Quarterly Information
as of 31 March 2019

Deutsche Pfandbriefbank Group

DEUTSCHE
PFANDBRIEFBANK

This notice is a quarterly report of the Deutsche Pfandbriefbank Group ("pbb Group") in accordance with section 53 of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange. Unless stated otherwise, the following comments are based on (unaudited) consolidated figures in accordance with International Financial Reporting Standards (IFRS), adopted by the EU. Furthermore, also unless stated otherwise, the comments relate to comparison with the same period of the previous year (1 January to 31 March 2018, also referred to as "3m2018" below) or, in the case of details concerning the statement of financial position, comparison with figures as at the previous year's reporting date (31 December 2018).

Contents

Business Performance
Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–31.3. 2019	1.1.–31.3. 2018
Operating performance according to IFRS			
Profit or loss before tax	in € million	48	48
Net income/loss	in € million	40	39
Key ratios		**1.1.–31.3. 2019**	**1.1.–31.3. 2018**
Earnings per share	in €	0.27	0.29
Cost-income ratio[1]	in %	42.0	42.0
Return on equity before tax[2]	in %	6.0	6.7
Return on equity after tax[2]	in %	4.9	5.4
New business volume Real Estate Finance[3]	in € billion	1.9	1.7
Balance sheet figures according to IFRS		**31.3.2019**	**31.12.2018**
Total assets	in € billion	60.3	57.8
Equity	in € billion	3.3	3.3
Financing volumes Real Estate Finance	in € billion	27.8	26.8
Key regulatory capital ratios (fully phased-in)		**31.3.2019[4]**	**31.12.2018[4]**
CET1 ratio	in %	18.8	18.5
Own funds ratio	in %	25.4	24.9
Leverage ratio	in %	5.1	5.3
Staff		**31.3.2019**	**31.12.2018**
Employees (on full-time equivalent basis)		743	750
Long-term issuer rating/outlook[5][6]		**31.3.2019**	**31.12.2018**
Standard & Poor's		A–/Negative	A–/Negative
Moody's Pfandbrief rating[6]		**31.3.2019**	**31.12.2018**
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

[1] Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.
[2] Return on equity before tax respectively after tax is the ratio of annualised profit or loss before tax (net income/loss) less AT1-coupon and average equity (excluding accumulated other conprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital).
[3] Including prolongations with maturities of more than one year.
[4] After confirmation of the 2018 financial statements, less the proposed dividend (subject to approval by the Annual General Meeting).
[5] The ratings of unsecured liabilities may diverge from the Bank ratings.
[6] The rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by Deutsche Pfandbriefbank AG (pbb).

Development in Earnings

During the period under review (1 January to 31 March 2019 – referred to as “3m2019” below), pbb Group generated € 48 million in profit before tax, which was in line with the figure for the same period of the previous year (1 January to 31 March 2018 – referred to as “3m2018” below). The favourable development of net interest income – pbb’s most important source of income – offset lower net income from realisations and higher expenses for risk provisioning. As in the previous year, pbb Group’s three-month results were burdened by the bank levy payable for the entire year. A detailed breakdown of the results is provided below:

Income and expenses

in € million	**1.1.–31.3. 2019**	**1.1.–31.3. 2018**	Change
Operating income	119	112	7
Net interest income	116	107	9
Net fee and commission income	1	1	–
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement)[1]	–2	–	–2
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1]	6	9	–3
Thereof: from financial assets at amortised cost	6	7	–1
Net income from hedge accounting	–1	–1	–
Net other operating income	–1	–4	3
Net income from allowances on financial assets (Net income from risk provisioning)[1]	–1	4	–5
General and administrative expenses	–46	–44	–2
Expenses from bank levies and similar dues	–21	–21	–
Net income from write-downs and write-ups on non-financial assets	–4	–3	–1
Net income from restructuring	1	–	1
Profit or loss before tax	**48**	**48**	**–**
Income taxes	–8	–9	1
Net income/loss	**40**	**39**	**1**

[1] Solely the condensed and parenthesised line item descriptions are used subsequently.

