

Preliminary Results 2014

(IFRS, pbb Group, unaudited)

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb

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Strong operating performance – adjusted PBT at EUR 174 mn
(before effect from value adjustment on non-strategic HETA
exposure of EUR -120 mn)

Results Call

Munich/Unterschleissheim, 9th March 2015

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1 **Highlights 2014**

- 2 Financials
- 3 New business and portfolio
- 4 Segment performance
- 5 Funding
- 6 Balance sheet and capitalisation
- 7 Outlook

Appendix

Contact details

Highlights 2014

Continued execution of strategy

- ➔ New business up +24% y-o-y to a record level of EUR 10.2 bn
- ➔ Higher-margin strategic business growing (+9%), low-margin non-strategic business continues to run down
- ➔ Stable and diversified funding base with attractive German Pfandbrief as major funding instrument – new long-term funding at significantly reduced spread levels
- ➔ Pre-tax profit of EUR 54 mn burdened by EUR -120 mn effect from extraordinary value adjustment on non-strategic HETA exposure (nominal: EUR 395 mn)

Adjusted PBT of EUR 174 mn (+5% y-o-y) driven by strong operating performance, exceeding guidance of EUR >140 mn by +24%
 - Strong positive earnings trend from lending business with net interest income up +32% and loan-loss provisions in core business remaining on low level
 - Operating cost base significantly reduced (-20%) following the termination of the FMS-WM servicing as well as due to strict cost containment
- ➔ Further improved capitalisation with CET1 ratio of 21.7%¹ (Basel III, fully phased-in: 13.5%)
- ➔ **Low-yielding non-strategic portfolio running down and being replaced by higher-yielding and growing strategic business**

¹ Incl. EUR 1 bn silent participation of Sonderfonds Finanzmarktstabilisierung (FMS), which is expected to be repaid prior to pbb's privatisation

Highlights 2014

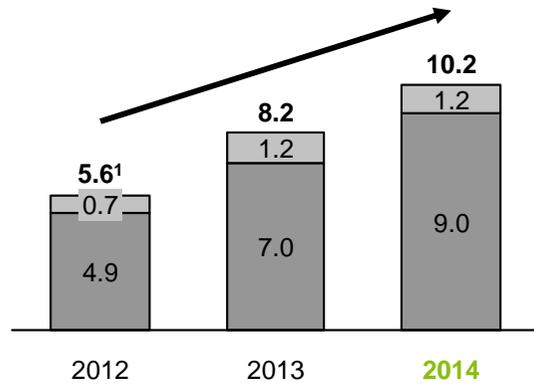
Operating performance indicators of core lending business show a strong positive trend



Business volume development

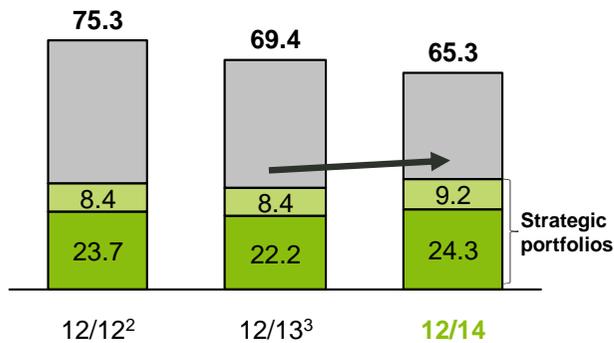
New business

EUR millions (Commitments, incl. extensions >1 yr)



Portfolio

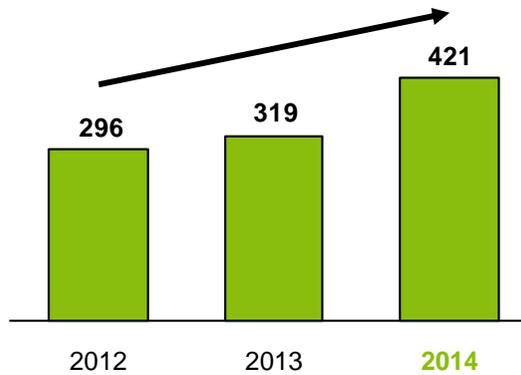
EUR billions (EaD, Basel III)



Income statement development

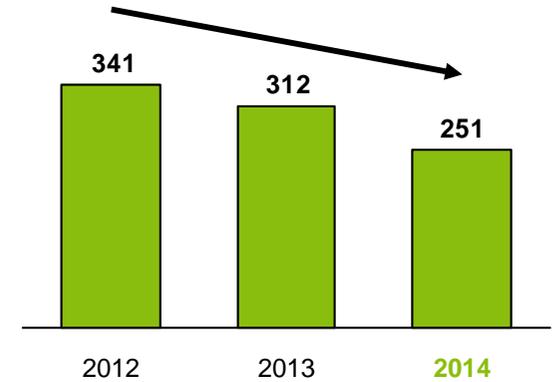
Net interest income and similar

EUR millions (IFRS)



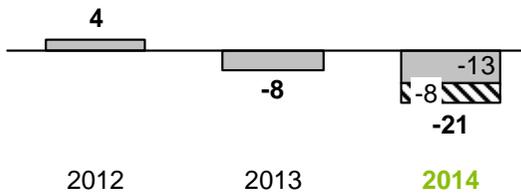
General administrative expenses

EUR millions (IFRS)



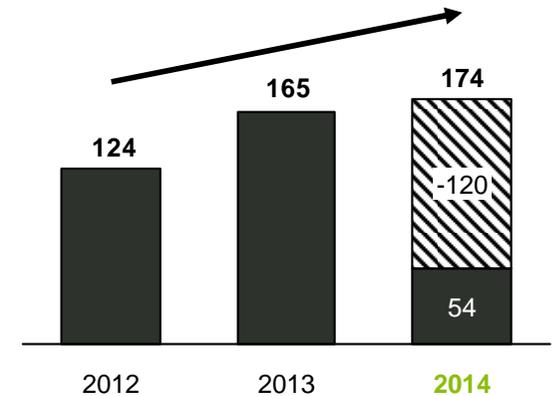
Loan-loss provisions

EUR millions (IFRS)



Pre-tax profit (adjusted for HETA)

EUR millions (IFRS)



1 Origination activities reduced in H1 in the light of strained funding markets

2 Basel II 3 Revised Basel III

Highlights 2014

Market environment continued to be favorable in pbb's relevant markets

Banking Sector

- ECB continued extensive **stimulus measures** – however, low **interest rate levels** burden net interest income
- **AQR/stress test** results provided more transparency on European banking sector – ECB took over responsibility for the supervision of major euro area banks
- **Regulatory environment** more tangible, but remains challenging – Basel III/CRD reform package implemented, taking effect successively starting from 2014

Real Estate Finance

- Increasing **property values** in most of pbb's relevant markets led to declining **yields**
- However, high demand for **property investments** continued
 - Historically low interest rate levels promote search for higher yielding assets
 - Yield gap vs. government bonds remained attractive
 - Increasing competition led to margin pressure and thus to more favorable financing conditions for property investors – high level of early repayments
- Despite being under pressure, **new business margins** still remained well above pre-crisis level – thus, pbb's **portfolio margins** further improved

Public Investment Finance

- Challenging **market environment** due to margin pressure from traditional local public sector lenders such as public sector and development banks
- However, ongoing high government **refinancing demand** and need to improve public facilities and infrastructure

Funding

- **Quantitative easing** in Eurozone continued
- Following the AQR/stress test results and covered bond purchases under the new CBPP3
 - **new issuance activities** significantly gained momentum
 - **spreads** tightened
- Tight spreads and low yield environment led to higher **demand** for longer maturities

Highlights 2014

Value adjustment on pbb's exposure to Heta Asset Resolution AG (HETA) burdens P&L by EUR -120 mn



- **Non-strategic legacy exposure of nominal EUR 395 mn (Value Portfolio)**
 - 8 bonds + one promissory note
 - Securities issued between 2002 and 2006
 - Maturity dates 2017 (EUR 295 mn) and 2018 (EUR 100 mn)

- **Exposure fully covered by a letter of indemnity issued by the federal state of Carinthia (rated A2/Stable by Moody's until 6th March, now Baa3/Negative)**

- **Decision taken in response to recent moves by the Austrian Financial Market Authority (FMA), and the Austrian federal government**

- **Value adjustment follows pbb's prudent risk and valuation approach**

- **pbb is reviewing the pursuit of all legal channels in order to get all of its claims satisfied**

Highlights 2014

Operating performance quality of core lending business improving as targeted



New business (Commitments, EUR bn)	2013	2014e	2014	Δ y-o-y
New business (incl. extensions >1 year)	8.2	↗	10.2	+24.4%

Portfolio (EaD, EUR bn)	2013 ¹	2014e	2014	Δ y-o-y
Real Estate Finance (REF)	22.2	↗	24.3	+9.5%
Public Investment Finance (PIF)	8.4	↗	9.2	+9.5%
Value Portfolio (VP)	25.0	↘	24.9	0.0%

Income statement (IFRS, EUR mn)	2013	2014e	2014	2014 (adjusted) ¹	Δ y-o-y (adjusted) ¹
Net interest and commission income	328	>370	422	422	+28.7%
Loan-loss provisions	8	<50	21	13	+62.5%
Other operating income/expenses	100	<40	14	14	-86.0%
General administrative expenses	312	<260	251	251	-19.6%
Net result from trading, hedge accounting, fin. Investments	54	n/a	-110	2	>-100%
Pre-tax profit	165	>140	54	174	+5.5%

Key ratios (%)	2013	2014e	2014	2014 (adjusted) ¹	Δ y-o-y (adjusted) ¹
CIR	64.7	<60	77.0	57.3	-7.4%pts
RoE before tax	5.0	n/a	1.6	5.0	-

Key drivers 2014:

- New business marks new record level, benefiting from ongoing favorable market environment
- Strategic business growing – new business volume exceeds maturities
- Value Portfolio in run-down (nominal: -10%) – however, declined long-term interest rates resulted in increased hedge adjustments on an EaD basis
- Continued positive trend in base line revenues from strategic lending business
- LLPs in core lending business remained at low level – however, EUR -120 mn extraordinary effect from value adjustment on non-strategic HETA exposure
 - EUR -8 mn in loan-loss provisions (promissory note)
 - EUR -3 mn in trading result (retrospective swap termination)
 - EUR -109 mn in result from financial investments (bonds)
- Operating cost base significantly reduced following the termination of the FMS-WM servicing as well as due to strict cost containment
- PBT at EUR 54 bn, including extraordinary burden by HETA – adjusted PBT of EUR 174 mn exceeds guidance by +24% as well as already strong 2013, which was driven by positive one-offs

¹ Adjusted for EUR -120 mn extraordinary effect from value adjustment on HETA exposure

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Income statement

Net interest income continuously strengthened

Income from lending business

EUR millions

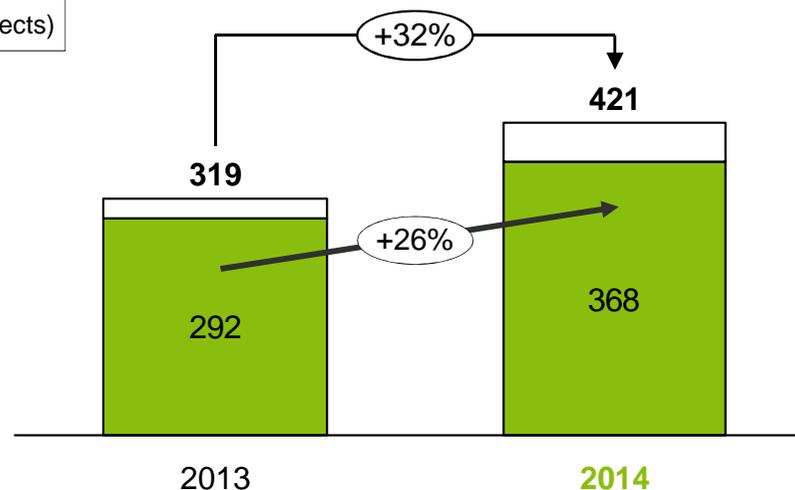
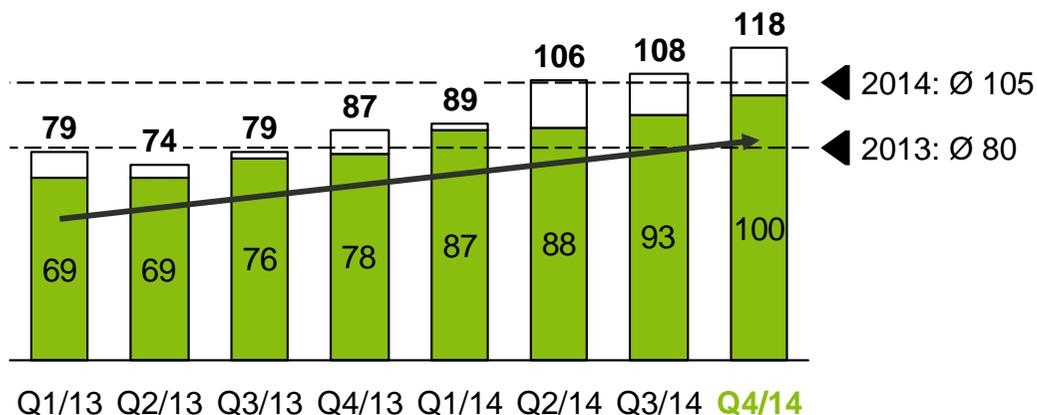
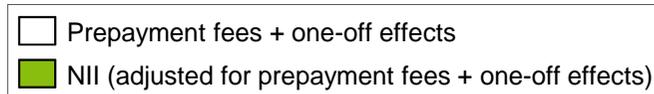
	2013	2014
Net interest and similar income	319	421
<i>thereof: prepayment fees + one-off effects</i>	27	52
Net fee and commission income	9	1

Key drivers 2014:

- NII driven by an increased portfolio margin as well as benefiting from
 - higher prepayment fees
 - one-off effects (incl. EUR +15 mn gain from buy-back of a liability in the course of the disentanglement from DEPFA)
- Lower back-end/exit fees – depending on individual transactions, these fees do not occur on a regular basis

Net interest and similar income

EUR millions



Income statement

Loan-loss provisions in core lending business remained at low level

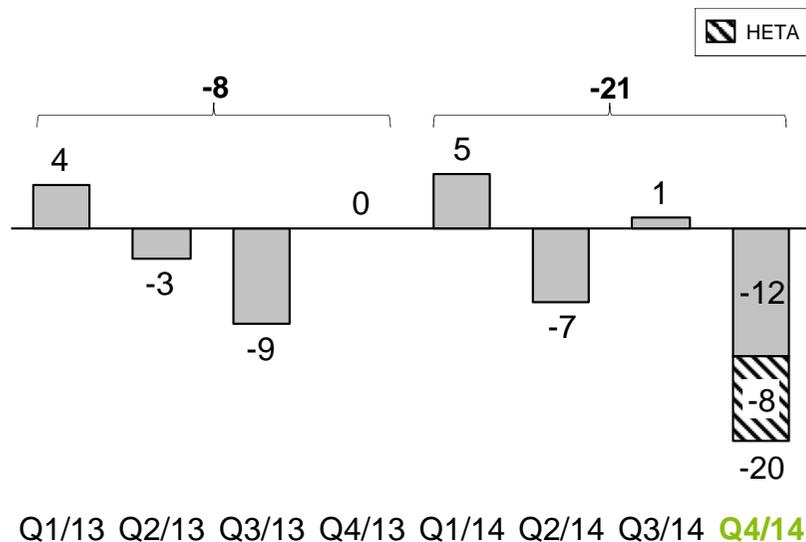
Loan-loss provisions: Income statement

EUR millions

	2013	2014
Loan-loss provisions	-17	-27
<i>thereof: HETA</i>	-	-8
Provisions for contingent liabilities and other commitments	1	0
Recoveries from write-offs	8	6
Total	-8	-21
<i>thereof: HETA</i>	-	-8

Key drivers 2014:

- Loan-loss provisions in core lending business only slightly up, but remaining on low level
- EUR -8 mn negative effect from value adjustment on HETA (promissory note)



Income statement

Operating cost base significantly reduced following the termination of the FMS-WM servicing by end of Sep 2013 and due to strict cost containment

Income/expenses from further business activities

EUR millions

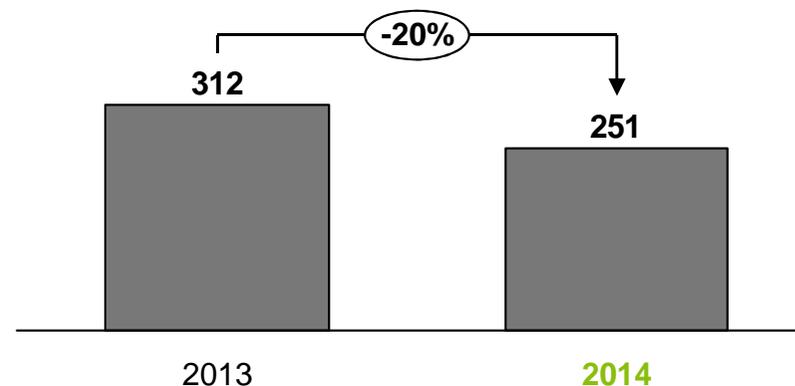
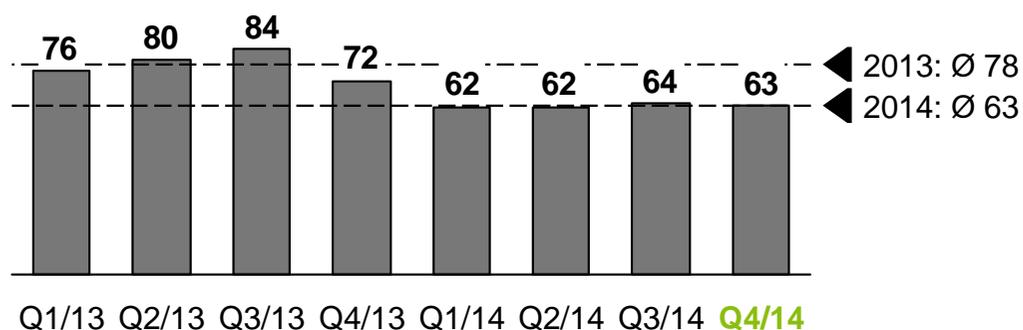
	2013	2014
Net other operating income/expenses	100	14
<i>thereof: FMS-WM servicing¹</i>	60	-
<i>IT services DEPFA</i>	36	30
Net miscellaneous income/expenses	3	-
General and administrative expenses	-312	-251

Key drivers 2014:

