pbb Banks' Day

Strong 2015 and solid Q1/16 – some challenges ahead

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

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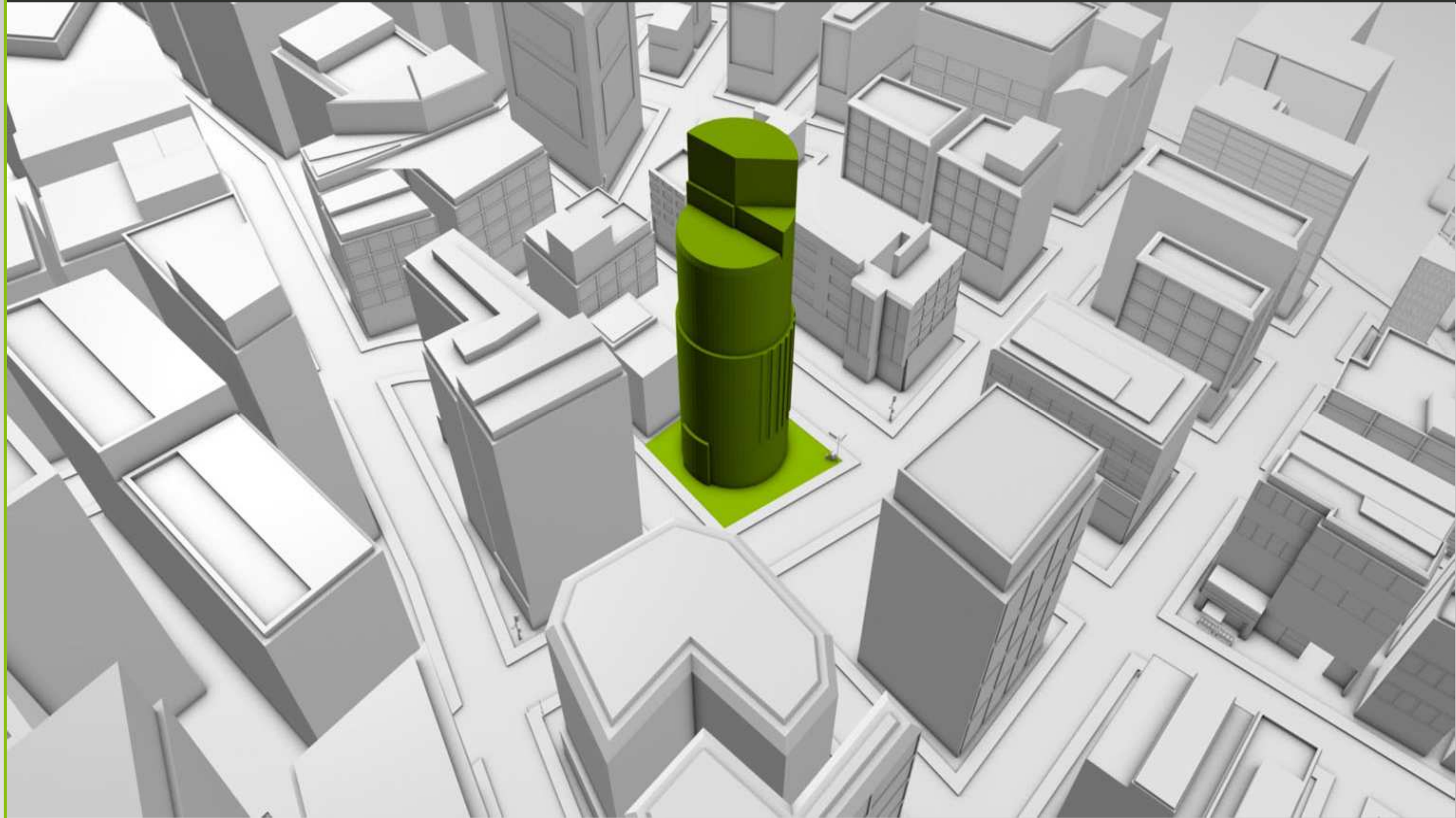

Banks' Day, 7 July 2016 (pbb Group, IFRS, unaudited)

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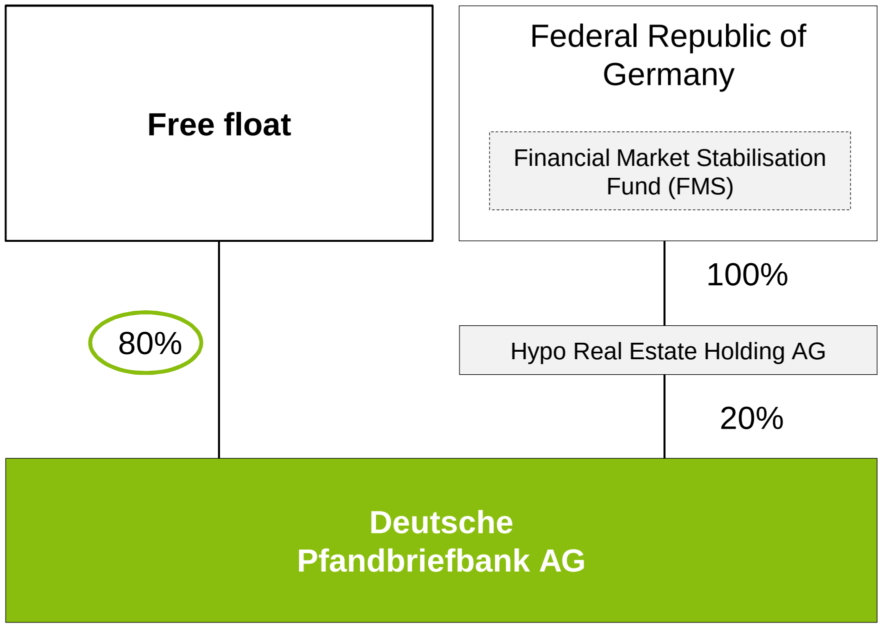
Andreas Arndt, CEO / CFO

Strategic Positioning and Outlook

Shareholder structure

IPO successfully completed in July 2015



- IPO successfully completed in difficult market environment – biggest IPO 2015 in Germany at that time
- Shares placed at EUR 10.75 per share – total gross volume of placement at rd. EUR 1.2 billion
- HRE has undertaken, via a lock-up-agreement and subject to certain contractual exceptions, to hold 20% of the share capital until mid-July 2017
- Included in MDAX since September 2015

Share price development

Strong relative performance since IPO compared to German banking sector

Share price performance as of 30.06.2016[1]

