Pursuant to article 16 para. 3 of the German Securities Prospectus Act investors who have already agreed to purchase or subscribe for Notes issued under the Programme (as defined herein) before this Second Supplement (as defined herein) has been published shall have the right, exercisable within two working days after the publication of this Second Supplement, to withdraw their purchase or subscription orders, provided that the new factor arose before the final closing of the offer to the public and the delivery of the securities. A withdrawal, if any, is to be addressed to Deutsche Pfandbriefbank AG, Freisinger Straße 5, 85716 Unterschleißheim, Germany provided that the relevant agreement to purchase or subscribe has been entered into with Deutsche Pfandbriefbank AG or to the relevant bank or savings bank or any other distributor with whom the relevant agreement to purchase or subscribe has been entered into.

Supplement pursuant to article 16 para. 1 of the German Securities Prospectus Act
dated 19 June 2015

to the base prospectus dated
11 May 2015
relating to

Deutsche Pfandbriefbank AG

Munich, Federal Republic of Germany

as Issuer

Euro 50,000,000,000
Debt Issuance Programme (the "Programme")

This supplement (the "Second Supplement") to the base prospectus dated 11 May 2015 is prepared in connection with the Euro 50,000,000,000 Debt Issuance Programme (the "Programme") of Deutsche Pfandbriefbank AG (the "Issuer") and is supplemental to, and should be read in conjunction with, the base prospectus dated 11 May 2015 as supplemented on 22 May 2015 (the "First Supplement") (the First Supplement together with the base prospectus dated 11 May 2015, the "Original Base Prospectus") in respect of the Programme. Unless otherwise stated or the context otherwise requires, terms defined in the Original Base Prospectus shall have the same meaning when used in the Second Supplement. As used herein, the term "Base Prospectus" means the Original Base Prospectus as supplemented by the Second Supplement.

The Issuer accepts responsibility for the information contained in or incorporated by reference into this Base Prospectus. The Issuer hereby declares that all information contained in this Base Prospectus is true and accurate to the knowledge of the Issuer and that no material circumstances have been omitted.

The Second Supplement has been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* of the Federal Republic of Germany in its capacity as competent authority (the "Competent Authority") under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) which implements Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended, into German law. Please note that the approval of the Base Prospectus by the Competent Authority is based on the scrutiny of the completeness of the Base Prospectus including the consistency and the comprehensibility only. Application will be made to the Competent Authority to provide the *Commission de Surveillance du Secteur Financier* (the "CSSF") of the Grand Duchy of Luxembourg, the *Autoriteit Financiële Markten* of the Netherlands, the *Financial Conduct Authority* of the United Kingdom, the *Irish Financial Services Regulatory Authority* of Ireland, the *Finanzmarktaufsicht* of Austria, the *Kredittilsynet / Oslo Børs* of Norway, the *Commissione Nazionale per le Società e la Borsa* of Italy and the *Comisión Nacional del Mercado de Valores* of the Kingdom of Spain with a certificate of approval attesting that the Second Supplement has been drawn up in accordance with the German Securities Prospectus Act and with a copy of the Second Supplement.

This Second Supplement has been filed with the Competent Authority and has been published together with the Original Base Prospectus on the website of the Issuer (www.pfandbriefbank.com). Upon request (to be addressed to Deutsche Pfandbriefbank AG, Freisinger Straße 5, 85716 Unterschleißheim, Germany), the Issuer will provide, free of charge, a copy of the Second Supplement and of the Original Base Prospectus.

The Second Supplement has been prepared following the publication on 10 June 2015 of the decision of the Issuer to prepare an initial public offering (IPO) in July 2015 and serves to update certain information in connection therewith, including the incorporation of interim financial information for the three-month period ended 31 March 2015 into the Base Prospectus.

OVERALL AMENDMENTS

If reference is made in the Original Base Prospectus to “Base Prospectus”, then the respective reference includes all changes made by the First Supplement and the Second Supplement.

I. SUPPLEMENTAL INFORMATION RELATING TO THE TABLE OF CONTENTS

On page 4 of the Original Base Prospectus, the following information shall be added in the “Table of Contents” after the information relating to Appendix III:

II. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “I. SUMMARY”

On page 6 of the Original Base Prospectus the information in “Section B – Issuer” under “Element B.5 – Organisational structure”, shall be supplemented by adding the following paragraph at the end:

“On 10 June 2015, the Issuer has published the decision to prepare the listing of part of its shares in the “Prime Standard” segment of the Frankfurt Stock Exchange, and that its sole shareholder, Hypo Real Estate Holding, does not further pursue the sale process of the Issuer for the time being. Subject to market conditions the initial public offering (IPO) is scheduled to take place during July 2015 and the intention is to place a minimum stake of 75.1 per cent. of the share capital of the Issuer, with the Federal Republic of Germany – indirectly via Hypo Real Estate Holding – holding at least a 20 per cent. stake in the Issuer for a two-year period based on respective lock up commitments.”

On page 6 et seq. the information in “Section B – Issuer” under “Element B.12 – Selected historical key financial information regarding the Issuer, statement regarding trend information and significant changes in the financial or trading position of the Issuer”, shall be deleted and replaced by the following information:

“

<table>
<tr>
<td>B.12</td>
<td>Selected historical key financial information regarding the Issuer, statement regarding trend information and significant changes in the financial or trading position of the Issuer</td>
<td>The following table sets forth selected financial information of Deutsche Pfandbriefbank extracted from the audited consolidated financial statements for the financial years ended 31 December 2013 and 2014:
<table>
<tr><th></th><th></th><th>2014</th><th>2013*</th></tr>
<tr><td>Operating performance according to IFRS</td><td></td><td></td><td></td></tr>
<tr><td>Pre-tax profit/loss</td><td>In Euro million</td><td>54</td><td>165</td></tr>
<tr><td>Net income/loss</td><td>in Euro million</td><td>4</td><td>160</td></tr>
</table>
</td>
</tr>
</table>

Balance sheet figures		31.12.2014**	31.12.2013***
Total assets	in Euro billion	approx. 74.9	approx. 74.6
Equity (excluding revaluation reserve)	in Euro billion	3.4	3.4
Equity	in Euro billion	approx. 3.5	approx. 3.5

* Adjustment due to retrospective IFRS 10 first time adoption.

** Adjustment in accordance with IAS 8.14 et seq.

*** Adjustment due to retrospective IFRS 10 first time adoption and adjusted due to IAS 8.42.

The following table sets forth selected financial information of Deutsche Pfandbriefbank extracted from the unaudited consolidated interim financial statements for the three-month period ended 31 March 2015:

		For the three month period ended 31 March 2015	For the three month period ended 31 March 2014
Operating performance according to IFRS			
Pre-tax profit/loss	In Euro million	51	38
Net income/loss	in Euro million	39	43
Balance sheet figures		**31.03.2015**	**31.12.2014***
Total assets	in Euro billion	approx. 75.4	approx. 74.9
Equity (excluding revaluation reserve)	in Euro billion	3.4	3.4
Equity	in Euro billion	approx. 3.6	approx. 3.5

* Adjustment in accordance with IAS 8.14 et seq.

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements (31 December 2014).

Together with the Stabilisation Fund (*Sonderfonds Finanzmarktstabilisierung* – the "**SoFFin**") and the German Financial Markets Stabilization Agency (*Bundesanstalt für Finanzmarktstabilisierung* – the "**FMSA**") Hypo Real Estate Holding is currently evaluating the options for the Issuer's reprivatisation, which may have an impact on its current business model, in particular, but not limited to, if as a result of the potential reprivatisation new owner(s) will cause the Issuer to amend its business model or if the rating of the Issuer and/or the Notes change. With respect to the announcement of Hypo Real Estate Holding's intention to sell its participation in the Issuer published on 17 February 2015 see under "Element B.5 - Organisational structure" above.

Except for the information in this paragraph there has been no significant change in the financial position of the Issuer and its consolidated subsidiaries since the end of the last financial period for which interim financial information has been published (31 March 2015). The Issuer realized an extraordinary profit of Euro 39 million resulting from a sale of an office building in Japan in April 2015, which was owned by the consolidated subsidiary Hayabusa Godo Kaisha, Japan. This positive one-off effect was partly compensated by a further addition to the provisions made for certain legal proceedings initiated by former holders of participation certificates (*Genussscheine*).

"

On page 7 of the Original Base Prospectus the information in the last paragraph of "Section B – Issuer" under "Element B.13 – Recent developments" as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"On 19 May 2015, Fitch Ratings ("**Fitch**") withdrew the ratings assigned to the Issuer following the Issuer's termination of the mandate for unsecured ratings on 12 May 2015. Prior to the withdrawal and in connection with Fitch's global review of sovereign support, Fitch downgraded the Issuer's long-term Issuer default rating and senior debt ratings to "BBB" from "A-" and placed them on Rating Watch Negative. Its short-term Issuer default rating was downgraded to "F2" from "F1" and placed on Rating Watch Negative.

Also on 12 May 2015, the Issuer terminated its rating relationship with Moody's Investor Service ("**Moody's**") for unsecured ratings; the termination was effective 11 June 2015. At the date of the Second Supplement dated 19 June 2015, a decision from Moody's to withdraw the unsecured ratings or continue unsecured ratings on an unsolicited basis was pending. According to Moody's indication from 17 March 2015, the Issuer expects a downgrade of the unsecured ratings assigned by Moody's. The Issuer is currently considering whether or not to continue the mandate with Moody's for its Pfandbrief ratings.

As a consequence of the terminations, the Issuer will no longer apply for respective ratings by Fitch and Moody's for notes to be issued under the Programme after the date of the First Supplement dated 22 May 2015. This applies not only to future issuances, but also for notes already issued under the Programme.

The Issuer mandated DBRS Ratings ("**DBRS**") to assign unsecured ratings to the Issuer on 12 May 2015. DBRS has been providing mandated (solicited) ratings since 19 May 2015. On 20 May 2015, against the background of the Bank Recovery and Resolution Directive ("**BRRD**") and as part of an EU-wide rating action, DBRS placed the Issuer's senior unsecured long-term debt rating of "A (low)" and its short-term debt rating of "R-1 (low)" under review negative.

On 9 June 2015, following the rating review resulting from the introduction of the BRRD and the application of its new criteria with regards to Additional Loss-Absorbing Capacity ("**ALAC**"), S&P affirmed the counterparty credit ratings assigned to the Issuer. The outlook remains developing. These ratings are no longer under criteria observation.

With respect to the publication of the decision to prepare an IPO of the Issuer on 10 June 2015 see under "Element B.5" above."

On page 8 of the Original Base Prospectus the information in "Section B – Issuer" under "Element B.17 – Ratings" as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"As of the date of the Second Supplement dated 19 June 2015 the following mandated ratings have been assigned to the Issuer:

Standard & Poor's

Public Sector Pfandbriefe	AA+*
Mortgage Pfandbriefe	AA+*
Long-Term Senior Unsecured	BBB
Short-Term Senior Unsecured	A-2

* Under Criteria Observation

Moody's

Public Sector Pfandbriefe	Aa1*
Mortgage Pfandbriefe	Aa2*

* Continuation of rating mandate is currently being assessed

DBRS

Long-Term Senior Unsecured	A (low)*
Short-Term Senior Unsecured	R-1 (low)*

* Under review negative ”

III. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "II. DEUTSCHE ÜBERSETZUNG DER ZUSAMMENFASSUNG"

On page 21 of the Original Base Prospectus the information in "Abschnitt B – Emittent" under "Punkt B.5 – Konzernstruktur", shall be supplemented by adding the following paragraph at the end:

"Am 10. Juni 2015 hat die Emittentin die Entscheidung, einen Börsengang im „Prime Standard" der Frankfurter Wertpapierbörse vorzubereiten, und dass ihre Alleingesellschafterin, die Hypo Real Estate Holding, den Verkaufsprozess der Emittentin bis auf Weiteres aussetzt, veröffentlicht. Vorbehaltlich eines entsprechenden Marktumfelds soll die Erstnotiz im Juli 2015 erfolgen. Im Rahmen des geplanten Börsengangs soll eine Platzierung von mindestens 75,1 % der Aktien erfolgen, wobei die Bundesrepublik Deutschland indirekt über die Hypo Real Estate Holding auf Basis einer Halteerklärung mit mindestens 20 % der Aktien für zwei Jahre an der Emittentin beteiligt bleiben soll."

On page 22 the information in "Abschnitt B – Emittent" under "Element B.12 – Ausgewählte wesentliche historische Finanzinformationen über den Emittenten, Erklärung zu Trendinformationen sowie wesentliche Veränderungen der Finanzlage oder Handelsposition des Emittenten", shall be deleted and replaced by the following information:
"

<table>
<tr><td>B.12</td><td>Ausgewählte wesentliche historische Finanzinformationen über den Emittenten, Erklärung zu Trendinformationen sowie wesentliche Veränderungen der Finanzlage oder Handelsposition des Emittenten</td><td>
Die folgende Tabelle enthält ausgewählte Finanzinformationen zur Deutsche Pfandbriefbank aus dem geprüften konsolidierten Jahresabschluss für die zum 31. Dezember 2013 und 2014 beendeten Geschäftsjahre:

<table>
<tr><td></td><td></td><td>2014</td><td>2013*</td></tr>
<tr><td>Ergebniszahlen gemäß IFRS</td><td></td><td></td><td></td></tr>
<tr><td>Ergebnis vor Steuern</td><td>in Mio. Euro</td><td>54</td><td>165</td></tr>
<tr><td>Ergebnis nach Steuern</td><td>in Mio. Euro</td><td>4</td><td>160</td></tr>
<tr><td>Bilanzzahlen</td><td></td><td>31.12.2014**</td><td>31.12.2013***</td></tr>
<tr><td>Bilanzsumme</td><td>in Mrd. Euro</td><td>ca. 74,9</td><td>ca. 74,6</td></tr>
<tr><td>Bilanzielles Eigenkapital (ohne Neubewertungsrücklage)</td><td>in Mrd. Euro</td><td>3,4</td><td>3,4</td></tr>
<tr><td>Bilanzielles Eigenkapital</td><td>in Mrd. Euro</td><td>ca. 3,5</td><td>ca. 3,5</td></tr>
</table>
* Anpassung Vorjahr aufgrund retrospektiver Erstanwendung des IFRS 10.
** Anpassung gemäß IAS 8.14 ff.
***Anpassung Vorjahr aufgrund retrospektiver Erstanwendung des IFRS 10 und Korrektur gemäß IAS 8.42.

