Quarterly Information

as of 31 March 2021

Deutsche Pfandbriefbank Group

Contents

Business Performance

Key Figures

Deutsche Pfandbriefbank Group (pbb Group)		1.1.–31.3. 2021	1.1.–31.3. 2020
Operating performance according to IFRS			
Profit before tax	in € million	52	2
Net income	in € million	42	2
thereof attributable to the ordinary shareholders	in € million	38	-2
thereof attributable to the AT1 investors	in € million	4	4
Key ratios		**1.1.–31.3. 2021**	**1.1.–31.3. 2020**
Earnings per share	in €	0.28	-0.01
Cost-income ratio[1]	in %	38.4	48.2
Return on equity before tax[2]	in %	6.4	-0.3
Return on equity after tax[2]	in %	5.1	-0.3
New business volume Real Estate Finance[3]	in € billion	2.1	1.6
Balance sheet figures according to IFRS		**31.3.2021**	**31.12.2020**
Total assets	in € billion	58.1	58.9
Equity	in € billion	3.3	3.3
Financing volumes Real Estate Finance	in € billion	27.5	27.0
Key regulatory capital ratios[4]		**31.3.2021**	**31.12.2020**
CET1 ratio	in %	15.4	16.1
Own funds ratio	in %	20.6	21.4
Leverage ratio	in %	6.0	6.0
Staff		**31.3.2021**	**31.12.2020**
Employees (on full-time equivalent basis)		779	782
Long-term issuer rating/outlook[5][6]		**31.3.2021**	**31.12.2020**
Standard & Poor's		A-/Negative	A-/Negative
Moody's Pfandbrief rating[6]		**31.3.2021**	**31.12.2020**
Public sector Pfandbriefe		Aa1	Aa1
Mortgage Pfandbriefe		Aa1	Aa1

[1] Cost-income ratio is the ratio of general and administrative expenses and net income from write-downs and write-ups on non-financial assets to operating income.
[2] Return on equity before tax respectively after tax is the ratio of annualised profit before tax (net income) less AT1-coupon and average equity (excluding accumulated other comprehensive income (OCI) from cash flow hedge accounting, financial assets at fair value through OCI and AT1 capital).
[3] Including prolongations with maturities of more than one year.
[4] Values as of 31 March 2021 without consideration of the net income during the period. Values as of 31 December 2020 after confirmation of the 2020 financial statements, minus the proposed dividend (subject to approval by the Annual General Meeting).
[6] The rating agencies may alter or withdraw their ratings at any time. Ratings of individual securities issued by pbb may deviate from the ratings indicated above, or an individual security may not be rated at all. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use, which are to be considered. Ratings should not serve as a substitute for personal analysis. They do not constitute a recommendation to purchase, sell or hold securities issued by Deutsche Pfandbriefbank AG (pbb).

This notice is a quarterly report of the Deutsche Pfandbriefbank Group ("pbb Group") in accordance with section 53 of the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange. Unless stated otherwise, the following comments are based on (unaudited) consolidated figures in accordance with International Financial Reporting Standards (IFRS), adopted by the EU. Furthermore, also unless stated otherwise, the comments refer to the comparison of figures of the same period of the previous year (1 January to 31 March 2020, also referred to as "3m2020" 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 2020).

Development in Earnings

The COVID-19 pandemic continued to have a material impact upon social and economic life in many countries during the first quarter of 2021. New waves of the pandemic with increasing incidence rates, more infectious strains of the virus as well as setbacks to the vaccination progress in some countries have led to non-pharmaceutical measures such as stricter and longer lockdowns.

Despite these unfavourable conditions, pbb Group generated €52 million in profit before tax during the period under review (1 January to 31 March 2021 – referred to as “3m 2021” below), thus significantly exceeding the figure for the same period of the previous year (1 January to 31 March 2020) of €2 million. In the previous year, effects of the incipient COVID-19 pandemic had a greater negative impact upon risk provisioning and the net income from fair value measurement than in the current period. During the reporting period, pbb Group also benefited from increased early repayment fees and lower funding expenses, especially due to the ECB’s TLTRO III.

