Quarterly Information
as of 31 March 2016

Deutsche Pfandbriefbank Group

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

DEUTSCHE
PFANDBRIEFBANK

This notice is a quarterly report of the Deutsche Pfandbriefbank Group ("pbb Group") in accordance with section 51a of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange. Unless stated otherwise, the following comments are based on figures in accordance with International Financial Reporting Standards (IFRSs), adopted by the EU. Furthermore, also unless stated otherwise, the comments relate to comparison with the same period of the previous year (1 January to 31 March 2015, also referred to as "3m 2015" below) or, in the case of details concerning the statement of financial position, comparison with figures as at the previous year's reporting date (31 December 2015).

Contents

Business Performance
Key Figures

Deutsche Pfandbriefbank Group (pbb Group) – Key Figures			
Operating performance according to IFRS		**1.1.–31.3.2016**	**1.1.–31.3.2015**
Profit or loss before tax	in € million	45	51
Net income/loss	in € million	34	39
Key ratios		**1.1.–31.3.2016**	**1.1.–31.3.2015**
Ernings per share (basic and diluted)	in €	0.25	0.29
Cost-income ratio	in %	50.0	51.6
Return on equity before tax	in %	6.7	5.9[1)]
Return on equity after tax	in %	5.1	4.5[1)]
New business volume[2)]	in € billion	2.9	2.8
Balance sheet figures according to IFRS		**31.3.2016**	**31.12.2015**
Total assets	in € billion	68.1	66.8
Financial position equity (excluding revaluation reserve)	in € billion	2.7	2.7
Financial position equity	in € billion	2.8	2.7
Key regulatory capital ratios[3)]		**31.3.2016**	**31.12.2015**
CET 1 ratio	in %	18.7	18.9
CET 1 ratio fully phased-in	in %	18.1	18.2
Own funds ratio	in %	22.8	23.4
Own funds ratio fully phased-in	in %	19.8	19.9
Leverage ratio[4)]	in %	4.2	4.4
Leverage ratio fully phased-in[4)]	in %	3.8	3.9
Personal		**31.3.2016**	**31.12.2015**
Employees[5)]		775	785
Long-term rating[6)]		**31.3.2016**	**31.12.2015**
Standard & Poor's		BBB	BBB
DBRS		BBB	BBB
Moody's Pfandbrief rating[6)]		**31.3.2016**	**31.12.2015**
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

1) Excluding the silent partnership contribution, return on equity before tax would amount to 8.3% and return on equity after tax would be 6.3%.

2) Including prolongations with maturities of more than one year.

3) After confirmation of the 2015 financial statements and appropriation of profits, less the proposed dividend (subject to approval by the Annual General Meeting).

4) Leverage ratio is defined as the ratio of Tier 1 and the relevant exposure in accordance with CRR.

5) On full-time equivalent basis.

6) The rating agencies may alter or withdraw their ratings at any time. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by pbb.

Development in Earnings

During the period under review (1 January to 31 March 2016 – referred to as "3m 2016" below), pbb Group generated €45 million in profit before tax. Pre-tax profit was thus 11.8% lower than the figure of €51 million for the same period of the previous year (1 January to 31 March 2015 – "3m 2015") which period, however, benefited from the reversal of loan loss provisions for a financing that was successfully restructured. The cost-income ratio improved to 50.0% (3m 2015: 51.6%).

Pro-rata profit or loss before tax was thus within the forecast communicated at the outset of the year, which had projected pre-tax profit for the full year 2016 to be slightly below the previous year's good result (1 January to 31 December 2015: €195 million), despite increasing pressure on net interest income.

