.12% of total RWA, see EU

KM1, line EU 9a). The capital requirement for the systemic risk buffer, as well as the institution-specific countercyclical capital buffer, must be held in Common Equity Tier 1 capital (CET1).

Leverage Ratio

In accordance with Article 429 (2) CRR, the leverage ratio, which is a non-risk-sensitive ratio that supplements the risk-based view of capital requirements and capital ratios, is the ratio of an institution's capital measure (Tier 1 capital) to its total exposure measure. Pursuant to Article 92 (1) CRR, institutions must comply with a binding Leverage Ratio of at least 3% at all times. The pbb Group met this requirement at all times in the third quarter of 2024.

The Leverage Ratio for the pbb Group amounted to 7.2% as at the disclosure date (30 June 2024: 7.1%), and was thus well above the minimum requirement. The slight increase in the third quarter of 2024 is due in particular to the reduction in the total exposure measure (€ -484 million compared with 30 June 2024) and the slight increase in Tier 1 capital (€ +21 million, T1) in this period.

The ECB has not imposed an additional own funds requirement (as a percentage of the total exposure measure) for the risk of excessive leverage (REL) in accordance with Article 104 (1) (a) CRD on pbb (Pillar 2 capital requirement, P2R: 0%).

NPL ratio and risk provisioning

As a result of the persistently challenging environment on the real estate markets, pbb Group further increased its allowance for credit losses as at 30 September 2024. The risk provision result for the current financial year 2024 amounts to € -140 million (30 June 2024: € -103 million). For financial instruments without indicators of impaired creditworthiness (stage 1 and stage 2 impairments), there was a net reversal of € 19 million. The net addition to risk provisions for financial instruments with indicators of impaired creditworthiness (stage 3 impairments) totalled € 159 million. The additions to stage 3 were mainly attributable to various portfolio financing arrangements in the USA and development financing arrangements in Germany. In the first nine months, a total of nine transactions were reclassified to stage 3 due to defaults. Of these, two transactions that had been reclassified to stage 3 during the current financial year were reduced through the sale of properties or receivables. A further six transactions were reduced through the sale of properties or receivables. In addition, three existing US office financings were returned to normal credit management after stabilisation.

The NPL ratio (non-performing loan), which only includes loans and credits, but not bonds and off-balance sheet risk positions (such as irrevocable loan commitments) or balances at central banks or other sight deposits, was 4.4% as at the disclosure date (30 June 2024: 4.1%).

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is calculated as the ratio of an institution's liquidity buffer (i.e. the portfolio of high-quality liquid assets) and its net liquidity outflows during a stress phase of 30 calendar days. Under regulatory law, a minimum LCR value of 100% must be complied with. The values determined for the pbb Group were significantly above this minimum value at all times in the third quarter of 2024.

The average LCR (average of the last twelve month-end values) is 301%. The LCR as at the disclosure date of 30 September 2024 was 215% (30 June 2024: 304%). Further information on the LCR can be found in the "Liquidity coverage ratio" section of this Disclosure Report.

Net stable funding ratio

The net stable funding ratio (NSFR), which represents the medium and long-term structural, stable liquidity, is calculated from the ratio of available stable funding (ASF) and required stable funding (RSF). Under supervisory law, a minimum NSFR value of 100% must be complied with.

The values determined for the pbb Group were significantly above this minimum value at all times in the third quarter of 2024. The NSFR as at the disclosure date of 30 September 2024 was 116% (30 June 2024: 115%). The determining factors for a sustainable maturity structure of assets and liabilities are property financing on the one hand and the corresponding refinancing on the other. The pbb Group does not treat any assets and liabilities as interdependent.

Procedure for capital adequacy

The pbb Group applies the provisions of the CRR and is therefore subject to the disclosure requirements of part 8 of the CRR. The CRR/CRD regulations form the basis for the minimum amount of own funds and the determination of own funds requirements. In order to comply with the capital requirements, the credit risk (credit risk, counterparty credit risk including CVA risk), market risk, operational risk and settlement risk must be backed by capital. The regulatory ratios are calculated on the basis of IFRS accounting standards.

Credit risk (excluding counterparty credit risk)

Since the disclosure date of 30 June 2024, two approaches have been used in the pbb Group to determine the capital requirements for the credit risk of a risk position. These are the Foundation Internal Ratings Based Approach (F-IRBA) in accordance with Articles 142 et seq. CRR for the majority of commercial property financing and the standardised approach (CRSA) in accordance with Articles 111 et seq. CRR for the remaining risk positions. For a transitional period until CRR III ("Basel IV") comes into force, the calculation of risk-weighted exposure values will be calibrated to standardised risk parameters.