Net interest income increased to €116 million (3m2018: €107 million): on the one hand, the increase reflected the higher average volume of commercial real estate loans, which rose to € 27.3 billion (3m2018: € 25.3 billion). On the other hand, lower funding expenses – due to maturing liabilities being replaced at lower rates – also contributed to the increase. As in the same period of the previous year, pbb Group profited from floors in client business, given the negative interest rate environment.

Net fee and commission income from non-accruable fees amounted to €1 million (3m2018: €1 million).

Net income from fair value measurement of € –2 million (3m2018: € 0 million) resulted from changes in the fair value of derivatives as well as non-derivative financial instruments at fair value through profit and loss; the net figure was burdened by the “pull-to-par” effect (largely from derivatives) in the amount of € 5 million, whilst positive measurement effects of non-derivative financial instruments contributed € 3 million.

Net income from realisations (€ 6 million; 3m2018: € 9 million) comprised early termination fees of € 4 million (3m2018: € 4 million) and fee realisations of € 2 million (3m2018: € 3 million); the figure for the same period of the previous year additionally included € 2 million in income from redemption of liabilities.

Net income from hedge accounting of € –1 million (3m2018: € –1 million) was due to ineffective portions from hedging relationships within the permissible range.

Net other operating income of € –1 million (3m2018: € – 4 million) comprised €1 million in expenses from currency translation.

Net income from risk provisioning (€ –1 million; 3m2018: € 4 million) resulted mainly from net additions to stage 1 impairments due to updated macroeconomic measurement parameters.

General and administrative expenses of € 46 million were slightly higher than in the previous year's period (3m2018: € 44 million), reflecting increases in personnel expenses and non-personnel expenses of €1 million each.

Expenses from bank levies and similar dues (€ 21 million; 3m2018: € 21 million) mainly comprised expenses for the bank levy, taking into account pledged collateral amounting to 15% (€ 20 million; 3m2018: € 20 million); the charge had to be recognised in the first quarter for the entire year, in accordance with IFRIC 21 stipulations. Furthermore, this line item comprised expenses of €1 million (3m2018: €1 million) for the private Joint Fund for Securing Customer Deposits and the statutory deposit guarantee scheme.

Net income from write-downs and write-ups on non-financial assets (€ – 4 million; 3m2018: € – 3 million) resulted from depreciation of property and equipment, and amortisation of intangible assets; during the period under review, this item included depreciation and amortisation of rights of use under leases, which need to be capitalised in accordance with IFRS 16.

Net income from restructuring (€1 million; 3m2018: € 0 million) included income from the reversal of provisions related to human resources.

As in the same period of the previous year, **income taxes** (€ – 8 million; 3m2018: € – 9 million) were due exclusively to current taxes.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	31.3.2019	31.12.2018	Change
Cash reserve	2,162	1,388	774
Financial assets at fair value through profit or loss	1,432	1,659	–227
Positive fair values of stand-alone derivatives	741	749	–8
Debt securities	124	258	–134
Loans and advances to customers	564	649	–85
Shares in investment funds qualified as debt instruments	3	3	–
Financial assets at fair value through other comprehensive income	1,981	1,984	–3
Debt securities	1,567	1,564	3
Loans and advances to other banks	16	16	–
Loans and advances to customers	398	404	–6
Financial assets at amortised cost after credit loss allowances	52,035	50,341	1,694
Financial assets at amortised cost before credit loss allowances	52,147	50,453	1,694
Debt securities	8,154	8,039	115
Loans and advances to other banks	2,539	2,231	308
Loans and advances to customers	41,454	40,183	1,271
Credit loss allowances on financial assets at amortised cost	–112	–112	–
Positive fair values of hedge accounting derivatives	2,408	2,207	201
Valuation adjustment from portfolio hedge accounting	11	2	9
Tangible assets	11	4	7
Intangible assets	37	37	–
Other assets	44	35	9
Current income tax assets	40	26	14
Deferred income tax assets	95	86	9
Total assets	**60,256**	**57,769**	**2,487**