- No fee income from FMS-WM servicing¹ since Oct 2013 – EUR +7 mn release of related provisions in 2014
- Negative effects from additions to provisions, write-offs on properties in restructuring/IT and FX effects
- Operating cost base reduced by -20% y-o-y
 - Termination of FMS-WM servicing¹ and transfer of related staff by end of Sep 2013
 - Strict cost containment, incl. lower expenses for professional services and IT

General and administrative expenses

EUR millions



¹ Except for a few services that cannot be obtained otherwise and which have continued to be provided after Sep 2013

Income statement

Income/expenses from financial instruments primarily driven by derivative valuation and one-off effects

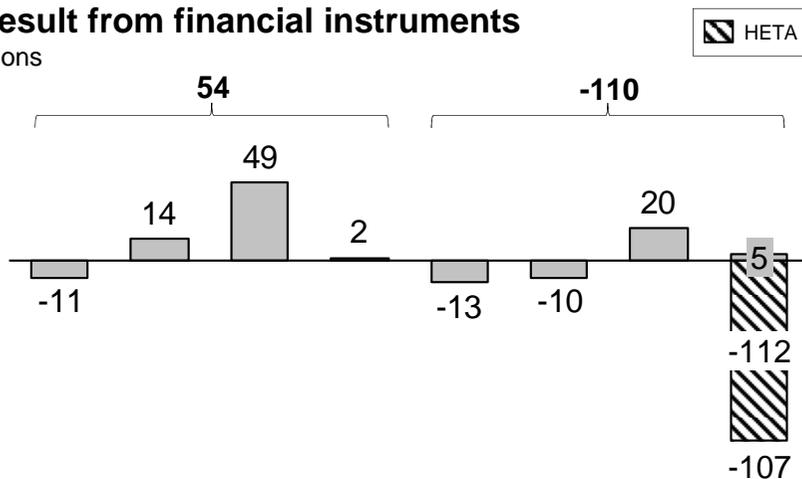
Income/expenses from financial instruments

EUR millions

	2013	2014
Net trading income	-51	-30
<i>thereof: HETA</i>	-	-3
<i>thereof: Other one-off effects</i>	-55	-
Net income from financial investments	96	-77
<i>thereof: HETA</i>	-	-109
<i>thereof: Other one-off effects</i>	92	21
Net income from hedging relationships	9	-3
Total	54	-110
<i>thereof: HETA</i>	-	-112

Total result from financial instruments

EUR millions



Q1/13 Q2/13 Q3/13 Q4/13 Q1/14 Q2/14 Q3/14 **Q4/14**

Key drivers 2014:

- Pull-to-par effect from positive derivative fair values
 - EUR -12 mn (2013: EUR +7 mn) bCVA effect, mainly resulting from worsening of counterparty credit spreads
 - EUR +21 mn one-off gain in the course of the disentanglement from DEPFA
-
- EUR -112 mn effect from value adjustment on HETA exposure
 - EUR -3 mn in trading result (retrospective swap termination)
 - EUR -109 mn in result from financial investments (provisioning on bonds)
-
- One-off effects 2013:
 - Negative one-off effect of EUR -55 mn from change to Overnight Index Swaps (OIS) and termination of a derivative
 - EUR +92 mn gain from sale of a successfully restructured property

Agenda

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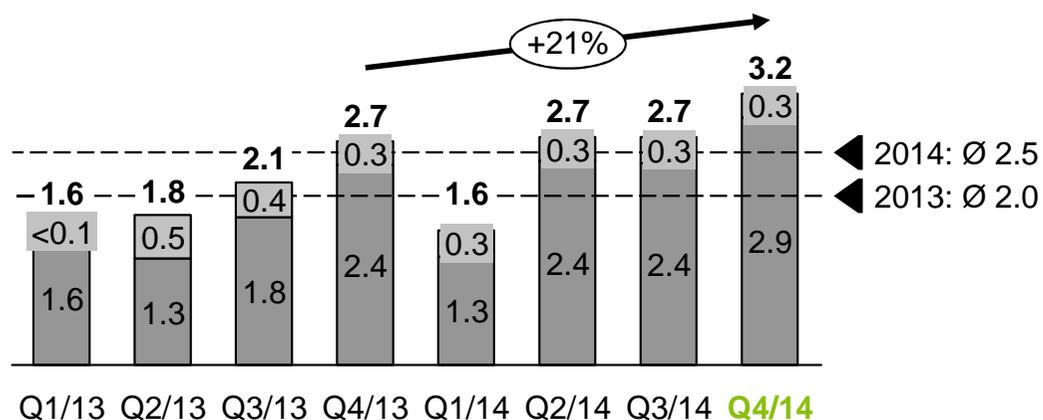
New business

New business of EUR 3.2 bn in Q4 and EUR 10.2 bn in 2014, both mark new record levels



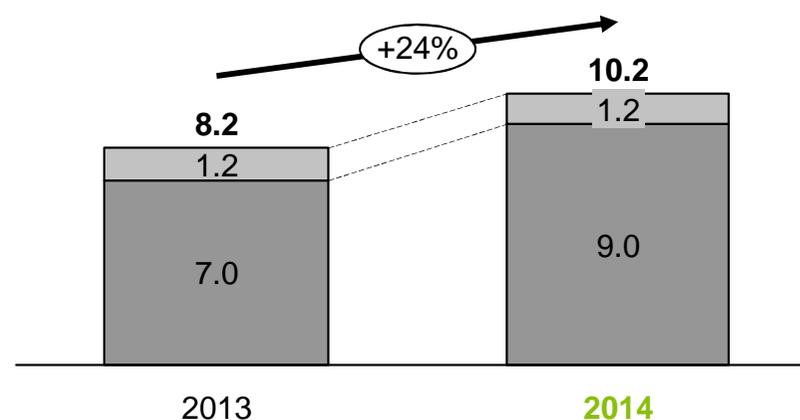
Total new business

EUR billions (Commitments, incl. extensions >1 yr)



Total new business

EUR billions (Commitments, incl. extensions >1 yr)



Real Estate Finance	2013	2014
Total new business	EUR 7.0 bn	EUR 9.0 bn
thereof: Extensions >1 year	EUR 1.7 bn	EUR 2.1 bn
No. of deals	131	161
Average maturity _(legal maturity)	~4.4 yrs	~5.1 yrs
Average LTV _(New commitments) ¹	61%	64%
Average gross margin	>225 bp	>200 bp

Public Investment Finance	2013	2014
Total new business	EUR 1.2 bn	EUR 1.2 bn
thereof: Extensions >1 year	-	-
No. of deals	34	41
Average maturity _(WAL)	~8.1 yrs	~6.7 yrs
Average gross margin	>100 bp	>75 bp

- New commitments with slightly higher LTVs – however, LTVs still on conservative level and avg. LTV in the portfolio even down from 64% to 62%
- Lower avg. gross margin reflects increased competition in core markets

- Lower avg. gross margin reflects higher share (43%) of lower-margin German business (2013: 38%) and increased competition in France

Note: Figures may not add up due to rounding 1 Avg. LTV (extensions): 65% (2014); 74% (2013)

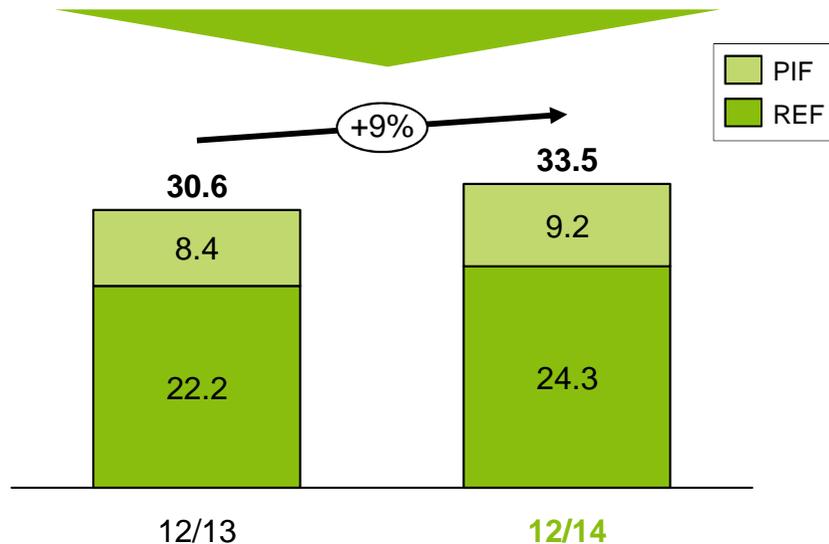
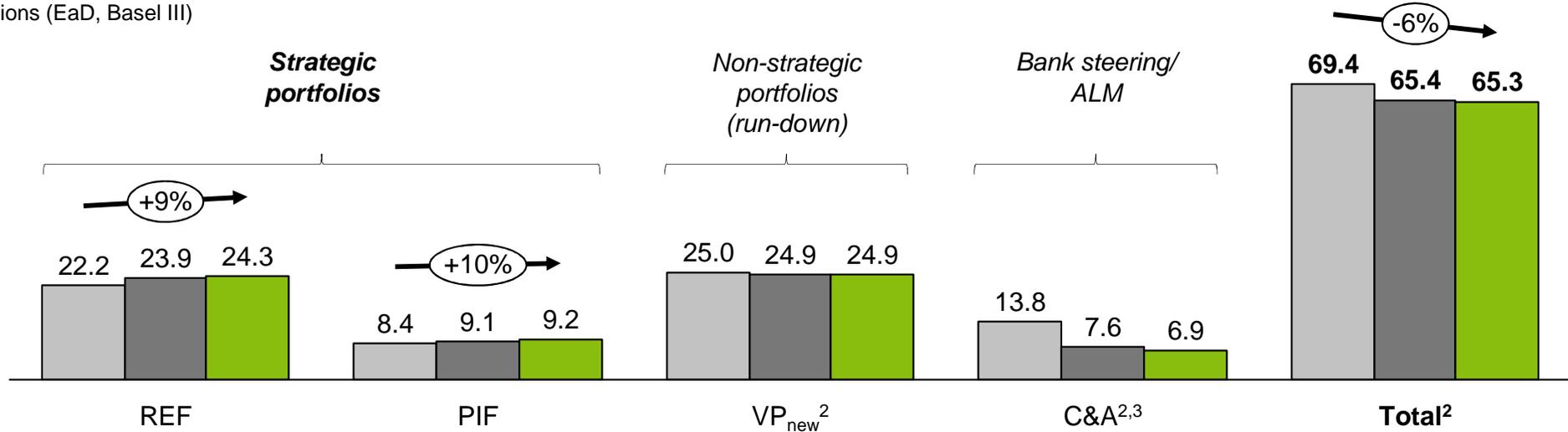
Portfolio

Strategic portfolios continuously growing



Total portfolio

EUR billions (EaD, Basel III)



Key drivers 2014:

- Business segments aligned to strategic scope since 2014
 - Strategic PIF business separated
 - Non-strategic portfolios bundled in Value Portfolio
- Strategic portfolios continuously increased during the year as the new business volume exceeds maturities
- VP in run-down (nominal: -10%) – however, declined long-term interest rates resulted in increased hedge adjustments on an EaD basis
- Bank steering/ALM portfolio (C&A) optimised, given the negative central bank deposit rate (shift to reverse repo transactions, which allow for collateral netting)

Note: Figures may not add up due to rounding 1 Revised Basel III 2 Excl. FMS-WM guaranteed exposure 3 Incl. Bundesbank accounts (12/14: EUR 0.051 bn; 09/14: EUR 0.008 bn; 12/13: EUR 4.8 bn)

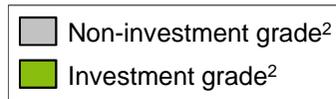
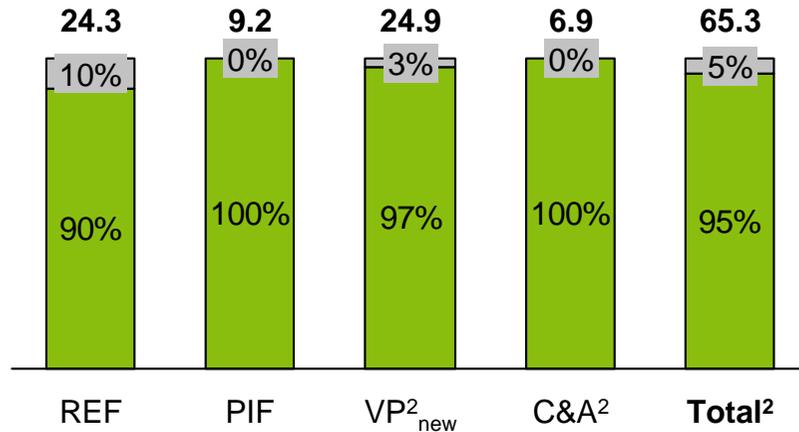
Portfolio

High portfolio quality reflected in remaining sound risk profile



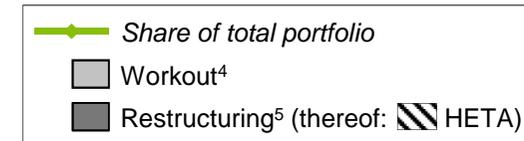
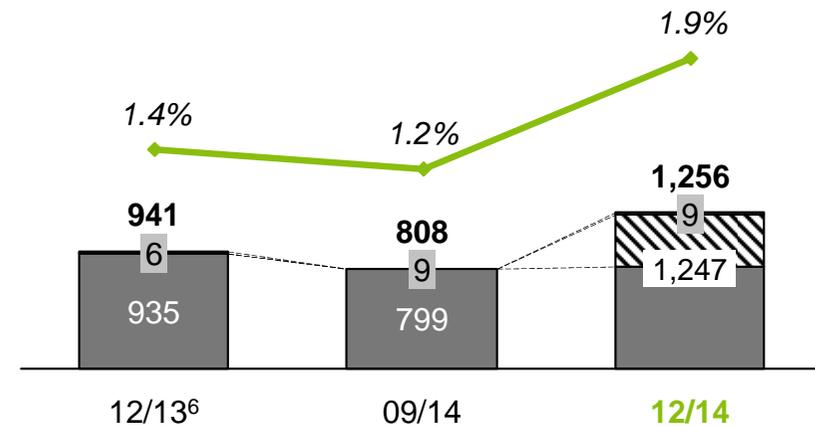
Total portfolio: Internal ratings (EL classes)

31/12/2014: EUR billions (EaD, Basel III)¹



Total problem loans

EUR millions (EaD, Basel III)³



Key drivers 2014:

- HETA exposure (Value Portfolio) no more investment grade – however, total portfolio with unchanged high investment grade share of 95% (12/13: 95%)

Key drivers 2014:

- Shift from HETA exposure into ‘Restructuring’ (PD class 29) results in higher problem loans, but share of 1.9% in the total portfolio still on low level

Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure ² EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade ³ In addition, EUR 1 mn in C&A (12/13: EUR 6 mn)
⁴ PD class 30: No signs that the deal will recover soon, compulsory measures necessary ⁵ PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply ⁶ Revised Basel III

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Real Estate Finance (REF)

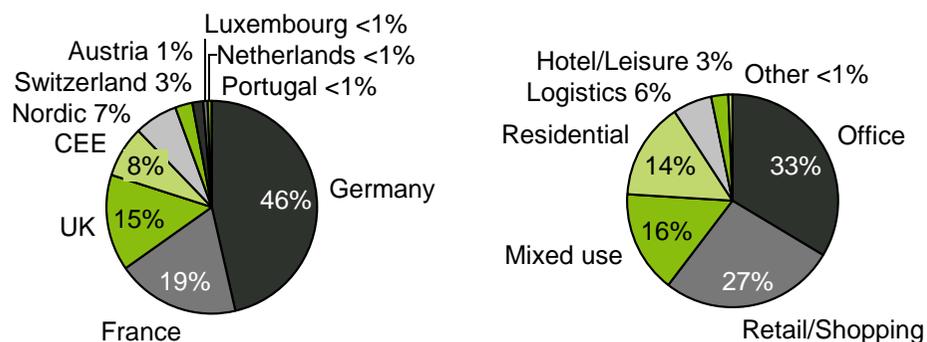
Portfolio growing and net interest income with continued positive trend



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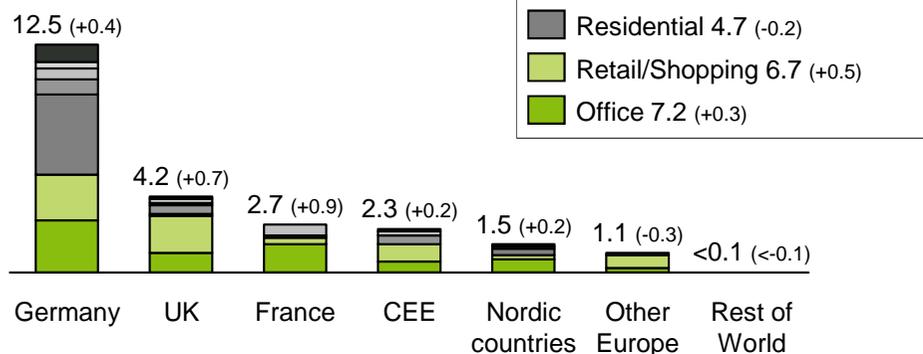
New business: Regions/property types

2014: EUR 9.0 bn (commitments, incl. extensions >1 year)



Portfolio: Regions/property types

31/12/2014: EUR 24.3 bn (Δ y-o-y)
(EaD, Basel III)



New business (incl. extensions >1 year)	2012	2013	2014
Volume (EUR bn, commitments)	4.9	7.0	9.0
No. of deals	79	131	161
Average maturity _(legal maturity) (years)	~4.5	~4.4	~5.1
Average LTV _(New commitments) ¹ (%)	56	61	64
Average gross margin (bp)	>225	>225	>200
Income statement (IFRS, EUR mn)	2012	2013 ²	2014
Operating income	264	355 ³	292
<i>thereof: Net interest and similar income</i>	227	261	304
Loan-loss provisions	5	-1	-13
General administrative expenses	-139	-147	-160
Pre-tax profit	127	209³	118
Key indicators	2012	2013 ²	2014
CIR (%)	52.7	41.4 ³	54.8
RoE before tax (%)	10.4	22.8 ³	15.6
Equity (EUR bn, excl. revaluation reserve)	1.0	0.9	0.8
RWA (EUR bn)	9.6	7.4 ⁴	7.2
Financing volume (EUR bn, nominal)	22.1	20.4	21.8

Key drivers 2014:

- Net interest income with continued positive trend – even increased competition in core markets led to lower new business margins, margin levels still well above pre-crisis level
- Loan-loss provisions slightly up, but remained on low level
- Higher operating costs reflect additional expenses for strengthening of sales operations