Die folgende Tabelle enthält ausgewählte Finanzinformationen zur Deutsche Pfandbriefbank, welche dem ungeprüften Konzernzwischenabschluss für die zum 31. März 2015 abgeschlossenen drei Monate entnommen wurden:

<table>
<tr><td></td><td></td><td>Dreimonatszeitraum zum 31. März 2015</td><td>Dreimonatszeitraum zum 31. März 2014</td></tr>
</table>
</td></tr>
</table>

		Ergebniszahlen gemäß IFRS Ergebnis vor Steuern — in Mio. Euro — 51 — 38 Ergebnis nach Steuern — in Mio. Euro — 39 — 43 **Bilanzzahlen** — **31.03.2015** — **31.12.2014*** Bilanzsumme — in Mrd. Euro — ca. 75,4 — ca. 74,9 Bilanzielles Eigenkapital (ohne Neubewertungsrücklage) — in Mrd. Euro — 3,4 — 3,4 Bilanzielles Eigenkapital — in Mrd. Euro — ca. 3,6 — ca. 3,5 * Anpassung gemäß IAS 8.14 ff. Seit dem Datum der Veröffentlichung des letzten geprüften Jahresabschlusses (31. Dezember 2014) hat es keine wesentlichen negativen Veränderungen in den Aussichten der Emittentin gegeben. Zusammen mit dem Sonderfonds Finanzmarktstabilisierung (der „**SoFFin**“) und der Bundesanstalt für Finanzmarktstabilisierung (der „**FMSA**“), wertet die Hypo Real Estate Holding derzeit die Möglichkeiten für die Reprivatisierung der Emittentin aus. Die Reprivatisierung kann Auswirkungen auf das bestehende Geschäftsmodell haben, insbesondere dann, aber nicht auf diesen Fall beschränkt, wenn als Ergebnis der möglichen Reprivatisierung der bzw. die neuen Eigentümer die Emittentin zu einer Änderung ihres Geschäftsmodells veranlassen oder wenn sich das Rating der Emittentin und/oder der Schuldverschreibungen ändert. Betreffend die am 17. Februar 2015 veröffentlichte Ankündigung der Absicht der Hypo Real Estate Holding, ihre Anteile an der Emittentin zu verkaufen, siehe unter Punkt B.5 „Konzernstruktur“. Abgesehen von den Informationen in diesem Absatz hat es seit dem Ende des Stichtages, für den Zwischenfinanzinformationen veröffentlicht wurden (31. März 2015), keine wesentlichen Veränderungen in der Finanzlage der Emittentin und ihrer konsolidierten Tochtergesellschaften gegeben. Die Emittentin erzielte im April 2015 einen außerordentlichen Ertrag aus dem Verkauf eines in Japan gelegenen Bürogebäudes, welches der konsolidierten Tochtergesellschaft Hayabusa Godo Kaisha, Japan gehörte. Dieser einmalige positive Effekt wurde teilweise durch eine weitere Erhöhung der Rückstellungen, die im Hinblick auf bestimmte Rechtsstreitigkeiten mit ehemaligen Inhabern von Genussscheinen eingeleitet wurden, kompensiert.

”

On page 22 et seq. of the Original Base Prospectus the last paragraph in “Abschnitt B – Emittent” under “Punkt B.13 – Aktuelle Entwicklungen” as supplemented by the First Supplement, shall be deleted and replaced by the following information:

“Nach Beendigung des Ratingmandats für Unsecured Ratings mit Fitch Ratings („**Fitch**“) am 12. Mai 2015 durch die Emittentin, hat Fitch der Emittentin die Ratings am 19. Mai 2015 entzogen. Vor dem Entzug und in Verbindung mit der globalen Überprüfung von staatlichen Unterstützungsmaßnahmen, stufte Fitch das Long-term Issuer Default Rating sowie die Senior Debt Ratings der Emittentin auf „BBB” von „A-” herab und erteilte einen „Rating Watch Negative“. Das Short-term Issuer Default Rating der Emittentin wurde auf „F2” von „F1” herabgestuft und auf „Rating Watch Negative“ gestellt.

Ebenfalls am 12. Mai 2015 und mit Wirkung zum 11. Juni 2015, beendete die Emittentin die im Hinblick auf die Unsecured Ratings mit Moody’s Investor Service („**Moody’s**”) bestehende Ratingbeziehung. Zum Zeitpunkt des Zweiten Nachtrags vom 19. Juni 2015 stand eine Entscheidung von Moody’s, die Unsecured Ratings zu entziehen oder auf unbeauftragter Basis fortzuführen noch aus. Gemäß der von Moody’s am 17. März 2015 abgegebenen Ratingindikation rechnet die Emittenin mit einer Herabstufung der von Moody’s erteilten Unsecured Ratings. Die Fortführung des Ratingmandats mit Moody’s für die Pfandbriefratings wird zurzeit geprüft.

Aus diesen Beendigungen folgt, dass die Emittentin die jeweiligen Ratings für Schuldverschreibungen, die nach dem Datum des Ersten Nachtrags vom 22. Mai 2015 unter dem Programm emittiert werden, nicht mehr bei Fitch und Moody’s beantragen wird. Dies gilt für künftige Emissionen und bereits begebene Schuldverschreibungen.

Die Emittentin hat DBRS Ratings („**DBRS**") am 12. Mai 2015 mit der Erteilung von Senior Unsecured Ratings beauftragt. Seit dem 19. Mai 2015 erteilt DBRS mandatierte Ratings. Am 20. Mai 2015 stellte DBRS vor dem Hintergrund der Richtlinie zur Sanierung und Abwicklung von Kreditinstituten („**BRRD**") und im Rahmen einer EU- weiten Ratingaktion das Senior Unsecured Long-term Debt Rating von „A (low)" sowie das Short-Term Debt Rating von „R-1 (low)" der Emittentin auf „Under Review Negative".

Im Rahmen der Ratingüberprüfung aufgrund der Einführung der BRRD und der neuen Kriterien im Hinblick auf „Additional Loss-Absorbing Capacity" („**ALAC**"), bestätigte S&P am 09. Juni 2015 die Counterparty Credit Ratings der Emittentin. Der Ausblick bleibt „Developing". Diese Ratings stehen nicht mehr unter „Criteria Observation".

Bezüglich der am 10. Juni 2015 erfolgten Veröffentlichung der Entscheidung, einen Börsengang der Emittentin vorzubereiten, siehe unter „Punkt B.5" oben."

On page 23 et seq. of the Original Base Prospectus the information in "Abschnitt B – Emittent" under "Punkt B.17 – Rating" as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"Zum Datum des Zweiten Nachtrags vom 19. Juni 2015 wurden die folgenden mandatierten Ratings für die Emittentin erteilt:

Standard & Poor's	
Public Sector Pfandbriefe	AA+*
Mortgage Pfandbriefe	AA+*
Long-Term Senior Unsecured	BBB
Short-Term Senior Unsecured	A-2

* Under Criteria Observation

Moody's	
Public Sector Pfandbriefe	Aa1*
Mortgage Pfandbriefe	Aa2*

* Fortführung des Ratingmandats wird zurzeit geprüft

DBRS	
Long-Term Senior Unsecured	A (low)*
Short-Term Senior Unsecured	R-1 (low)*

* Under review negative "

IV. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "III. RISK FACTORS"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "1. RISKS RELATING TO THE ISSUER"

On page 42 of the Original Base Prospectus, the following information shall be added at the end of the risk factor "Pending litigation and litigation which might become pending in the future might have a considerably negative impact on the results of operations of the Issuer.":

"Due to constantly changing laws and unforeseen developments in the market the Issuer's standardised documentation may become unfit for purpose. This may become particularly relevant in relation to consumer protection legislation, such as the French Consumer Code (*Code de la consommation*) and article L. 313-4 of the French Financial and Monetary code (*Code monétaire et financier*), which could override contractually agreed interest rates if the interest rate is not clearly indicated in the written documentation produced in the course of agreeing the loan and may lead to future pending litigation."

V. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "IV. DEUTSCHE PFANDBRIEFBANK AG"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. INFORMATION ABOUT THE ISSUER"

On page 57 et seq. of the Original Base Prospectus the information in the subsection "Sale of Hypo Real Estate Holding's Participation in the Issuer", shall be replaced by the following information:

"On 17 February 2015, Hypo Real Estate Holding's intention to sell its participation in the Issuer and the period of time by the end of which written statements of interests in participating in the sale process must be submitted was published (for details see under www.dgap.de). Pursuant to the announcement, Hypo Real Estate Holding intended to sell up to 100 per cent. of the share capital in the Issuer in an open, transparent and non-discriminatory bidding process, in accordance with the European Commission's state aid decision (for more details on the decision see under Section IV.2. "Information about the Issuer – Strategic Reorganisation of Hypo Real Estate Group and Approval of State Aid Measures by the European Commission" above). It was further stated that parallel to this sale process, Hypo Real Estate Holding is preparing an initial public offering of its participation as an alternative means of sale. Hypo Real Estate Holding reserved the right, without advance notice and without giving reasons, to change or discontinue the sale process and/or the initial public offering at any time.

In the announcement, a further statement was made that SoFFin expects its silent participation in the Issuer in the amount of Euro 1 billion to be fully repaid to it prior to the closing of the sale process or the initial public offering which may have a material impact on the financial position of the Issuer. In particular, the envisaged repayment of the silent participation would result in a reduction of the Issuer´s total capital. Except for representations and warranties which are customary for a share and purchase agreement, it is stated that neither Hypo Real Estate Holding nor the SoFFin or any other entity directly or indirectly linked to the Federal Republic of Germany aims for maintaining and/or providing existing and/or new guarantees or other support measures to the buyer and/or the Issuer after the Issuer's potential reprivatisation. In addition, in the announcement the intention is laid down that contractual obligations between the Issuer on the one hand and Hypo Real Estate Holding, the SoFFin and/or other entities directly or indirectly linked to the Federal Republic of Germany, on the other hand, are reduced as much as possible.

On 10 June 2015, the Issuer has published the decision to prepare the listing of part of its shares in the "Prime Standard" segment of the Frankfurt Stock Exchange, and that its sole shareholder, Hypo Real Estate Holding, does not further pursue the sale process of the Issuer for the time being.

The decision was made by extraordinary general shareholder meetings of the Issuer and of Hypo Real Estate Holding and following prior approval by the FMSA's inter-ministerial Steering Committee (*Lenkungsausschuss*) which decides on stabilisation measures, policy issues, matters of particular importance or conditions regarding SoFFin measures.

Subject to market conditions the initial public offering (IPO) is scheduled to take place during July 2015 and the intention is to place a minimum stake of 75.1 per cent. of the share capital of the Issuer, with the Federal Republic of Germany – indirectly via Hypo Real Estate Holding – holding at least a 20 per cent. stake in the Issuer for a two-year period based on respective lock up commitments. Within the IPO no capital increase, i.e. no issuance of new shares, is planned. Furthermore, the intention was confirmed that the Issuer will redeem the Euro 1 billion silent participation of the SoFFin within the course of the IPO at nominal value.

In connection with the envisaged IPO of the Issuer, it is intended that Hypo Real Estate Holding will terminate the Keep Well Statement (*Patronatserklärung*), which was issued in favor of the Issuer (for details see under "Integration into Hypo Real Estate Group and Keep Well Statement" above). In such case, liabilities of the Issuer created after termination would thus not fall under the Keep Well Statement."

On page 58 of the Original Base Prospectus the last paragraph in the subsection "Recent Events" as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"On 19 May 2015, Fitch Ratings ("**Fitch**") withdrew the ratings assigned to the Issuer following the Issuer's termination of the mandate for unsecured ratings on 12 May 2015. Prior to the withdrawal and in connection with

Fitch's global review of sovereign support, Fitch downgraded the Issuer's long-term Issuer default rating and senior debt ratings to "BBB" from "A-" and placed them on Rating Watch Negative. Its short-term Issuer default rating was downgraded to "F2" from "F1" and placed on Rating Watch Negative.

Also on 12 May 2015, the Issuer terminated its rating relationship with Moody's Investor Service ("**Moody's**") for unsecured ratings; the termination was effective 11 June 2015. At the date of the Second Supplement dated 19 June 2015, a decision from Moody's to withdraw the unsecured ratings or continue unsecured ratings on an unsolicited basis was pending. According to Moody's indication from 17 March 2015, the Issuer expects a downgrade of the unsecured ratings assigned by Moody's. The Issuer is currently considering whether or not to continue the mandate with Moody's for its Pfandbrief ratings.

As a consequence of the terminations, the Issuer will no longer apply for respective ratings by Fitch and Moody's for notes to be issued under the Programme after the date of the First Supplement dated 22 May 2015. This applies not only to future issuances, but also for notes already issued under the Programme.

The Issuer mandated DBRS Ratings ("**DBRS**") to assign Unsecured Ratings to the Issuer on 12 May 2015. DBRS has been providing mandated (solicited) ratings since 19 May 2015. On 20 May 2015, against the background of the Bank Recovery and Resolution Directive ("**BRRD**") and as part of an EU-wide rating action, DBRS placed the Issuer's Senior Unsecured long-term debt rating of "A (low)" and its short-term debt rating of "R-1 (low)" under review negative.

On 9 June 2015, following the rating review resulting from the introduction of the BRRD and the application of its new criteria with regards to Additional Loss-Absorbing Capacity ("**ALAC**"), S&P affirmed the counterparty credit ratings assigned to the Issuer. The outlook remains developing. These ratings are no longer under criteria observation.

With respect to the publication of the decision to prepare an IPO of the Issuer on 10 June 2015 see under "IV.2. "Information about the Issuer – Sale of Hypo Real Estate Holding's Participation in the Issuer" above."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "6. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES"

On page 61 of the Original Base Prospectus the information in the subsection "The Management Board", shall be deleted and replaced by the following information:

"In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents the Issuer and is responsible for its management.