Total assets increased by €2.5 billion during the first quarter of 2019, driven in particular by the higher volume of commercial real estate finance (€27.8 billion; 31 December 2018: €26.8 billion). In addition, adjustments to micro hedges increased the amount of financial assets carried at amortised cost. The cash reserve increased by €0.8 billion, as a result of increased funding activity.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	31.3.2019	31.12.2018	Change
Financial liabilities at fair value through profit or loss	973	881	92
Negative fair values of stand-alone derivatives	973	881	92
Financial liabilities measured at amortised cost	52,871	50,714	2,157
Liabilities to other banks	4,506	3,867	639
Liabilities to customers	25,404	24,901	503
Bearer bonds	22,262	21,237	1,025
Subordinated liabilities	699	709	−10
Negative fair values of hedge accounting derivatives	2,685	2,538	147
Valuation adjustment from portfolio hedge accounting	47	23	24
Provisions	294	268	26
Other liabilities	68	40	28
Current income tax liabilities	45	48	−3
Liabilities	**56,983**	**54,512**	**2,471**
Equity attributable to the shareholders of pbb	2,975	2,959	16
Subscribed capital	380	380	–
Additional paid-in capital	1,637	1,637	–
Retained earnings	760	760	–
Consolidated profit	219	179	40
ccumulated other comprehensive income (OCI)	−21	3	−24
from pension commitments	−92	−73	−19
from cash flow hedge accounting	−5	–	−5
from financial assets at fair value through OCI	76	76	–
Additional equity instruments (AT1 capital)	298	298	–
Equity	**3,273**	**3,257**	**16**
Total liabilities and equity	**60,256**	**57,769**	**2,487**

Liabilities

Liabilities increased in particular due to higher financial liabilities carried at amortised cost. The increase in liabilities to banks reflected short-term funding (in the form of repurchase agreements) in particular. Liabilities to customers rose to due higher adjustments to micro hedges, as well as an increase in term deposits taken. The higher amount of bearer bonds largely reflected issues placed during the first quarter of 2019, which more than offset maturing bonds.

Equity

As at 31 March 2019, equity stood at €3.3 billion (31 December 2018: €3.3 billion). Accumulated other comprehensive income from pension commitments decreased by €19 million, due to a decline in the discounting rate (from 2.02% to 1.56%) and a higher rate of increase in pension obligations (from 1.50% to 1.75%).

The additional equity instruments include Additional Tier 1 (AT1) capital in the total nominal amount of € 300 million less transaction costs of € 2 million. The bond issued by pbb on 12 April 2018 carries an initial coupon of 5.75% and has no final maturity.

Funding

During the first quarter of 2019, pbb Group raised new long-term funding in the amount of € 2.7 billion (3m2018: € 2.0 billion). Repurchases and terminations amounted to € 0.1 billion (3m2018: € 0.2 billion). The funding volume comprised unsecured issues as well as Pfandbrief issues, both in the form of benchmark issues and private placements. At €1.5 billion (3m2018: €1.1 billion), Pfandbriefe accounted for just over half of the total volume, with unsecured funding accounting for €1.2 billion (3m2018: € 0.9 billion). Most transactions were denominated in euro, and were placed as fixed-rate bonds. Unhedged interest rate exposures are usually hedged by swapping fixed against floating interest rates. To minimise foreign currency risk between assets and liabilities, Pfandbriefe were also issued in Swedish krona (equivalent of € 0.3 billion).

Liquidity

Since 1 January 2018, a minimum liquidity coverage ratio (LCR) of 100% has been mandatory in regulatory liquidity reporting. As at 31 March 2019, the liquidity coverage ratio was 210 % (31 December 2018: 212 %).