Income and expenses (in € million)	**1.1.–31.3.2016**	**1.1.–31.3.2015**	**Change**
Operating income	90	93	–3
Net interest and commission income	104	120	–16
Net interest income	102	113	–11
Net fee and commission income	2	7	–5
Net trading income	–5	5	–10
Net income from financial investments	4	–20	24
Net income from hedging relationships	1	–1	2
Net other operating income/expenses	–14	–11	–3
Loan loss provisions	–	4	–4
General and administrative expenses	–45	–48	3
Net miscellaneous income/expenses	–	2	–2
Profit or loss before tax	**45**	**51**	**–6**
Income taxes	–11	–12	1
Net income/loss	**34**	**39**	**–5**
attributable to:			
Equity holders	34	39	–5

Operating Income Net interest income declined to €102 million (3m 2015: €113 million). A lower level of investment securities – reflecting maturities and sales – contributed to this decline. Moreover, portfolio margins declined compared to the first quarter of the previous year, also due to repayments of high-margin transactions – even though the margin level remained unchanged from 31 December 2015. In addition, net interest income benefited from non-recurring income, prepayment and redemption penalties, and income from the sale of promissory note loans to a lower extent than in the previous year (3m 2016: €13 million; 3m 2015: €16 million). Conversely, the higher average strategic portfolio volume of €31.3 billion (3m 2015: €29.4 billion) – reflecting the very good new business volume for the full year 2015 – had a positive effect on net interest income.

Net fee and commission income (€2 million; 3m 2015: €7 million) resulted from non-accruable fees. The figure for the same period in the previous year included €5 million in commission income generated in connection with a French financing arrangement which was repaid in full.

Net trading income of €–5 million (3m 2015: €5 million) benefited from measurement effects of derivatives, based on interest rate and exchange rate fluctuations (€5 million; 3m 2015: €13 million), whereas the net figure was burdened by the subsequent measurement of derivatives, taking into account the bilateral credit value adjustment (CVA), in the amount of €7 million (3m 2015: €4 million). The so-called 'pull-to-par' effect – according to which the present value of derivatives approaches zero towards maturity – led to further charges of €3 million (3m 2015: €4 million).

Net income from financial investments (€4 million; 3m 2015: €–20 million) resulted predominantly from sales of securities, for the purpose of optimising the liquidity buffer. The previous year's figure was materially influenced by additional valuation adjustments of €73 million on securities issued by Heta Asset Resolution AG (Heta), and by €55 million in income from the sale of a security with a nominal value of GBP 200 million.

Net income from hedging relationships of €1 million (3m 2015: €–1 million) was exclusively due to ineffective portions from micro fair value hedge relationships within the range permitted under IAS 39 (80% to 125%).

Net other operating income/expenses (€–14 million; 3m 2015: €–11 million) was predominantly burdened by the bank levy, with a total amount payable of €24 million. Given that pbb is able to pledge collateral amounting to 15% of the bank levy, only expenses of €21 million need to be recognised. In the first quarter of 2015, provisions of €22 million were recognised in income, based on the estimates at the time and without taking collateral into consideration. Additional expenses of €5 million were recognised for writing off a salvage acquisition in Spain. Reclaims from a former consolidated tax group generated income of €11 million. In addition, income generated by pbb Group included income from currency translation (€1 million; 3m 2015: €3 million) and from rental income emanating from acquired real estate (€1 million; 3m 2015: €3 million).

Loan Loss Provisions Loan loss provisioning was balanced overall (3m 2015: net reversals of €4 million). Specific allowances led to net reversals of €1 million (3m 2015: net additions of €5 million). No material changes in single exposures were recognised in income. In addition, portfolio-based allowances were recognised in a net amount of €2 million (3m 2015: net reversals of €8 million). Additional income of €1 million was recognised from the reversal of provisions for contingent liabilities and other obligations (3m 2015: nil). €1 million in receipts on loans and advances previously written off was recognised in income in the same quarter of the previous year.