In detail, the result was as follows:

Income and expenses

in € million	1.1.–31.3. 2021	1.1.–31.3. 2020
Operating income	146	110
Net interest income	123	111
Net fee and commission income	2	2
Net income from financial instruments at fair value through profit or loss (Net income from fair value measurement) [1]	2	-17
Net income from derecognition of financial instruments not measured at fair value through profit or loss (Net income from realisations)[1]	21	14
Thereof: from financial assets at amortised cost	20	14
Net income from hedge accounting	-1	-1
Net other operating income	-1	1
Net income from allowances on financial assets (Net income from risk provisioning)[1]	-10	-34
General and administrative expenses	-51	-48
Expenses from bank levies and similar dues	-28	-21
Net income from write-downs and write-ups on non-financial assets	-5	-5
Profit before tax	**52**	**2**
Income taxes	-10	-
Net income	**42**	**2**
attributable to: Shareholders	42	2

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

Net interest income of €123 million exceeded the €111 million achieved in the first quarter of 2020. Interest rate benefits from participation in the TLTRO III programme accrued over the term had a positive effect on net interest income. pbb met the lending target required for recognition of the interest rate benefits on 31 March 2021. The average portfolio of disbursed (and hence, interest-bearing) REF financings increased to €27.3 billion in the first quarter of 2021 (average volume 3m2020: €26.9 billion). As in the previous year, pbb Group profited from floors agreed upon with clients, given the negative interest rate environment.

Net fee and commission income from non-accruable fees of €2 million was unchanged year-on-year (3m2020: €2 million).

Net income from fair value measurement was slightly positive in the first quarter of 2021, at €2 million. This was due to a credit-induced increase in the fair values of financial instruments, whereas the previous year's figure (3m2020: €-17 million) was negatively influenced by the changed situation as a result of the COVID-19 pandemic.

Early repayments of financings produced a consequent increase in early termination fees, and therefore to a rise in income from realisations to €21 million. In the prior-year period, income from realisations amounted to €14 million, reflecting higher earnings from the disposal of financial instruments.

As hedges were largely effective, net income from hedge accounting amounted to €-1 million (3m2020: €-1 million).

Currency translation effects resulted in a slightly negative net other operating income of €-1 million (3m2020: €1 million). This item also comprised net reversals of provisions recognised outside of the lending business. Looking at provisions, no individual transaction was of material significance.

Net income from risk provisioning amounted to €-10 million. For financial instruments without indications for impaired credit quality (stages 1 and 2), there was an addition to loss allowance of €5 million, which was due, among other things, to the high new business volume. For financial instruments with indications for credit-impairment (stage 3), addition to loss allowance amounted to €5 million. These additions were necessary for the financings of two shopping centres in the UK. In the first quarter of 2021, one financial instrument was reclassified to stage 3. Due to good collateralisation, no loss allowance was required to be recognised for this instrument.

In line with current publications – among others, by the ECB – pbb Group expects the economy to recover in 2021 following the COVID-19-induced global economic slump in 2020. In 2022 economic recovery should continue, causing a reduction in the unemployment rate. The projected economic recovery – which is now closer compared to 31 December 2020 – would lead to a reversal of impairments for stage 1 and stage 2 financial assets, as forecasts of future economic developments have to be included in the measurement of risk provisioning. However, the impact of the COVID-19 pandemic has not yet led to defaults/insolvencies on a large scale. One reason for this is the current level of liquidity in the market, brought about especially by government support measures in connection with the temporary suspension of the obligation to file for insolvency. Against the backdrop of the pandemic development, uncertainty in this regard is still high and has even partially increased during the first quarter of 2021. The Management Board therefore decided to increase risk provisioning in order to counter the economic consequences from developments that have become apparent in the past weeks, i.e. lockdown extensions, setbacks in the vaccination programme, rising incidence rates, the discovery of side effects of vaccines, etc. This management overlay fully compensated the reversals of stage 1 and stage 2 impairments in the amount of €18 million, which resulted from consistent application of credit risk models.

In the first quarter of 2020, owing to the impact of the COVID-19 pandemic, net income from risk provisioning amounted to €-34 million, including €-30 million from stage 1 and stage 2 financial instruments and €-4 million from stage 3 financial instruments.

General and administrative expenses of €51 million were slightly above the previous year's figure of €48 million. Personnel expenses were slightly higher (€30 million, 3m2020: €29 million), due – amongst other factors – to higher average staff numbers resulting from the successful filling of vacancies, accompanied by simultaneous lower staff fluctuation. Non-personnel expenses (€21 million; 3m2020: €19 million) increased slightly due to project costs.