Off-balance sheet commitments

Irrevocable loan commitments of € 4.6 billion (31 December 2018: € 4.7 billion) represent the majority of off-balance sheet obligations. Contingent liabilities on guarantees and indemnity agreements amounted to € 0.1 billion as at 31 March 2019 (31 December 2018: € 0.1 billion).

Segment Reporting

Income/expenses

in € million		REF	PIF	VP	C&A	pbb Group
Operating income	1.1.–31.3.2019	100	10	8	1	**119**
	1.1.–31.3.2018	96	7	7	2	**112**
Net interest income	1.1.–31.3.2019	97	9	9	1	**116**
	1.1.–31.3.2018	89	8	8	2	**107**
Net fee and commission income	1.1.–31.3.2019	1	–	–	–	**1**
	1.1.–31.3.2018	1	–	–	–	**1**
Net income from fair value measurement	1.1.–31.3.2019	–	–	–2	–	**–2**
	1.1.–31.3.2018	–	–	–	–	**–**
Net income from realisations	1.1.–31.3.2019	4	1	1	–	**6**
	1.1.–31.3.2018	8	–	1	–	**9**
Net income from hedge accounting	1.1.–31.3.2019	–1	–	–	–	**–1**
	1.1.–31.3.2018	–1	–	–	–	**–1**
Net other operating income	1.1.–31.3.2019	–1	–	–	–	**–1**
	1.1.–31.3.2018	–1	–1	–2	–	**–4**
Net income from risk provisioning	1.1.–31.3.2019	–2	–	1	–	**–1**
	1.1.–31.3.2018	–	2	2	–	**4**
General and administrative expenses	1.1.–31.3.2019	–37	–6	–3	–	**–46**
	1.1.–31.3.2018	–35	–6	–3	–	**–44**
Expenses from bank levies and similar dues	1.1.–31.3.2019	–12	–3	–6	–	**–21**
	1.1.–31.3.2018	–12	–3	–6	–	**–21**
Net income from write-downs and write-ups of non-financial assets	1.1.–31.3.2019	–3	–1	–	–	**–4**
	1.1.–31.3.2018	–2	–1	–	–	**–3**
Net income from restructuring	1.1.–31.3.2019	1	–	–	–	**1**
	1.1.–31.3.2018	–	–	–	–	**–**
Profit or loss before tax	1.1.–31.3.2019	**47**	**–**	**–**	**1**	**48**
	1.1.–31.3.2018	**47**	**–1**	**–**	**2**	**48**

Balance-sheet-related measures

in € billion		REF	PIF	VP	C&A	pbb Group
Financing volumes[1]	31.3.2019	27.8	6.4	12.9	–	**47.1**
	31.12.2018	26.8	6.4	13.2	–	**46.4**
Risik-weighted assets[2]	31.3.2019	8.0	1.4	4.0	0.9	**14.3**
	31.12.2018	8.3	1.4	4.0	0.9	**14.6**
Equity[3]	31.3.2019	1.4	0.1	1.1	0.3	**2.9**
	31.12.2018	1.4	0.1	1.1	0.3	**2.9**

[1] Notional amounts of the drawn parts of granted loans and parts of the securities portfolio.
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5.
[3] Excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital.

Report on Post-balance Sheet Date Events

On 16 April 2019, pbb stated, in the form of an ad-hoc disclosure, that it will be in a position to distribute dividends without deduction of taxes (i.e. free of capital gains tax and solidarity surcharge, as well as church tax where applicable) for the foreseeable future. Based on current assumptions, pbb expects this to apply for dividend payments pertaining to at least the next five to seven years – including the dividend for the 2018 financial year, which has yet to be resolved by the Annual General Meeting.

Apart from the above, there were no significant events after 31 March 2019.