General and Administrative Expenses pbb Group reduced general and administrative expenses, to €45 million (3m 2015: €48 million). Whilst non-personnel expenses remained unchanged year-on-year at €20 million, staff expenses declined to €25 million (3m 2015: €28 million). Factors contributing to the lower figure included the lower average number of staff (816; 3m 2015: 842), and by a decrease in charge-offs of provisions, from €28 million in the previous year's quarter to €25 million in the first quarter of 2016.

Net Miscellaneous Income/Expenses This item was balanced in the first quarter of 2016 (3M 2015: €2 million). Income for the same period of the previous year was attributable to a net reversal of restructuring provisions.

Income Taxes Expenses for current taxes of €4 million (3m 2015: €29 million) and expenses for deferred taxes of €7 million (3m 2015: income of €17 million) resulted in a total income tax expense of €11 million (3m 2015: €12 million). Given lower results in accordance with German GAAP (HGB), reflecting realised capital markets transactions during the first quarter of 2016, pbb's current tax expense in Germany was relatively low. At the same time, this was offset by a reversal of deferred taxes, charging income.

Development in Assets and Financial Position

Assets (in € million)	**31.3.2016**	**31.12.2015**	**Change**
Cash reserve	661	1,265	−604
Trading assets	1,910	1,600	310
Loans and advances to other banks	3,503	2,742	761
Loans and advances to customers	41,751	41,204	547
Allowances for losses on loans and advances	−123	−127	4
Valuation adjustment from portfolio hedge accounting	4	1	3
Financial investments	14,629	14,927	−298
Property and equipment	10	10	–
Intangible assets	20	21	−1
Other assets	5,573	5,013	560
Income tax assets	133	105	28
Total assets	**68,071**	**66,761**	1,310

Equity and liabilities (in € million)	**31.3.2016**	**31.12.2015**	**Change**
Liabilities to other banks	2,463	2,514	−51
Liabilities to customers	10,833	10,824	9
Securitised liabilities	43,295	42,648	647
Valuation adjustment from portfolio hedge accounting	2	1	1
Trading liabilities	1,851	1,643	208
Provisions	217	229	−12
Other liabilities	5,663	4,918	745
Income tax liabilities	67	113	−46
Subordinated capital	926	1,125	−199
Liabilities	**65,317**	**64,015**	1,302
Equity attributable to equity holders	**2,754**	**2,746**	8
Subscribed capital	380	380	–
Additional paid-in capital	1,637	1,637	–
Retained earnings	713	483	230
Profits/losses from pension commitments	−79	−71	−8
Foreign currency reserve	3	4	−1
Revaluation reserve	66	83	−17
AfS reserve	−12	−4	−8
Cash flow hedge reserve	78	87	−9
Consolidated profit 1.1.–31.3./31.12.	34	230	−196
Equity	**2,754**	**2,746**	8
Total equity and liabilities	**68,071**	**66,761**	1,310

Development in Assets

Assets Total assets as at 31 March 2016 increased from the level as at 31 December 2015, mainly due to market-induced effects from the lower interest rate environment. Excluding these, total assets would have been slightly lower.

New business (including extensions beyond one year) originated during the first quarter totalled €2.9 billion (3m 2015: €2.8 billion). The nominal volume of the strategic real estate lending portfolio increased slightly, from €24.0 billion as at 31 December 2015 to €24.1 billion as at 31 March 2016. The nominal volume of public investment financings stood at €7.3 billion as at 31 March 2016, unchanged from 31 December 2015. The non-strategic Value Portfolio declined to €17.9 billion during the first quarter of 2016 (31 December 2015: €18.7 billion).

Heta Asset Resolution AG (Heta) On 10 April 2016, the Austrian financial markets regulatory authority FMA declared a 53.98% haircut for debt instruments held by first-ranked creditors of Heta; accordingly, Heta would pay out 46.02% of these creditors' claims. Further measures announced by FMA included the extension of bond maturities to 31 December 2023, and a moratorium on interest payments due on 1 March 2015. pbb considers an outflow of resources, in the amount of the quota determined by FMA, to be improbable; hence, the Bank has not adjusted its nominal write-downs on investment securities and on loans and advances to customers (beyond the provisions existing at year end 2015) during the first quarter of 2016.