Note: Figures may not add up due to rounding 1 Avg. LTV (extensions): 65% (2014); 74% (2013) 2 Revised pursuant to IFRS 8.29 3 Incl. EUR 92 mn one-off gain from sale of a restructured property 4 Basel III simulation
5 Incl. land, acquisition lines

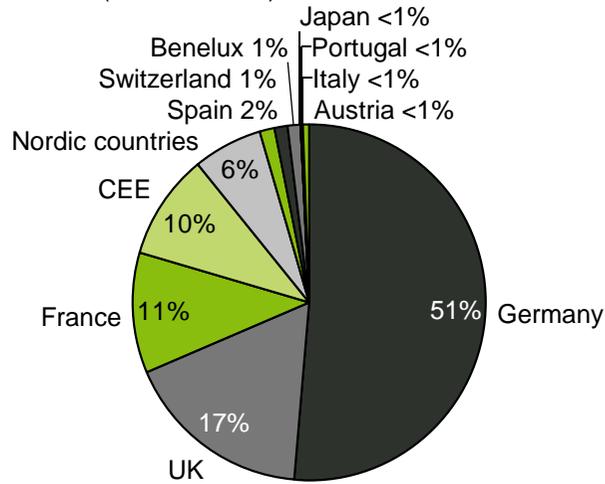
Real Estate Finance (REF)

Stable and well diversified portfolio structure with core focus on investment loans in Germany, UK and France



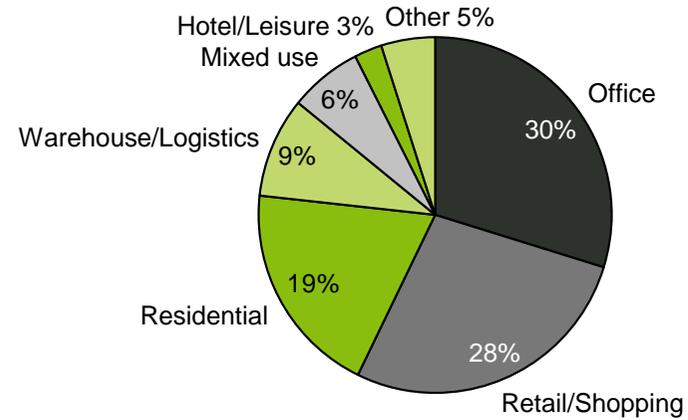
Portfolio: Regions

31/12/2014: EUR 24.3 bn (EaD, Basel III)



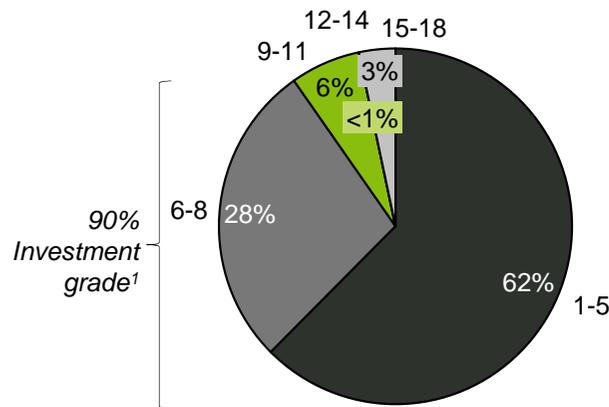
Portfolio: Property types

31/12/2014: EUR 24.3 bn (EaD, Basel III)



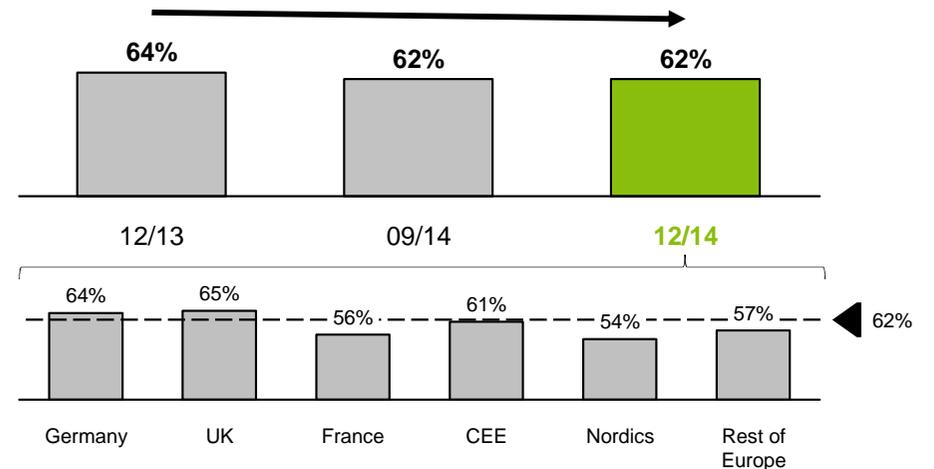
Portfolio: Internal Ratings (EL classes)

31/12/2014: EUR 24.3 bn (EaD, Basel III)



Portfolio: Avg. weighted LTVs

31/12/2014 (Commitments)



Note: Figures may not add up due to rounding 1 EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade

Public Investment Finance (PIF)

Portfolio growing and business turned profitable

New business: Regions/counterparty types

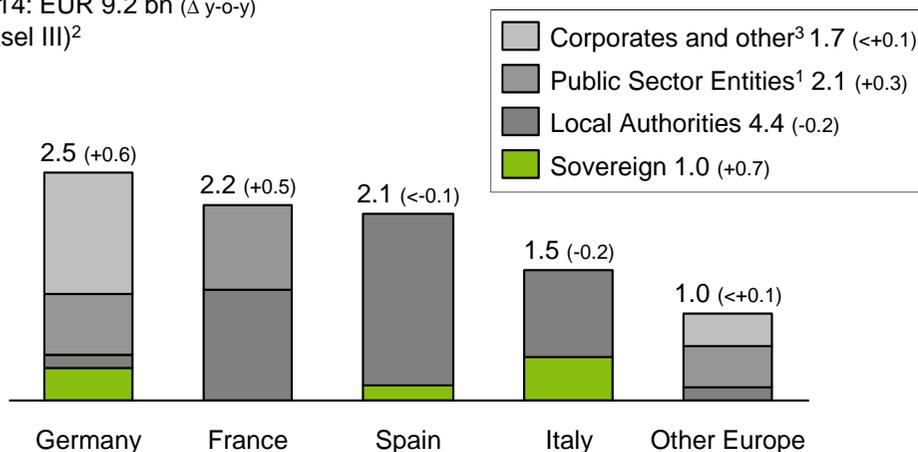
2014: EUR 1.2 billions (commitments)



Portfolio: Regions/counterparty types

31/12/2014: EUR 9.2 bn (Δ y-o-y)

(EaD, Basel III)²



New business (incl. extensions >1 year)	2012	2013	2014
Volume (EUR bn, commitments)	0.7	1.2	1.2
No. of deals	42	34	41
Average maturity _(WAL) (years)	~7.0	~8.1	~6.7
Average gross margin (bp)	>140	>100	>75
Income statement (IFRS, EUR mn)	2012	2013 ⁵	2014
Operating income		18	39
<i>thereof: Net interest and similar income</i>		29	45
Loan-loss provisions	n/a ⁴	-	-
General administrative expenses		-31	-33
Pre-tax profit		-13	6
Key indicators	2012	2013 ⁵	2014
CIR (%)		>100	84.6
RoE before tax (%)		<0	1.1
Equity (EUR bn, excl. revaluation reserve)	n/a ⁴	0.4	0.5
RWA (EUR bn)		3.1 ⁶	2.4
Financing volume (EUR bn, nominal)		7.2	8.0

Key drivers 2014:

- Business segment turned profitable on the basis of a growing portfolio at an increased average portfolio margin
 - New business volume exceeds maturities
 - Higher share of lower-margin German business and increased competition in France led to lower new business margin – however, new business margin higher than portfolio margin
- CIR significantly improved – operating income now covering costs

Note: Figures may not add up due to rounding 1 Entities with explicit or implicit financial support from a tax raising authority guaranteed 2 Excl. FMS-WM guaranteed exposure 3 >95% Sovereign/regional Government related and/or 4 Pursuant to IFRS 8.29 5 Revised pursuant to IFRS 8.29 6 Basel III simulation

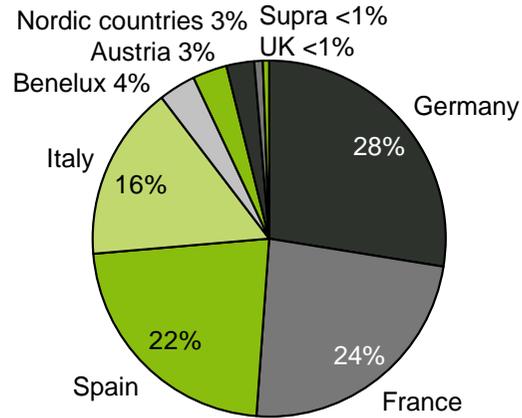
Public Investment Finance (PIF)

New business focus on highly-rated public and publicly-backed German, French and Nordic counterparties



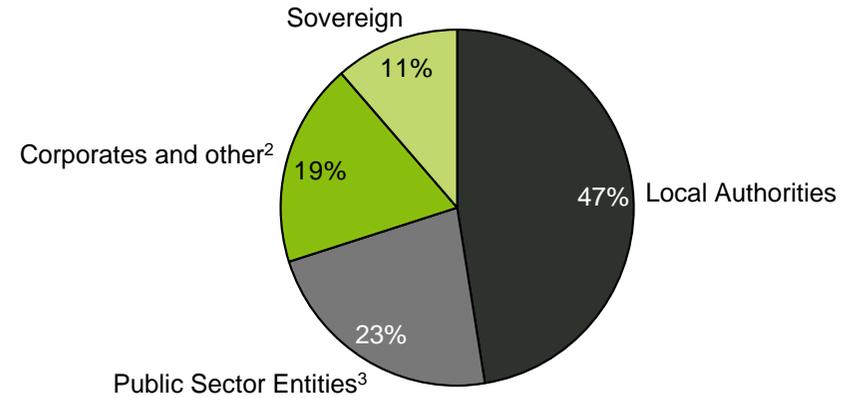
Portfolio: Regions

EUR billions (EaD, Basel III)¹



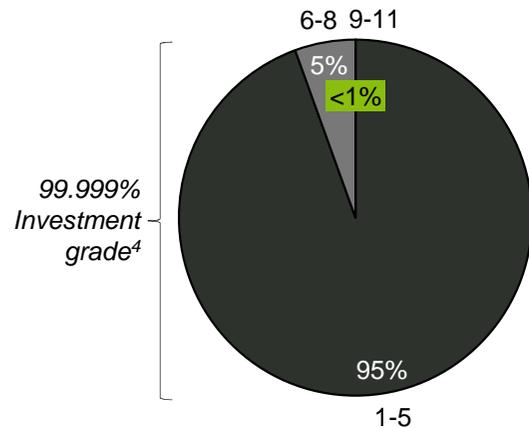
Portfolio: Counterparty types

EUR billions (EaD, Basel III)¹



Portfolio: Internal ratings (EL classes)

EUR billions (EaD, Basel III)¹



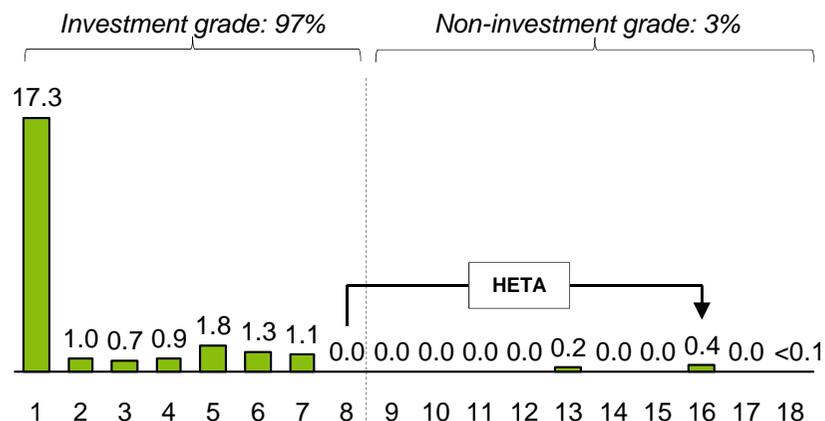
Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure ² >95% Sovereign/regional Government related and/or guaranteed ³ Entities with explicit or implicit financial support from a tax raising authority ⁴ EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade

Value Portfolio (VP)

97% investment grade and more than 25% to mature within the next three years

Portfolio: Internal ratings (EL classes)

31/12/2014: EUR 24.9 bn (EaD, Basel III)¹



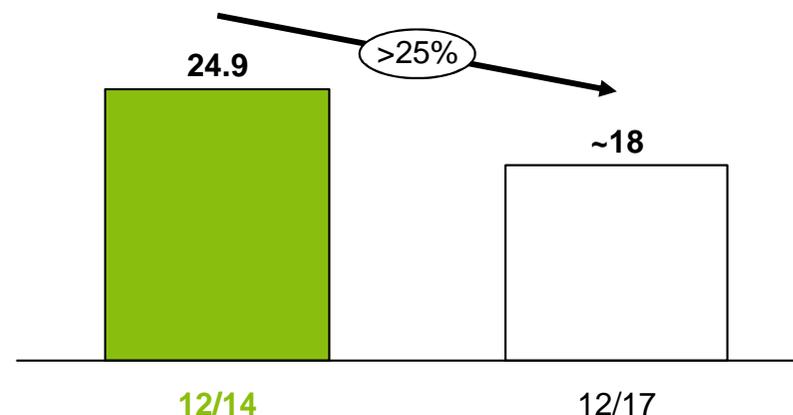
Key drivers 2014:

- Value adjustment on HETA exposure with total P&L effect of EUR -120 mn – exposure shifted from EL class 8 into 16
- Operating income benefited from high pre-payment fees
- No more income from FMS-WM servicing⁶, but also reduced operating cost base
- VP in run-down with >25% to mature within the next three years⁷

Income statement (IFRS, EUR mn)	2012	2013 ³	2014	2014 (adjusted) ⁴
Operating income		91	-21	89
<i>thereof: Net interest and similar income</i>		12	56	56
Loan-loss provisions	n/a ²	-7	-7	1
General administrative expenses		-134	-58	-58
Pre-tax profit		-49	-86	32
Key indicators	2012	2013 ³	2014	2014 (adjusted) ⁴
CIR (%)		>100	>100	65.2
RoE before tax (%)		<0	<0	2.6
Equity (EUR bn, excl. revaluation reserve)	n/a ²	1.2	1.3	1.3
RWA (EUR bn)		6.0 ⁵	4.4	4.8
Financing volume (EUR bn, nominal)		23.6	21.3	21.3

Portfolio: Maturities

EUR billions (EaD, Basel III)^{1,7}



Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure 2 Pursuant to IFRS 8.29 3 Revised pursuant to IFRS 8.29 4 Adjusted for extraordinary effect from value adjustment on HETA exposure 5 Basel III simulation 6 Except for a few services that cannot be obtained otherwise and which have continued to be provided after Sep 2013 7 Based on legal maturities

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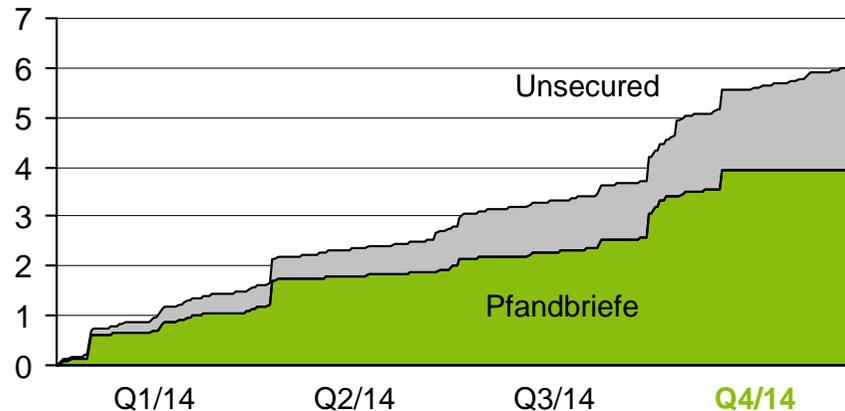
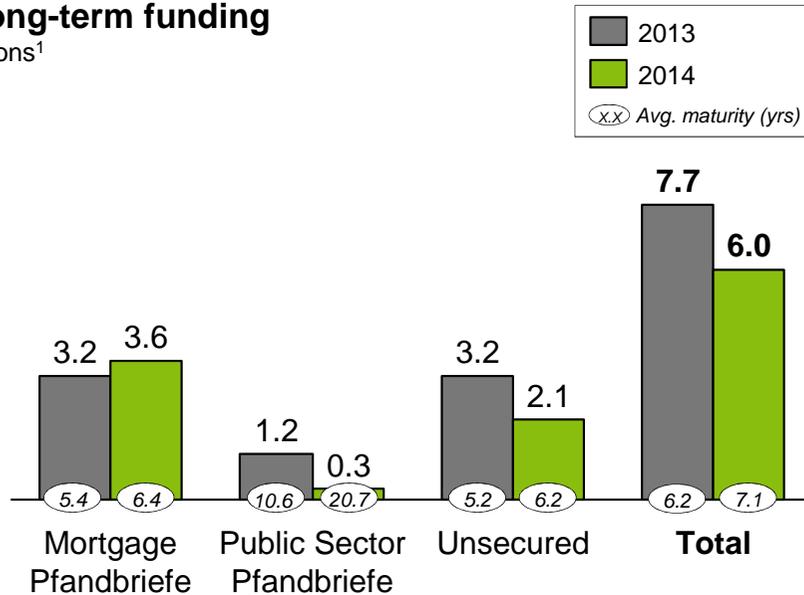
Funding

New long-term funding activities reduced on the basis of a comfortable liquidity position



New long-term funding

EUR billions¹



Key drivers 2014:

- New long-term funding of EUR 6.0 bn at longer average maturities illustrates well-established capital market access
- Funding activities reduced in Q4/14 to balance asset maturities

Mortgage Pfandbriefe

- Three EUR-benchmarks with 3-, 5- and 8-year maturities + four taps
- 3-year GBP-benchmark
- Tight Pfandbrief spreads and low yield environment led to higher demand for longer maturities
- Still only issuer of SEK with strong private placements (SEK 1.45 bn)

Public Sector Pfandbriefe

- High asset maturities by end of 2013 led to reduced funding need in 2014

Senior Unsecured

- No need for a public benchmark issuance – however, two taps (EUR 250 mn) and a EUR 300 mn 5-year club deal
- Private placements at reduced spread levels and longer maturities
- Issuance of first unsecured bonds in SEK in Q1 (SEK 550 mn)