As at the date of this Second Supplement dated 19 June 2015, members of the Management Board of the Issuer are:

Name and Position	Other Mandates
Andreas Arndt (Co-Chief Executive Officer)	None
Thomas Köntgen (Co-Chief Executive Officer) (Treasurer)	None
Andreas Schenk (Chief Risk Officer)	None
Dr. Bernhard Scholz (Real Estate Finance/Public Investment Finance)	None

The business address of the Management Board of the Issuer is Freisinger Str. 5, 85716 Unterschleissheim, Germany."

3. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "8. HISTORICAL FINANCIAL INFORMATION"

On page 63 of the Original Base Prospectus, the following paragraph shall be added after the subsection "Auditing of Historical Financial Information":

"**Interim and other Financial Information**

The Issuer has prepared consolidated interim financial statements including the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity (condensed), the statement of cash flows (condensed), the notes (condensed) and the review report for the three-month period ended 31 March 2015 (the "Deutsche Pfandbriefbank Consolidated Interim Financial Information March 2015"). The Deutsche Pfandbriefbank Consolidated Interim Financial Information March 2015 is included in Appendix IV to the Base Prospectus (pages I-1 to I-42). The Deutsche Pfandbriefbank Consolidated Interim Financial Information March 2015 has been prepared on the basis of IFRS.

The Deutsche Pfandbriefbank Consolidated Interim Financial Information March 2015 is unaudited and has been subject to a review by the statutory auditors (*prüferische Durchsicht*) only. The statutory auditors of the Issuer have issued an unqualified review report (*Bescheinigung nach prüferischer Durchsicht*)."

On page 63 et seq. of the Original Base Prospectus, the information contained in the third paragraph of the Subsection "Legal and Arbitration Proceedings" shall be deleted and replaced as follows:

"Since the financial year 2008, the profit participation certificates participated in the Issuer's losses to a significant extent. As a result, the Issuer cancelled interest payments and reduced repayments of the principal amounts at the expiry of the relevant participation certificates (which, with regard to the disputed profit participation certificates, was between 1 June 2009 and 31 December 2012). For that reason, individual claimants initiated legal proceedings with regard to certain of the profit participation certificates contesting, in particular, those terms relating to loss participation and replenishment (*Wiederauffüllung*) and for the supplementary payment of cancelled interest payments. Many of the claimants submit that the capital components used to calculate loss participations should be different to the ones used by the Issuer and that a replenishment would depend on the issuer generating net income (*Jahresüberschuss*) but not on it generating balance sheet profits (*Bilanzgewinn*) for the period in question. With regard to the latter argument it should be noted that in the financial years since 2011, the Issuer had positive net income (*Jahresüberschuss*) but, due to loss carry forwards, no balance sheet profits (*kein Bilanzgewinn*). As of the date of the Second Supplement dated 19 June 2015, the contested profit participation certificates belong to certain issuances with an aggregate principal amount of Euro 221 million (in total). Of such amount, the profit participation certificates held by the claimants had an aggregate principal amount of Euro 15.4 million of which the principal amount in dispute was Euro 6.3 million (in each case, as of 31 March 2015). In two cases, a binding judgment has already been rendered in favor of the claimants ordering the Issuer to pay around Euro 1 million plus interest. Furthermore, the Higher Regional Court (*Oberlandesgericht*) Munich and the District Court (*Landgericht Cottbus*) have ruled in favor of claimants with a total amount in dispute of about Euro 3.9 million with, in the latter case, an appeal pending before the Higher Regional Court (*Oberlandesgericht*) Brandenburg. Furthermore, the Issuer has been informed that investors holding profit participation certificates of the Issuer in the nominal amount of around Euro 24 million and demanding a full replenishment, supplementary payment of cancelled interest payments and payment of interest thereon are allegedly prepared to take legal actions. As a result of these claims being made and considering that further holders of profit participation certificates may bring legal actions against the Issuer, the overall claim could in aggregate amount up to Euro 0.3 billion plus interest."

On page 64 of the Original Base Prospectus, the information contained in the Subsection "Significant Change in Issuer's Financial Position" shall be deleted and replaced as follows:

"Except for the information in this subsection there has been no significant change in the financial position of the Issuer and its consolidated subsidiaries since the end of the last financial period for which interim financial information has been published (31 March 2015).

A material gain resulted from the sale of an office building located in Japan in April 2015. The office building was owned by the consolidated subsidiary Hayabusa Godo Kaisha, Japan, which had originally been acquired as a result of a rescue acquisition. With the sale price exceeding the book value of the property, the Issuer realized an extraordinary profit of Euro 39 million before tax. This positive one-off effect was partly compensated by a further addition to the provisions made for certain legal proceedings initiated by former holders of participation certificates (*Genussscheine*)."

VI. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "V. HYPO REAL ESTATE GROUP"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. INFORMATION ABOUT HYPO REAL ESTATE GROUP"

On page 68 of the Original Base Prospectus the information in the subsection "Sale of Hypo Real Estate Holding's participation in the Issuer", shall be supplemented by adding the following paragraph at the end:

"With respect to the publication of the decision to prepare an IPO of the Issuer on 10 June 2015 see under "IV.2. Information about the Issuer – Sale of Hypo Real Estate Holding's Participation in the Issuer" above."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF HYPO REAL ESTATE HOLDING"

On page 68 et seq. of the Original Base Prospectus the information in the subsection "The Management Board", shall be deleted and replaced by the following information:

"In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents Hypo Real Estate Holding and is responsible for its management.

As at the date of the Second Supplement dated 19 June 2015, members of the Management Board of Hypo Real Estate Holding are:

Name and Position	Other Mandates
Wolfgang Groth	Non Executive Director of DEPFA Bank plc Chairman and Non Executive Director of DEPFA ACS Bank Chairman and Non Executive Director of Hypo Public Finance Bank
Thorsten Schwarting	None

The business address of the members of the Management Board is Freisinger Str. 5, 85716 Unterschleissheim, Germany."

VII. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "XV. GENERAL DESCRIPTION OF THE PROGRAMME"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "4. RATINGS"

On page 370 of the Original Base Prospectus the information in the first paragraph as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"As of the date of the Second Supplement dated 19 June 2015 the following mandated ratings have been assigned to the Issuer:

Standard & Poor's

Public Sector Pfandbriefe	AA+*
Mortgage Pfandbriefe	AA+*
Long-Term Senior Unsecured	BBB
Short-Term Senior Unsecured	A-2

* Under Criteria Observation

Moody's

Public Sector Pfandbriefe	Aa1*
Mortgage Pfandbriefe	Aa2*

* Continuation of rating mandate is currently being assessed

DBRS

Long-Term Senior Unsecured	A (low)*
Short-Term Senior Unsecured	R-1 (low)*

* Under review negative "

On page 370 of the Original Base Prospectus the information in the seventh paragraph as supplemented by the First Supplement, shall be deleted and replaced by the following information:

"On 19 May 2015, Fitch Ratings ("**Fitch**") withdrew the ratings assigned to the Issuer following the Issuer's termination of the mandate for unsecured ratings on 12 May 2015. Prior to the withdrawal and in connection with Fitch's global review of sovereign support, Fitch downgraded the Issuer's long-term Issuer default rating and senior debt ratings to "BBB" from "A-" and placed them on Rating Watch Negative. Its short-term Issuer default rating was downgraded to "F2" from "F1" and placed on Rating Watch Negative.

Also on 12 May 2015, the Issuer terminated its rating relationship with Moody's Investor Service ("**Moody's**") for unsecured ratings; the termination was effective 11 June 2015. At the date of the Second Supplement dated 19 June 2015, a decision from Moody's to withdraw the unsecured ratings or continue unsecured ratings on an unsolicited basis was pending. According to Moody's indication from 17 March 2015, the Issuer expects a downgrade of the unsecured ratings assigned by Moody's. The Issuer is currently considering whether or not to continue the mandate with Moody's for its Pfandbrief ratings.

As a consequence of the terminations, the Issuer will no longer apply for respective ratings by Fitch and Moody's for notes to be issued under the Programme after the date of the First Supplement dated 22 May 2015. This applies not only to future issuances, but also for notes already issued under the Programme.

The Issuer mandated DBRS Ratings ("**DBRS**") to assign unsecured Ratings to the Issuer on 12 May 2015. DBRS has been providing mandated (solicited) ratings since 19 May 2015. On 20 May 2015, against the background of the Bank Recovery and Resolution Directive ("**BRRD**") and as part of an EU-wide rating action, DBRS placed the Issuer's senior unsecured long-term debt rating of "A (low)" and its short-term debt rating of "R-1 (low)" under review negative.

On 9 June 2015, following the rating review resulting from the introduction of the BRRD and the application of its new criteria with regards to Additional Loss-Absorbing Capacity ("**ALAC**"), S&P affirmed the counterparty credit ratings assigned to the Issuer. The outlook remains developing. These ratings are no longer under criteria observation."

On page 370 et seq. of the Original Base Prospectus the information in the ninth paragraph as supplemented by the First Supplement, shall be deleted and replaced by the following information:

“The ratings have the following meanings:

Standard & Poor’s:	AA*: An obligation rated ‘AA’ differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong. BBB*: An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A-2: A short-term obligation rated ‘A-2’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitment on the obligation is satisfactory. * Plus (+) or minus (-): The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.
Moody’s:	Aa*: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. *Note: Moody’s appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
DBRS:	A*: Obligations rated ‘A’ are judged to be of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. It may be vulnerable to future events, but qualifying negative factors are considered manageable. R-1 (low): A short-term obligation rated ‘R-1 (low)’ is judged to be of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable. * Note: All rating categories other than AAA and D also contain subcategories “(high)” and “(low)”. The absence of either a “(high)” or “(low)” designation indicates the rating is in the middle of the category.

”

VIII. SUPPLEMENTAL INFORMATION
RELATING TO THE APPENDICES

After page H-20 of the Original Base Prospectus the Deutsche Pfandbriefbank Consolidated Interim Financial Information for the three-month period ended 31 March 2015 as laid out on the following pages I-1 to I-42 is newly inserted as I-pages into the Original Base Prospectus.

Appendix IV

Deutsche Pfandbriefbank
Consolidated Interim Financial Information for the three-month period ended 31 March 2015

Consolidated Income Statement

Consolidated income statement in € million

	1.1.-31.3.2015	1.1.-31.3.2014	Change
Operating income	93	89	4
Net interest and similar income	113	89	24
Interest and similar income	540	583	-43
Interest and similar expenses	-427	-494	67
Net fee and commission income	7	-	7
Fee and commission income	8	3	5
Fee and commission expenses	-1	-3	2
Net trading income	5	-9	14
Net income from financial investments	-20	-1	-19
Net income from hedging relationships	-1	-3	2
Net other operating income/expenses	-11	13	-24
Loan loss provisions	4	5	-1
General and administrative expenses	-48	-62	14
Net miscellaneous income/expenses	2	6	-4
Profit or loss before tax	**51**	**38**	13
Income taxes	-12	5	-17
Net income/loss	**39**	**43**	-4
attributable to:			
Shareholders	39	43	-4

Earnings per share in €

	1.1.-31.3.2015	1.1.-31.3.2014
Basic earnings per share	0.29	0.32
Diluted earnings per share	0.29	0.32

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income in € million

	1.1.-31.3.2015			1.1.-31.3.2014		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Profit or loss	**51**	**-12**	**39**	**38**	**5**	**43**
Items that will not be reclassified to income statement	-24	**6**	**-18**	**-**	**-**	**-**
Profits/losses from pension commitments	-24	6	-18	-	-	-
Items that may be reclassified to income statement	83	-22	61	47	-13	34
Foreign currency reserve	1	-	1	-	-	-
AfS reserve	133	-36	97	72	-20	52
Cash flow hedge reserve	-51	14	-37	-25	7	-18
Total other comprehensive income	59	-16	43	47	-13	34
Total comprehensive income of the period	**110**	**-28**	**82**	**85**	**-8**	**77**
attributable to:						
Shareholders	110	-28	82	85	-8	77

Components of consolidated statement of comprehensive income in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Net income/loss	**39**	**43**
Profits/ losses from pension commitments	-18	-
Unrealised gains/losses	-18	-
Foreign currency reserve	1	-
Unrealised gains/losses	1	-
AfS reserve	97	52
Unrealised gains/losses	97	52
Cash flow hedge reserve	-37	-18
Unrealised gains/losses	-21	89
Reclassification adjustments for gains/losses included in profit or loss	-16	-107
Total other comprehensive income	43	34
Total unrealised gains/losses	59	141
Total reclassification adjustments for gains/losses included to profit or loss	-16	-107
Total comprehensive income of the period	**82**	**77**

Consolidated Statement of Financial Position

Assets in € million

	31.3.2015	31.12.2014[1)]	Change	1.1.2014[1)]
Cash reserve	1,554	57	1,497	3,532
Trading assets	2,110	2,016	94	1,642
Loans and advances to other banks	4,162	6,800	-2,638	6,685
Loans and advances to customers	40,962	38,964	1,998	36,242
Allowances for losses on loans and advances	-134	-138	4	-148
Financial investments	19,676	20,475	-799	20,725
Property and equipment	12	8	4	1
Intangible assets	22	23	-1	31
Other assets	6,992	6,659	333	4,769
Income tax assets	30	30	-	45
Current tax assets	28	29	-1	44
Deferred tax assets	2	1	1	1
Total assets	**75,386**	**74,894**	492	**73,524**

Equity and liabilities in € million

	31.3.2015	31.12.2014[1)]	Change	1.1.2014[1)]
Liabilities to other banks	2,871	3,187	-316	3,522
Liabilities to customers	10,367	10,593	-226	10,848
Securitised liabilities	47,871	47,827	44	46,858
Trading liabilities	2,083	1,960	123	1,453
Provisions	261	272	-11	209
Other liabilities	6,966	6,182	784	4,722
Income tax liabilities	114	88	26	70
Current tax liabilities	108	82	26	64
Deferred tax liabilities	6	6	-	6
Subordinated capital	1,265	1,279	-14	2,357
Liabilities	**71,798**	**71,388**	410	**70,039**
Equity attributable to equity holders	3,588	3,506	82	3,485
Subscribed capital	380	380	-	380
Silent partnership contribution	999	999	-	999
Additional paid-in capital	3,265	3,265	-	5,036
Retained earnings	-1,150	-1,154	4	-3,115
Profits/losses from pension commitments	-97	-79	-18	-41
Foreign currency reserve	3	2	1	1
Revaluation reserve	149	89	60	65
AfS reserve	-3	-100	97	-220
Cash flow hedge reserve	152	189	-37	285
Consolidated profit/loss 1.1.-31.3./31.12.	39	4	35	160
Equity	**3,588**	**3,506**	82	**3,485**
Total equity and liabilities	**75,386**	**74,894**	492	**73,524**