Expenses from bank levies and similar dues (€28 million; 3m2020: €21 million) mainly comprised expenses for the bank levy, taking into account 15 per cent pledged collateral in line with the calculation scheme provided beforehand by the EU Single Resolution Board (SRB). The charge has to be recognised in the first quarter for the entire year, in accordance with IFRIC 21 stipulations. The year-on-year increase in expenses for the bank levy resulted, among other things, from a significant in-crease in the fund's target volume at EU level. Furthermore, this line item comprised expenses of €1 million (3m2020: €1 million) for the statutory deposit guarantee scheme and the private Joint Fund for Securing Customer Deposits.

Net income from write-downs and write-ups on non-financial assets totalling €-5 million included scheduled depreciation of tangible assets and amortisation of intangible assets, and was in line with the previous year's level (3m2020: €-5 million).

Income taxes (€-10 million; 3m2020: €0 million) were attributable to current taxes (€-8 million; 3m2020: €0 million) and to deferred taxes €-2 million (3m2020: €0 million).

Net income amounted to €42 million (3m2020: €2 million), of which €38 million (3m2020: €-2 million) was attributable to ordinary shareholders and €4 million (3m2020: €4 million) to AT1 investors on a pro rata basis.

Development in Assets and Financial Position

DEVELOPMENT IN ASSETS

Assets

in € million	31.3.2021	31.12.2020
Cash reserve	5,165	5,376
Financial assets at fair value through profit or loss	1,476	1,368
Positive fair values of stand-alone derivatives	636	737
Debt securities	134	134
Loans and advances to customers	703	494
Shares in investment funds qualified as debt instruments	3	3
Financial assets at fair value through other comprehensive income	1,623	1,529
Debt securities	1,299	1,384
Loans and advances to customers	324	145
Financial assets at amortised cost after credit loss allowances	48,295	48,669
Financial assets at amortised cost before credit loss allowances	48,560	48,913
Debt securities	7,374	7,481
Loans and advances to other banks	1,714	1,874
Loans and advances to customers [1]	39,472	39,558
Credit loss allowances on financial assets at amortised cost	-265	-244
Positive fair values of hedge accounting derivatives	1,242	1,651
Valuation adjustment from portfolio hedge accounting (assets)	20	27
Tangible assets	37	38
Intangible assets	39	40
Other assets	46	47
Current income tax assets	22	19
Deferred income tax assets	94	95
Total assets	**58,059**	**58,859**

[1] Due to a correction according IAS 8.42 the previous year amount is lower by €22 million than disclosed in the Annual Financial Statements as at 31 December 2020.

Total assets remained largely constant during the first quarter of 2021. Financial assets at fair value through profit and loss increased slightly, reflecting the disbursement of real estate loans with the intention of partial syndication. Financial assets at fair value through other comprehensive income were also up slightly, reflecting the purchase of financial instruments for the liquidity portfolio. Looking at financial assets measured at amortised cost, the nominal volume of real estate loans increased to €27.5 billion (31 December 2020: €27.0 billion), due to the encouraging new business volume of €2.1 billion, which exceeded repayments. This increase, however, was more than offset by lower micro-hedge accounting adjustments, which resulted from increased interest rate levels, as well as by expiring public investment financings and lower cash collateral provided for derivatives.

DEVELOPMENT IN FINANCIAL POSITION

Liabilities and equity

in € million	**31.3.2021**	**31.12.2020**
Financial liabilities at fair value through profit or loss	664	596
Negative fair values of stand-alone derivatives	664	596
Financial liabilities measured at amortised cost	52,041	52,570
Liabilities to other banks	9,670	9,844
Liabilities to customers	21,674	22,583
Bearer bonds	20,043	19,457
Subordinated liabilities	654	686
Negative fair values of hedge accounting derivatives	1,581	1,920
Valuation adjustment from portfolio hedge accounting (liabilities)	94	137
Provisions	228	246
Other liabilities	81	62
Current income tax liabilities	35	34
Liabilities	**54,724**	**55,565**
Equity attributable to the shareholders of pbb	3,037	2,996
Subscribed capital	380	380
Additional paid-in capital	1,637	1,637
Retained earnings [1)]	1,086	1,044
Accumulated other comprehensive income	-66	-65
from pension commitments	-91	-102
from cash flow hedge accounting	-20	-16
from financial assets at fair value through OCI	45	53
Additional equity instruments (AT1)	298	298
Equity	**3,335**	**3,294**
Total equity and liabilities	**58,059**	**58,859**

[1)] Due to a correction according IAS 8.42 the previous year amount is lower by €22 million than disclosed in the Annual Financial Statements as at 31 December 2020.