Note: Figures may not add up due to rounding 1 Excl. money market and deposit business

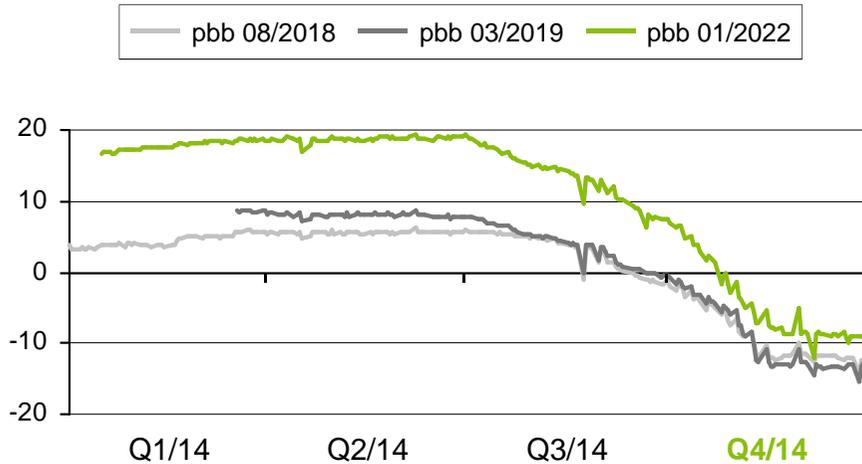
Funding

New funding costs significantly reduced – strong private placements with significantly longer maturities have been actively balanced with shorter and reduced public issuances



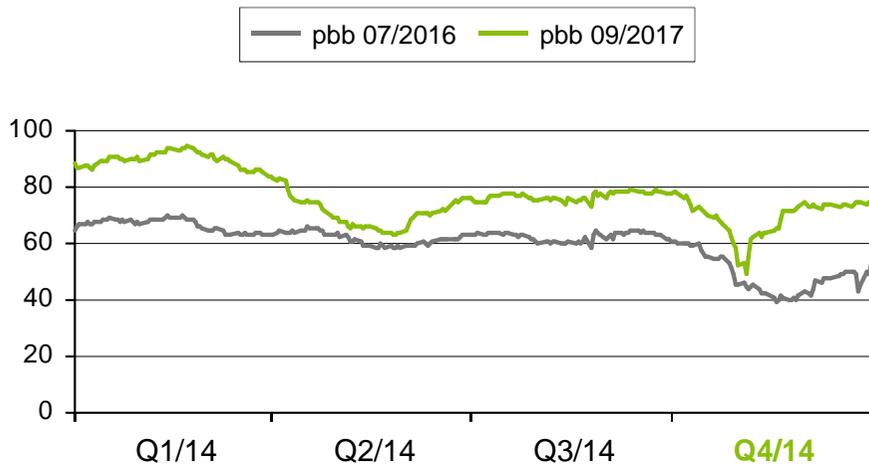
Mortgage Pfandbriefe: Spread development

bp vs. mid-swap¹



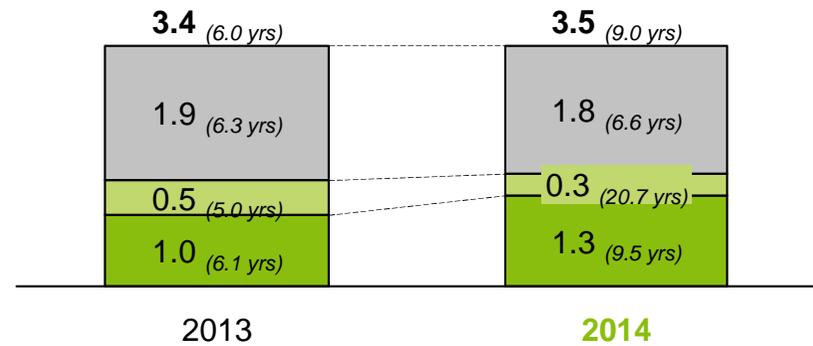
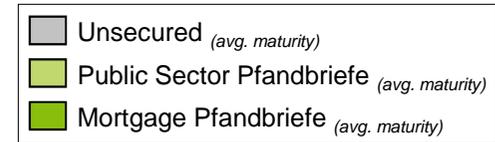
Unsecured: Spread development

bp vs. mid-swap¹



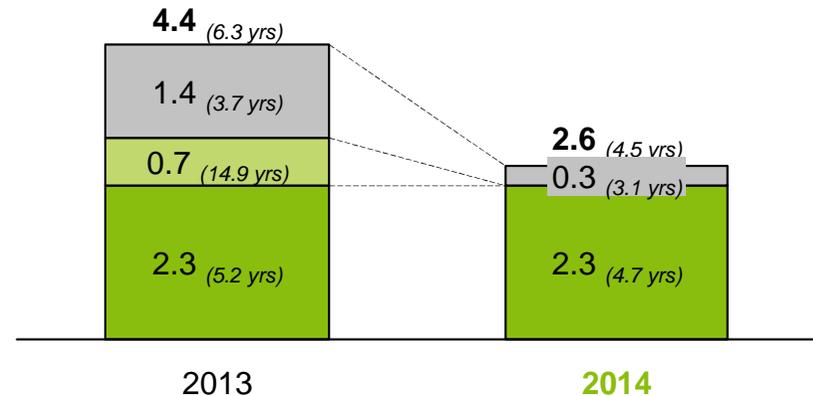
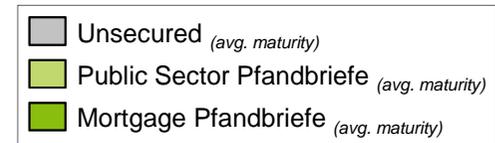
Private placements

EUR billions²



Public issuances

EUR billions²



Note: Figures may not add up due to rounding 1 Source: Bloomberg 2 Excl. money market and deposit business

Funding

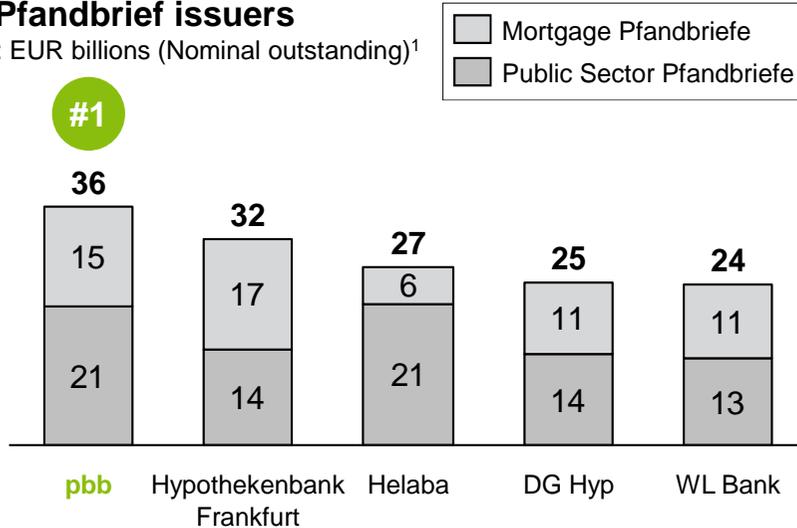
pbb is largest Pfandbrief issuer with 9% market share (in terms of outstanding Pfandbriefe)

– cover pools managed on comfortable OC levels



Top 5 Pfandbrief issuers

31/12/14: EUR billions (Nominal outstanding)¹

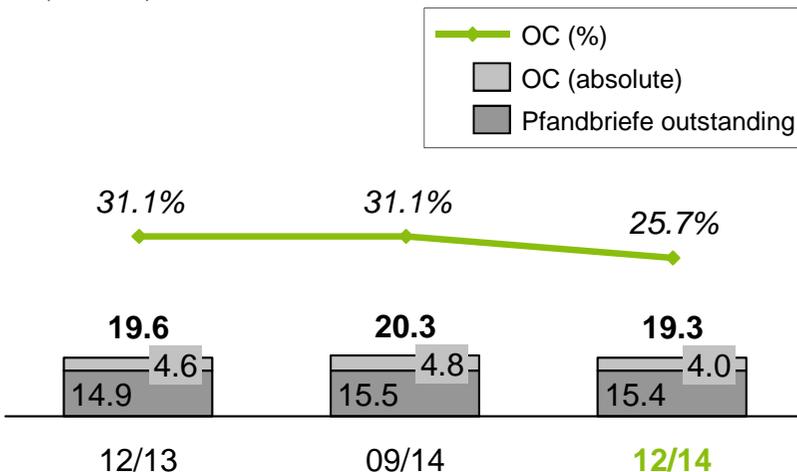


Key drivers 2014:

- pbb is one of the most frequent issuers in the German Pfandbrief market
- Largest Pfandbrief issuer (in terms of outstanding Pfandbriefe) with a total outstanding Pfandbrief volume of EUR 36 bn
- OC in both cover pools declined in Q4 due to asset maturities, but remained on comfortable levels
- As of 12/14, cover pools still included HETA exposure, which has meanwhile been taken out – adjusted OC's still at comfortable levels

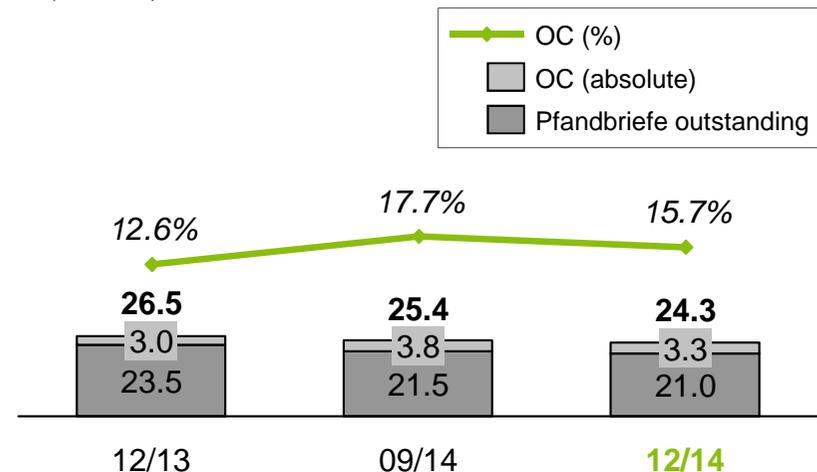
Mortgage Cover Pool: Total cover funds

EUR billions (Nominal)



Public Sector Cover Pool: Total cover funds²

EUR billions (Nominal)



Note: Figures may not add up due to rounding 1 Source: Publications according to §28 Pfandbrief Act 2 Incl. EUR 395 mn HETA exposure (nominal), which has meanwhile been taken out

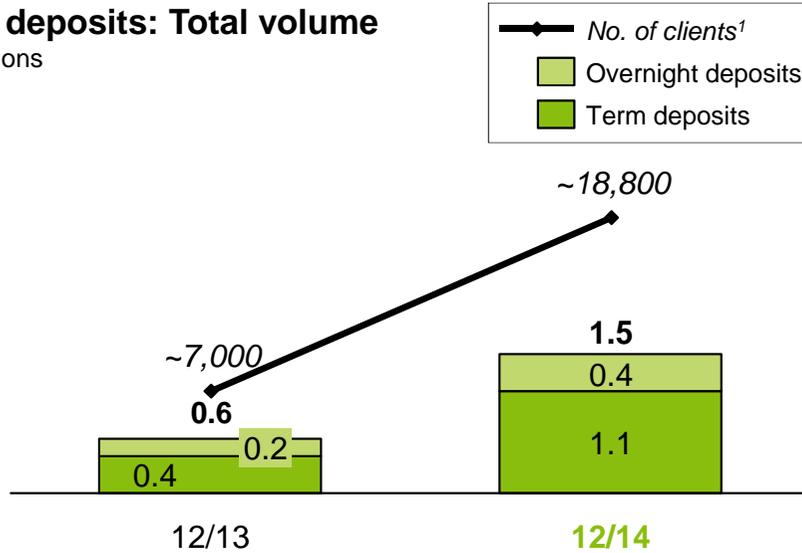
Funding

Retail deposit platform 'pbbdirekt.com' well established as alternative source of unsecured funding



Retail deposits: Total volume

EUR billions

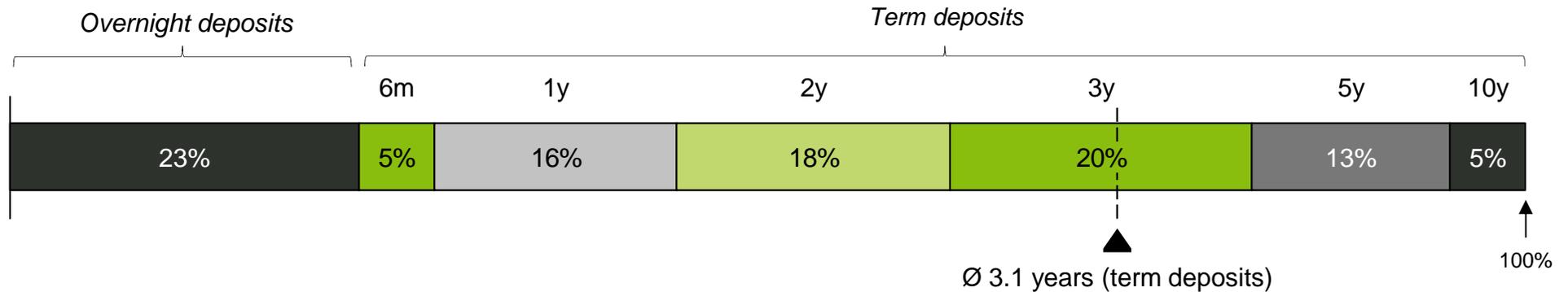


Key drivers 2014:

- Number of clients and total volume significantly increased, contributing to a more diversified funding base
- Target volume already met early in 2014, allowing for two interest rate reductions in March and June
- Increased share of term deposits led to a longer average maturity – newly offered 5- and 10-year terms well accepted, accounting for 18% of total deposits

Retail deposits: Maturities

31/12/14



¹ Only accounts with money inflow, excluding terminated accounts

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Balance sheet

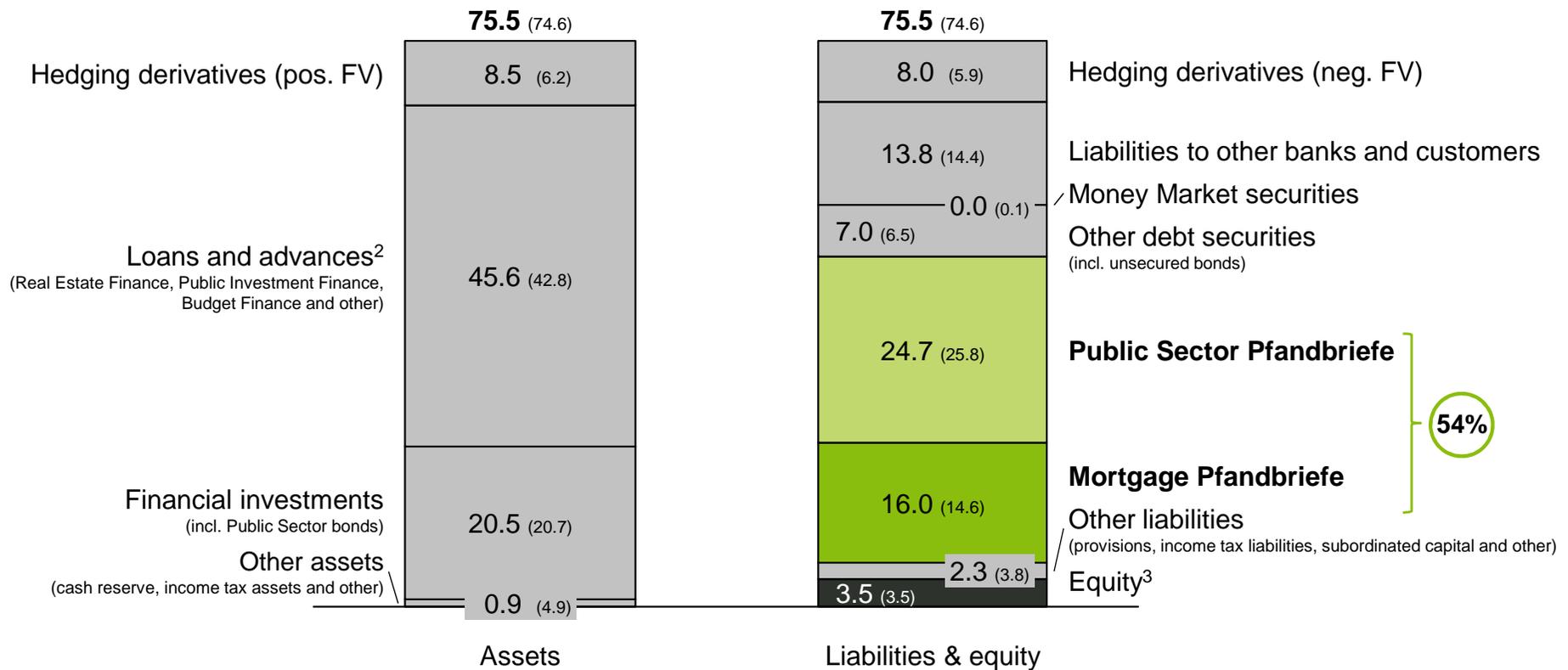
On-balance sheet lender with attractive German Pfandbrief as major funding instrument and well balanced ALM profile



Balance sheet: 31/12/2014 (31/12/2013)¹
IFRS, EUR billions

LCR >200%

NSFR >100%



Note: Figures may not add up due to rounding 1 31/12/2013 revised due to retrospective first time adoption IFRS 10 2 Incl. allowances for losses on loans and advances 3 Incl. EUR 1 bn FMS silent participation, which is expected to be repaid prior to pbb's privatisation

Capital

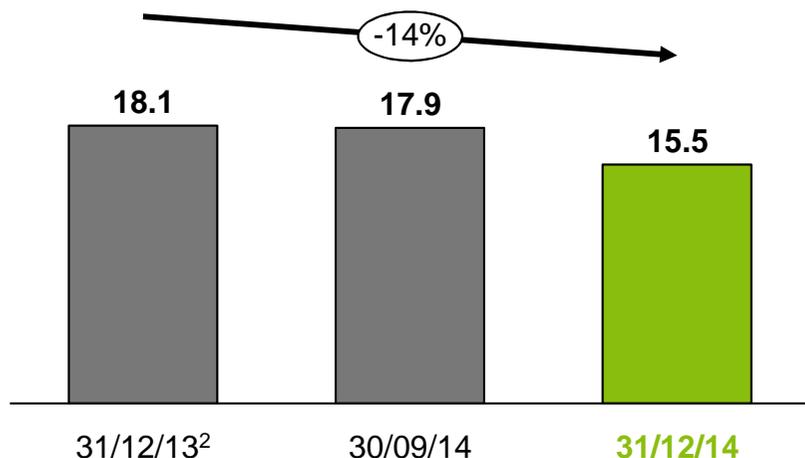
pbb with strong capital ratios under Basel III

The regulatory capital ratios stated are calculated on an unaudited pro-forma basis. According to the 'Waiver Rule' regulated in Article 7 CRR, Deutsche Pfandbriefbank AG, being a subsidiary of Hypo Real Estate Holding AG, is currently exempt from calculating the CET1 capital ratio and the other relevant regulatory capital ratios on sub-group level.