[1)] Adjusted in accordance with IAS 8.14 et.seq. Details are disclosed in note Consistency

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity in € million

	Equity attributable to equity holders									
							Revaluation reserve			
	Sub-scribed capital	Silent partner-ship contribu-tion	Additional paid-in capital	Retained earnings	Profits/losses from pension commit-ments	Foreign currency reserve	AfS reserve	Cash flow hedge reserve	Conso-lidated profit/loss	**Equity**
Equity at 1.1.2014	**380**	**999**	**5,036**	**-3,115**	**-41**	**1**	**-220**	**285**	**160**	**3,485**
Capital increase	-	-	-	-	-	-	-	-	-	-
Transaction costs of capital measures	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-	-	-	-
Total comprehensive income of the period	-	-	-	-	-	-	52	-18	43	77
Transfer to retained earnings	-	-	-	160	-	-	-	-	-160	-
Changes in the basis of consolidation	-	-	-	-	-	-	-	-	-	
Equity at 31.3.2014	**380**	**999**	**5,036**	**-2,955**	**-41**	**1**	**-168**	**267**	**43**	**3,562**
Equity at 1.1.2015	**380**	**999**	**3,265**	**-1,154**	**-79**	**2**	**-100**	**189**	**4**	**3,506**
Capital increase	-	-	-	-	-	-	-	-	-	-
Transaction costs of capital measures	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-
Distribution	-	-	-	-	-	-	-	-	-	-
Total comprehensive income of the period	-	-	-	-	-18	1	97	-37	39	82
Transfer to retained earnings	-	-	-	4	-	-	-	-	-4	-
Changes in the basis of consolidation	-	-	-	-	-	-	-	-	-	
Proceeds from equity holder	-	-	-	-	-	-	-	-	-	-
Equity at 31.3.2015	**380**	**999**	**3,265**	**-1,150**	**-97**	**3**	**-3**	**152**	**39**	**3,588**

Consolidated Statement of Cash Flows (condensed)

Consolidated statement of cash flows (condensed) in € million

	2015	2014
Cash and cash equivalents at 1.1.	**57**	**3,532**
+/- Cash flow from operating activities	207	-3,651
+/- Cash flow from investing activities	1,300	448
+/- Cash flow from financing activities	-10	-
+/- Effects of exchange rate changes and non-cash valuation changes	-	-
Cash and cash equivalents at 31.3.	**1,554**	**329**

Notes (condensed)

1. Principles

Deutsche Pfandbriefbank Group (pbb Group) has prepared the condensed consolidated interim financial statements for the period ended 31 March 2015 in line with EC regulation No. 1606/2002 of the European Parliament and of the Council from 19 July 2002 in accordance withe International Financial Reporting Standards (IFRS). The condensed consolidated interim financial statements are based on the IFRS rules, which have been adopted into European Law by the European Commission as part of the endorsement process; it is also based on the regulations of the Commercial Law which are applicable in accordance with section 315a (1) HGB (German Commercial Code). In particular, requirements of IAS 34 were considered. With the exception of specific regulations relating to fair value hedge accounting for a portfolio hedge of interest risks in IAS 39 Financial Instruments: Recognition and Measurement all mandatory IFRS rules have been completely endorsed by the European Union (EU). pbb Group does not apply fair value hedge accounting for a portfolio hedge of interest risks. Therefore, the financial statements are accordingly consistent with the entire IFRS as well as with the IFRS as applicable in the EU.

The IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). These are the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the IFRS Interpretations Committee (formerly IFRIC) respectively the former Standing Interpretations Committee (SIC). Furthermore the German Accounting Standards (Deutsche Rechnungslegungs Standards – DRS) published by the Deutsche Rechnungslegungs Standards Committee (DRSC) have been taken into account provided that they are not contrary to IFRS.

On 5 May 2015, the Management Board of Deutsche Pfandbriefbank AG (pbb) prepared these consolidated interim financial statements under the going-concern assumption.

Initially Adopted Standards and Interpretations The following standards, interpretations and amendments were initially applied in the first quarter of 2015:

- Amendments to IAS 19 (revised 2011) Employee Benefits: Defined Benefit Plans –Employee Contributions
- Annual Improvements Project:
    - Annual Improvements to IFRSs 2010–2012 Cycle
    - Annual Improvements to IFRSs 2011–2013 Cycle

Amendments to IAS 19 (revised 2011) The amendments to IAS 19 clarify the requirements regarding the attribution of employee contributions or contributions from third parties to periods of service when the contributions are linked to service. They also provide relief when contributions are independent of the number of years of service. The amendments are effective for financial years beginning on or after 1 July 2014. There were no impacts on these condensed consolidated interim financial statements.

Annual Improvements Project Annual Improvements to IFRSs 2010–2012 relates to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24, and Improvements to IFRSs 2011–2013 to IFRS 1, IFRS 3, IFRS 13 and IAS 40. The amendments are to be applied for the first time to reporting periods beginning on or after 1 July 2014. All the amendments and adjustments are either not relevant or of minor importance for pbb Group. For this reason there were no impacts on these condensed consolidated interim financial statements.

2. Consistency

Accounting of deferred tax assets and liabilities was changed in the reporting period according to IAS 8 et seq. Due to the newly established procedural conditions for offsetting deferred taxes in compliance with IAS 12.74, deferred tax assets and liabilities were initially disclosed on a net basis as of 31 March 2015. Previous year figures were adjusted accordingly.

3. Consolidation

On page 196, the Annual Report 2014 of pbb Group contains a list of all consolidated and non-consolidated investments of pbb. The basis of consolidation remained unchanged in in the first quarter 2015.

4. Notes to Segment Reporting by Operating Segment

With effect from 1 January 2015 public investment finance attributable to the country Italy are classified as non-strategic activities. For this reason, a portfolio with a notional amount of €1.3 billion was reclassified from the strategic Public Investment Finance (PIF) to the non-strategic Segment Value Portfolio (VP) in the segment report to be prepared in accordance with IFRS 8. In addition, the method of allocating the IFRS capital to the business segments was changed at the beginning of financial year 2015. Significant changes to the previous approach are as follows:

- IFRS equity is fully allocated to the segments and reconciliation column Consolidation & Adjustments (C&A) and without disclosure of surplus equity as in the previous approach.
- IFRS equity is now allocated to the operating segments and C&A proportionally and is thus consistent with the allocation of the diversified economic capital according to the gone-concern approach of risk management. As a consequence, the bank will achieve even better synchronisation between risk and profit management.

Allocation of diversified economic capital is based on the loss distribution across the segments in an expected shortfall approach with a confidence level of 99.0%. The confidence level selected concedes well-balanced consideration of credit spread-induced market and cluster risks.

The previous year's figures were adjusted as required by IAS 8.29. For comparison purposes, financial years 2012, 2013 and 2014 are also presented in this report according to the new methodology. Profit or loss before tax in the VP segment is favoured by the adjustments, while profit or loss before tax in the PIF segment and the C&A reconciliation column is burdened by the adjustments.

Real Estate Finance (REF) The REF operating segment comprises financing for professional real estate investors with a medium- to long-term orientation. These include professional national and international real estate companies, institutional investors, property funds as well as, in Germany, customers with a regional focus. Adequate batch sizes and loan-to-values commensurate for the level of risk involved are essential. Strategic partnerships are agreed with other institutions with the aim of permitting higher loan-to-values and larger volumes for customers by means of syndications and syndicated financing arrangements.

Public Investment Finance (PIF) The PIF operating segment comprises financing eligible for covered bonds for the provision of public infrastructure. The focus here is on public institutions, municipal and social housing construction, buildings for the utilities and waste disposal market, transport infrastructure as well as healthcare and nursing institutions. In addition, pbb Group is active in publicly guaranteed export financing. Financing is given to public sector debtors, companies with a public or private legal structure as well as special-purpose entities with a public service guarantee.

Value Portfolio (VP) The VP operating segment includes all the non-strategic portfolios and activities of pbb Group. In particular, the segment comprises budget financing, non-strategic public investment financings and selected structured products

Consolidation & Adjustments (C&A) is used for reconciling the sum of operating segments results with the consolidated result. The column includes equity which is not allocated to the operating segments.

5. Income Statement and Balance-sheet-related Measures by Operating Segments

Income/expenses in € million

		REF	PIF	VP	C&A	pbb Group
Operating income	1.1.-31.3.2015	92	13	-14	2	93
	1.1.-31.3.2014[1)]	72	6	11	-	89
	1.1.-31.12.2014[1)]	282	35	1	8	326
	1.1.-31.12.2013[1)]	352	17	105	8	482
	1.1.-31.12.2012[1)]	284	14	164	5	467
Net interest and similar income	1.1.-31.3.2015	75	8	28	2	113
	1.1.-31.3.2014[1)]	72	7	9	1	89
	1.1.-31.12.2014[1)]	294	40	79	8	421
	1.1.-31.12.2013[1)]	258	24	30	7	319
	1.1.-31.12.2012[1)]	249	17	24	6	296
Net fee and commission income	1.1.-31.3.2015	7	-	-	-	7
	1.1.-31.3.2014[1)]	-	-	-	-	-
	1.1.-31.12.2014[1)]	2	-	-1	-	1
	1.1.-31.12.2013[1)]	10	1	-1	-1	9
	1.1.-31.12.2012[1)]	25	-1	-1	-	23
Net trading income	1.1.-31.3.2015	2	1	2	-	5
	1.1.-31.3.2014[1)]	-4	-1	-4	-	-9
	1.1.-31.12.2014[1)]	-13	-4	-13	-	-30
	1.1.-31.12.2013[1)]	-21	-6	-24	-	-51
	1.1.-31.12.2012[1)]	2	1	7	-	10
Net income from financial investments	1.1.-31.3.2015	13	6	-39	-	-20
	1.1.-31.3.2014[1)]	1	-	-2	-	-1
	1.1.-31.12.2014[1)]	14	3	-94	-	-77
	1.1.-31.12.2013[1)]	96	-1	1	-	96
	1.1.-31.12.2012[1)]	14	-	-1	-	13
Net income from hedging relationships	1.1.-31.3.2015	-1	-	-	-	-1
	1.1.-31.3.2014[1)]	-1	-1	-1	-	-3
	1.1.-31.12.2014[1)]	-2	-	-1	-	-3
	1.1.-31.12.2013[1)]	4	1	4	-	9
	1.1.-31.12.2012[1)]	-3	-1	-2	-	-6
Net other operating income/expenses	1.1.-31.3.2015	-4	-2	-5	-	-11
	1.1.-31.3.2014[1)]	4	1	9	-1	13
	1.1.-31.12.2014[1)]	-13	-4	31	-	14
	1.1.-31.12.2013[1)]	5	-2	95	2	100
	1.1.-31.12.2012[1)]	-3	-2	137	-1	131
Loan loss provisions	1.1.-31.3.2015	10	-	-6	-	4
	1.1.-31.3.2014[1)]	5	-	-	-	5
	1.1.-31.12.2014[1)]	-14	-	-7	-	-21
	1.1.-31.12.2013[1)]	-1	-	-7	-	-8
	1.1.-31.12.2012[1)]	5	-4	3	-	4

General and administrative expenses	1.1.-31.3.2015	-37	-6	-5	-	-48
	1.1.-31.3.2014[1)]	-39	-8	-15	-	-62
	1.1.-31.12.2014[1)]	-160	-31	-60	-	-251
	1.1.-31.12.2013[1)]	-147	-28	-136	-1	-312
	1.1.-31.12.2012[1)]	-139	-25	-176	-1	-341
Net miscellaneous income/expenses	1.1.-31.3.2015	2	-	-	-	2
	1.1.-31.3.2014[1)]	4	1	1	-	6
	1.1.-31.12.2014[1)]	-	-	-	-	-
	1.1.-31.12.2013[1)]	2	-	1	-	3
	1.1.-31.12.2012[1)]	-3	-	-3	-	-6
Profit or loss before tax	**1.1.-31.3.2015**	**67**	**7**	**-25**	**2**	**51**
	1.1.-31.3.2014[1)]	**42**	**-1**	**-3**	**-**	**38**
	1.1.-31.12.2014[1)]	**108**	**4**	**-66**	**8**	**54**
	1.1.-31.12.2013[1)]	**206**	**-11**	**-37**	**7**	**165**
	1.1.-31.12.2012[1)]	**147**	**-15**	**-12**	**4**	**124**

[1)] Adjusted according to IFRS 8.29

Profit or loss before tax achieved in the first quarter of 2015 was burdened with €-79 million due to a further value adjustment on securities and a borrower's note loan relating to Heta Asset Resolution AG (Heta). With €-73 million, these were attributed to the net income from financial investments (recorded in full in the VP segment) and €-6 million were attributed to loan loss provisions (recorded in full in the VP segment). Further expenses amounting to €-3 million resulted from derivatives terminated in March 2015 that were in a hedging relationship with Heta loans and securities prior to the recognition of value adjustments on loans and securities in respect of Heta. Of these expenses, €-1 million related to the REF segment, €-1 million to the PIF segment and €-1 million to the VP segment.

In financial year 2014, profit or loss before tax was burdened by €-120 million due to value adjustments in respect of Heta and changes to the market value of the related hedging derivatives. With €-109 million, these were attributed to the net income from financial investments (recorded in full in the VP segment), €-8 million to loan loss provisions (recorded in full in the VP segment) and €-3 million to net trading income. Of the expenses in net trading income, €-1 million related to the REF segment, €-1 million to the PIF segment and €-1 million to the VP segment. Without these expenses, profit and loss before tax would have amounted to €174 million.