Liabilities

Total liabilities as at 31 March 2021 were slightly below the previous year-end. Likewise, financial liabilities measured at amortised cost – which represent the major liabilities item – were down slightly compared to the end of the previous year (€-5 billion). Within this item, liabilities to banks decreased due to lower cash collateral received in the derivatives business; liabilities to customers meanwhile decreased due (among other things) to lower micro-hedge accounting adjustments as a result of higher interest rates. Additionally, the latter led to a lower fair value of hedging derivatives.

Equity

Equity as at 31 March 2021 increased by €41 million compared to 31 December 2020, mostly reflecting current net income in the first quarter of 2021. Furthermore, actuarial losses from pension obligations were reduced by €11 million, as the discounting rate used to measure the obligations increased to 1.36% as at the reporting date (31 December 2020: 1.00%) in line with the development of market interest rates. Items that may be reclassified to profit or loss at a future point in time, such as gains and losses from financial assets at fair value through other comprehensive income, declined by €8 million since the previous year-end, due to effects induced by interest rate and credit developments.

Funding

During the first quarter of 2021, pbb Group raised new long-term funding in the amount of €1.4 billion (3m2020: €1.9 billion). This was offset by repurchases and terminations totalling €0.4 billion (3m2020: €0.3 billion). The total amount of funding comprises both Pfandbrief issues and unsecured liabilities, issued both in the form of benchmark bonds and private placements. €0.6 billion (3m2020: €1.3 billion) was attributable to Pfandbrief issues. At €0.8 billion (3m2020: €0.6 billion), unsecured funding accounted for more than half of the volume, which was issued almost exclusively as senior preferred bonds. The transactions were denominated in euro and, in order to minimise foreign currency risks between assets and liabilities, in US dollar and Swedish krona. Unhedged interest rate exposures are usually hedged by swapping fixed against floating interest rates.

Liquidity

As at 31 March 2021, the Liquidity Coverage Ratio (LCR) was 281% (31 December 2020: 279%).

Off-balance Sheet Commitments

Irrevocable loan commitments of €3.2 billion (31 December 2020: €3.3 billion) represent the majority of off-balance sheet obligations. Contingent liabilities on guarantees and indemnity agreements amounted to €0.2 billion as at 31 March 2021 (31 December 2020: €0.2 billion).

Segment Reporting

Income/expenses

in € million		Real Estate Finance (REF)	Public Investment Finance (PIF)	Value Portfolio (VP)	Consolidation & Adjustments (C&A)	**pbb Group**
Operating income	1.1.-31.3.2021	126	9	10	1	146
	1.1.-31.3.2020	103	9	-3	1	110
Net interest income	1.1.-31.3.2021	104	9	9	1	123
	1.1.-31.3.2020	93	9	8	1	111
Net fee and commission income	1.1.-31.3.2021	2	-	-	-	2
	1.1.-31.3.2020	2	-	-	-	2
Net income from fair value measurement	1.1.-31.3.2021	1	-	1	-	2
	1.1.-31.3.2020	-4	-1	-12	-	-17
Net income from realisations	1.1.-31.3.2021	21	-	-	-	21
	1.1.-31.3.2020	11	1	2	-	14
Net income from hedge accounting	1.1.-31.3.2021	-1	-	-	-	-1
	1.1.-31.3.2020	-1	-	-	-	-1
Net other operating income	1.1.-31.3.2021	-1	-	-	-	-1
	1.1.-31.3.2020	2	-	-1	-	1
Net income from risk provisioning	1.1.-31.3.2021	-11	-	1	-	-10
	1.1.-31.3.2020	-33	-	-1	-	-34
General and administrative expenses	1.1.-31.3.2021	-44	-4	-3	-	-51
	1.1.-31.3.2020	-41	-4	-3	-	-48
Expenses from bank levies and similar dues	1.1.-31.3.2021	-17	-4	-7	-	-28
	1.1.-31.3.2020	-12	-3	-6	-	-21
Net income from write-downs and write-ups of	1.1.-31.3.2021	-4	-1	-	-	-5
non-financial assets	1.1.-31.3.2020	-4	-1	-	-	-5
Net income from restructuring	1.1.-31.3.2021	-	-	-	-	-
	1.1.-31.3.2020	-	-	-	-	-
Profit before tax	**1.1.-31.3.2021**	**50**	**-**	**1**	**1**	**52**
	1.1.-31.3.2020	**13**	**1**	**-13**	**1**	**2**