Basel III: RWA

EUR billions (IFRS, fully IRBA)¹



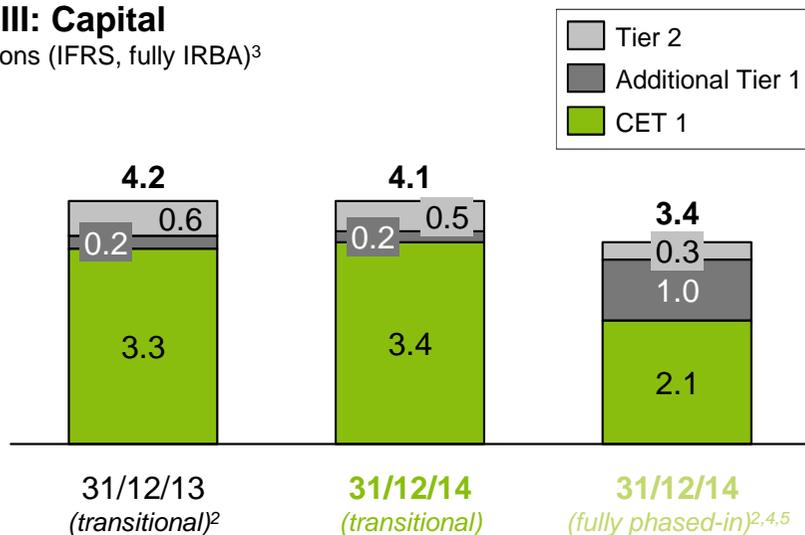
Basel III: Capital ratios

% (IFRS, fully IRBA)³

	31/12/13 (transitional rules) ²	31/12/14 (transitional rules)	31/12/14 (fully phased-in) ^{2,4,5}
CET 1 _(min.)	18.5 _(4.0)	21.7 _(4.0)	13.5 _(7.0)
Tier 1 _(min.)	19.7 _(5.5)	23.0 _(5.5)	19.9 _(8.5)
Own funds _(min)	23.2 _(8.0)	26.1 _(8.0)	22.1 _(10.5)

Basel III: Capital

EUR billions (IFRS, fully IRBA)³



Key drivers 2014:

- RWA significantly reduced by EUR -2.4 bn (-14%), primarily reflecting positive rating changes in Q4
- FMS silent participation (EUR 1 bn) currently recognised in CET 1 (fully phased-in: Additional Tier 1) – repayment expected prior to pbb's privatisation
- Hybrid capital (EUR 350 mn) currently recognised with 80% in Additional Tier I (fully phased-in: not eligible)
- Leverage ratio at >5% (fully phased-in: >4.5%)

Note: Figures may not add up due to rounding 1 No transitional rules to be applied 2 Basel III simulation 3 Incl. full-year results 4 Based on currently known Basel III rules 5 Actual figures may vary significantly from simulation

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Key take-aways

- ✓ Operating performance indicators of core lending business show a strong positive trend
- ✓ Flexible and scalable business platform with strong European presence and broad in-house expertise across the entire financing process
- ✓ Successful new business activities reflect the bank's standing as one of the leading players in the commercial real estate finance market
- ✓ Stable and diversified funding base with German Pfandbrief as major funding instrument, of which pbb is the largest issuer in terms of outstandings
- ✓ Sustained strong asset quality and prudent underwriting policy
- ✓ Strong capitalisation, even under Basel III fully phased-in
- ✓ Proven profitability in commercial real estate finance and further structural improvement supported by further run-down of the Value Portfolio

Strategic targets 2015

Further increase of average portfolio margin based on slight growth of the higher-yielding strategic portfolio and continued run-down of the low-yielding Value Portfolio

- ➔ Further slight increase of new business volume
- ➔ On the basis of this new business development, slight growth of strategic higher-yielding portfolios in Real Estate Finance and Public Investment Finance
- ➔ Non-strategic and low-yielding Value Portfolio continues to run down
- ➔ Further increase of the average portfolio margin

Key figures

Income statement (EUR millions, IFRS)	2012	2013	2014	2014 (adjusted)¹
Operating income	467	482	326	438
<i>thereof: Net interest and similar income</i>	296	319	421	421
Loan-loss provisions	4	-8	-21	-13
General and administrative expenses	-341	-312	-251	-251
Profit before tax	124	165	54	174
Key ratios (%)	2012	2013	2014	2014 (adjusted)¹
CIR	73.0	64.7	77.0	57.3
RoE before tax	3.8	5.0	1.6	5.0
Balance sheet (EUR billions, IFRS)	2012²	2013³	2014	
Total assets	97.1	74.6	75.6	
Equity ⁴	3.3	3.5	3.5	
Financing volume (nominal)	58.4	51.2	51.1	
Regulatory capital ratios (pro-forma)	2012⁶	2013	2014⁸	
RWA (EUR bn)	15.3	14.1 ⁶ / 18.1 ⁷	15.5	
CET 1 ratio (%) ^{4,5}	n/a	n/a / 18.5 ⁷	21.7	
Personnel	2012	2013	2014	
Employees	1,044	852	844	

1 Adjusted for extraordinary effect from value adjustment on HETA exposure 2 Revised due to retrospective first time adoption IAS 19 3 Revised due to retrospective first time adoption IFRS 10 4 Incl. EUR 1 bn FMS silent participation, which is expected to be repaid prior to pbb's privatisation 5 Incl. full-year results 6 Basel II (SolV, HGB) 7 Basel III simulation 8 Basel III transitional rules

Income statement



EUR millions, IFRS	2012	Q1/13	Q2/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	Q3/14	Q4/14	2014	2014 (adjusted) ¹
Operating income	467	101	113	155	113	482	89	114	112	11	326	438
<i>Net interest and similar income</i>	296	79	74	79	87	319	89	106	108	118	421	421
<i>Net fee and commission income</i>	23	1	1	3	4	9	0	0	0	1	1	1
<i>Net trading income</i>	10	-12	10	-51	2	-51	-9	-9	-3	-9	-30	-27
<i>Net income from financial investments</i>	13	1	0	97	-2	96	-1	2	22	-100	-77	32
<i>Net income from hedging relationships</i>	-6	0	4	3	2	9	-3	-3	1	2	-3	-3
<i>Net other operating income/expenses</i>	131	32	24	24	20	100	13	18	-16	-1	14	14
Loan-loss provisions	4	4	-3	-9	0	-8	5	-7	1	-20	-21	-13
General and administrative expenses	-341	-76	-80	-84	-72	-312	-62	-62	-64	-63	-251	-251
Net miscellaneous income/expenses	-6	0	1	0	2	3	6	0	-5	-1	0	0
Pre-tax profit	124	29	31	62	43	165	38	45	44	-73	54	174

Note: Annual results audited (except 2014); interim results unaudited 1 Adjusted for EUR -120 mn extraordinary effect from value adjustment on HETA exposure

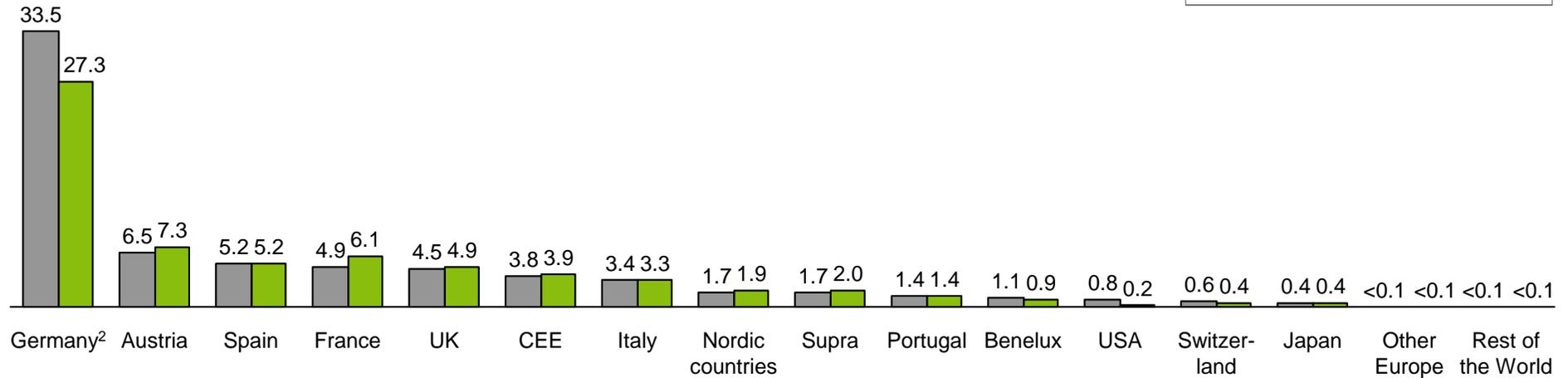
Portfolio

Total portfolio

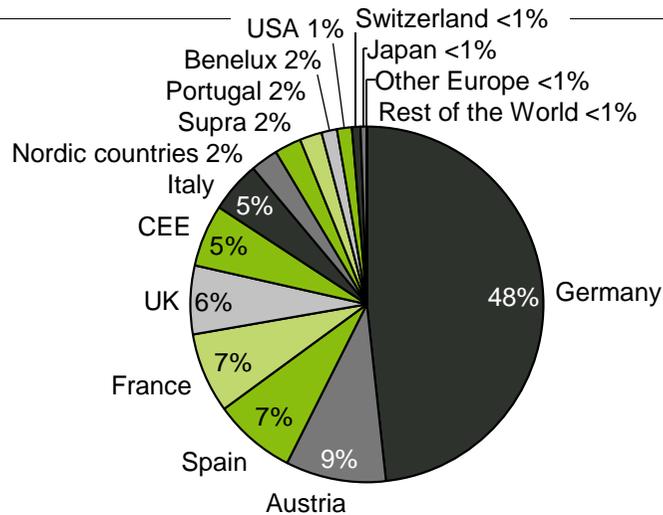


Regions

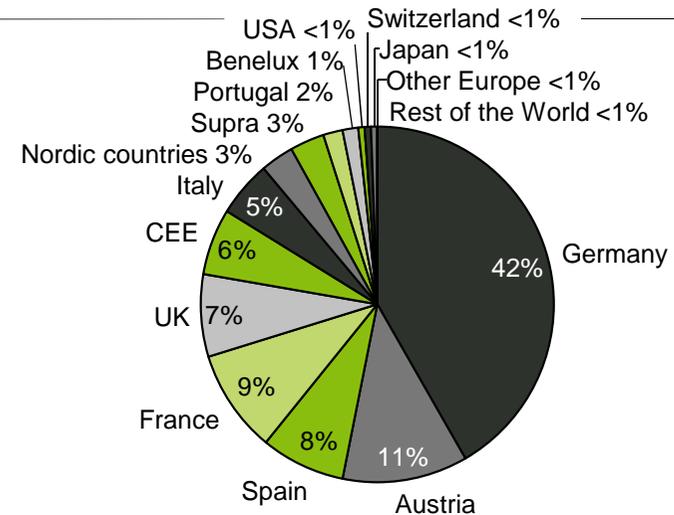
EUR billions (EaD, Basel III)¹



31/12/2013



31/12/2014



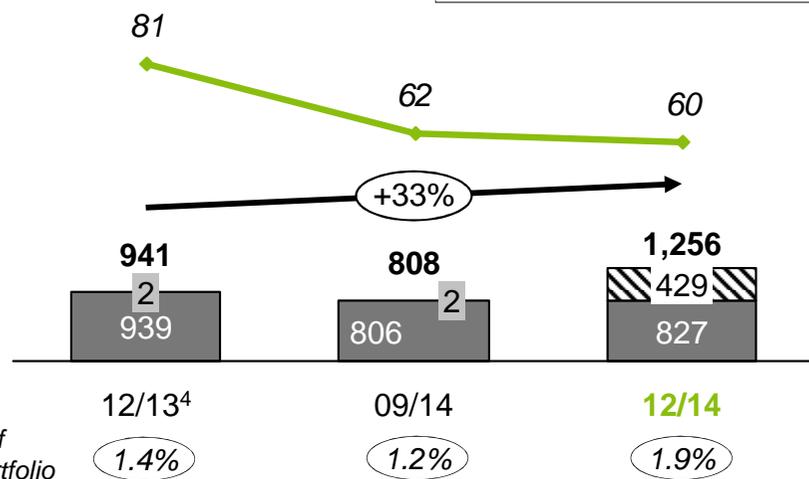
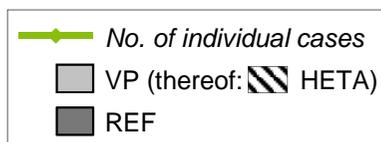
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure 2 Incl. central bank accounts (12/14: EUR 51 million; 12/13: EUR 4.3 bn)

Portfolio

Problem loans

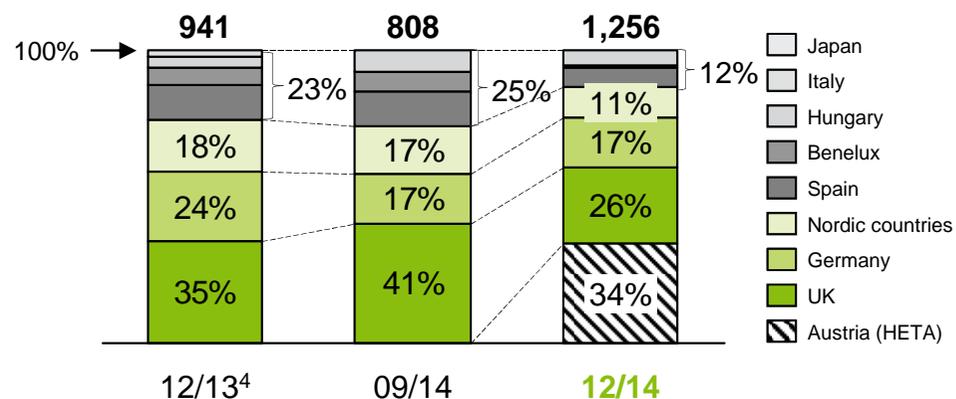
Total problem loans

EUR millions (EaD, Basel III)¹



Regions

EUR million (EaD, Basel III)¹



Total problem loans EUR millions (EaD) ¹	12/13 ⁴				09/14				12/14			
	REF	PIF	VP	Total	REF	PIF	VP	Total	REF	PIF	VP	Total
Workout loans ²	6	-	-	6	9	-	-	9	9	-	-	9
Restructuring loans ³	933	-	2	935	797	-	2	799	818	-	429	1,247
Total	939	-	2	941	806	-	2	808	827	-	429	1,256

Note: Figures may not add up due to rounding

¹ In addition, EUR 1 mn in C&A (09/14: EUR 1 mn; 12/13: EUR 6 mn)

² No signs that the deal will recover soon, compulsory measures necessary

³ Payments more than 90 days overdue or criteria acc. to respective policy apply

⁴ Revised Basel III

Portfolio

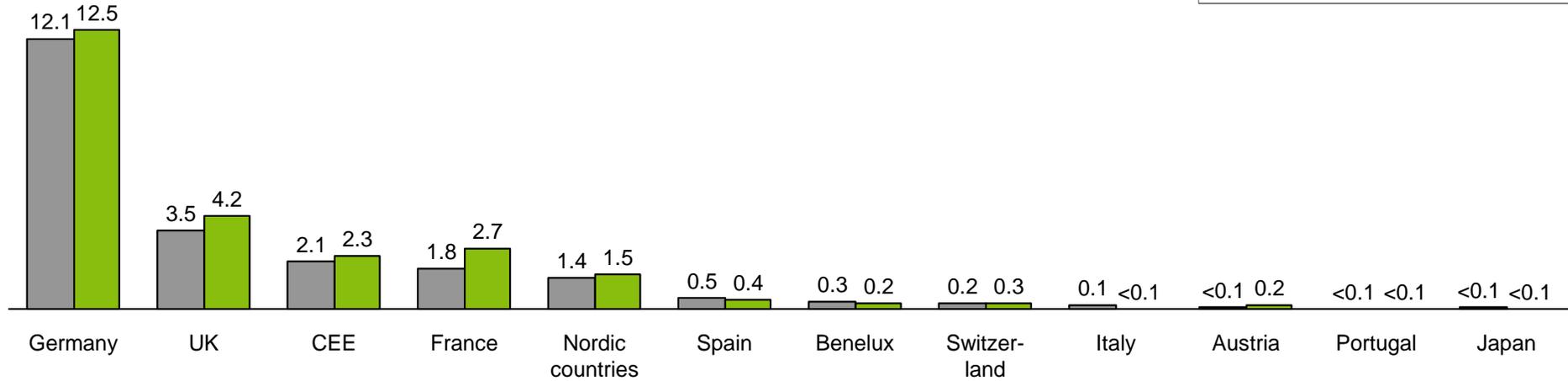
Real Estate Finance (REF)



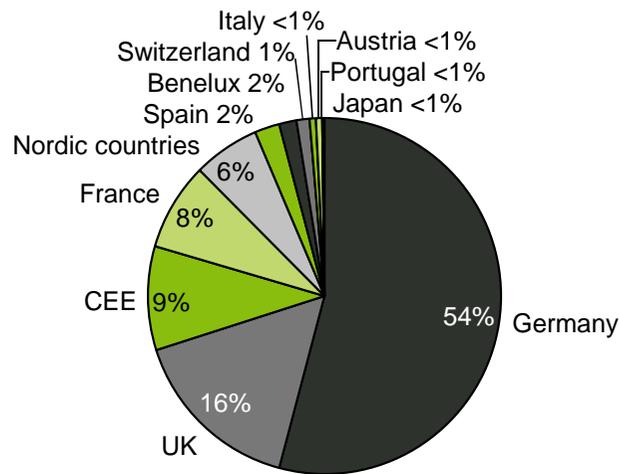
Regions

EUR billions (EaD, Basel III)