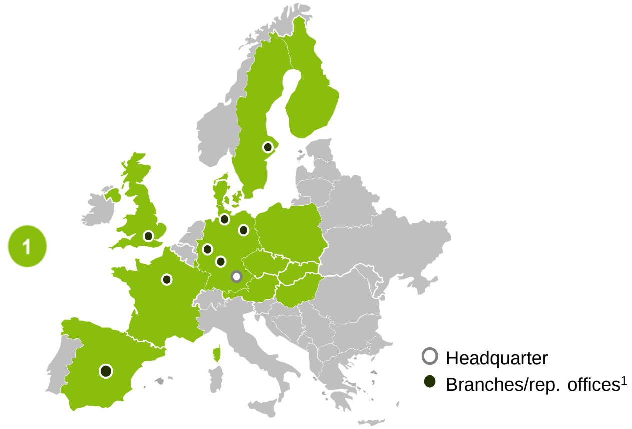
Indexed, based on XETRA daily closing prices

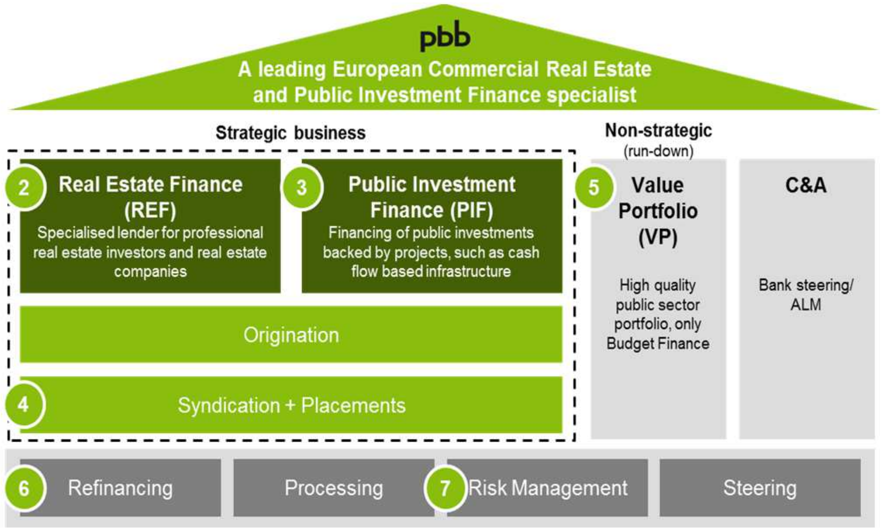
1 Source: Thomson Reuters

Business model & strategy

Business model and strategy largely unchanged post IPO

1. **European presence** with **strong footprint in Germany**
2. REF well established with **long-standing client relationships** and **highly experienced, skilled and stable origination teams**
3. **PIF developing as complementary contributor** to REF, supporting revenue stream
4. Develop **syndication and placement activities** from risk management tool to income contributor
5. **Capital reallocation** from Value Portfolio allows for **build-up of higher-margin strategic portfolio**
6. **Stable and well diversified funding base** with German Pfandbrief as main funding instrument
7. **Fully integrated front-to-back risk governance** on **unified and up-to-date IT platforms** provides for efficient and effective workflows





1 In addition, one subsidiary in Tokyo which will be closed

Business model & strategy
Key initiatives to support profitability

1. **Take increasing advantage of structuring expertise**, which allows for higher margins
2. **Carefully evaluate further product and market potential** in line with existing risk strategy
3. **Develop syndication and placement activities** from risk management tool to income contributor
4. **Broaden unsecured funding capabilities** in terms of products and markets

Operating overview

Strong 2015 and solid Q1/16 – markets and regulatory environment with increasing uncertainties

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2015: Best result since re-start in 2009

pbb well positioned

- **IPO successfully completed** in difficult market environment ✓
- pbb firmly established as **a leading European Real Estate and Public Investment Finance Bank** – risk conservative profile remains

Good operating perfor-mance

- **New business** of EUR 12 bn marks new **record level**
- **Strategic portfolio growth** by +10% – despite high early extensions/ prepayments ✓
- **High portfolio quality** maintained
- **Best result since re-start in 2009:** PBT of EUR 195 mn
- **Dividend: EUR 0.43** per share – **pay-out ratio equals ~50%** (annualised)[1]

Q1/16: A good start into 2016

Markets

- **Ongoing strong demand** for CRE ✓
- New business written at **stable avg. gross margin**
- Persistently **increasing competitive pressure** and **very demanding credit markets**

Solid operating perfor-mance continued

- **New business** on good level of **EUR 2.9 bn**
- **Strategic portfolio up +4% y-o-y** and **slightly up in Q1/16**
  – prepayments remained on high level ✓
- **PBT** of EUR 45 mn **in line with expectations**
- **Write-back** of around **EUR 132 mn on HETA exposure possible** based on MoU signed in May 2016[2]

2016e: Challenges ahead

Markets

- **High competition** and **margin pressure** expected to **continue / further increase** !
- Impact from **BREXIT** on CRE markets uncertain

Regulation

- Regulation **remains uncertain and challenging** !
- Further **upward pressure on RWA**

Operating objectives

- **New business target** on ambitious **2015 level**
- Further **cautious build-up of strategic portfolio** !
- **Slightly lower PBT than good 2015 level anticipated**, incl. EUR ~10 mn write-back on HETA (guidance as of March 2016; MoU signed in May 2016 not taken into account)

1 Pay-out ratio calculated on a pro-rata basis for the time period following pbb's privatisation in July 2015   2 Current expectation; subject to several conditions

Operating overview

Solid operating performance continued in Q1/16

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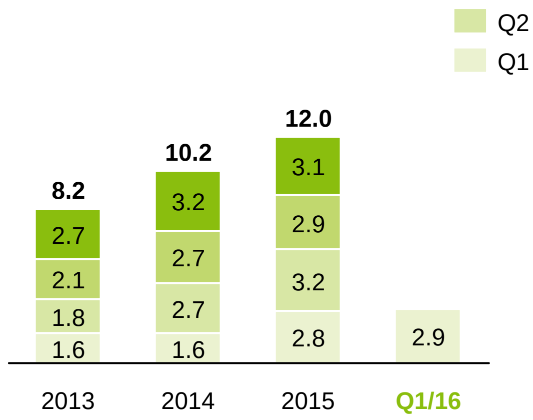
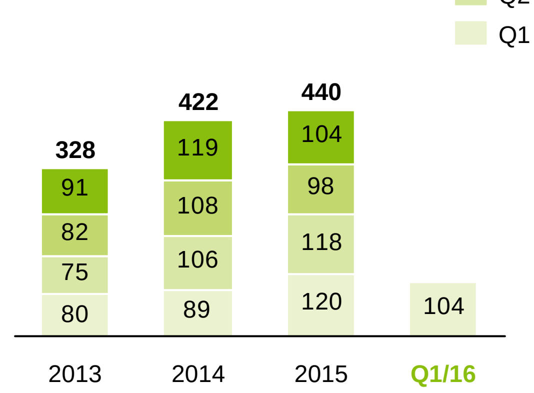
New business