Key ratio in %

		REF	PIF	VP	C&A	pbb Group
Cost-income ratio[1)]	1.1.-31.3.2015	40.2	46.2	>100,0	-	51.6
	1.1.-31.3.2014[2)]	54.2	>100,0	>100,0	-	69.7
	1.1.-31.12.2014[2)]	56.7	88.6	>100,0	-	77.0
	1.1.-31.12.2013[2)]	41.8	>100,0	>100,0	12.5	64.7
	1.1.-31.12.2012[2)]	48.9	>100,0	>100,0	20.0	73.0

[1)] The cost-income ratio is the ratio of general and administrative expenses and operating income.

[2)] Adjusted accoring to IFRS 8.29

Key ratio in %						
		REF	**PIF**	**VP**	**C&A**	**pbb Group**
Return on equity before tax	1.1.-31.3.2015	39.6	9.7	-4.9	1.3	5.9
	1.1.-31.3.2014	20.7	-0.5	-0.5	0.5	4.5
	1.1.-31.12.2014	14.2	0.9	-3.5	1.8	1.6
	1.1.-31.12.2013	27.8	-2.7	-2.1	1.6	5.0
	1.1.-31.12.2012	20.2	-4.0	-0.7	0.8	3.8

Key ratio in %						
		REF	**PIF**	**VP**	**C&A**	**pbb Group**
Return on equity before tax	1.1.-31.3.2015	55.8	13.7	-6.8	1.8	8.3
without consideration	1.1.-31.3.2014	29.2	-0.7	-0.7	0.7	6.5
of silent partnership contribution	1.1.-31.12.2014	20.0	1.2	-4.9	2.6	2.2
of €999 million[1)]	1.1.-31.12.2013	40.0	-3.8	-3.1	2.3	7.2
	1.1.-31.12.2012	29.3	-5.8	-0.9	1.1	5.5

[1)] Besides the non-consideration of silent partnership contribution no further adjustment were carried out

The Management Board controls balance-sheet-related measures by operating segments based on equity, risk-weighted assets and on financing volumes. Financing volumes are the notional amounts of the drawn parts of granted loans and parts of the securities portfolio.

Balance Sheet related measures by Operating Segments in € billion						
		REF	**PIF**	**VP**	**C&A**	**pbb Group**
Equity[1)]	31.3.2015	0.7	0.3	2.0	0.4	**3.4**
	31.12.2014[2)]	0.7	0.5	1.8	0.4	**3.4**
	31.12.2013[2)]	0.8	0.4	1.8	0.4	**3.4**
	31.12.2012[2)]	0.8	0.4	1.7	0.4	**3.3**
Risk-weighted assets[3)]	31.03.2015[4)]	6.8	1.3	5.5	1.2	**14.8**
	31.12.2014[2)4)]	7.2	1.3	5.5	1.5	**15.5**
	31.12.2013[2)4)]	7.4	1.4	7.7	1.6	**18.1**
	31.12.2012[2)5)]	9.6	1.4	3.8	0.5	**15.3**
Financing volumes	31.3.2015	23.5	6.8	22.2	-	**52.5**
	31.12.2014[2)]	21.8	6.6	22.7	-	**51.1**
	31.12.2013[2)]	20.4	5.7	25.1	-	**51.2**
	31.12.2012[2)]	22.1	6.0	30.3	-	**58.4**

[1)] Excluding revaluation reserve

[2)] Adjusted in accordance with IFRS 8.29

[3)] 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

[4)] Consolidated in accordance with CRR

[5)] Consolidated in accordance with section 10 a of the German Banking Act (KWG)

6. Breakdown of Operating Income

Operating revenues by products in € million		
	1.1.-31.3.2015	**1.1.-31.3.2014[1])**
Real estate finance	92	72
Strategic public investment finance	13	6
Other products	-12	11
Total	**93**	**89**

Notes to the Consolidated Income Statement

In the period from 1 January to 31 March 2015 (reporting period) pbb Group recognised a profit or loss before tax of €51 million. In the period from 1 January to 31 March 2014 (previous year's reporting period) profit or loss before tax was at €38 million. Net income/loss amounted to €39 million (1.1.-31.3.2014: €43 million), return on equity after tax was at 4.5% (1.1.-31.3.2014: 5.1%). Without taking into account the silent participation the return on equity after tax would have been at 6.3% (1.1.-31.3.2014: 7.3%; 2014: 0.2%; 2013: 7.0%; 2012: 3.1%). Return on assets before tax amounted to 0.3% (1.1.-31.3.2014: 0.2%; 2014: 0.1%; 2013: 0.2%; 2012: 0.1%) and after tax 0.2% (1.1.-31.3.2014: 0.2%; 2014: 0.0%; 2013: 0.2%; 2012: 0.1%).

7. Net Interest and Similar Income

Net interest and similar income by categories of income/expenses in € million		
	1.1.-31.3.2015	**1.1.-31.3.2014**
Interest and similar income	**540**	**583**
Lending and money-market business	317	331
Fixed-income securities and government-inscribed debt	143	156
Current result from swap transactions (net interest income and expense)	80	96
Interest and similar expenses	**-427**	**-494**
Liabilities to other banks and costumers	-83	-108
Securitised liabilities	-326	-357
Subordinated capital	-18	-29
Total	**113**	**89**

Net interest and similar income of the reporting period at €113 million was higher than the previous year figure of €89 million. Net interest and similar income benefited from an income of €15 million from a bonded loan disposal. Furthermore, the new business volume of €2.8 billion (1.1.-31.3.2014: € 1.6 billion) had a positive impact. The average notional volume of the REF portfolio increased from €20.8 billion in the first quarter 2014 to €22.5 billion in the first quarter 2015; the average notional volume of the PIF portfolio increased from €5.9 billion to €6.7 billion. Net income of €1 million 1.1.-31.3.2014: €2 million) resulted from prepayment and withdrawal penalties.

Interest income for financial assets that are measured at amortised cost, amount to €0.5 billion (1.1.-31.3.2014: €0.5 billion). Interest expenses for financial liabilities that are not measured at fair value through profit or loss amount to €-0.4 billion (1.1.-31.3.2014: €-0.5 billion).

8. Net Fee and Commission Income

Net fee and commission income in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Securities and custodial services	-1	-
Lending operations and other service	8	-
Total	**7**	**-**

Net fee and commission income mainly resulted from from the realisation of penalty fees amounting to €5 million for a French financing arrangement, which has since been repaid in full.

9. Net Trading Income

Net trading income in € million

	1.1.-31.3.2015	1.1.-31.3.2014
From interest rate instruments and related derivatives	4	-9
From foreign exchange instruments	1	-
Total	**5**	**-9**

Net trading income benefited from positive valuation effects of currency and interest rate derivatives (€16 million), but it was burdened by the so called pull-to-par effect (€-4 million). This effect resulted from movements of derivatives' present values over the term to zero on maturity. Further burdens were caused by the subsequent measurement of derivatives considering bilateral credit value adjustments (€-4 million) and by derivatives terminated in March 2015, which had been in a hedging relationship with Heta loans and securities before valuation adjustments were recognised (€-3 million).

As in the previous year's reporting period, pbb Group did not own any portfolios with the intention of generating short-term profits.

10. Net Income from Financial Investments

Net income from financial investments in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Income from financial investments	54	1
Expenses from financial investments	-74	-2
Total	**-20**	**-1**

Net income from financial investments by IAS 39 categories in € million

	1.1.-31.3.2015	1.1.-31.3.2014
LaR financial investments	-20	-2
Not attributable to IAS 39 measurement categories	-	1
Total	**-20**	**-1**

Net income from financial investments was burdened with €-73 million due to an additional value adjustments of Heta securities. Further expenses arose from the disposal of bonds from an Austrian issuer. These expenses could be partly compensated by income amounting to €55 million from disposal of a security with a notional amount of £200 million.

In the previous year's reporting period an income of €1 million resulted from a subsequent payment for the entity Little Britain Holdings (Jersey) Ltd., which was sold in 2013.

11. Net Income from Hedging Relationships

Net income from hedging relationships in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Result from fair value hedge accounting	-1	-3
Result from hedged items	184	-185
Result from hedging instruments	-185	182
Result from dFVTPL investments and related derivatives	-	-
Result from dFVTPL investments	-	-
Result from derivatives related to dFVTPL investments	-	-
Ineffectiveness from cash flow hedge accounting affecting profit or loss	-	-
Total	**-1**	**-3**

Net income from hedging relationships was due to hedging inefficiencies of micro fair value hedges, which are admissible according to IFRS.

12. Net Other Operating Income/Expenses

Net other operating income/expenses in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Other operating income	14	15
Other operating expenses	-25	-2
Net other operating income/expenses	**-11**	**13**

Net income from other operating income/expenses was materially impacted by the bank levy amounting to €-22 million, which comprised the theoretical annual contribution 2015 of €-9 million and the post-clearing contribution of €-13 million. Due to the implementation of a new EU liquidation guidance in accordance with an interpretation of IFRIC 21 the annual contribution 2015 was not accrued for the first time but completely recognised in the reporting period. Income was generated from rents for taken-over properties (€3 million, 1.1.-31.3.2014: €2 million) and from foreign currency translation (€3 million, 1.1.-31.3.2014: €2 million). Income of €2 million (1.1.-31.3.2014: €1 million) was gained from cost clearing with HRE Holding. Further income amounting to €1 million each resulted from value-added tax refund and from the reversal of provisions for litigation cost.

13. Loan Loss Provisions

Loan loss provisions in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Allowances for losses on loans and advances	3	3
Additions	-8	-2
Releases	11	5
Provisions for contingent liabilities and other commitments	-	-
Additions	-	-
Releases	-	-
Recoveries from written-off loans and advances	1	2
Total	**4**	**5**

The development of individual allowances on loans and advances as well as portfolio-based allowances is disclosed in the note Allowances for Losses on Loans and Advances.

In the reporting period, the additions of €-8 million (1.1.-31.3.2014: €-2 million) fully related to specific allowances, which were attributable with €-6 million to a bonded loan from Heta. In the first quarter 2014 the additions were attributable to specific allowances (€-1 million) and portfolio-based allowances (€-1 million). Releases of €11 million (1.1.-31.3.2014: €5 million) related to €8 million of portfolio-based allowances (1.1.-31.3.2014: €2 million) and €3 million of specific allowances (1.1.-31.3.2014: €3 million). The releases of portfolio-based allowances resulted from rating upgrades. Recoveries from written-off loans and advances were at €1 million (1.1.-31.3.2014: €2 million).

14. General and Administrative Expenses

General and administrative expenses in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Personnel expenses	-28	-27
Wages and salaries	-22	-20
Social security costs	-4	-5
Pension expenses and related employee benefit costs	-2	-2
Non-personnel expenses	-20	-35
Other general administrative expenses	-17	-32
Consulting expenses	-2	-5
IT expenses	-5	-16
Office and operating expenses	-3	-3
Other non-personnel expenses	-7	-8
Depreciation, amortisation and impairment	-3	-3
of software and other intangible assets excluding goodwill	-2	-3
of property and equipment	-1	-
Total	**-48**	**-62**

Cost-income ratio in %

	1.1.-31.3.2015	1.1.-31.3.2014
Cost-income ratio	51.6	69.7

Personnel expenses increased slightly in particular as a result of a higher average number of employees (842; 1.1.-31.3.2014: 826). Non-personnel expenses dropped due to lower IT and consulting expenses.

15. Net Miscellaneous Income/Expenses

Net miscellaneous income/expenses in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Miscellaneous income	2	6
thereof: Releases of restructuring provisions	2	4
Miscellaneous	-	-
Thereof: Additions to restructuring provisions	-	-
Other taxes	-	-
Balance of other income/expenses	**2**	**6**

16. Income Taxes

Breakdown in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Current taxes	-29	-8
Deferred taxes	17	13
Therof: Deferred taxes on capitalised losses carried forward	-35	8
Total	**-12**	**5**

Current taxes of €-29 million resulted mainly from a reverse tax effect in the current period from close-out transactions, which were undertaken in 2013.

17. Net Gains/Net Losses

Net gains/net losses in € million

	1.1.-31.3.2015	1.1.-31.3.2014
Loans and receivables	-1	5
Available for sale	-	1
Held for trading	5	-9
Financial liabilities at amortised cost	-5	-5

18. Earnings per Share

In accordance with IAS 33, earnings per share are calculated by dividing consolidated profit/loss by the weighted average number of shares.

Earnings per share

	1.1.-31.3.2015	1.1.-31.3.2014
Consolidated profit/loss (in € million)	39	43
Average number of ordinary shares issued (pieces)	134,475,308	134,475,308
Adjusted average number of ordinary shares issued (pieces)	134,475,308	134,475,308
Basic earnings per share (in €)	**0.29**	**0.32**
Diluted earnings per share (in €)	**0.29**	**0.32**

Notes to the Statement of Financial Position

Total assets of pbb Group amounted to €75.4 billion as of 31 March 2015 (31 December 2014: €74.9). Cash reserve increased by €1.5 billion to €1.6 bill ion due to the short-term investment of liquidity from sales and repayments of securities, which, in turn, resulted in a decrease of financial investment by €0.8 billion. Furthermore, short-term loans and advances to other banks were shifted into the cash reserve. Loans and advances to customers rose on the one hand by €1.6 billion due to the increased notional volume of the paid out real estate financing and on the other hand by €0.5 billion due to fair value h edge adjustments as a consequence of the declined market interest level.

Balance sheet equity amounted to €3.6 billion as of 31 March 2015 (31 December 2014: €3.5 billion). No capital increases or reductions were implemented in the first quarter 2015. The item profits/losses from pension commitments reduced equity by €18 million a s the discount rate used to measure the defined benefit pension obligations dropped from 2.0% as of 31 December 2014 to 1.5% as of 31 March 2015 in accordance with the market interest rate. ,

In financial year 2014, retained earnings increased by €30 million due to a payment by HRE Holding to compensate for payment obligations already accrued for in prior years in connection with the transfer of positions to FMS Wertmanagement in 2010. Additionally, a withdrawal was made from the additional paid-in capital pursuant to section 272 (2) nos. 1–3 HGB of €1,771 million to partially balance out the bal ance sheet loss in accordance with the German Commercial Code. In the IFRS consolidated financial statements, there was a reduction of €-1,771 millio n in additional paid-in capital with an increase of the same amount in retained earnings.