As of the disclosure date, pbb Group still does not have any risk positions from securitisations in its portfolio. New securitisations of own receivables are currently not planned. The business strategy of the pbb Group does not currently define new securitisations as a corporate objective.

Counterparty credit risk

For the calculation of own funds requirements for counterparty credit risk in accordance with part 3, title II, chapter 6 of the CRR (i.e. for derivative transactions), the pbb Group applies the standardised approach (SA-CCR) in accordance with articles 274 et seq. CRR. The Bank's own internal models (Internal Model Method, IMM) are not currently used.

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

For securities financing transactions (securities lending/repo transactions), the pbb Group applies the provisions for credit risk mitigation in accordance with chapter 4 of the CRR, the comprehensive method for taking financial collateral into account in accordance with articles 223 et seq. CRR.

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

Market risk

Capital requirements for market risk in accordance with part 3, title IV of the CRR are calculated in the pbb Group using the standardised approach in accordance with articles 325 et seq. CRR. The Bank's own internal models (Internal Models Approach, IMA) are currently not used.

Operational risk

The pbb Group calculates own funds backing for operational risk in accordance with part 3, title III of the CRR using the standardised approach pursuant to Articles 317 et seq. CRR. The Bank does not currently use its own internal models.

Settlement risk

The own funds requirements for settlement and advance performance risk in accordance with Part 3, Title V of the CRR are calculated in accordance with the rules defined in Articles 378 and 379 CRR.

Capital requirements and RWA

Risk-weighted exposure amounts

The risk-weighted exposure amounts of the pbb Group across all risk types amounted to € 20,436 million as at the disclosure date (30 June 2024: € 20,925 million), which corresponds to a decrease of € 489 million in the third quarter of 2024.

The credit risk (€ -543 million compared to 30 June 2024, IRB approach and standard approach) was primarily impacted by regular and early repayments, which exceeded the new commercial real estate financing business transacted in the third quarter of 2024. Further information on the development of RWA under the IRB approach can be found in the following table EU CR8.

The increase in counterparty default risk (€ +40 million compared to 30 June 2024) is due to the increase in the volume of derivatives (€ +31 million compared to 30 June 2024) and the CVA risk for OTC derivatives (€ +16 million compared to 30 June 2024). The decline in the volume of securities financing transactions (repo and reverse repo transactions: € -7 million compared to 30 June 2024) had the opposite effect.

The slight increase in market risk (€ +14 million compared to 30 June 2024) is the result of an update to the internal rating model and changes in credit spreads, particularly for the US dollar (USD) and British pound (GBP).

Operational risk is unchanged compared to 30 June 2024. The regulatory capital requirement is calculated once a year at the end of the year.

Capital requirements

The minimum own funds requirement for the aforementioned risk types remained unchanged at 8.0% of RWA as at 30 September 2024. It totalled €1,635 million as at the disclosure date (30 June 2024: €1,674 million). In line with pbb Group's business model with its core business of commercial real estate finance, around 95% of the own funds requirement is attributable to credit risk (credit risk and counterparty credit risk including CVA risk), less than 1% to market risk and around 5% to operational risk.

The total capital requirement - including the capital conservation buffer (CEP) of 2.5%, the institution-specific countercyclical capital buffer (ICCB) of 0.71%, the sectoral systemic risk buffer (SRB) of 0.12% and the Pillar 2 capital requirement (P2R) of 3.0% - amounts to 14.33% (EU KM1, line EU 11a). It amounts to € 2,928 million as at the disclosure date (30 June 2024: € 3,000 million).

Own funds surplus (available own funds less the minimum own funds requirement in accordance with EU OV1) amounted to € 1,920 million as at the disclosure date (30 June 2024: € 1,888 million).

Table EU OV1 in accordance with Article 438 letter d CRR shows the risk-weighted exposure amounts (RWA) and the associated regulatory minimum own funds requirements broken down by risk type in accordance with Part 3 of the CRR.