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



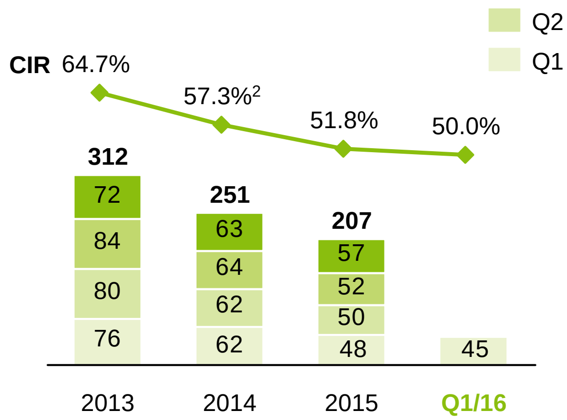
Net interest and Commission income

EUR millions (IFRS)



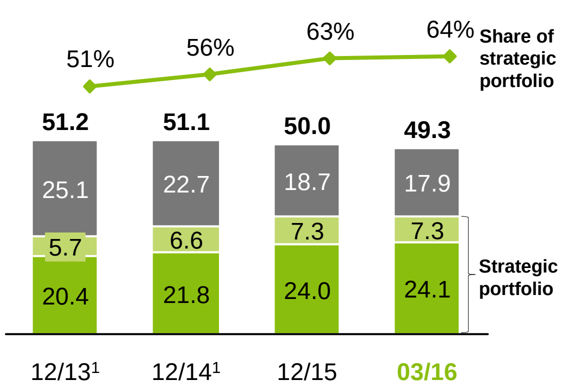
General and admin. expenses

EUR millions (IFRS)



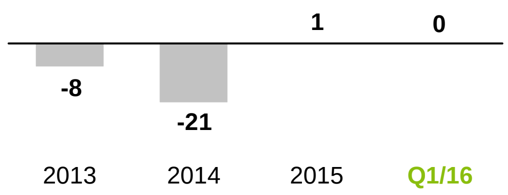
Portfolio

EUR billions (Financing volumes)



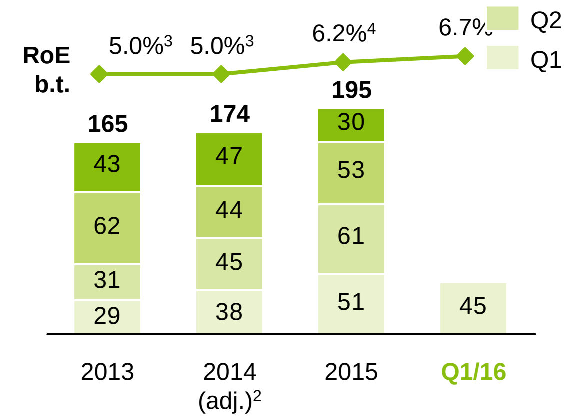
Loan-loss provisions

EUR millions (IFRS)



Pre-tax profit

EUR millions (IFRS)



Note: Figures may not add up due to rounding 1 Restated; figures retrospectively adjusted for transfer of Italian PIF portfolio into VP (as of 01/01/15) 2 Adjusted for EUR -120 mn extraordinary effects from value adjustments on HETA exposure 3 Incl. EUR 1 bn silent participation of Sonderfonds Finanzmarktstabilisierung (FMS) 4 Calculation based on average equity; EUR 1 bn silent participation of Sonderfonds Finanzmarktstabilisierung (FMS) included until redemption in July 2015

Dividend & capital strategy

Capital position provides buffer for regulatory uncertainties and allows for further cautious build-up of portfolio

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Dividend and capital strategy

Capital
- Keep **certain buffer beyond mid-term target** of 12.5% CET 1 ratio (fully loaded)

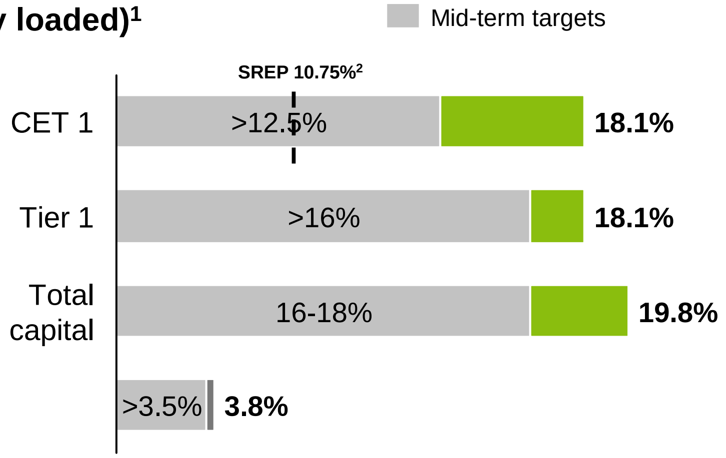
Dividend
- Stable dividend **pay-out of 40-50%**

Capital ratios (fully loaded)[1]

31/03/2016

Capital ratios (fully loaded)[1]

Leverage ratio



- CET 1 ratio (fully loaded) **well above SREP and mid-term target**
  - providing **buffer for regulatory uncertainties**
  - allowing for further cautious **build-up of portfolio**

1 Based on currently known CRR rules, delegated act not yet taken in account; actual figures may vary significantly from simulation 2 Incl. capital conservation buffer

Regulation

Regulation remains challenging – high uncertainties regarding final outcome, especially on risk-weights

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Capital & RWA (2016-2018)	
SREP	**SREP minimum ratios are set** (pbb: 10.75%) – reviewed on an annual basis by the ECB
ECB 'TRIM'	**Use of IRBA-Models** for Low-Default-Portfolios **reviewed** **Discussion on floors** Consideration of **stricter specification of parameter estimation practice**
'Basel IV' Exposure Draft	**Increased standardised risk-weights** primarily for CRE assets **New IRBA Floor** based on revised SA (SA+) discussed at 60-80% of SA+ RWA **Option to use IRBA-Models** for Low-Default-Portfolio **to be removed** and **'Slotting Approach' to be applied**

Leverage Ratio (2018) & MREL (2016e)	
LR	**No binding minimum ratio set** so far – this is **planned for 2018.** In 2016, calculation changed by "Delegated Act"
MREL	A **bank-specific MREL minimum ratio will be set by the resolution authority**; final draft guidelines published in July 2015

Liquidity (phase-in until 2018)	
LCR	Calculation based on EU rules (delegated act from 10/2014) and EBA ITS sheets **phases in to 100% until 2018**
NSFR	NSFR rules are **not yet finally defined by EBA** – therefore, calculation currently still based on Basel III rules (April 2014)