Total Assets Covenants As at 31 March 2015, pbb Group complied with all covenants relating to the total assets which had been imposed by the European Commission in connection with the approval of state aid. Because certain offsetting effects attributable to the transfer of selected positions to FMS Wertmanagement no longer exist, the adjusted total assets as at 31 March 2015 of €75.4 billion (31 December 2014: €74.9 billion) corresponded to total assets in accordance with IFRSs and were thus lower than the prescribed upper limit for 31 December 2015 of €107.0 billion (31 December 2014: €103.0 billion). At €53.5 billion (31 December 2014: €52.5 billion), strategic total assets – which have been additionally adjusted by the non-strategic public sector financing portfolio – also fell below the prescribed upper limit for 31 December 2015 of €86.0 billion (31 December 2014: €79.0 billion).

19. Trading Assets

Trading assets in € million

	31.3.2015	**31.12.2014**
Positive fair values from derivative financial instruments	2,110	2,016
Total	**2,110**	**2,016**

20. Loans and Advances to Other Banks

Loans and advances to other banks by type of business in € million

	31.3.2015	31.12.2014
Loans and advances	3,573	3,153
Public sector loans	1,109	1,136
Other loans and advances	2,464	2,017
Investments	589	3,647
Total	**4,162**	**6,800**

Loans and advances to other banks by maturities in € million

	31.3.2015	31.12.2014
Repayable on demand	2,472	2,011
With agreed maturities	1,690	4,789
up to 3 months	726	3,689
from 3 months to 1 year	16	132
from 1 year to 5 years	404	404
from 5 years and over	544	564
Total	**4,162**	**6,800**

21. Loans and Advances to Customers

Loans and advances to customers by type of business in € million

	31.3.2015	31.12.2014
Loans and advances	40,962	38,964
Public sector loans	17,562	17,125
Real estate loans	23,379	21,822
Other loans and advances	21	17
Investments	**40,962**	**38,964**
Total	40,962	38,964

Loans and advances to customers by maturities in € million

	31.3.2015	31.12.2014
Unspecified terms	525	591
With agreed maturities	40,437	38,373
up to 3 months	966	1,102
from 3 months to 1 year	2,661	2,349
from 1 year to 5 years	17,729	16,933
from 5 years and over	19,081	17,989
Total	**40,962**	**38,964**

22. Allowances for Losses on Loans and Advances

Development in € million

	Specific allowances	Portfolio-based allowances	**Total**
Balance at 1.1.2014	**-97**	**-51**	**-148**
Changes affecting income statement	-24	5	-19
Gross additions	-43	-5	-48
Releases	11	10	21
Increase of the present value due to passage of time (unwinding)	8	-	8
Changes not affecting profit or loss	28	1	29
Use of existing loan-loss allowances	32	1	33
Effects of currency translations and other changes	-4	-	-4
Balance at 31.12.2014	**-93**	**-45**	**-138**
Balance at 1.1.2015	**-93**	**-45**	**-138**
Changes affecting income statement	-3	8	5
Gross additions	-8	-	-8
Releases	3	8	11
Increase of the present value due to passage of time (unwinding)	2	-	2
Changes not affecting profit or loss	-1	-	-1
Use of existing loan-loss allowances	3	-	3
Effects of currency translations and other changes	-4	-	-4
Balance at 31.3.2015	**-97**	**-37**	**-134**

The allowances for losses on loans and advances were exclusively created for the measurement category loans and receivables.

23. Financial Investments

Breakdown in € million

	31.3.2015	**31.12.2014**
AfS financial investments	4,981	4,906
Debt securities and other fixed-income securities	4,978	4,903
Equity securities and other variable-yield securities	3	3
LaR financial investments	14,695	15,569
Debt securities and other fixed-income securities	14,695	15,569
Total	**19,676**	**20,475**

The carrying amounts of the LaR financial investments were reduced by portfolio-based allowances amounting to €–10 million (2014: €–9 million).

Financial investments by maturities in €million		
	31.3.2015	**31.12.2014**
Unspecified terms	3	3
With agreed maturities	19,673	20,472
up to 3 months	958	867
from 3 months to 1 year	3,065	3,067
from 1 year to 5 years	5,188	5,676
from 5 years and over	10,462	10,862
Total	**19,676**	**20,475**

24. Property and Equipment

Breakdown in € million		
	31.3.2015	**31.12.2014**
Operating equipment	12	8
Total	**12**	**8**

Development of property and equipment in € million		
	2015	**2014**
Operating equipment		
Acquisition/production costs		
Balance at 1.1.	**21**	**15**
Additions	5	7
Disposals	-2	-1
Balance at 31.3./31.12.	**24**	**21**
Amortisation/depreciation and write-ups	-	0
Balance at 1.1.	**-13**	**-14**
Depreciation	-1	-
Disposals	2	1
Balance at 31.3./31.12	**-12**	**-13**
Carrying amounts	-	-
Balance at 31.3./31.12	**12**	**8**

25. Intangible Assets

Breakdown in € million		
	31.3.2015	**31.12.2014**
Purchased Software	1	1
Internally developed software	16	18
Other intangible assets	5	4
Total	**22**	**23**

	2015			
	Purchased Software	Internally developed software	Other intangible assets	Total
Acquisition/production costs				
Balance at 1.1.	**76**	**42**	**4**	**122**
Additions	-	-	1	1
Disposals	-	-	-	-
Balance at 31.3.	**76**	**42**	**5**	**123**
				-
Amortisation and write-ups	-	-	-	-
Balance at 1.1.	**-75**	**-24**	**-**	**-99**
Amortisation	-	-2	-	-2
Disposals	-	-	-	-
Balance at 31.3.	**-75**	**-26**	**-**	**-101**
				-
Carrying amounts				-
Balance at 31.3.	**1**	**16**	**5**	**22**

Development of intangible assets in € million

	2014			
	Purchased Software	Internally developed software	Other intangible assets	Total
Acquisition/production costs				
Balance at 1.1.	**77**	**51**	**2**	**130**
Additions	-	4	2	6
Disposals	-1	-13	-	-14
Balance at 31.12.	**76**	**42**	**4**	**122**
				-
Amortisation and write-ups	-	-	-	-
Balance at 1.1.	**-75**	**-24**	**-**	**-99**
Amortisation	-2	-9	-	-11
Disposals	2	9	-	11
Balance at 31.12.	**-75**	**-24**	**-**	**-99**
				-
Carrying amounts				-
Balance at 31.12.	**1**	**18**	**4**	**23**

26. Other Assets

Other assets in € million	31.3.2015	31.12.2014
Positive fair values from derivative financial instruments	6,841	6,449
Hedging derivatives	6,841	6,449
Fair value hedge	6,368	5,975
Cash flow hedge	473	474
Salvage acquisitions	129	120
Other assets	13	81
Reimbursements under insurance contracts	9	9
Total	**6,992**	**6,659**

27. Income Tax Assets

Income tax assets in € million	31.3.2015	31.12.2014[1)]
Current tax assets	28	29
Deferred tax assets	2	1
Total	**30**	**30**

[1)] Adjusted in accordance with IAS 8.14 et.seq. Details are disclosed in note Consistency

Deferred tax assets comprise capitalised temporary tax assets in conjunction with tax losses carried forward of €177 million (31 December 2014: €211 million) and other temporary tax assets.

According to section 8 c paragraph 1 of [German] corporate taxes act it may be possible that tax losses carried forward will become unusable in the course of transferring pbb's shares to one or more acquirer. These deferred tax assets on tax losses carried forward amounting to €177 million would then have to be released through profit or loss.

Deferred tax assets due to unused tax losses carried forward were recognised, if it will be necessary according to IAS 12.34 et seq. and if there will be no change of the tax status according to SIC-25.

28. Liabilities to Other Banks

Liabilities to other banks by maturities in € million	31.3.2015	31.12.2014
Repayable on demand	1,732	1,693
With agreed maturities	1,139	1,494
up to 3 months	117	529
from 3 months to 1 year	185	116
from 1 year to 5 years	299	305
from 5 years and over	538	544
Total	**2,871**	**3,187**

29. Liabilities to Customers

Liabilities to customers by maturities in € million

	31.3.2015	31.12.2014
Repayable on demand	1,008	1,154
With agreed maturities	9,359	9,439
up to 3 months	807	1,274
from 3 months to 1 year	1,860	1,328
from 1 year to 5 years	5,365	5,305
from 5 years and over	1,327	1,532
Total	**10,367**	**10,593**

30. Securitised Liabilities

Securitised liabilities by type of business in € million

	31.3.2015	31.12.2014
Debt securities in issue	25,190	25,330
Mortgage bonds	10,125	10,135
Public sector bonds	10,341	10,026
Other debt securities	4,704	5,169
Money market securities	20	-
Registered notes in issue	22,681	22,497
Mortgage bonds	5,936	5,912
Public sector bonds	14,836	14,715
Other debt securities	1,909	1,870
Total	**47,871**	**47,827**

Securitised liabilities by maturities in € million

	31.3.2015	31.12.2014
With agreed maturities		
up to 3 months	2,686	2,258
from 3 months to 1 year	4,752	5,166
from 1 year to 5 years	20,586	20,137
from 5 years and over	19,847	20,266
Total	**47,871**	**47,827**

31. Trading Liabilities

Trading liabilities in € million

	31.3.2015	31.12.2014
Negative fair values from derivative financial instruments	2,083	1,960
Total	**2,083**	**1,960**

32. Provisions

Breakdown in € million

	31.3.2015	31.12.2014
Provisions for pensions and similar obligations	140	115
Restructuring provisions	13	42
Provisions for contingent liabilities and other commitments	5	11
Other provisions	103	104
Thereof: Long-term liabilities to employees	2	2
Total	**261**	**272**

pbb closed a reinsurance in the form of a qualifying insurance policy according to IAS 19 to hedge parts of the risk from the defined benefit obligations. A discount rate of 1.5% (31 December 2014: 2.0%) was used for the measurement of the defined benefit pension obligations. The other actuarial assumptions were unchanged compared to the consolidated financial statements 2014.

In the first quarter 2015, pbb and HRE Holding reached an agreement that all opportunities and risks arising from a property rented in a contractual relationship are transferred from pbb to HRE Holding. In return, pbb committed to pay compensation amounting to €24 million by 4 May 2015 after expiry of an objection period. Correspondingly, the restructuring provision previously created was used as of 31 March 2015 and a corresponding liability was recognised.

Other provisions comprise provisions for legal risks amounting to €71 million (31 December 2014: €77 million):

Legal risk (litigation risk) pbb Group is obliged, in all jurisdictions in which it conducts its business, to comply with a large number of statutory and supervisory requirements and regulations such as certain rules of conduct to avoid conflicts of interest, to combat money laundering, to prevent terrorist financing, to prevent criminal offences to the detriment of the financial sector, to regulate foreign trade and to safeguard bank, business and data secrecy. Given the nature of business and international expansion of activities and the large number of relevant requirements and regulations, pbb Group is involved in litigation, arbitration and regulatory proceedings in some countries. These also include criminal and administrative proceedings as well as the assertion of claims in an amount not specified by the party asserting the claim. pbb Group recognises provisions for the uncertain obligations arising from these proceedings if the potential outflow of resources is sufficiently likely and the amount of the obligation can be estimated. The probability of the outflow of resources, which often cannot be estimated with certainty, is highly dependent on the outcome of the proceedings. The assessment of this probability and the quantification of the obligation are largely based on estimates. The actual liability can vary considerably from this estimate. Accounting for the individual legal procedure, pbb Group analyses developments of the individual cases and comparable cases, drawing on its own expertise or opinions by external consultants, and in particular by legal advisors, depending on the significance and complexity of the respective case. The provisions recognised for the proceedings are not reported separately as pbb Group believes that the outcome of the proceedings would be seriously compromised by their disclosure.

In appraisal proceedings relating to the merger of three predecessor mortgage banks to form pbb in 2001, the new appraisal ordered by the court has resulted in an additional payment averaging €1.00 per share. The potential subsequent payment claims amount up to €9.4 million plus interest as from 2001.

The profit participation certificates issued by the predecessor institutions participated in significant losses due to the net losses for the period incurred since 2008, and to pbb's net accumulated losses since this time. The redemption amounts have reduced and interest paymant has been suspended. Individual investors therefore initiated legal proceedings, contesting in particular various individual clauses relating to loss participation and replenishment following loss participation. The key questions in this connection are which balance sheet items must be taken into account to calculate loss participation and whether replenishment is required if pbb records a net income, unappropriate retained earnings or a other income. The courts seized have decided against the legal view of pbb especially in view of the individual decisions regarding profit participation certificates. The bank has lodged appeals in these cases. The contested profit participation certificates had a notional amount of €221 million (of which proceedings involvin g a principal amount of €15.5 million were pending in w hich the plaintiff is demanding a repayment of €6.3 million). These claims may ultimately result in a full or partial increase in the repayment claims and, if applicable, result in interest claims by the plaintiff.

Since the decisions of the Federal Court of Justice in 2014 on the inadmissibility of a credit processing fee in credit agreements with private customers, the Bank sees itself facing queries from previous private customers for the repayment of alleged credit processing fees. These demands have not yet proven to be justified. Since the end of last year, individual commercial customers have requested the repayment of the credit processing fees.

In February 2014, pbb applied to the Federal Central Tax Office (Bundeszentralamt für Steuern) for the initiation of a mutual agreement procedure in accordance with the regulations set out in the EU Arbitration Convention for the years 2006 to 2012. The subject matter of this mutual agreement procedure will be the attribution of tax income to the branch in Paris, France. This application was made as an agreement regarding the allocation of taxable profit could not be reached between the German and French fiscal authorities in the context of negotiations regarding an «Advanced Pricing Agreement» and, therefore, double taxation of income may be possible. Depending on the outcome of the mutual agreement procedure, this could result in a tax expense or a tax income for pbb Group.

Otherwise, no proceedings for which the Management Board believes the probability of an outflow of resources to be not unlikely, or which are of material significance to pbb Group for other reasons, exist with an amount in dispute in excess of more than €5 million.