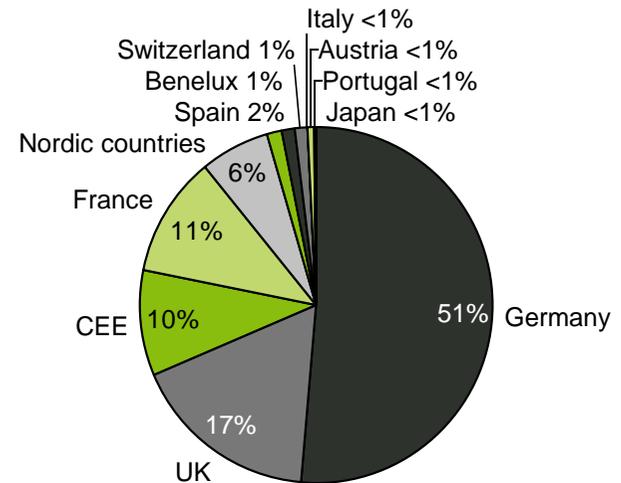
31/12/2013 / Total: EUR 22.2 bn
 31/12/2014 / Total: EUR 24.3 bn



31/12/2013



31/12/2014



Note: Figures may not add up due to rounding

Portfolio

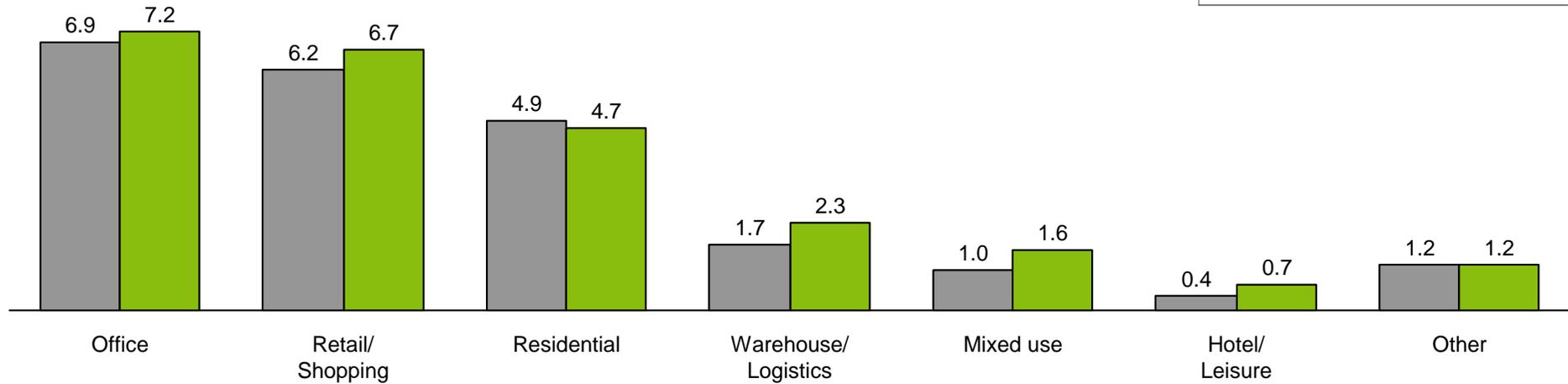
Real Estate Finance (REF)



Property types

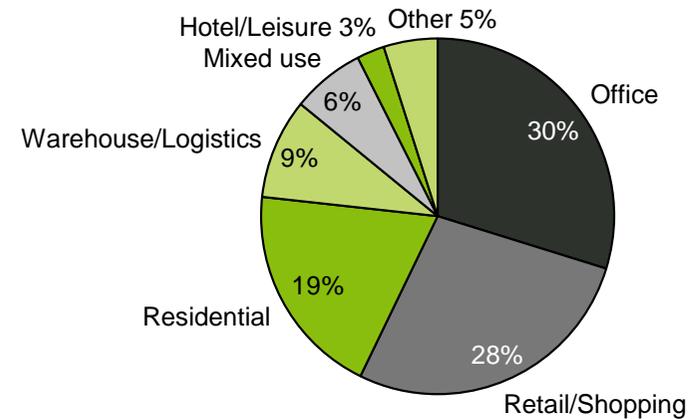
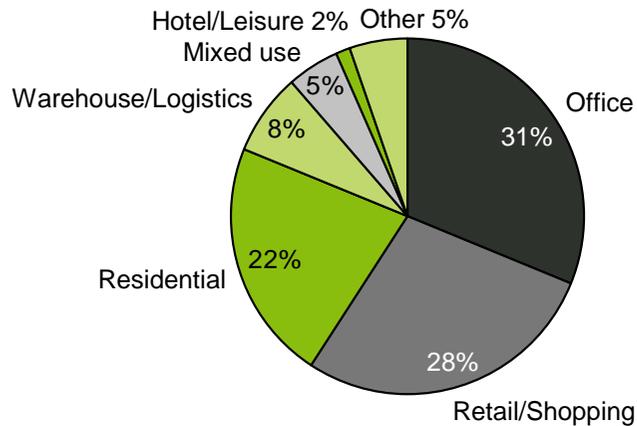
EUR billions (EaD, Basel III)

31/12/2013 / Total: EUR 22.2 bn
 31/12/2014 / Total: EUR 24.3 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding

Portfolio

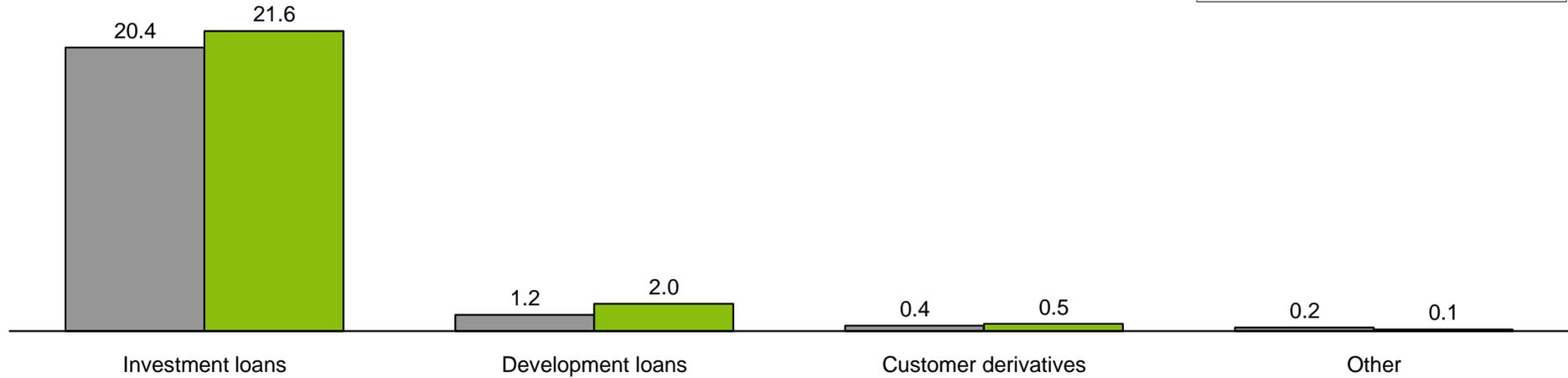
Real Estate Finance (REF)



Loan types

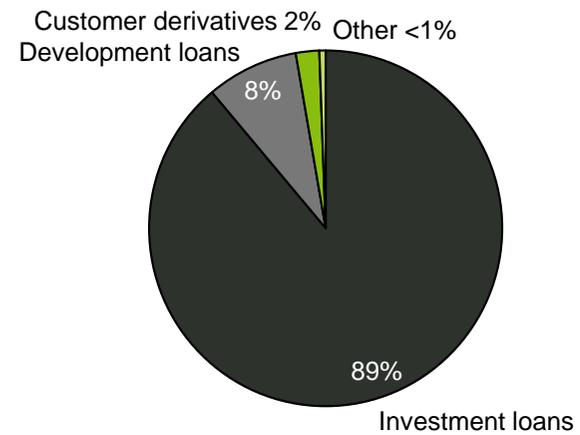
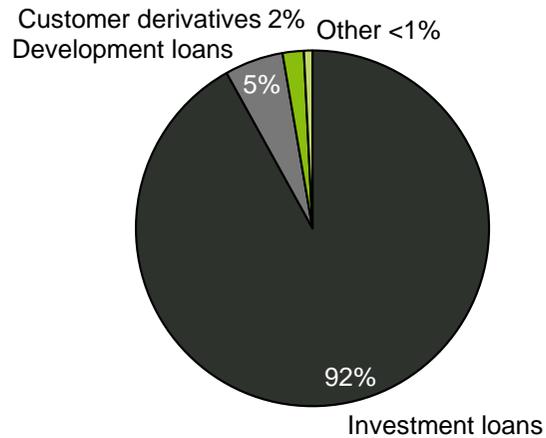
EUR billions (EaD, Basel III)

31/12/2013 / Total: EUR 22.2 bn
 31/12/2014 / Total: EUR 24.3 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding

Portfolio

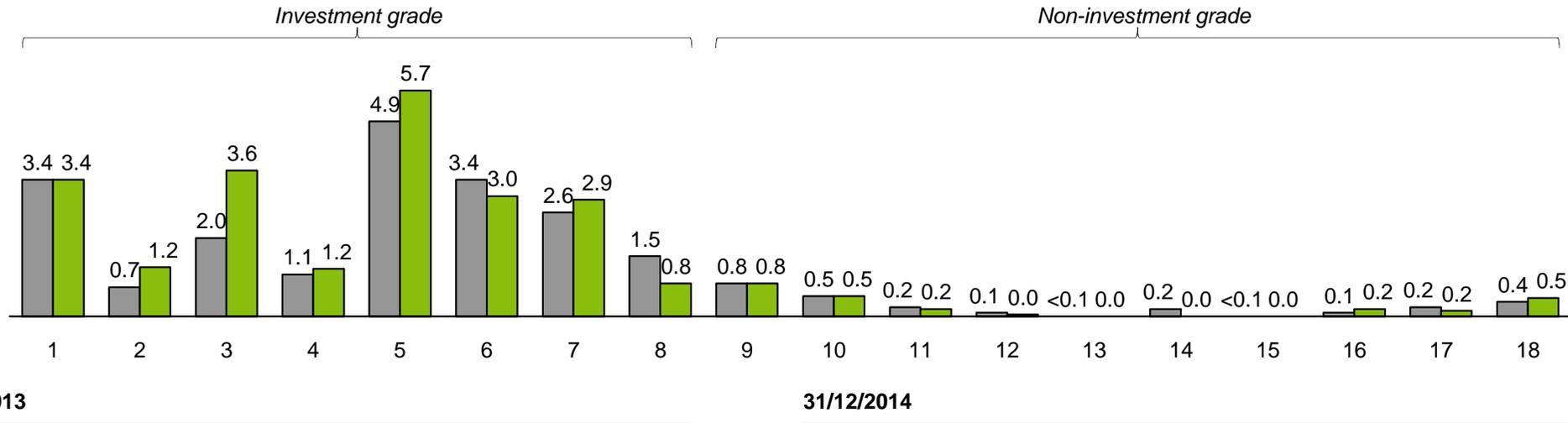
Real Estate Finance (REF)



Internal ratings (EL classes)

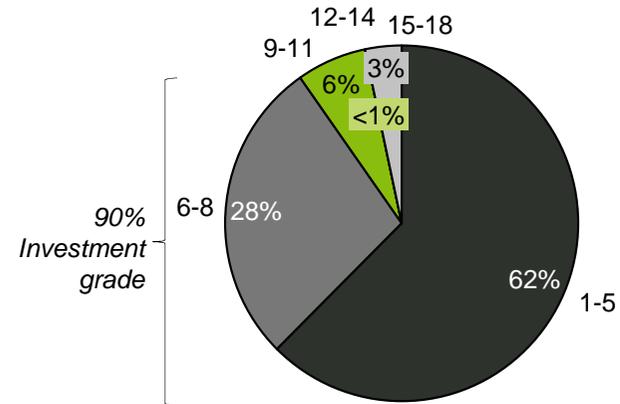
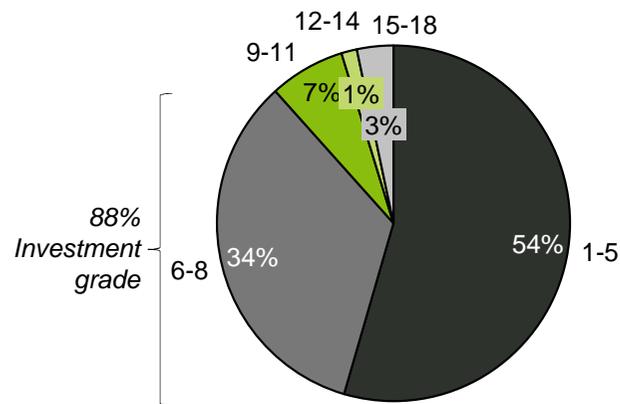
EUR billions (EaD, Basel III)

31/12/2013 / Total: EUR 22.2 bn
 31/12/2014 / Total: EUR 24.3 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding

Portfolio

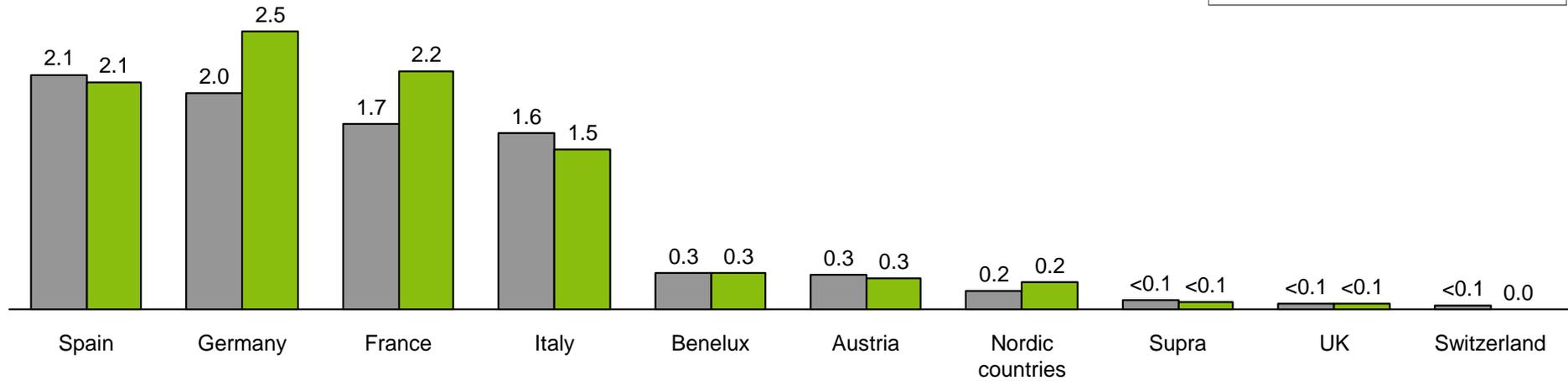
Public Investment Finance (PIF)



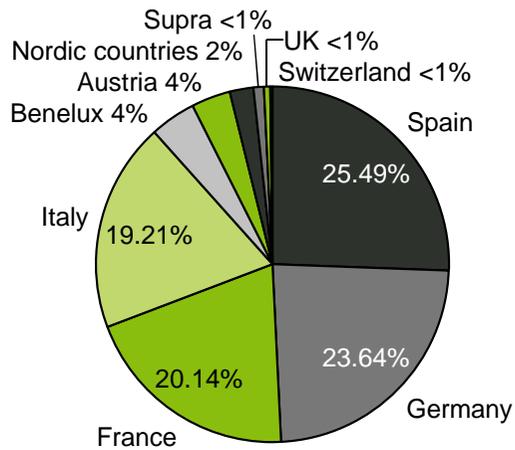
Regions

EUR billions (EaD, Basel III)

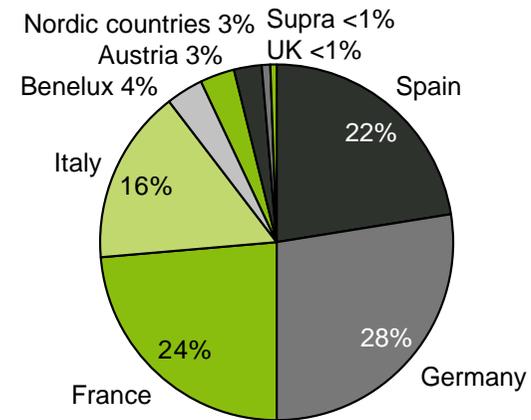
31/12/2013 / Total: EUR 8.4 bn
 31/12/2014 / Total: EUR 9.2 bn



31/12/2013



31/12/2014



Note: Figures may not add up due to rounding

Portfolio

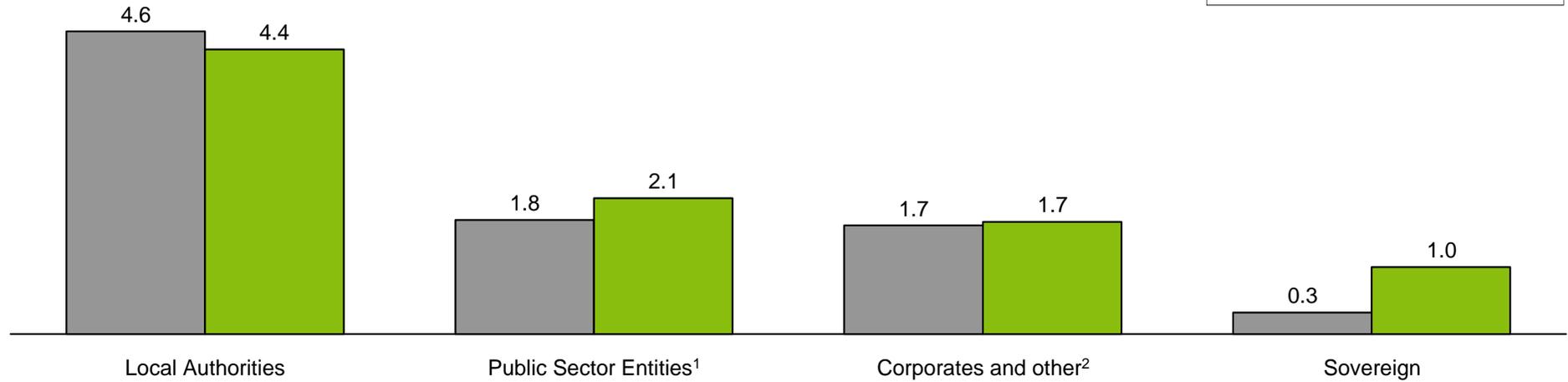
Public Investment Finance (PIF)