EU OV1: Overview of the total risk amounts

		a	b	c
		Risk weighted exposure amounts (RWA) [1]	Risk weighted exposure amounts (RWA) [1]	Total own funds re-quirements
All figures in € million		30.09.2024	30.06.2024	30.09.2024
1	**Credit risk (excluding counterparty credit risk)**	**19,091**	**19,634**	**1,527**
2	thereof: the standardised approach	4,453	4,503	356
3	thereof: the foundation IRB approach (F-IRBA)	14,638	15,130	1,171
4	thereof: slotting approach	-	-	-
EU 4a	thereof: equities under the simple risk-weighted approach	-	-	-
5	thereof: the advanced IRB approach (A-IRBA)	-	-	-
6	**Counterparty credit risk**	**336**	**296**	**27**
7	thereof: the standardised approach [2]	144	113	12
8	thereof: internal model method (IMM)	-	-	-
EU 8a	thereof: exposures to a CCP [3]	3	3	0.2
EU 8b	of which: credit valuation adjustment (CVA)	137	122	11
9	thereof: other CCR [4]	52	58	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)**	**34**	**20**	**3**
21	thereof: the standardised approach	34	20	3
22	thereof: IMA	-	-	-
EU 22a	**Large exposures [5]**	**0**	**0**	**0**
23	**Operational risk**	**975**	**975**	**78**
EU 23a	thereof: basic indicator approach	-	-	-
EU 23b	thereof: standardised approach	975	975	78
EU 23c	thereof: advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) - for information [6]	296	301	24
29	**Total**	**20,436**	**20,925**	**1,635**

[1] Risk-weighted exposure amounts (risk-weighted assets, RWA).
[2] Risk positions calculated in accordance with Part 3, Title II, Chapter 6 of the CRR (derivative transactions).
[3] Risk positions for contributions to the default fund of a central counterparty (Eurex Clearing).
[4] Risk positions for securities financing transactions (securities lending/repo transactions).
[5] The pbb Group does not maintain a trading book for securities and derivatives portfolios with the intention of generating short-term profits.
[6] Deferred tax assets that mainly depend on future profitability and result from or do not result from temporary differences.
The disclosure in this line is for information purposes only; the amount is already taken into account in line 1 (credit risk) and line 2 (of which: standardised approach).

Table EU CR8 in accordance with Article 438 (h) CRR also shows the changes in risk-weighted exposure amounts under the foundation IRB approach (F-IRBA) in the third quarter of 2024 and the main reasons for this. The pbb Group uses the F-IRBA for the majority of commercial real estate exposures, namely for all credit exposures assigned to the PD rating system "SPV Investors" (mainly exposure class Corporates - Specialised Finance). For a transitional period until CRR III ("Basel IV") comes into force, the risk-weighted exposure values are calibrated to standardised risk parameters within the scope of application of F-IRBA.

EU CR8: RWA flow statement for credit risks in accordance with the IRB approach

All figures in € million		a
		Risk weighted exposure amount [1]
1	**Risk weighted exposure amount as at 31.03.2024 [2]**	**15,130**
2	Asset size (+/-)	-403
3	Asset quality (+/-)	56
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	-
7	Foreign exchange movements (+/-)	-140
8	Other (+/-)	-5
9	**Risk weighted exposure amount as at 30.06.2024 [2]**	**14,638**

[1] Risk-weighted IRBA exposure amounts (RWA) after application of the SME support factor in accordance with Article 501 CRR, while counterparty credit risk exposures (derivatives and securities financing transactions) are not included in EU CR8.
[2] Foundation Internal Ratings Based Approach (F-IRBA).

On-balance sheet and off-balance sheet risk-weighted exposure amounts (RWA) totalled € 14,638 million (30 June 2024: € 15,130 million).

The main factors influencing the RWA reduction in the IRB approach (€ -492 million compared to 30 June 2024) were re-payments (EU CR8, line 2), which exceeded the new commercial real estate financing business transacted in the third quarter of 2024, as well as currency effects (EU CR8, line 7), particularly with regard to the US dollar (USD) and pound sterling (GBP). Various effects had an offsetting impact on RWA (EU CR8, line 3), including decreasing market values of properties/increasing loan-to-value (LTV) ratios and rating downgrades for loan exposures.

Liquidity coverage ratio

Liquidity coverage ratio

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

In accordance with Article 412 CRR, the LCR is intended to oblige institutions to maintain a liquidity buffer in the form of highly liquid assets in order to be able to compensate for net cash outflows over a period of 30 days in the event of stress. The specified stress scenario includes both market-wide and institution-specific effects. In stress periods, institutions may use their liquid assets to cover their net liquidity outflows, even if such use of liquid assets results in the LCR falling below the applicable minimum value of 100% in such phases.

Regulatory requirements stipulate a minimum LCR of 100%. The values determined for the pbb Group were significantly above this minimum value at all times in the third quarter of 2024. The LCR as at the disclosure date of 30 September 2024 was 215% (30 June 2024: 304%).