Development in Financial Position

Liabilities As with assets, the increase in liabilities was largely attributable to market-induced effects.

Without these, liabilities would have been slightly lower – amongst other factors, due to subordinated capital which declined as a result of maturities of subordinated liabilities. Reserves decreased due to charge-offs, which more than offset the increase in provisions for pensions, triggered by the application of a lower discount rate.

Financial Position Equity Financial position equity amounted to €2.8 billion as at 31 March 2016 (31 December 2015: €2.7 billion).

The change in profit/loss from pension commitments decreased equity by €8 million, since the discount rate applied to measure defined benefit pension obligations declined from 2.25% as at 31 December 2015 to 2.00% as at 31 March 2016, reflecting movements in market interest rates. The decline in the AfS reserve largely reflected changes in the spreads for bonds from Southern Europe. The cash flow hedge reserve decreased, mainly due to the decline of underlying transactions. There were no other material changes in consolidated equity.

Funding In the first quarter of 2016, new long-term funding was raised in the amount of €2.3 billion (3m 2015: €1.4 billion). At €1.0 billion, just under half of long-term funding was issued in senior unsecured form, while two benchmark Pfandbrief issues contributed €1.3 billion (3m 2015: €0.7 billion) to the funding volume. Unsecured issues comprised a €0.5 billion benchmark issue, plus an increase of an existing benchmark issue by €0.1 billion (3m 2015: nil). The remaining funding volume was raised via private placements, particularly in the form of promissory note loans. Most issues were placed as fixed-rate bonds. Unhedged interest rate exposures are usually hedged by swapping fixed against floating interest rates. In addition to capital markets funding, pbb Group has extended its unsecured funding base through overnight and term deposits from retail investors. As at 31 March 2016, the volume of deposits taken via "pbb direct" totalled €3.1 billion (31 December 2015: €2.6 billion).

Liquidity Ratio pbb calculates its liquidity indicator on a single-entity level, in accordance with the German Liquidity Ordinance. At the reporting date, it stood at 3.0 (31 December 2015: 2.9) and thus clearly exceeded the statutory minimum threshold of 1.0.

Since 1 October 2015, a minimum Liquidity Coverage Ratio (LCR) of (currently) 70% must be complied with in the regulatory liquidity reports. This minimum value will rise to 100% by 1 January 2018. The LCR determined (internally) for pbb Group as at 31 March 2016 was clearly above 100%.

Off-balance-sheet Obligations Irrevocable loan commitments of €3.3 billion (31 December 2015: €2.9 billion) constitute the material part of off-balance sheet obligations. The increase was due to new business which was not yet fully disbursed. Contingent liabilities under guarantees and indemnity agreements amounted to €0.2 billion (31 December 2015: €0.2 billion).

Segment Reporting

Income/expenses (in € million)		REF	PIF	VP	C&A	pbb Group
Operating income	1.1.–31.3.2016	68	9	11	2	**90**
	1.1.–31.3.2015	92	13	–14	2	**93**
Net interest income	1.1.–31.3.2016	77	9	14	2	**102**
	1.1.–31.3.2015	75	8	28	2	**113**
Net fee and commission income	1.1.–31.3.2016	2	–	–	–	**2**
	1.1.–31.3.2015	7	–	–	–	**7**
Net trading income	1.1.–31.3.2016	–5	–	–	–	**–5**
	1.1.–31.3.2015	2	1	2	–	**5**
Net income from financial investments	1.1.–31.3.2016	3	–	1	–	**4**
	1.1.–31.3.2015	13	6	–39	–	**–20**
Net income from hedging relationships	1.1.–31.3.2016	–	1	–	–	**1**
	1.1.–31.3.2015	–1	–	–	–	**–1**
Net other operating income/expenses	1.1.–31.3.2016	–9	–1	–4	–	**–14**
	1.1.–31.3.2015	–4	–2	–5	–	**–11**
Loan loss provisions	1.1.–31.3.2016	–	–	–	–	**–**
	1.1.–31.3.2015	10	–	–6	–	**4**
General and administrative expenses	1.1.–31.3.2016	–36	–6	–3	–	**–45**
	1.1.–31.3.2015	–37	–6	–5	–	**–48**
Net miscellaneous income/expenses	1.1.–31.3.2016	–	–	–	–	**–**
	1.1.–31.3.2015	2	–	–	–	**2**
Profit or loss before tax	**1.1.–31.3.2016**	**32**	**3**	**8**	**2**	**45**
	1.1.–31.3.2015	**67**	**7**	**–25**	**2**	**51**