IFRS 9 (2018)	
Classification / Measurement	From 2018 onwards, **more financial instruments to be measured at fair value through P&L or OCI** (IFRS equity), e.g. assets which do not fulfill the cash flow or business model criterion
Impairment	From 2018 onwards, change from Incurred Loss Model (IAS39) to new **Expected Loss Model** according to IFRS 9
Hedge accounting	IFRS 9 only deals with **micro hedge accounting,** new standard for macro hedge accounting intended to be finalised at a later stage **Option to maintain existing IAS 39** until macro hedge accounting rules have to be initially applied

Sources: ECB letter on ECB targets 2016/2017 (Dec 2015); Basel Committee on Banking Supervision, Consultation Documents (Dec 2015, Mar 2016)

Market environment

Financing environment and CRE markets expected to remain overall supportive, but highly competitive – impact from BREXIT on CRE markets uncertain

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Opportunities	
Financing environment	■ **Macroeconomics** in core Europe expected to remain **reasonably robust** – despite political tensions ■ **ECB policy of QE to extend** through 2016; low / negative interest rates to stay
Demand for CRE investments	■ **Demand for commercial real estate on supportive level** in pbb's relevant markets, benefiting from low interest and yield levels for alternative investments - Sufficient equity available for Real Estate opportunities; however in Q1 2016 lower investment volumes due to lack of suitable properties, declining yields and event-driven insecurity - Outlook 2016 generally positive but clouded by elements of uncertainty arising from current developments[1] ■ **Risk of oversupply** in relevant markets expected **to remain relatively low**, given **low level of vacancy rates** – however, in some markets slow down of rent increase

Challenges / Market position	
Market environment	■ Overall **volatile market environment** ■ **Geopolitical risks** ■ Impact from **BREXIT** on CRE markets uncertain
Competition	■ **High competition and margin pressure** expected **to continue** ■ Overall favourable market environment attracts **more financing providers**, also from non-banking sector
pbb's market position	■ pbb does not aim for a specific new business **market share** ■ **Quality over quantity** approach ■ **More transactions to be screened** for same outcome ■ Strict **focus on profit hurdle rates** to ensure focus on attractive new business only

1 BREXIT discussion, rent controls, stamp duty increases etc.

Side note: BREXIT

Downside risk from existing UK portfolio (EUR 5.0 bn) limited – overall impact on CRE markets uncertain

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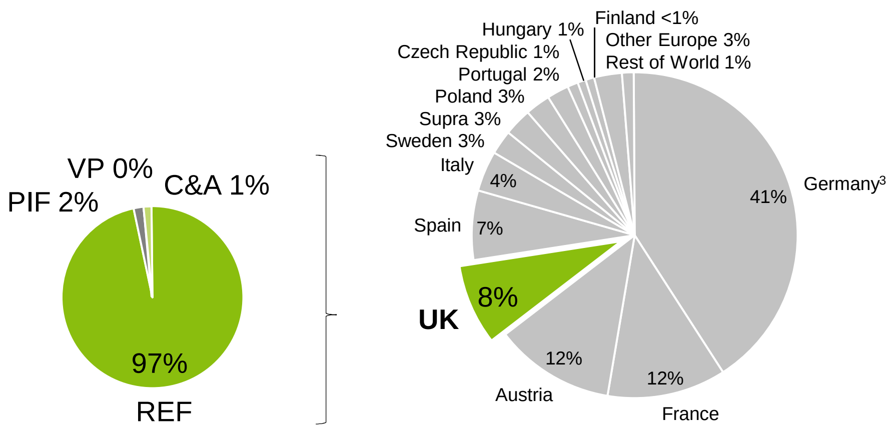
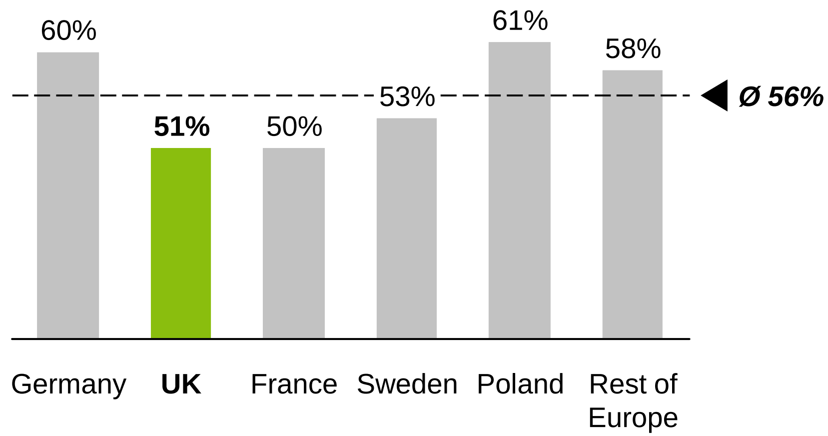
Total portfolio: Regions

31/03/2016: EUR 61.5 bn (EaD, Basel III)[1,2]



REF Portfolio: Avg. weighted LTVs

31/03/2016 (Commitments)[4]



No negative impact out of FX volatility on liquidity situation expected

UK portfolio of **high quality**

- Portfolio **well diversified** by property types
- **Largely investment loans**, only limited amount of development loans in London with conservative structure
- **EL classes** in line with avg. REF portfolio
- Avg. **LTV** (03/16: 51%) and **ISC** (03/16: >400%) **on conservative level**
- Most existing lease contracts **limit immediate impact on reletting/vacancy situation**
- **No problem loan exposure** on current portfolio

Exposure **closely monitored**

High risk standards continued to be applied

UK expected to **remain a core market** for pbb

Negative impact on UK market and other European markets **cannot be ruled out**

Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure (EUR 0.2 bn) 2 Excl. intra-group exposure 3 Incl. Bundesbank accounts (03/16: EUR 0.7 bn; 12/15: EUR 1.3 bn) 4 Based on performing investment loans only 5 No work-out, only restructuring loans 6 Incl. Hungary, Spain, Italy

Outlook 2016
Operating targets

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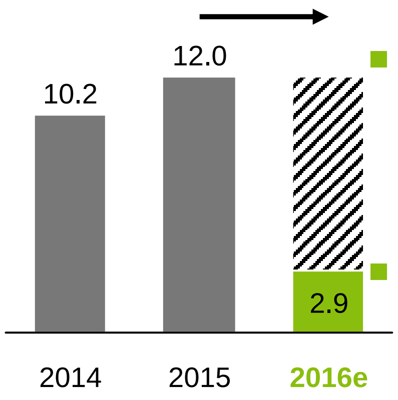
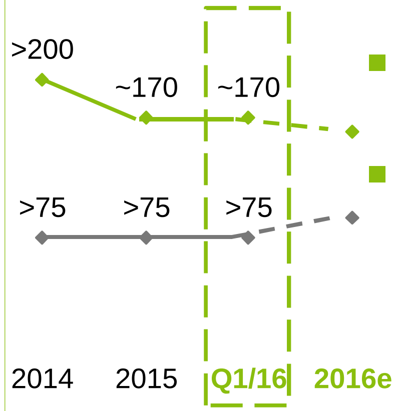
New business (volume)
EUR billions (Commitments, incl. extensions >1 yr)