Breakdown of Maturities by Remaining Term

Maturities (excluding derivatives)[1)] as of 31 March 2019

in € million	repayble on demand/not specified	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
Assets	**4,089**	**3,124**	**4,205**	**22,643**	**22,920**	**56,981**
Cash reserve	2,162	–	–	–	–	2,162
Measured at fair value through profit or loss	3	6	64	145	473	691
Debt securities	–	1	–	–	123	124
Loans and advances to customers	–	5	64	145	350	564
Interests in companies and funds qualified as debt instruments	3	–	–	–	–	3
Measured at fair value through OCI	–	75	158	1,146	602	1,981
Debt securities	–	42	124	862	539	1,567
Loans and advances to other banks	–	1	–	15	–	16
Loans and advances to customers	–	32	34	269	63	398
Measured at amortised cost before credit loss allowances	1,924	3,043	3,983	21,352	21,845	52,147
Debt securities	–	512	229	2,420	4,993	8,154
Loans and advances to other banks	1,889	100	–	–	550	2,539
Loans and advances to customers	35	2,431	3,754	18,932	16,302	41,454
Liabilities	**2,330**	**2,933**	**7,929**	**19,465**	**20,214**	**52,871**
Measured at amortised cost	2,330	2,933	7,929	19,465	20,214	52,871
Liabilities to other banks	987	579	99	2,175	666	4,506
Thereof: registered securities	–	17	63	118	352	550
Liabilities to customers	1,329	1,062	2,618	5,647	14,748	25,404
Thereof: registered securities	–	430	567	2,754	13,924	17,675
Bearer bonds	14	1,280	5,212	11,578	4,178	22,262
Subordinated liabilities	–	12	–	65	622	699

[1)] Excluding: positive/negative fair values of stand-alone derivatives and hedge accounting derivatives, credit loss allowances on financial assets at amortised cost, valuation adjustment from porfolio hedge accounting (assets/liabilities), tangible assets, intangible assets, provisions, other assets/liabilities, income tax assets/liabilities and equity.

Maturities (excluding derivatives)[1] as of 31 December 2018

in € million	repayble on demand/not specified	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
Assets	**3,106**	**1,749**	**4,910**	**22,347**	**22,623**	**54,735**
Cash reserve	1,388	–	–	–	–	1,388
Measured at fair value through profit or loss	3	142	64	221	480	910
Debt securities	–	138	–	–	120	258
Loans and advances to customers	–	4	64	221	360	649
Interests in companies and funds qualified as debt instruments	3	–	–	–	–	3
Measured at fair value through OCI	–	40	129	1,090	725	1,984
Debt securities	–	30	100	776	658	1,564
Loans and advances to other banks	–	–	–	16	–	16
Loans and advances to customers	–	10	29	298	67	404
Measured at amortised cost before credit loss allowances	1,715	1,567	4,717	21,036	21,418	50,453
Debt securities	–	143	461	2,469	4,966	8,039
Loans and advances to other banks	1,687	–	–	–	544	2,231
Loans and advances to customers	28	1,424	4,256	18,567	15,908	40,183
Liabilities	**2,193**	**2,552**	**7,174**	**19,485**	**19,310**	**50,714**
Measured at amortised cost	2,193	2,552	7,174	19,485	19,310	50,714
Liabilities to other banks	899	34	88	2,175	671	3,867
Thereof: registered securities	–	30	57	109	345	541
Liabilities to customers	1,280	1,035	2,536	5,846	14,204	24,901
Thereof: registered securities	–	382	567	2,868	13,354	17,171
Bearer bonds	14	1,461	4,550	11,399	3,813	21,237
Subordinated liabilities	–	22	–	65	622	709

[1] Excluding: positive/negative fair values of stand-alone derivatives and hedge accounting derivatives, credit loss allowances on financial assets at amortised cost, valuation adjustment from porfolio hedge accounting (assets/liabilities), tangible assets, intangible assets, provisions, other assets/liabilities, income tax assets/liabilities and equity.

Additional Information
Future-oriented Statements

This report contains future-oriented statements inter alia in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates and predictions currently available to the management board of pbb. Future-oriented statements therefore only apply on the day on which they are made. pbb Group does not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading activities, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.

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