33. Other Liabilities

Other liabilities in € million

	31.3.2015	31.12.2014
Negative fair values from derivative financial instruments	6,833	6,083
Hedging derivatives	6,833	6,083
Fair value hedge	6,339	5,649
Cash flow hedge	494	434
Other liabilities	133	99
Total	**6,966**	**6,182**

34. Income Tax Liabilities

Income tax liabilities in € million

	31.3.2015	31.12.2014[1)]
Current tax liabilities	108	82
Deferred tax liabilities	6	6
Total	**114**	**88**

[1)] Adjusted in accordance with IAS 8.14 et.seq. Details are disclosed in note Consistency

35. Subordinated Capital

Breakdown in € million

	31.3.2015	31.12.2014
Subordinated liabilities	920	939
Hybrid capital instruments	345	340
Total	**1,265**	**1,279**

Subordinated capital by maturities in € million

	31.3.2015	31.12.2014
With agreed maturities		
to 3 months	88	45
3 months to 1 year	286	150
1 year to 5 years	697	890
5 years and over	194	194
Total	**1,265**	**1,279**

Due the current accumulated loss of pbb the existing hybrid capital instruments were not serviced.

The unwinding of value adjusted instruments of subordinated capital led to an expense of €-5 million (1.1.-31.3.2014: €-5 million).

Notes to the Financial Instruments

36. Fair Values of Financial Instruments

The fair value of financial instruments, in the opinion of pbb Group, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). The fair values were determined as of the balance sheet date based on the market information available and on valuation methods described here.

All financial assets and liabilities that are measured at fair value are grouped into the three fair value hierarchies by pbb Group. Reclassifications within the fair value hierarchy are made at the end of the reporting period. The three-level hierarchy is based on the degree to which the input for the fair value measurement is observable:

- Level 1 - quoted priced (unadjusted) in active markets for identical financial assets or financial liabilities.
- Level 2 - inputs that are observable either directly or indirectly, other than quoted prices included within Level 1.
- Level 3 - valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Fair values of financial instruments in € million

	31.3.2015				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets	**75,171**	**77,797**	**15,783**	**29,538**	**32,476**
measured at fair value through profit or loss	8,478	8,478	-	8,420	58
measured at fair value through other comprehensive income	5,454	5,454	4,981	473	-
not measured at fair value in the balance sheet	61,239	63,865	10,802	20,645	32,418
Cash reserve	1,554	1,554	1,554	-	-
Trading assets (HfT)	2,110	2,110	-	2,110	-
Loans and advances to other banks	4,162	4,189	2,398	1,265	526
Category LaR	4,162	4,189	2,398	1,265	526
Loans and advances to customers[1)]	40,828	43,174	-	14,265	28,909
category LaR	40,828	43,174	-	14,265	28,909
Real Estate	22,946	24,283	-	-	24,283
Public Investment Finance	5,544	5,874	-	4,030	1,844
Value Portfolio	10,595	11,136	-	8,343	2,793
Consolidations & Adjustments	1,780	1,918	-	1,892	26
Portfolio-based allowances	-37	-37	-	-	-37
Financial investments	19,676	19,929	11,831	5,115	2,983
Category AfS	4,981	4,981	4,981	-	-
Category LaR	14,695	14,948	6,850	5,115	2,983
Other assets	6,841	6,841	-	6,783	58
Fair value hedge derivaives	6,368	6,368	-	6,310	58
Cash flow hedge derivatives	473	473	-	473	-
Financial liabilities	**71,336**	**73,131**	**22,200**	**10,204**	**40,727**
measured at fair value through profit or loss	8,422	8,422	-	8,395	27
measured at fair value through other comprehensive income	494	494	-	494	-
not measured at fair value in the balance sheet	62,420	64,215	22,200	1,315	40,700
Liabilities to other banks	2,871	3,037	1,730	-	1,307
Liabilities to customers	10,367	10,647	774	-	9,873
Securitised liabilities	47,871	49,298	19,684	1,315	28,299
Covered	41,238	42,749	16,195	1,180	25,374
Uncovered	6,633	6,549	3,489	135	2,925
Trading liabilities (HfT)	2,083	2,083	-	2,083	-
Other liabilities	6,879	6,879	12	6,806	61
Fair value hedge derivaives	6,339	6,339	-	6,312	27
Cash flow hedge derivatives	494	494	-	494	-
Other financial liabilities	46	46	12	-	34
Subordinated capital	1,265	1,187	-	-	1,187

1) Reduced by allowances for losses on loans and advances

Fair values of financial instruments in € million					
					31.12.2014
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets	**74,623**	**76,959**	**13,345**	**31,390**	**32,224**
measured at fair value through profit or loss	7,991	7,991	-	7,916	75
measured at fair value through other comprehensive income	5,380	5,380	4,906	474	-
not measured at fair value in the balance sheet	61,252	63,588	8,439	23,000	32,149
Cash reserve	57	57	57	-	-
Trading assets (HfT)	2,016	2,016	-	2,016	-
Loans and advances to other banks	6,800	6,846	1,955	3,907	984
Category LaR	6,800	6,846	1,955	3,907	984
Loans and advances to customers[1)]	38,826	41,063	-	13,193	27,870
category LaR	38,826	41,063	-	13,193	27,870
Real Estate	21,664	22,858	-	-	22,858
Public Investment Finance	5,367	5,731	-	3,560	2,171
Value Portfolio	10,024	10,550	-	7,694	2,856
Consolidations & Adjustments	1,816	1,969	-	1,939	30
Portfolio-based allowances	-45	-45	-	-	-45
Financial investments	20,475	20,528	11,333	5,900	3,295
Category AfS	4,906	4,906	4,906	-	-
Category LaR	15,569	15,622	6,427	5,900	3,295
Other assets	6,449	6,449	-	6,374	75
Fair value hedge derivaives	5,975	5,975	-	5,900	75
Cash flow hedge derivatives	474	474	-	474	-
Financial liabilities	**70,954**	**73,105**	**17,778**	**13,715**	**41,612**
measured at fair value through profit or loss	7,609	7,609	-	7,601	8
measured at fair value through other comprehensive income	434	434	-	434	-
not measured at fair value in the balance sheet	62,911	65,062	17,778	5,680	41,604
Liabilities to other banks	3,187	3,322	1,690	317	1,315
Liabilities to customers	10,593	11,035	1,192	-	9,843
Securitised liabilities	47,827	49,388	14,884	5,363	29,141
Covered	40,967	42,541	12,194	5,168	25,179
Uncovered	6,860	6,847	2,690	195	3,962
Trading liabilities (HfT)	1,960	1,960	-	1,958	2
Other liabilities	6,108	6,108	12	6,077	19
Fair value hedge derivaives	5,649	5,649	-	5,643	6
Cash flow hedge derivatives	434	434	-	434	-
Other financial liabilities	25	25	12	-	13
Subordinated capital	1,279	1,292	-	-	1,292

[1)] Reduced by allowances for losses on loans and advances

As in the year 2014, no financial instruments measured at fair value were reclassified from Level 1 to Level 2 and vice versa in the first quarter 2015. Not all inputs for certain assets that were previously allocated to Level 2 and measured at fair value were observable on the market in first quarter 2015. As a result, assets recognised at fair value in the amount of €0 million (2014: €8 million) and financial liabilities in the amount of €3 million (2014: €0 million) were reclassified from Level 2 to Level 3. From 3 to level 2 assets recognised at fair value in the amount €20 million (2014: €17 million) and financial liabilities in the amount of €2 million (2014: €3 million) were reclassified because inputs were observable on the market again.

Disclosures to the Measurement Methods and Input Parameters

Measurement Process Both the Finance and the Risk Management & Control divisions play a role in the measurement process. The Finance division supplies accounting data. This includes:

- identification data, such as business identification numbers or International Securities Identification Numbers (ISINs)
- static data such as notional amounts, name and country of the counterparty and (remaining) terms
- accounting data such as carrying amounts, accruals and the effects of hedge accounting

Risk Management & Control calculates additional data used to measure fair value such as interest rates, credit spreads and market prices, as well as internal ratings and LGDs for certain financial instruments.

Finance compiles the data and checks it for completeness. The division then calculates the fair values of the financial instruments using measurement methods determined by Risk Management & Control. Once measurement is complete, Finance performs quality checks on the data and then approves it for further use.

Level 2 instruments disclosed at fair value in the balance sheet as of 31.3.2015	Measurement methods	Observable parameters
Trading assets/liabilities	DCF methods	Cap volatilities
		Euro zone inflation rates
		Reference interest rates
		Saisonalities of Euro zone inflation rates
		Swaption volatilities
		Volatilities of Euro zone inflation caps
		Spot market exchange rates
		Yield curves
	Option pricing models	Cap volatilities
		Reference interest rates
		Swaption volatilities
		Spot market exchange rates
		Exchange rate volatilities
		Yield curves
Fair value hedge derivatives	DCF methods	Cap volatilities
		Reference interest rates
		Swaption volatilities
		Yield curves
	Option pricing models	Cap volatilities
		CMS Spread Options (strike prices)
		CMS Spread Options (option prices)
		Euro zone inflation rates
		Reference interest rates
		Saisonalities of Euro zone inflation rates
		Swaption volatilities
		Volatilities of Euro zone inflation caps
		Spot market exchange rates
		Exchange rate volatilities
		Yield curves
Cash flow hedge derivatives	DCF methods	Reference interest rates
		Yield curves
	Option pricing models	Cap volatilities
		CMS Spread Options (strike prices)
		CMS Spread Options (option prices)
		Reference interest rates
		Swaption volatilities
		Spot market exchange rates
		Exchange rate volatilities
		Yield curves

Level 3 instruments disclosed at fair value in the balance sheet as of 31.3.2015	Measurement methods	Non-oberservable parameters	Parameter range (average)
Fair value hedge derivatives	Option pricing models	ATM-Swaption-Vola GBP-XO3M beyond 30Y expiry	+32.66% (+32.66%)
		EUR-EONIA beyond 02/04/2065	+0.63% (+0.63%)
		EUR-EO6M beyond 02/04/2065	+0.75% (+0.75%)
		Historical index/index correlations	-5.99% to +65.70% (+41.81%)
		Historical index/exchange rate correlations	-14.42% bis +12.97% (+1.67%)

Sensitivities Although pbb Group believes that its estimates of fair values are appropriate, using reasonably possible alternative input factors will significantly impact the fair value. The following table shows the fair value sensitivity of level 3 instruments as of 31 March 2015 and as of 31 December 2014 which have been quantified on the basis of the specified valuation parameters taking account usual market scenarios:

Sensitivities of Level 3 instruments in € million

	31.03.2015		31.12.2014	
	Positive changes	Negative changes	Positive changes	Negative changes
Assets				
Financial assets at fair value through profit or loss				
Fair value hedge derivatives	0.1	-0.1	-	-
Total	**0.1**	**-0.1**	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading liabilities	-	-	0.7	-0.7
Fair value hedge derivatives	1.0	-1.0	0.5	-0.5
Total	**1.0**	**-1.0**	**1.2**	**-1.2**

The disclosed favourable and unfavourable changes are calculated independently from each other. Offsetting effects due to compensating derivatives and hedge relationships attenuate both favourable and unfavourable changes.

Changes in Level 3 Financial Assets and Financial Liabilities measured at Fair Value

Changes in Level 3 financial assets in € million

	Financial assets at fair value through profit or loss		Financial assets at fair value through OCI	
	Trading assets	Fair value hedge derivatives	Cash flow hedge derivatives	Total
Balance at 1.1.2014	**-**	**79**	**4**	**83**
Comprehensive income recognised in	-	-	-	**-**
Profit or loss	-	2	-1	**1**
Revaluation reserve	-	-	-	**-**
Purchases	-	19	-	**19**
Sales	-	-19	-	**-19**
Issues	-	-	-	**-**
Settlements	-	-	-	**-**
Reclassifications into Level 3	-	8	-	**8**
Reclassifications out of Level 3	-	-14	-3	**-17**
Balance at 31.12.2014	-	**75**	**-**	**75**
	-	-	-	**-**
Balance at 1.1.2015	**-**	**75**	**-**	**75**
Comprehensive income recognised in	-	-	-	**-**
Profit or loss	-	3	-	**3**
Revaluation reserve	-	-	-	**-**
Purchases	-	-	-	**-**
Sales	-	-	-	**-**
Issues	-	-	-	**-**
Settlements	-	-	-	**-**
Reclassifications into Level 3	-	-	-	**-**
Reclassifications out of Level 3	-	-20	-	**-20**
Balance at 31.3.2015	**-**	**58**	**-**	**58**

Changes in Level 3 financial liabilities in € million

	Financial liabilities at fair value through profit or loss		Financial liabilities at fair value through OCI	
	Trading assets	Fair value hedge derivatives	Cash flow hedge derivatives	**Total**
Balance at 1.1.2014	**2**	**10**	**-**	**12**
Comprehensive income recognised in	-	-	-	**-**
Profit or loss	-	-1	-	**-1**
Revaluation reserve	-	-	-	**-**
Purchases	-	-	-	**-**
Sales	-	-	-	**-**
Issues	-	-	-	**-**
Settlements	-	-	-	**-**
Reclassifications into Level 3	-	-	-	**-**
Reclassifications out of Level 3	-	-3	-	**-3**
Balance at 31.12.2014	**2**	**6**	**-**	**8**
	-	-	-	**-**
Balance at 1.1.2015	**2**	**6**	**-**	**8**
Comprehensive income recognised in	-	-	-	**-**
Profit or loss	-	18	-	**18**
Revaluation reserve	-	-	-	**-**
Purchases	-	-	-	**-**
Sales	-	-	-	**-**
Issues	-	-	-	**-**
Settlements	-	-	-	**-**
Reclassifications into Level 3	-	3	-	**3**
Reclassifications out of Level 3	-2	-	-	**-2**
Balance at 31.3.2015	**-**	**27**	**-**	**27**

The earnings contributions made by trading assets and trading liabilities are presented under net trading income, whereas the effects of hedge relationships recognised in profit or loss are reported under net income from hedging relationships.

Assets and Liabilities According to Measurement Categories and Classes

The carrying amounts reflect the maximum on balance sheet exposure to credit default risk of the assets respectively the maximum exposure of the other items according to IFRS 7.