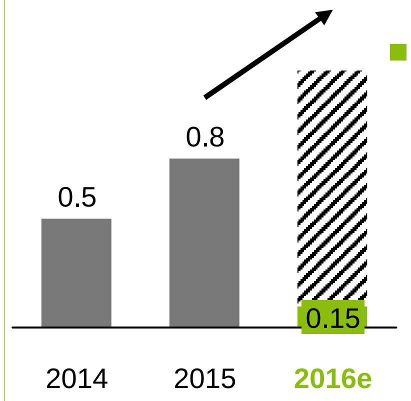
- Market environment expected to remain largely supportive
- New business target on ambitious 2015 level

New business (margin)
bp (gross)



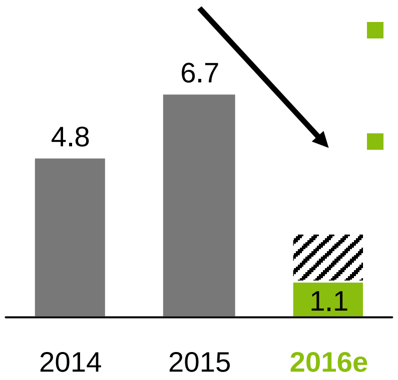
- Stable margins in Q1/16
- Margin pressure expected to continue/ further increase

Syndication / placements
EUR billions (nominal)[1]



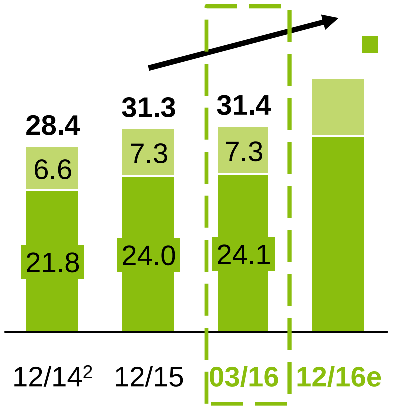
- Develop syndication/ placement activities to support profitability

Prepayments
EUR billions (nominal)



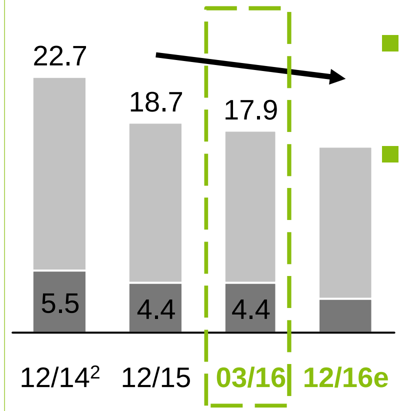
- Lower pre-payments expected
- Q1/16 showed higher level than expected

Strategic portfolio
EUR billions (Financing volumes)



- Strategic portfolio growth driven by
  - Stable new business
  - Lower pre-payments
  - Ongoing capital reallocation from VP

Value Portfolio
EUR billions (Financing volumes)



- Continued systematic run-down
- Run-down of VP allows for build-up of strategic portfolio

Note: Figures may not add up due to rounding 1 Excl. pre-syndications 2 Restated; figures retrospectively adjusted for transfer of Italian PIF portfolio into VP (as of 01/01/15)

Key take-aways

pbb well positioned with **strong origination franchise and structuring competence** – however, **market environment challenging** owed to increasing competition and uncertain impact from BREXIT on CRE markets

Conservative business approach (‘quality over quantity‘) to maintain high portfolio quality – LLPs on low level, problem loans significantly reduced

Strict cost management

Strong capital position allows for further cautious build-up of portfolio and provides buffer for regulatory uncertanties

Andreas Schenk, CRO

Risk Management

pbb risk management – Overview

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Fully integrated risk management culture

- Active and stringent risk assessment and management culture embedded in all aspects of pbb lending business
- Via effective and comprehensive credit and reporting processes early involvement of senior management including management board in relevant risk matters
- Deep in-house expertise in HQ and across regional offices, by that ensuring group wide same risk standards and processes under consideration of local know-how and particularities

Stringent front-to-back risk management processes

- Consistent processes throughout the organization with focus on early warning, proactive risk management as well as consistent application of risk standards
- Origination process with early involvement of credit, legal and valuation specialists to ensure compliance with risk standards in new business, smooth and efficient credit process as well as high reliability in terms of pbb delivering credit approval to clients as negotiated
- Regular and comprehensive credit reviews with escalation mechanics to senior management
- For 99%[1] of portfolio, pbb uses the IRBA to determine regulatory capital

Risk-centric, streamlined IT systems

- Ongoing credit monitoring strongly IT supported and embedded into core systems
- Major system consolidation and clean-up completed
- Single source philosophy
- High data integrity and consistency
- Flexibility to incorporate evolving regulatory demands

1 Based on RWA

Risk Management & Portfolio

REF: Consistent steering approach, high degree of transparency and suitable techniques with special focus on management of concentration risk and large tickets

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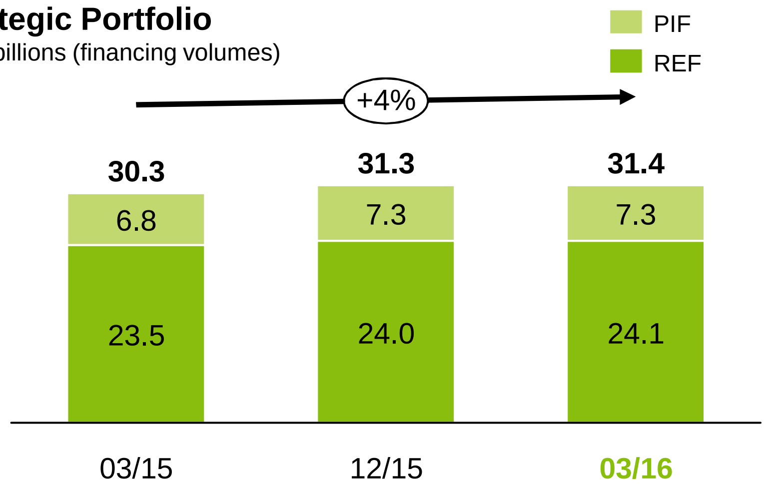
Portfolio Steering	■ **Elaborated system of country- and asset type limits**. Daily limit supervision leads to tight grip on overall geographic/asset class portfolio structure ■ **Regular reports on sub portfolios** including inter alia development of risk parameters like LGD/PD ratings, early warning triggers ■ **Monthly Group Risk Report to Management Board;** quarterly report to Supervisory Board includes overall PD migrations and Top Lists
Advanced and integrated tools to identify, steer and actively manage concentration risk	■ **Detailed and elaborated limit system of country/asset class limits** and top ECAP contributions which enables portfolio steering; limit excesses escalated to senior management via reports ■ **Comprehensive tenant database** allows identification and active steering of lease concentrations, central point of monitoring and analysis of key tenant risk assures common view on key secondary risks over entire portfolio ■ **Comprehensive IT coverage** on property data allows identification and analysis of regional/local/asset class/concentrations on property risk
More conservative risk parameters for large tickets	■ **Large loans typically with more conservative risk structure** (LTVs, soft and hard covenants, including but not limited to cash traps, etc.) ■ Typically financing of **property portfolios or top landmark buildings** by this **spreading property risk**. Portfolio transactions in general with **cross-collateralization** features across individual properties ■ **Strong tenant or high diversification of tenant base** ■ **Big tickets with high senior management attention** via regular reporting to senior management according to credit authority level ■ **Involvement of syndication desk** even if loan stays on balance sheet regarding (potential) syndicatability of such a transaction ■ **Typically institutional sponsor background** with long term industry experience regarding, inter alia, asset management. This kind of investor runs more conservative financial structure which provides increased comfort to pbb