Balance-sheet related measures (in € billion)		REF	PIF	VP	C&A	pbb Group
Financing volumes[1]	31.3.2016	24.1	7.3	17.9	–	**49.3**
	31.12.2015	24.0	7.3	18.7	–	**50.0**
Risk-weighted assets[2]	31.3.2016	6.4	1.4	4.4	1.1	**13.3**
	31.12.2015	6.5	1.4	4.4	1.1	**13.4**
Equity[3]	31.3.2016	0.5	0.3	1.6	0.3	**2.7**
	31.12.2015	0.6	0.2	1.5	0.4	**2.7**

1) Notional amounts of the drawn parts of granted loans and parts of the securities portfolio

2) Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5

3) Excluding revaluation reserve

Report on Post-balance Sheet Date Events

There were no significant events after 31 March 2016.

Breakdown of Maturities by Remaining Term

Maturities[1] (in € million)	**31.3.2016**	**31.12.2015**
Assets	**59,883**	**58,873**
Loans and advances to other banks	3,503	2,742
Repayable on demand	2,032	1,758
up to 3 months	7	3
3 months to 1 year	686	190
1 year to 5 years	229	234
5 years and over	549	557
Loans and advances to customers	41,751	41,204
Repayable on demand	984	1,085
up to 3 months	1,028	1,447
3 months to 1 year	2,792	2,696
1 year to 5 years	18,646	18,030
5 years and over	18,301	17,946
Financial investments	14,629	14,927
Unspecified terms	3	3
up to 3 months	902	929
3 months to 1 year	1,369	1,458
1 year to 5 years	3,700	3,960
5 years and over	8,655	8,577
Liabilities	**57,517**	**57,111**
Liabilities to other banks	2,463	2,514
Repayable on demand	1,304	1,255
up to 3 months	28	157
3 months to 1 year	431	430
1 year to 5 years	154	150
5 years and over	546	522
Liabilities to customers	10,833	10,824
Repayable on demand	1,501	1,271
up to 3 months	358	1,291
3 months to 1 year	2,349	2,139
1 year to 5 years	5,237	4,829
5 years and over	1,388	1,294
Securitised liabilities	43,295	42,648
up to 3 months	513	2,050
3 months to 1 year	4,127	4,411
1 year to 5 years	18,863	18,335
5 years and over	19,792	17,852
Subordinated capital	926	1,125
up to 3 months	33	223
3 months to 1 year	15	15
1 year to 5 years	698	710
5 years and over	180	177

1) Excluding: trading assets, allowances for losses on loans and advances, valuation adjustment from portfolio hedge accounting, property and equipment, intangible assets, other assets, income tax assets, valuation adjustment from portfolio hedge accounting, trading liabilities, provisions, other liabilities, income tax liabilities and equity

General Information

Future-oriented Statements

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

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Imprint

Deutsche Pfandbriefbank AG (publisher)
Freisinger Straße 5
85716 Unterschleißheim
Germany
T +49 (0)89 2880–0
F +49 (0)89 2880–10319
info@pfandbriefbank.com
www.pfandbriefbank.com