Asset and liabilities according to measurement categories and classes in € million

	31.3.2015	31.12.2014
Assets	**75,171**	**74,623**
Loans-and-receivables (LaR)	59,685	61,195
Available-for-sale (AfS)	4,981	4,906
Held-for-trading (HfT)	2,110	2,016
Cash reserve	1,554	57
Positive fair values from hedging derivatives	6,841	6,449
Liabilities	**71,290**	**70,954**
Held-for-trading (HfT)	2,083	1,960
Financial liabilities at amortised cost	62,374	62,911
Negative fair values from hedging derivatives	6,833	6,083

37. Exposure to Selected European Countries

Exposure to selected Eurpean countries as of 31 March 2015 in € million

Country	Counterparty	IAS 39 category	Carrying amount: up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Total	Notional amount	Fair value
Italy	**Sovereign**	LaR	-	-	295	372	**667**	593	638
		AfS	-	41	-	1,710	**1,751**	1,100	1,751
	Sub-sovereign	LaR	-	-	25	950	**975**	928	860
	State-guaranteed	LaR	-	-	-	-	**-**	-	-
Portugal	**Sovereign**	LaR	-	-	46	-	**46**	42	47
		AfS	-	-	49	144	**193**	165	193
	Sub-sovereign	LaR	-	-	130	200	**330**	330	277
	State-guaranteed	LaR	-	-	100	330	**430**	405	399
Spain	**Sovereign**	LaR	-	-	-	10	**10**	10	10
		AfS	-	794	-	-	**794**	765	794
	Sub-sovereign	LaR	-	399	847	645	**1,891**	1,699	1,883
		HFT	-	-	-	6	**6**	35	6
	State-guaranteed	LaR	-	41	-	146	**187**	170	190

Exposure to selected Europan countries as of 31 December 2014 in € million

Country	Counterparty	IAS 39 category	Carrying amount: up to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Total	Notional amount	Fair value
Italy	**Sovereign**	LaR	85	-	293	373	**751**	675	714
		AfS	-	41	-	1,565	**1,606**	1,100	1,606
	Sub-sovereign	LaR	-	-	19	951	**970**	927	837
	State-guaranteed	LaR	-	-	-	-	**-**	-	-
Portugal	**Sovereign**	LaR	-	-	43	-	**43**	39	43
		AfS	-	-	49	136	**185**	165	185
	Sub-sovereign	LaR	-	-	130	200	**330**	330	271
	State-guaranteed	LaR	-	-	100	329	**429**	405	367
Spain	**Sovereign**	LaR	-	-	-	10	**10**	10	10
		AfS	103	792	-	-	**895**	865	895
	Sub-sovereign	LaR	11	308	889	677	**1,885**	1,710	1,853
		HFT	-	-	-	5	**5**	35	5
	State-guaranteed	LaR	-	-	63	149	**212**	193	214

As of 31 March 2015 and as of 31 December 2014 pbb Group did not have any exposure to sovereign counterparties of Greece, Cyprus, Ukraine and Ireland. The same applies for sub-sovereign or state-guaranteed counterparties of those states.

The exposure to selected countries shown in the table contains loans and advances and securities. In addition, it shows interest rate derivatives to sovereign and sub-sovereign counterparties. The interest rate derivatives are netted with collaterals. Time lags in providing the collaterals and haircuts are not taken into account. State-guaranteed exposure contains for example loans and advances to banks and corporations which are guaranteed by sovereigns or sub-sovereigns. As of 31 March 2015 and as of 31 December 2014 pbb Group did not have any credit default swaps whose underlyings are linked to sovereigns, sub-sovereigns and state-guaranteed exposures of the countries shown above.

For financial assets which are measured at fair value through profit or loss changes in value are directly included in the book value. pbb Group tests financial assets which are not measured at fair value through profit or loss for impairments. Allowances for loans and advance or impairments for securities are created if there is objective evidence that it is not possible to recover the entire amount which is due according with the original contractual conditions. As per 31 March 2015 and as of 31 December 2014 there was no such objective evidence.

The fair values of the exposure to selected European countries were determined by applying the measurement methods disclosed in the Note Fair Values of Financial Instruments.

38. Past Due but Not Impaired Assets

LaR Assets The following table shows the total portfolio of the partly or completely past due but not impaired loans and advances as of 31 March 2015 and as of 31 December 2014. However, no specific allowances were made for these assets respectively the underlying collaterals as pbb Group does not consider that there is any issue regarding their recoverability. Such timing issues in receipts of payments due occur regularly (up to three months) in the normal course of business and are not considered to be an evidence for impairment.

LaR assets: past due but not impaired (total investment) in € million

	31.3.2015	31.12.2014
up to 3 months	15	32
from 3 months to 6 months	5	10
from 6 months to 1 year	7	7
from 1 year and over	10	10
Total	**37**	**59**

Carrying amounts LaR assets in € billion

	31.3.2015	31.12.2014
Carrying amount of LaR assets that are neither impaired nor past due	59.2	60.5
Carrying amount of LaR assets that are past due but not impaired (total investment)	-	0.1
Carrying amount of individually assessed impaired LaR assets (net)	0.6	0.6
Balance of specific allowances	0.1	0.1
Balance of portfolio-based allowances	-	0.1
Total	**59.9**	**61.4**
thereof: Loans and advances to other banks (including investments)	4.2	6.8
Loans and advances to customers (including investments)	41.0	39.0
Financial investments (gross)	14.7	15.6

AfS Assets As of 31 March 2015 and as of 31 December 2013 pbb Group had neither past due and not impaired nor impaired AfS financial investments in the portfolio.

39. Restructured Loans and Advances

In the first quarter 2015 and in the financial year 2014 restructured loans and advances resulted mainly from standstill agreements and suspending contractual agreements.

Restructured loans and advances in € million

	31.3.2015	31.12.2014
Carrying amount of loans and advances that are neither impaired nor past due	1,147	1,048
Carrying amount of loans that are past due but not impaired (gross)	6	12
Carrying amount of individually assessed impaired loans and advances (gross)	135	241
Total	**1,288**	**1,301**

Other Notes

40. Contingent Liabilities and Other Commitments

Contingent liabilities and other commitments in € million

	31.3.2015	31.12.2014
Contingent liabilities	**128**	**84**
Guarantees and warranties	128	84
Performance guarantees and warranties	128	84
Other commitments	**1,894**	**2,238**
Irrevocable loan commitments	1,894	2,238
Guarantees	18	6
Mortgage and public sector loans	1,876	2,232
Total	**2,022**	**2,322**

pbb, Munich, as a legal successor of Hypo Real Estate Bank International AG, has taken over with the announcement as of 2 January 2006 irrevocable and unconditional guarantees to fulfil all liabilities of Hypo Public Finance Bank puc, Dublin. By the fact that all shares of Hypo Public Finance Bank puc, Dublin, were sold, the commitment was limited according to the guarantee contract to all liabilities, which existed until the date of sale. Due to the current development in earnings, assets and financial position as well as the expected future development, pbb does not rule out the default of Hypo Public Finance Bank puc, Dublin, but a default should be rather unlikely.

In accordance with the framework agreement for transferring risk positions and non-strategic operations to a deconsolidated environment constituted under federal law in accordance with Section 8 a of Finanzmarktstabilisierungsfondsgesetz pbb assumes joint and several liability for all payment obligations of its subsidiaries resulting from the transaction agreements which have been transferred as part of the process of transferring assets to FMS Wertmanagement.

Due to a requirement in line with the principle of burden sharing required by the EU Commission, profits will be retained at pbb Group until privatisation, and will be used for repaying the silent partnership contribution of Finanzmarktstabilisierungsfonds-FMS.

For pbb Group irrevocable loan commitments form the largest part of other commitments. Irrevocable loan commitments comprise all commitments of a creditor which can grant a loan and advance at a later date and which can cause a credit risk. These are mainly credit commitments which are not fully drawn.

41. Key Regulatory Capital Ratios

In accordance with the waiver regulation set out in Section 7 of the Capital Requirements Regulation (CRR), pbb is exempted from the requirement to establish the equity and core capital ratios.

The Management Board of HRE manages the capital based on the CRR. According to the CRR, the CET1 ratio (Common Equity Tier 1/risk-weighted assets) may not fall below 4.5%, the Tier 1 ratio (Tier 1/risk-weighted assets) may not fall below 6.0% and the own funds ratio (own funds/risk-weighted assets) may not fall below 8.0% in 2014.

Due to the “Equity Waiver“, approved by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), a CET1 ratio of 7% (without consideration of any transitional regulations) is defined as the main objective criterion.

These requirements with respect to the regulatory capital ratios were satisfied throughout the whole first quarter of 2015.

With its “Guidelines for common procedures and methodologies for the supervisory review and evaluation process” (SREP Guidelines) in December 2014, the EBA proposed a uniform procedure to be used by the ECB in reviewing and assessing institutions. The primary areas of focus are credit, market price and operational risks, interest rate fluctuation risks in the investment book, risks of excessive indebtedness, liquidity risks and their management. As part of the monitoring, minimum ratios including the CET1 ratio and the own funds ratio were prescribed for HRE on 12 March 2015. These ratios were met as of 31March 2015. The ratios will be newly established in the course of an annual assessment in the seconds half 2015. The levels of these future ratios cannot be estimated at present, especially because EBA is planning a new calibration of its measurement methods.

HRE

Own funds HRE in € million

	31.3.2015	31.3.2015 Basel III fpi[1]	31.12.2014	31.12.2014 Basel III fpi[1]
CET1	2,997	2,966	2,996	2,870
Additional Tier 1	-	-	-	-
Tier 1	2,997	2,966	2,996	2,870
Tier 2	-	-	-	-
Own funds	**2,997**	**2,966**	**2,996**	**2,870**

[1] After expiry of all Basel III transitional regulations

Risk-weighted assets (RWA)[1] HRE in € million

	31.3.2015	31.3.2015 Basel III fpi[2]	31.12.2014	31.12.2014 Basel III fpi[2]
Market risks	56	56	217	217
thereof interest rate risks	-	-	-	-
thereof foreign exchange risks	56	56	217	217
Operational risks	949	949	949	949
Credit risks	13,703	13,703	14,261	14,261
thereof CVA charge	420	420	445	445
Other RWA	6	6	1	1
RWA total	**14,714**	**14,714**	**15,428**	**15,428**

[1] Including weighted credit risk positions and capital charges for market risk positions and operational risk, using a scaling factor of 12.5

[2] After expiry of all Basel III transitional regulations

Capital ratios HRE in %

	31.3.2015	31.3.2015 Basel III fpi[1]	31.12.2014	31.12.2014 Basel III fpi[1]
CET1 ratio	20.4	20.2	19.4	18.6
Tier 1 ratio	20.4	20.2	19.4	18.6
Own funds ratio	20.4	20.2	19.4	18.6

[1] After expiry of all Basel III transitional regulations

pbb Group

Own funds pbb Group in € million

	31.3.2015	31.3.2015 Basel III fpi[1]	31.12.2014	31.12.2014 Basel III fpi[1]
CET1	3,319	2,191	3,364	2,090
Additional Tier 1	189	999	195	999
Tier 1	3,508	3,190	3,559	3,089
Tier 2	451	304	483	334
Own funds	**3,959**	**3,494**	**4,042**	**3,423**

[1] After expiry of all Basel III transitional regulations

Risk-weighted assets (RWA)[1] pbb Group in € million

	31.3.2015	31.3.2015 Basel III fpi[2]	31.12.2014	31.12.2014 Basel III fpi[2]
Market risks	56	56	217	217
thereof interest rate risks	-	-	-	-
thereof foreign exchange risks	56	56	217	217
Operational risks	1,010	1,010	1,010	1,010
Credit risks	13,703	13,703	14,261	14,261
thereof CVA charge	420	420	445	445
Other RWA	6	6	1	1
RWA total	**14,775**	**14,775**	**15,489**	**15,489**

[1] Including weighted credit risk positions and capital charges for market risk positions and operational risk, using a scaling factor of 12.5

[2] After expiry of all Basel III transitional regulations

Capital ratios pbb Group in %

	31.3.2015	31.3.2015 Basel III fpi[1]	31.12.2014	31.12.2014 Basel III fpi[1]
CET1 ratio	22.5	14.8	21.7	13.5
Tier 1 ratio	23.7	21.6	23.0	19.9
Own funds ratio	26.8	23.6	26.1	22.1

[1] After expiry of all Basel III transitional regulations

42. Relationship with Related Parties

Finanzmarktstabilisierungsfonds-FMS, a special fund of the federal government in accordance with Section 2 (2) FMStFG, represents the ultimate parent entity of HRE Holding and thus also of pbb. Accordingly, pbb is a government-related entity and a related party to other com-panies which are controlled, jointly controlled or significantly influenced by the Federal Republic of Germany.

In the first quarter 2015, pbb and HRE Holding reached an agreement that all opportunities and risks arising from a property rented in a contractual relationship are transferred from pbb to HRE Holding. In

43. Employees

Average number of employees		
	1.1.-31.3.2015	**1.1.-31.12.2014**
Employees (excluding apprentices)	842	838
thereof: senior staff in Germany	17	17
Total	**842**	**838**

44. Significant Events after 31 March 2015

With effect from 1 April 2015, the Supervisory Boards of HRE and pbb have decided to break up the current identical constellation of the Management Boards at both entities. As part of these changes, Wolfgang Groth resigned from the pbb Management Board. With effect from 1 April 2015, in the course of the regulatory responsibility the superordinate institution changed from HRE Holding to pbb.

On 30 April 2015, pbb decided to discontinue the rating mandates for unsecured ratings of Fitch Ratings and Moody's Investor Service. The decision to withdraw the ratings lies with the rating agencies. The rating mandate of Standard & Poor's remains for unsecured ratings and Pfandbrief ratings. Continuing the rating mandate of Moody's Investor Service is currently under review.

No further significant events took place after 31 March 2015.

Munich, 5 May 2015

Deutsche Pfandbriefbank Aktiengesellschaft

The Management Board

Andreas Arndt | Thomas Köntgen | Andreas Schenk | Dr. Bernhard Scholz

Signatories on behalf of Deutsche Pfandbriefbank AG

Eschborn, as of 19 June 2015

signed by Götz Michl	signed by Martina Horn
Managing Director	Director