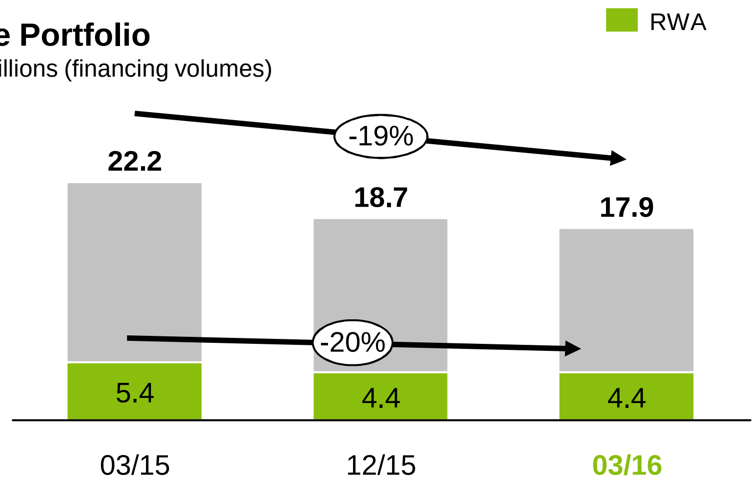
Portfolio

Share of strategic portfolio continuously growing – freed-up capital from run-down of non-strategic Value Portfolio reallocated to strategic business

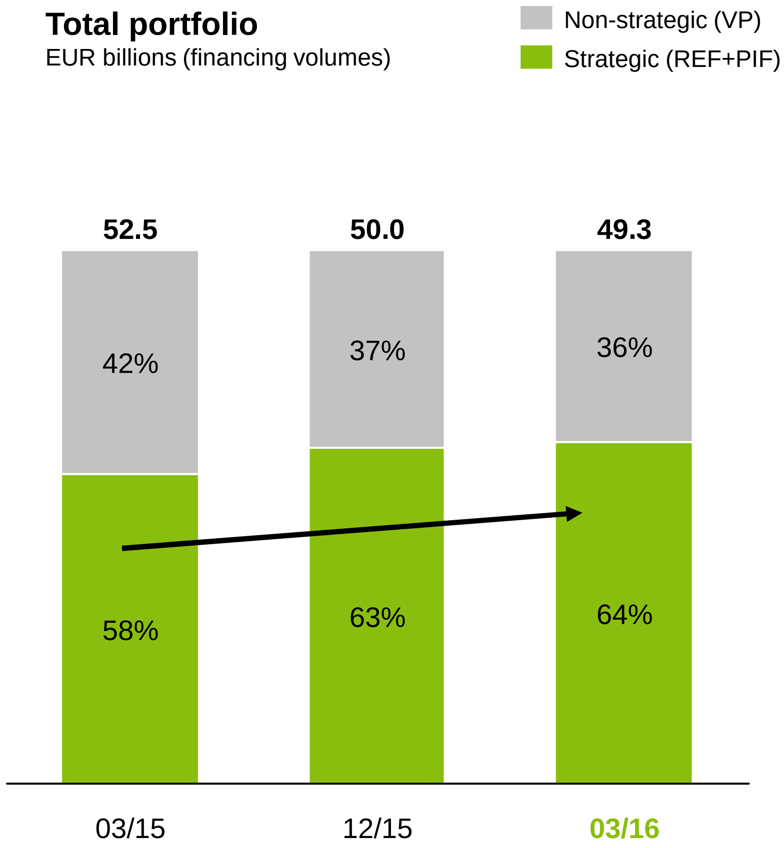
Strategic Portfolio
EUR billions (financing volumes)



Value Portfolio
EUR billions (financing volumes)



Total portfolio
EUR billions (financing volumes)



Note: Figures may not add up due to rounding

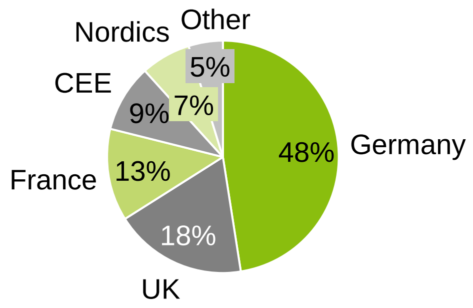
Portfolio

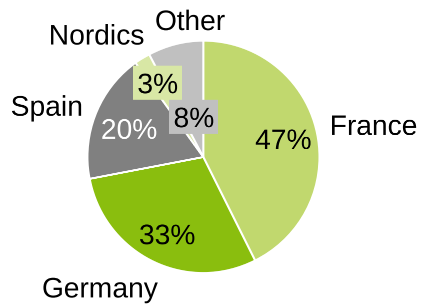
Well diversified portfolio with continued focus on European markets, particularly on Germany

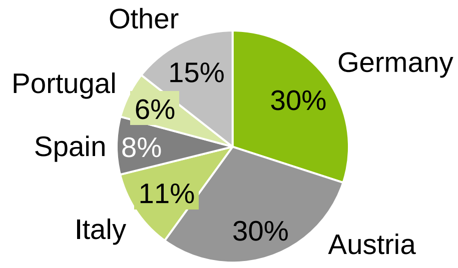
31/03/2016 (EaD, Basel III)

Real Estate Finance[1] | Public Investment Finance | Value Portfolio[2]