Information on the liquidity coverage ratio

The following table EU LIQ1 in accordance with article 451a (2) CRR shows the information on the LCR for the pbb Group. The information comprises the values and figures as at the disclosure date of 30 September 2024 and for each of the three calendar quarters preceding the disclosure date. In contrast to the reporting date values mentioned above, these values and figures are calculated as simple averages of the end-of-month surveys over the twelve months preceding the end of each quarter. Table EU LIQ1 contains all items relevant to the LCR calculation.

The average LCR as at 30 September 2024 is 301% (EU LIQ1, row 23, column e). This is mainly due to the high liquidity reserve, consisting of highly liquid assets (HQLA). Changes in the liquidity reserve and in net liquidity outflows are due to the different dynamics of new business in property financing and its refinancing.

Liquidity management within the pbb Group

pbb is the only credit institution of pbb Group. Liquidity management is carried out exclusively by pbb.

Sources of refinancing

The pbb Group utilises a wide range of funding sources. In addition to deposits from private and institutional clients, funding is obtained by issuing Pfandbriefs, promissory notes and uncovered bonds on the capital market, as well as via open market transactions with the ECB and repo transactions on the interbank market and Eurex.

Liquidity buffer

As at the disclosure date, the liquidity reserves totalled € 3,783 million (average value), consisting of highly liquid level 1 assets. The liquidity buffer consists primarily of liquid funds and HQLA Level 1 bonds. Level 1 includes deductible deposits with Deutsche Bundesbank, bonds issued by central governments, regional or local authorities, public bodies, multilateral development banks or international organisations and banks with government guarantees.

Liquidity outflows and inflows

Liquidity inflows are influenced in particular by expected loan repayments and refinancing funds raised. The liquidity outflows are made up as follows:

> Mortgage loans or other loans committed but not yet drawn down
> refinancing funds due
> potential requests for collateral.

On average, cash flows from derivative positions only accounted for a small proportion of total net cash flows in the third quarter of 2024. pbb Group uses a historical look-back approach (HLBA) as the methodology for calculating potential collateral calls for derivatives, i.e. collateral calls observed in the past are analysed and a conservative assumption for potential future collateral calls is derived from this. On average, this value was € 466 million. Possible rating changes are not expected to have any significant impact on the provision of collateral.

Significant foreign currency

As of the disclosure date, the pbb Group has one significant currency in accordance with article 415 (2a) CRR, the foreign currency US dollar (USD), whose aggregated liabilities amount to at least 5% of total liabilities. The foreign currency positions have no material impact on the liquidity position.

EU LIQ1: Quantitative information on the 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:**	**30.09.2024**	**30.06.2024**	**31.03.2024**	**31.12.2023**	**30.09.2024**	**30.06.2024**	**31.03.2024**	**31.12.2023**
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)	---	---	---	---	**3,783**	**3,551**	**3,443**	**3,748**
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	891	925	984	1,089	189	195	207	227
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	877	913	972	1,076	175	182	194	215
5	Unsecured wholesale funding	765	721	767	827	629	575	601	657
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	314	333	369	369	178	186	203	199
8	Unsecured debt	450	389	398	458	450	389	398	458
9	Secured wholesale funding	---	---	---	---	112	58	39	30
10	Additional requirements	466	471	471	470	466	471	471	470
11	Outflows related to derivative exposures and other collateral requirements	466	471	471	470	466	471	471	470
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	173	179	170	105	153	159	150	85
15	Other contingent funding obligations	2,069	2,350	2,479	2,597	548	661	718	740
16	**Total cash outflows**	---	---	---	---	**2,096**	**2,119**	**2,186**	**2,209**
Cash inflows									
17	Secured lending (e.g. reverse repos)	252	263	462	432	151	151	128	101
18	Inflows from fully performing exposures	624	608	580	517	405	393	371	333
19	Other cash inflows	136	157	168	191	136	157	168	191
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**	1,012	1,028	1,209	1,140	**692**	**700**	**667**	**624**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	1,012	1,028	1,209	1,140	692	700	667	624
Total adjusted value									
EU-21	**Liquidity buffer**	---	---	---	---	**3,783**	**3,551**	**3,443**	**3,748**
22	**Total net cash outflows**	---	---	---	---	**1,404**	**1,418**	**1,518**	**1,585**
23	**Liquidity coverage ratio (%)**	---	---	---	---	**301**	**281**	**249**	**255**

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

List of tables

Certificate of the Management Board

in accordance with Article 431 (3) sentences 1 to 3 CRR

The Management Board of pbb assures to the best of its knowledge that this Disclosure Report has been prepared in accordance with the formal procedures and rules implemented within the pbb Group to fulfil the disclosure requirements pursuant to part 8 of the CRR.

Munich, 10 December 2024

Deutsche Pfandbriefbank AG

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