Balance-sheet-related measures

in € billion		REF	PIF	VP	C&A	**pbb Group**
Financing volumes[1]	31.3.2021	27.5	5.7	11.4	-	**44.6**
	31.12.2020	27.0	5.8	11.4	-	**44.2**
Risik-weighted assets[2]	31.3.2021	16.6	0.7	0.4	0.6	**18.3**
	31.12.2020	16.0	0.8	0.4	0.5	**17.7**
Equity[3]	31.3.2021	1.9	0.2	0.5	0.4	**3.0**
	31.12.2020	1.9	0.2	0.5	0.4	**3.0**

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

Breakdown of Maturities by Remaining Term

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						31.3.2021
Cash reserve	5,165	-	-	-	-	5,165
Financial assets at fair value through profit or loss	3	6	19	247	565	840
Debt securities	-	-	-	89	45	134
Loans and advances to customers	-	6	19	158	520	703
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	307	35	694	587	1,623
Debt securities	-	305	28	416	550	1,299
Loans and advances to customers	-	2	7	278	37	324
Financial assets at amortised cost before credit loss allowances	1,209	2,770	4,617	19,038	20,926	48,560
Debt securities	-	343	198	2,233	4,600	7,374
Loans and advances to other banks	1,136	-	-	-	578	1,714
Loans and advances to customers	73	2,427	4,419	16,805	15,748	39,472
Total financial assets	**6,377**	**3,083**	**4,671**	**19,979**	**22,078**	**56,188**
Financial liabilities at cost	1,921	1,367	6,905	24,578	17,270	52,041
Liabilities to other banks	718	26	101	8,073	752	9,670
Thereof: Registred bonds	-	17	-	394	520	931
Liabilities to customers	1,165	1,152	2,484	5,100	11,773	21,674
Thereof: Registred bonds	-	356	783	2,790	11,235	15,164
Bearer bonds	38	176	4,298	11,371	4,160	20,043
Subordinated liabilities	-	13	22	34	585	654
Total financial liabilities	**1,921**	**1,367**	**6,905**	**24,578**	**17,270**	**52,041**

Maturities of specific financial assets and liabilities (excluding derivatives)

in € million	not specified/ repayable on demand	up to 3 months	more than 3 months up to 1 year	more than 1 year up to 5 years	more than 5 years	Total
						31.12.2020
Cash reserve	5,376	-	-	-	-	5,376
Financial assets at fair value through profit or loss	3	5	18	186	419	631
Debt securities	-	-	-	89	45	134
Loans and advances to customers	-	5	18	97	374	494
Shares in investment funds qualified as debt instruments	3	-	-	-	-	3
Financial assets at fair value through other comprehensive income	-	111	317	503	598	1,529
Debt securities	-	89	313	422	560	1,384
Loans and advances to customers	-	22	4	81	38	145
Financial assets at amortised cost before credit loss allowances	1,344	1,988	5,077	19,568	20,936	48,913
Debt securities	-	107	330	2,332	4,712	7,481
Loans and advances to other banks	1,318	-	-	-	556	1,874
Loans and advances to customers [1)]	26	1,881	4,747	17,236	15,668	39,558
Total financial assets	**6,723**	**2,104**	**5,412**	**20,257**	**21,953**	**56,449**
Financial liabilities at cost	2,136	1,570	4,946	25,929	17,989	52,570
Liabilities to other banks	864	23	94	8,092	771	9,844
Thereof: Registred bonds	-	10	2	386	542	940
Liabilities to customers	1,235	775	2,608	5,464	12,501	22,583
Thereof: Registred bonds	-	271	765	2,838	11,934	15,808
Bearer bonds	37	728	2,243	12,318	4,131	19,457
Subordinated liabilities	-	44	1	55	586	686
Total financial liabilities	**2,136**	**1,570**	**4,946**	**25,929**	**17,989**	**52,570**

[1)] Due to a correction according IAS 8.42 the previous year amount is lower by €22 million than disclosed in the Annual Financial Statements as at 31 December 2020.

Report on Post-balance Sheet Date Events

In April 2021, i.e. after the balance sheet date, the French financial institution Caisse des Dépôts et Consignation (CDC) acquired shares in the subsidiary CAPVERIANT GmbH, which had previously been fully owned by pbb. In addition, CDC will increase the equity of CAPVERIANT GmbH by subscribing to a capital increase. As a result, CDC will hold approx. 28.57% of CAPVERIANT GmbH. The transaction has no material impact on pbb Group's assets, financial position and earnings.

There were no other material events after 31 March 2021.

Additional Information

Future-oriented Statements

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

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