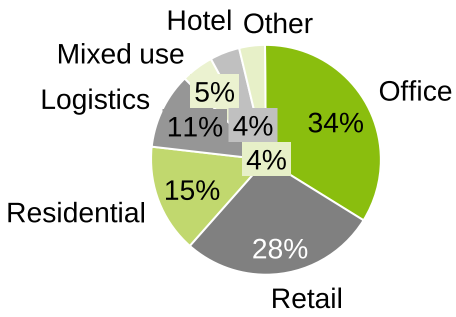
by region

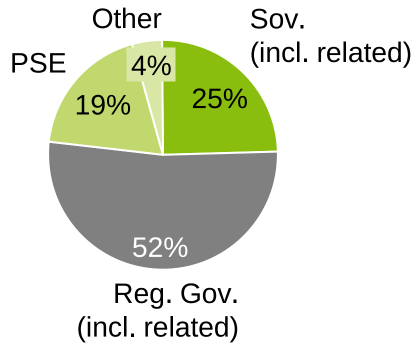


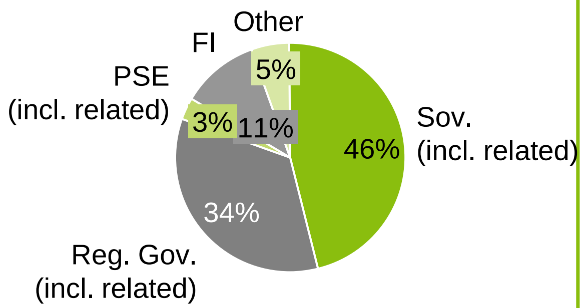




by property type / borrower classification[3]







Portfolio volume

Real Estate Finance	Public Investment Finance	Value Portfolio
EUR 26.1 bn	**EUR 8.3 bn**	**EUR 21.8 bn**

Note: Figures may not add up due to rounding 1 Excl. intra-group exposure 2 Excl. FMS-WM guaranteed exposure (EUR 0.2 bn) 3 See appendix for definition of borrower classification

Portfolio

Sustained high portfolio quality – 96% investment-grade, avg. LTV of 56%

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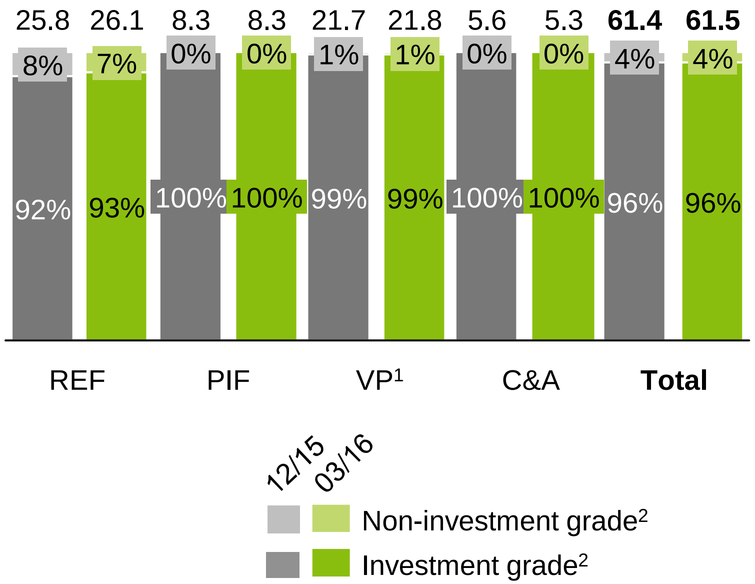
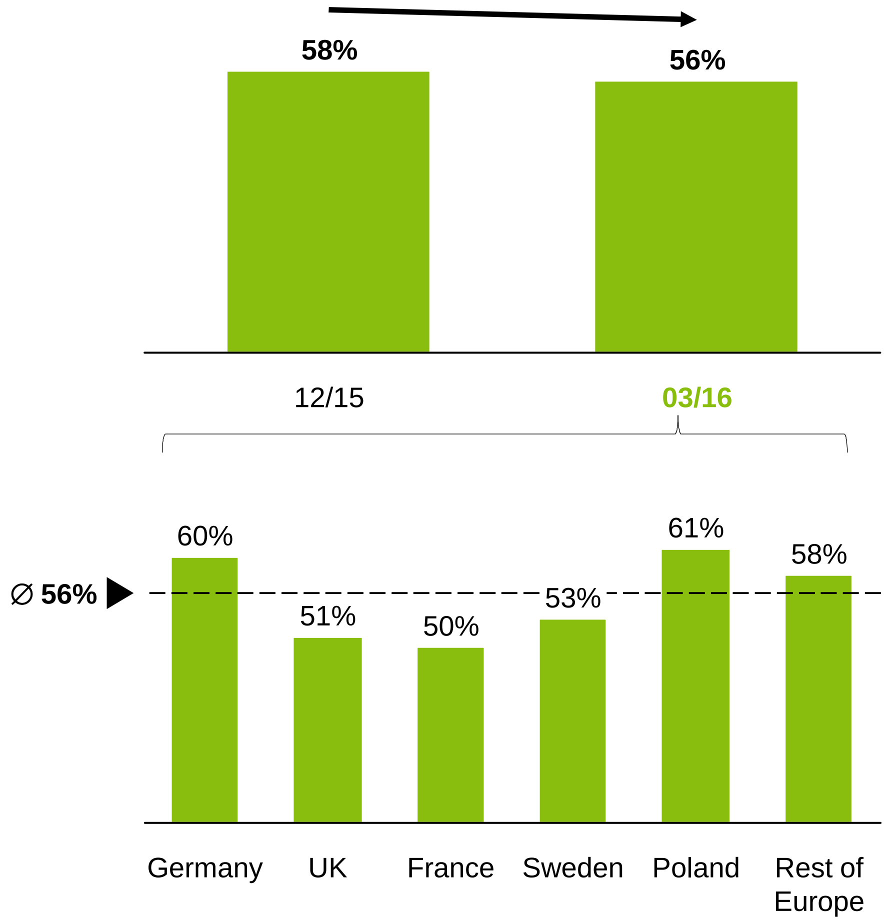
Total portfolio: Internal ratings (EL classes)

EUR billions (EaD, Basel III)



REF Portfolio: Avg. weighted LTVs

(Commitments)[3]



Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure (EUR 0.2 bn) 2 EL classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade 3 Based on performing investment loans only

New business

Conservative business approach – low LTVs, stable margins

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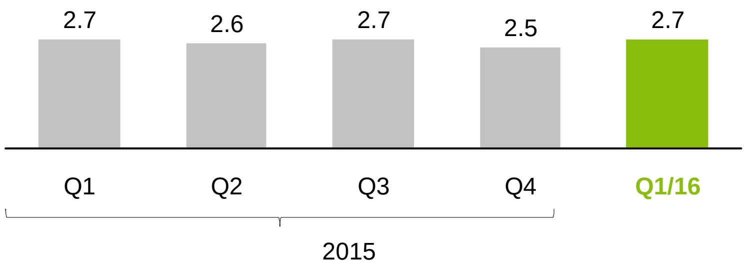
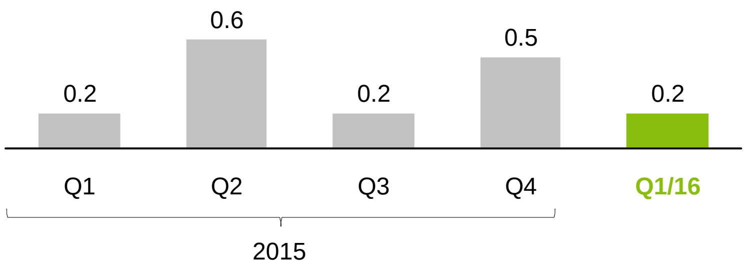
Real Estate Finance