Counterparty types

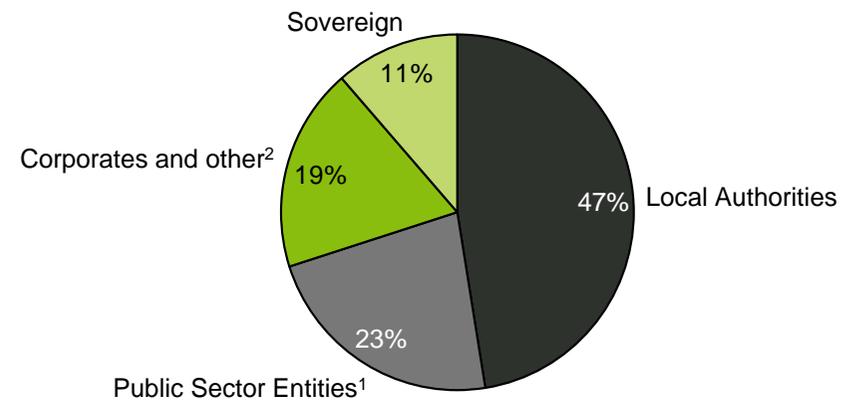
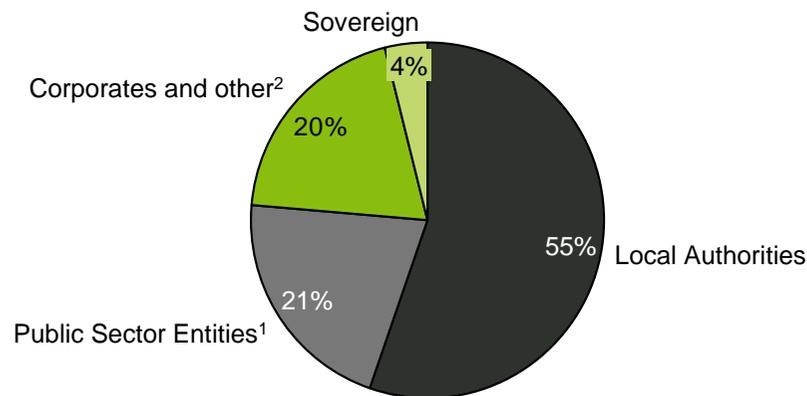
EUR billions (EaD, Basel III)

31/12/2013 / Total: EUR 8.4 bn
 31/12/2014 / Total: EUR 9.2 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding 1 Entities with explicit or implicit financial support from a tax raising authority 2 >95% Sovereign/Regional Government related and/or guaranteed

Portfolio

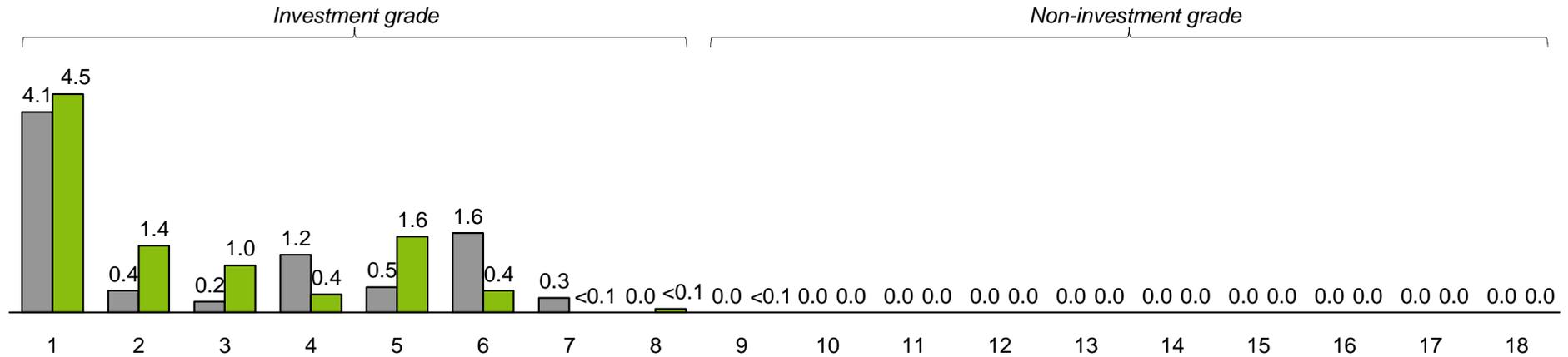
Public Investment Finance (PIF)



Internal ratings (EL classes)

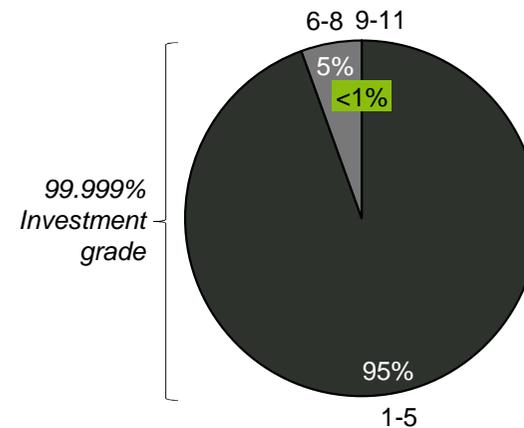
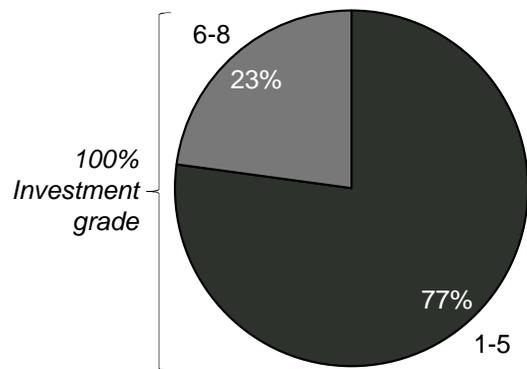
EUR billions (EaD, Basel III)

31/12/2013 / Total: EUR 8.4 bn
 31/12/2014 / Total: EUR 9.2 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding

Portfolio

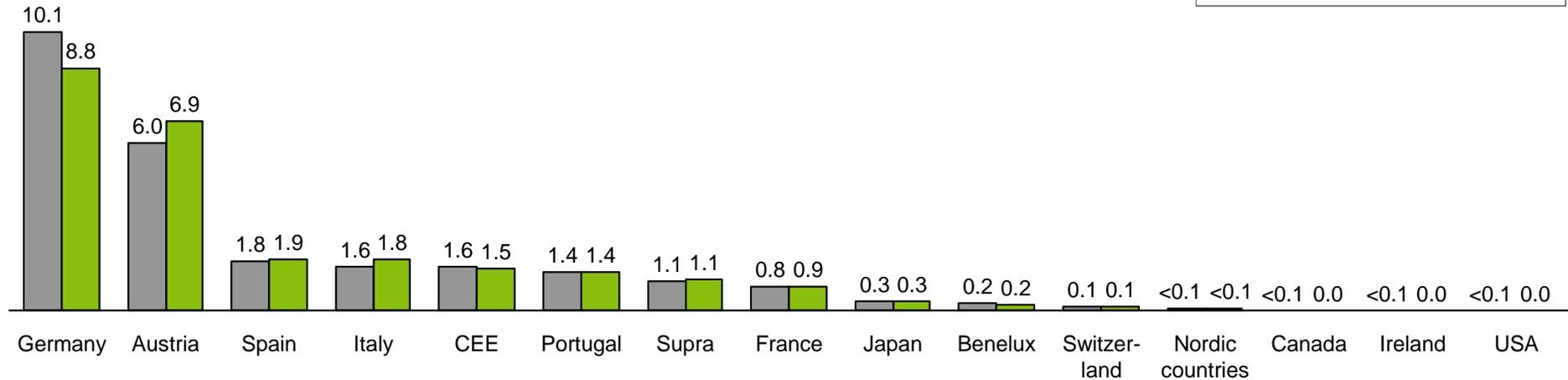
Value Portfolio (VP)



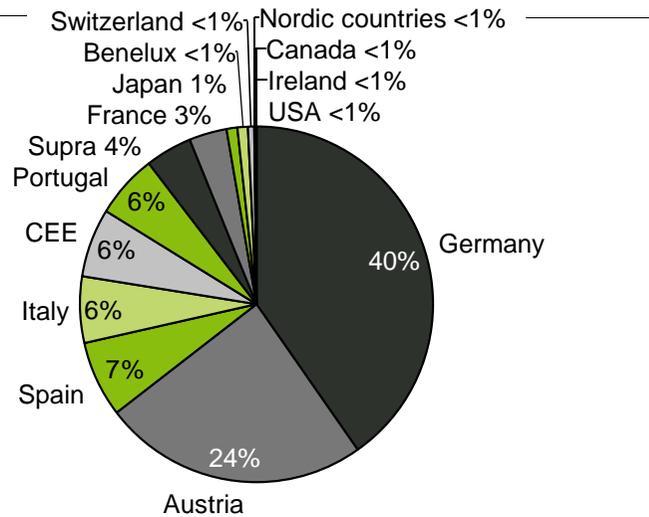
Regions

EUR billions (EaD, Basel III)¹

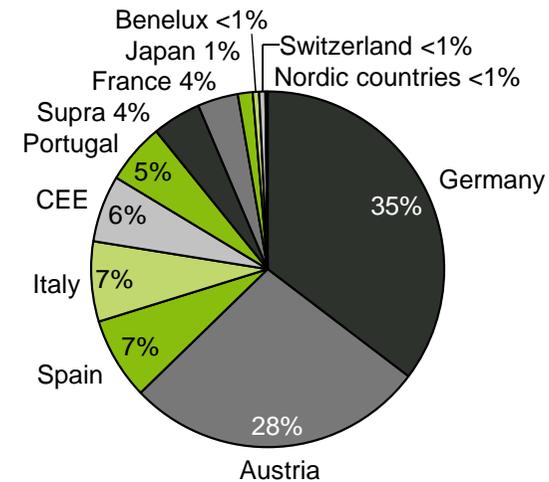
31/12/2013 / Total: EUR 25.0 bn
 31/12/2014 / Total: EUR 24.9 bn



31/12/2013



31/12/2014



Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure

Portfolio

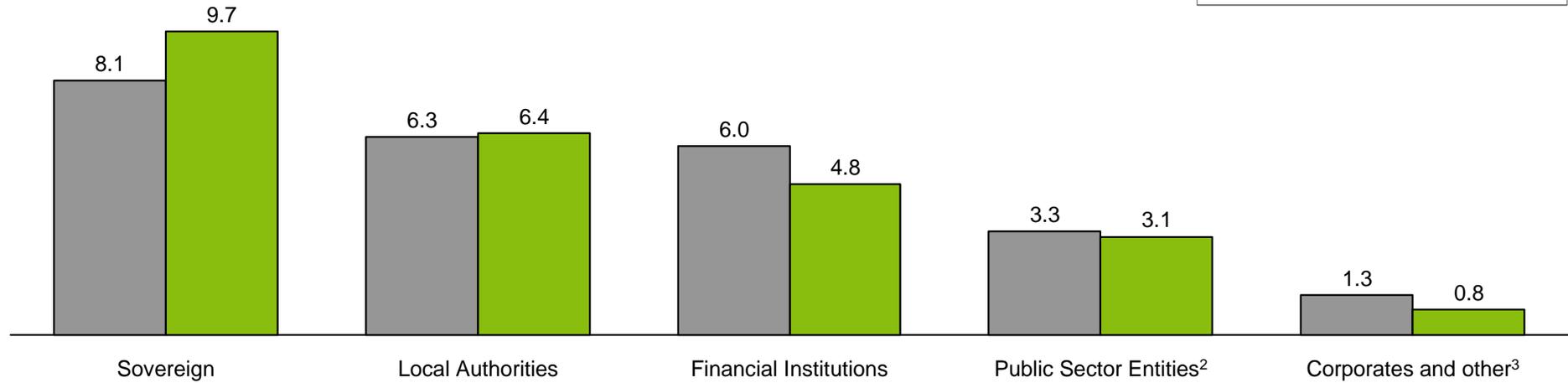
Value Portfolio (VP)



Counterparty types

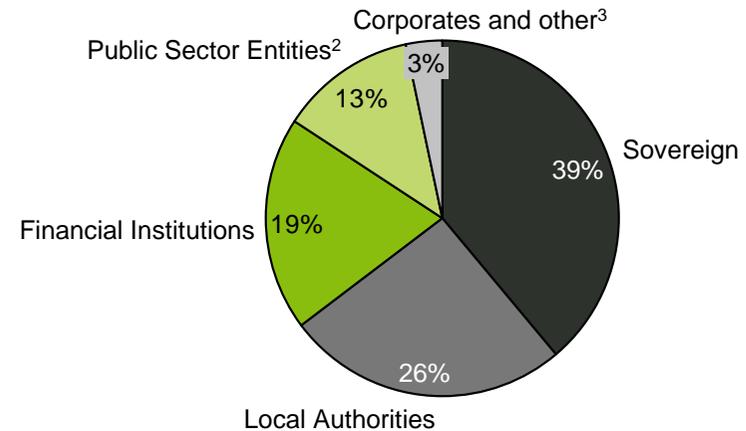
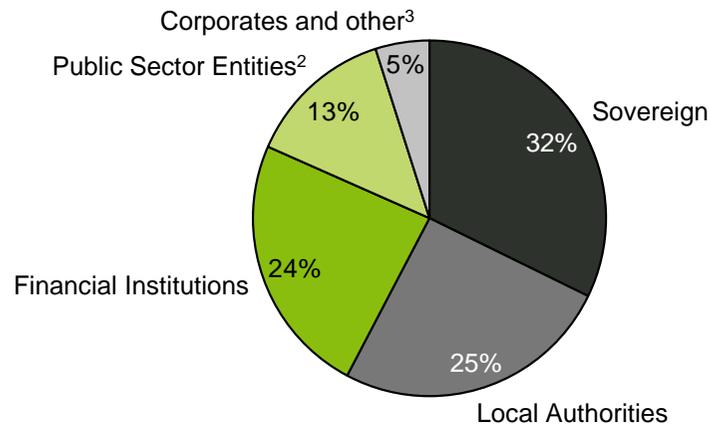
EUR billions (EaD, Basel III)¹

31/12/2013 / Total: EUR 25.0 bn
 31/12/2014 / Total: EUR 24.9 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure ² Entities with explicit or implicit financial support from a tax raising authority ³ >50% Sovereign/Regional Government related and/or guaranteed

Portfolio

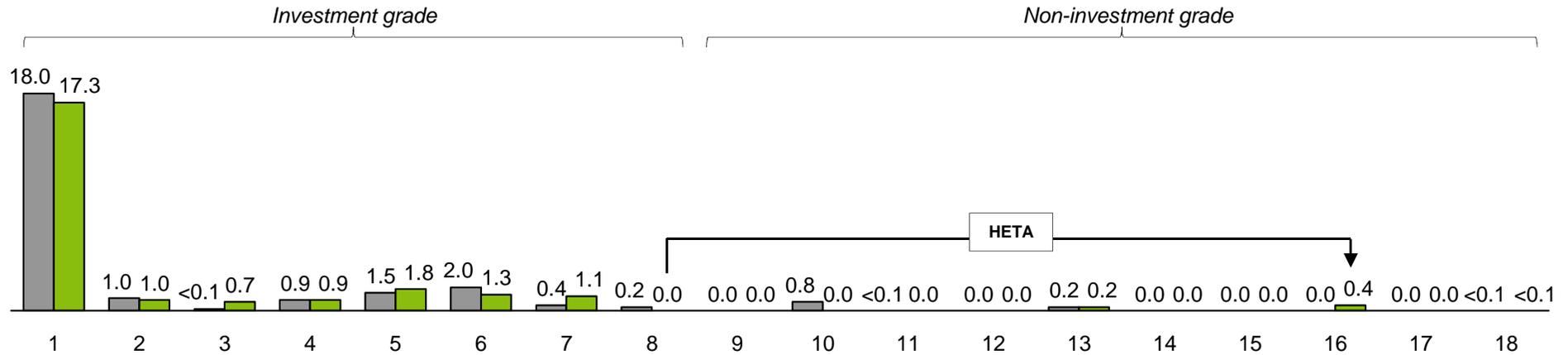
Value Portfolio (VP)



Internal ratings (EL classes)

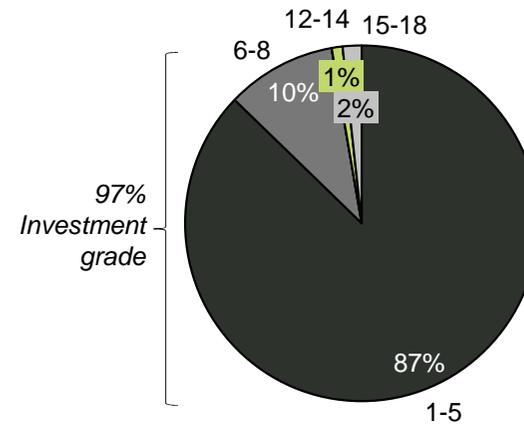
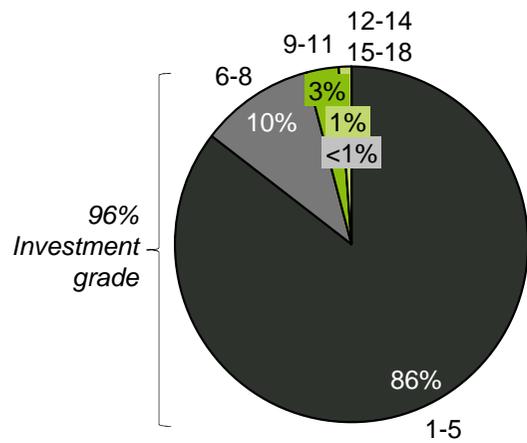
EUR billions (EaD, Basel III)¹

31/12/2013 / Total: EUR 25.0 bn
 31/12/2014 / Total: EUR 24.9 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure

Portfolio

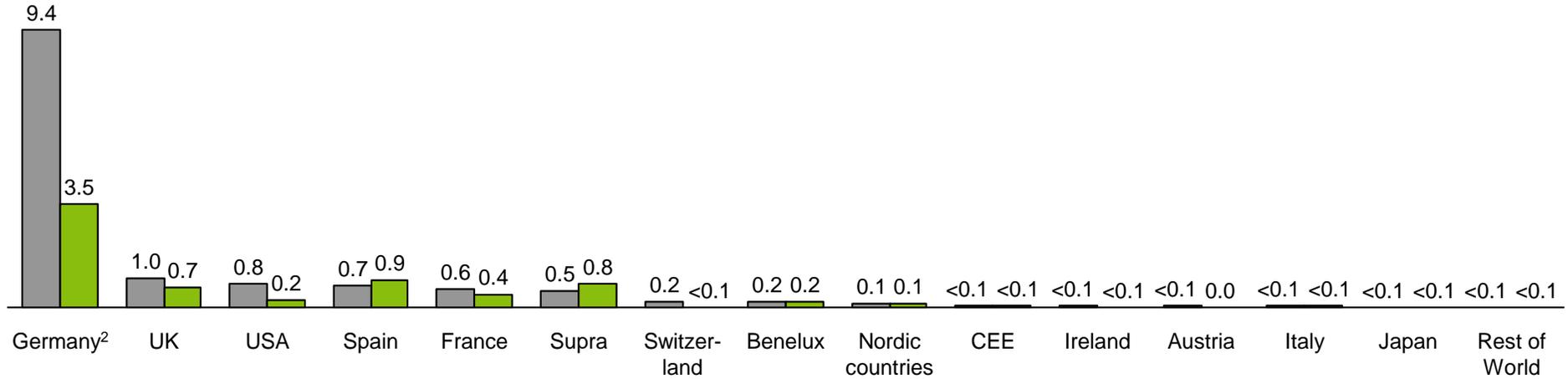
Consolidation & Adjustments (C&A)



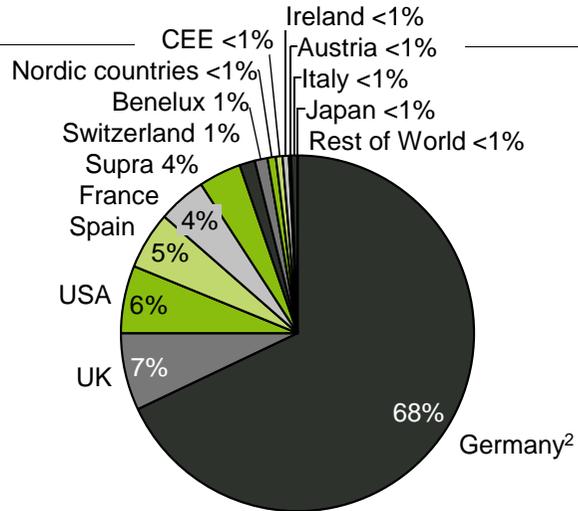
Regions

EUR billions (EaD, Basel III)¹

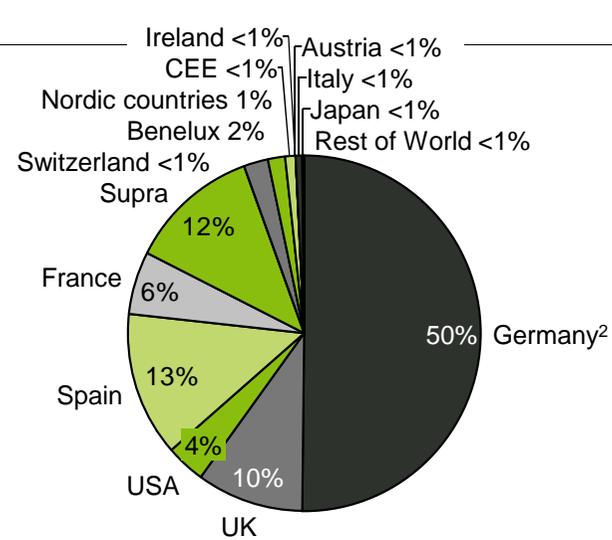
31/12/2013 / Total: EUR 13.8 bn
 31/12/2014 / Total: EUR 6.9 bn



31/12/2013



31/12/2014



Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure which allow for collateral netting, given the negative central bank deposit rate ² Incl. Bundesbank accounts (12/14: EUR 0.051 bn; 12/13: EUR 4.8 bn); treasury portfolio optimised by shift into reverse repo transactions

Portfolio

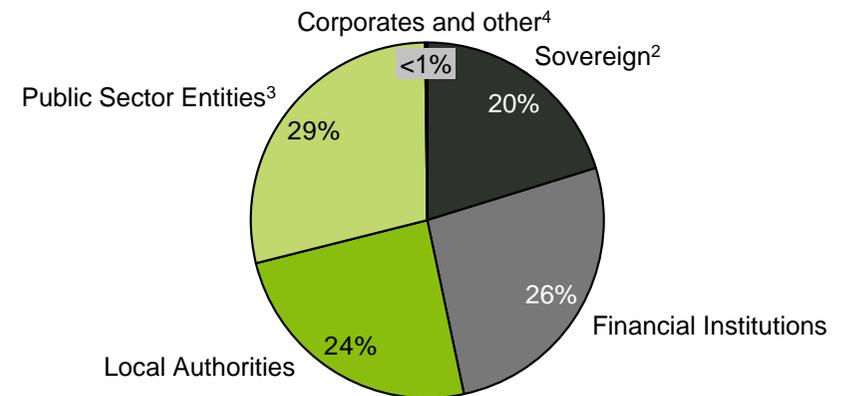
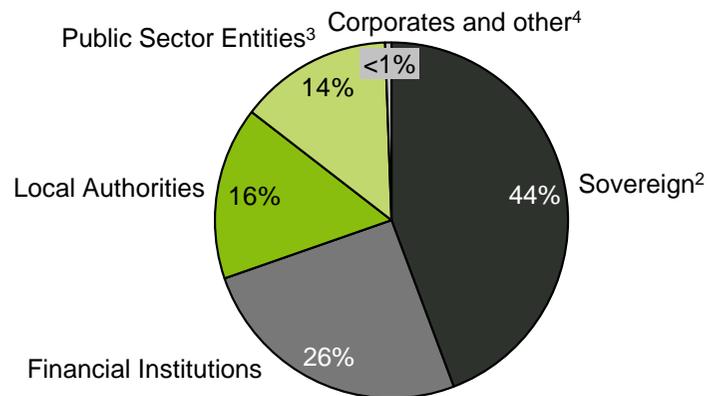
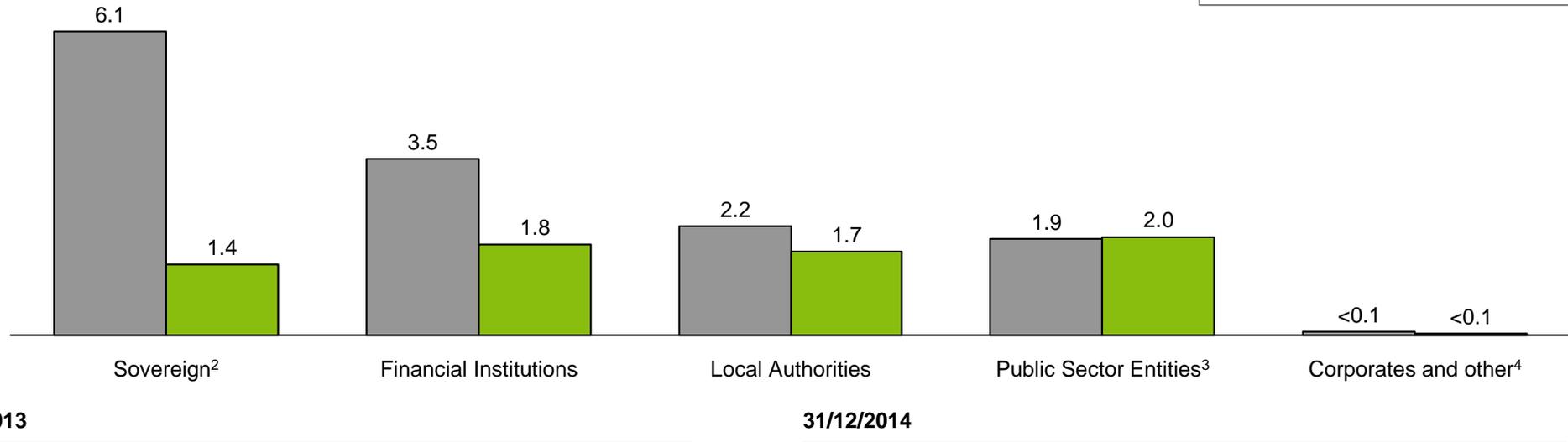
Consolidation & Adjustments (C&A)



Counterparty types

EUR billions (EaD, Basel III)¹

31/12/2013 / Total: EUR 13.8 bn
 31/12/2014 / Total: EUR 6.9 bn



Note: Figures may not add up due to rounding

¹ Excl. FMS-WM guaranteed exposure ² Incl. Bundesbank accounts (12/14: EUR 0.051 bn; 12/13: EUR 4.8 bn); treasury portfolio optimised by shift into reverse repo transactions which allow for collateral netting, given the negative central bank deposit rate ³ Entities with explicit or implicit financial support from a tax raising authority ⁴ >50% Sovereign/Regional Government related and/or guaranteed

Portfolio

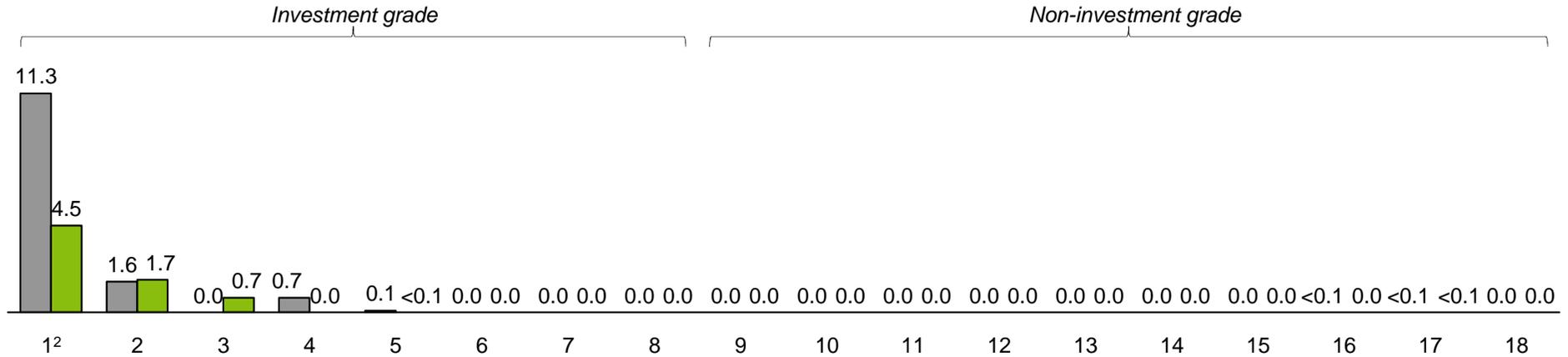
Consolidation & Adjustments (C&A)



Internal ratings (EL classes)

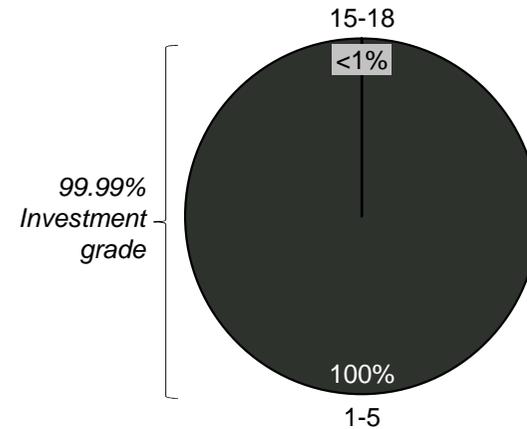
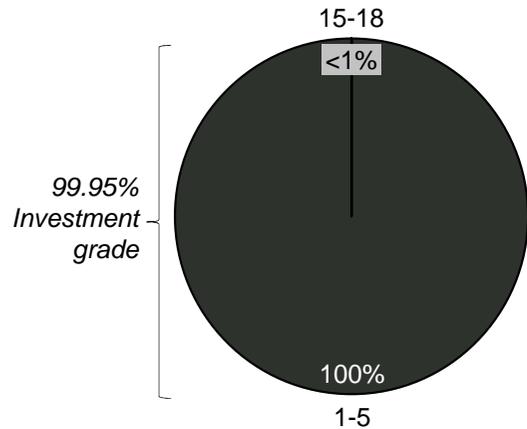
EUR billions (EaD, Basel III)¹

31/12/2013 / Total: EUR 13.8 bn
 31/12/2014 / Total: EUR 6.9 bn



31/12/2013

31/12/2014



Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure which allow for collateral netting, given the negative central bank deposit rate ² Incl. Bundesbank accounts (12/14: EUR 0.051 bn; 12/13: EUR 4.8 bn); treasury portfolio optimised by shift into reverse repo transactions

Funding

Public benchmark issuances since 2013



Type	WKN	Launch Date	Maturity Date	Size	Spread ¹	Coupon	Issue/Reoffer Price
Senior Unsecured	A1RFBU	17.01.2013	19.07.2016	EUR 500 mn	+138bp	2.000%	99.587%
Mortgage Pfandbrief	A1RFBY	23.01.2013	30.01.2017	EUR 500 mn	+8bp	0.875%	99.585%
<i>Senior Unsecured (1st Tap)</i>	<i>A1RFBU</i>	<i>14.02.2013</i>	<i>19.07.2016</i>	<i>EUR 360 mn</i>	<i>+109bp</i>	<i>2.000%</i>	<i>100.382%</i>
Mortgage Pfandbrief	A1R052	11.03.2013	18.03.2020	EUR 500 mn	+25bp	1.500%	99.487%
Mortgage Pfandbrief	A1R058	08.05.2013	16.05.2016	GBP 200 mn	+50bp²	3mL+45bp	99.852%
Public Sector Pfandbrief	A1R06C	22.05.2013	29.05.2028	EUR 500 mn	+40bp	2.375%	98.612%
<i>Mortgage Pfandbrief (1st Tap)</i>	<i>A1R052</i>	<i>28.05.2013</i>	<i>18.03.2020</i>	<i>EUR 250 mn</i>	<i>+16bp</i>	<i>1.500%</i>	<i>100.835%</i>
<i>Mortgage Pfandbrief (1st Tap)</i>	<i>A1PG3M</i>	<i>28.05.2013</i>	<i>20.12.2019</i>	<i>GBP 75 mn</i>	<i>+83bp³</i>	<i>1.875%</i>	<i>99.589%</i>
<i>Mortgage Pfandbrief (1st Tap)</i>	<i>A1R058</i>	<i>05.08.2013</i>	<i>16.05.2016</i>	<i>GBP 50 mn</i>	<i>+50bp²</i>	<i>3mL+45bp</i>	<i>99.810%</i>
<i>Mortgage Pfandbrief (2nd Tap)</i>	<i>A1PG3M</i>	<i>20.08.2013</i>	<i>20.12.2019</i>	<i>GBP 50 mn</i>	<i>+90bp³</i>	<i>1.875%</i>	<i>95.493%</i>
Mortgage Pfandbrief	A1X256	21.08.2013	28.08.2018	EUR 500 mn	+9bp	1.375%	99.803%
<i>Pub. Sec. Pfandbrief (1st Tap)</i>	<i>A1R06C</i>	<i>22.08.2013</i>	<i>29.05.2028</i>	<i>EUR 200 mn</i>	<i>+25bp</i>	<i>2.375%</i>	<i>94.052%</i>
Senior Unsecured	A1X26E	02.09.2013	11.09.2017	EUR 500 mn	+115bp	2.250%	99.799%
<i>Mortgage Pfandbrief (1st Tap)</i>	<i>A1RFBY</i>	<i>04.10.2013</i>	<i>30.01.2017</i>	<i>EUR 100 mn</i>	<i>-1.5bp</i>	<i>0.875%</i>	<i>100.127%</i>
Mortgage Pfandbrief	A1X3LT	14.01.2014	21.01.2022	EUR 500 mn	+17bp	1.875%	99.362%
<i>Mortgage Pfandbrief (2nd Tap)</i>	<i>A1MLUW</i>	<i>13.02.2014</i>	<i>03.06.2019</i>	<i>EUR 50 mn</i>	<i>+10bp</i>	<i>2.125%</i>	<i>104.988%</i>
Mortgage Pfandbrief	A11QAP	18.03.2014	25.03.2019	EUR 500 mn	+14bp	1.000%	99.400%
<i>Senior Unsecured (1st Tap)</i>	<i>A1X26E</i>	<i>03.06.2014</i>	<i>11.09.2017</i>	<i>EUR 150 mn</i>	<i>+72bp</i>	<i>2.250%</i>	<i>103.278%</i>
<i>Mortgage Pfandbrief (2nd Tap)</i>	<i>A1RFBY</i>	<i>23.06.2014</i>	<i>30.01.2017</i>	<i>EUR 150 mn</i>	<i>-5bp</i>	<i>0.875%</i>	<i>101.466%</i>
<i>Mortgage Pfandbrief (1st Tap)</i>	<i>A11QAP</i>	<i>18.08.2014</i>	<i>25.03.2019</i>	<i>EUR 175 mn</i>	<i>+4.5 bp</i>	<i>1.000%</i>	<i>101.915%</i>
Mortgage Pfandbrief	A11QA31	02.09.2014	08.09.2017	EUR 500 mn	+0 bp	0.250%	99.827%
<i>Mortgage Pfandbrief (2nd Tap)</i>	<i>A11QAP</i>	<i>05.09.2014</i>	<i>25.03.2019</i>	<i>EUR 75 mn</i>	<i>+3.3 bp</i>	<i>1.000%</i>	<i>102.534%</i>
Mortgage Pfandbrief	A12UAW2	23.09.2014	29.09.2017	GBP 300 mn	+42 bp²	3mL+40 bp	99.941%
<i>Senior Unsecured (2nd Tap)</i>	<i>A1X26E</i>	<i>06.11.2014</i>	<i>11.09.2017</i>	<i>EUR 100 mn</i>	<i>+62bp</i>	<i>2.250%</i>	<i>103.836%</i>

1 vs. mid-swap 2 vs. 3mGBP-Libor 3 vs. UK Gilts

Ratings

Ratings overview (as of 03.03.2015)



	Fitch	Moody's	S&P	DBRS ¹
Pfandbrief Ratings				
Public Sector Pfandbriefe		Aa1	AA+ ²	
Mortgage Pfandbriefe		Aa2	AA+ ²	
Bank Ratings				
Long term	A-	Baa2	BBB	A (low)
Outlook	Negative	Negative	Developing	Negative
Short term	F1	P-2	A-2	R-1 (low) ³
Stand-alone Rating ⁴	bb+	E+ / b2	bbb-	BBB

Note: The above list does not include all ratings

1 Unsolicited Rating

2 Negative Outlook

3 Stable Outlook

4 Fitch: Viability Rating; Moody's: Bank Financial Strength Rating / Baseline Credit Assessment; S&P: Stand-alone credit profile; DBRS: Intrinsic Assessment

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