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



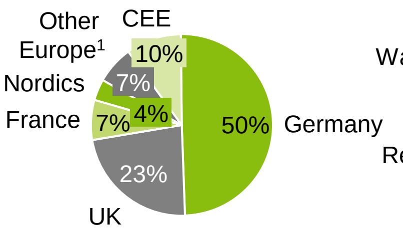
Public Investment Finance

EUR billions (commitments)



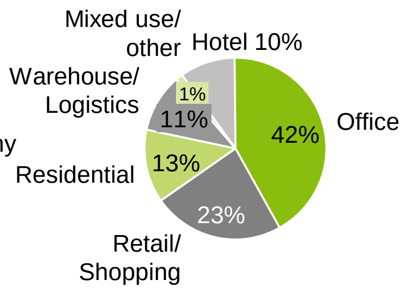
Regions

Q1/16: EUR 2.7 bn



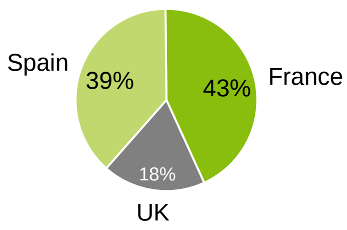
Property types

Q1/16: EUR 2.7 bn



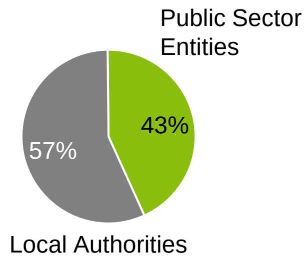
Regions

Q1/16: EUR 0.2 bn



Counterparty Types

Q1/16: EUR 0.2 bn



REF	Q1/15	2015	Q1/16
Total volume (EUR bn)	2.7	10.4	2.7
thereof: Extensions >1 year	0.7	*2.3*	*0.3*
No. of deals	33	180	44
Average maturity (years)[2]	~5.6	~5.7	~5.3
Average LTV (%)[3]	61	63	63
Average gross margin (bp)	>170	~170	~170

PIF	Q1/15	2015	Q1/16
Total volume (EUR bn)	0.2	1.6	0.2
No. of deals	7	48	7
Average maturity (years)[4]	~8.0	~8.4	~8.2
Average gross margin (bp)	>100	>75	>75

Note: Figures may not add up due to rounding 1 Austria, Netherlands 2 Contractual maturities 3 New commitments; avg. LTV (extensions): 56%; 56% (2015); 53% (Q1/15) 4 WAL

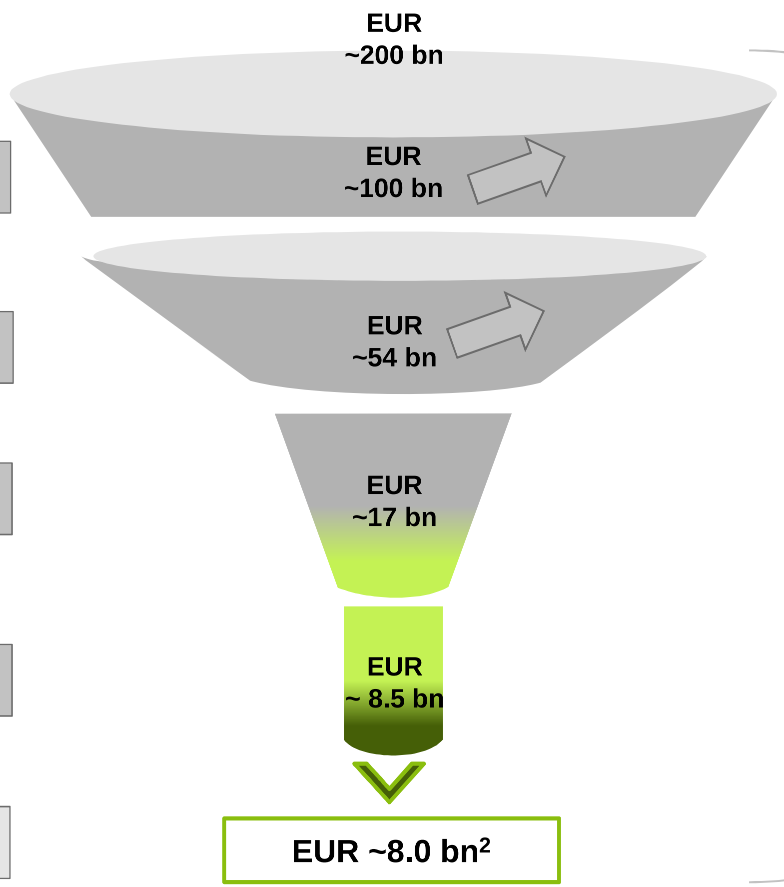
Business Model & Strategy

REF: New Business Origination with increased market penetration and selective business intake

Prudent underwriting process

2015

REF market	
pbb rough screening	*100%[1]*
Pre New Deal Committee (Pre NDC; *selection done by originator)*	*~55%[1]*
NDC approved	*~17%[1]*
Credit approved	*~9%[1]*
New Real Estate Finance commitments	*8%*



More transactions to be screened to meet profitability requirements

1 Percentage of "rough screening" which results in actual new Real Estate Finance commitments
2 Excluding extensions >1year

Portfolio

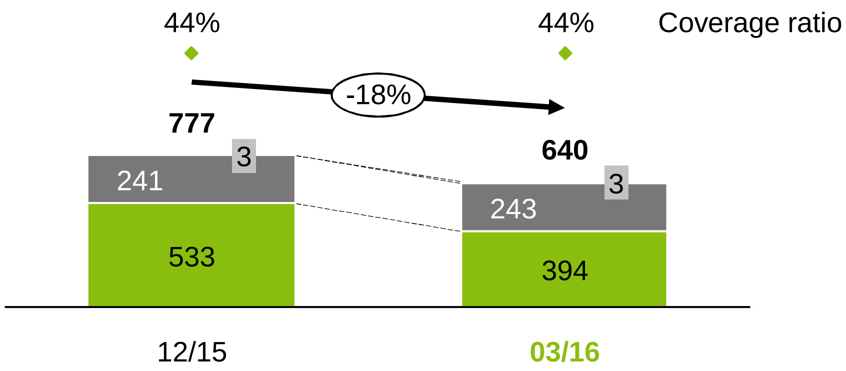
Sustained low share of problem loans

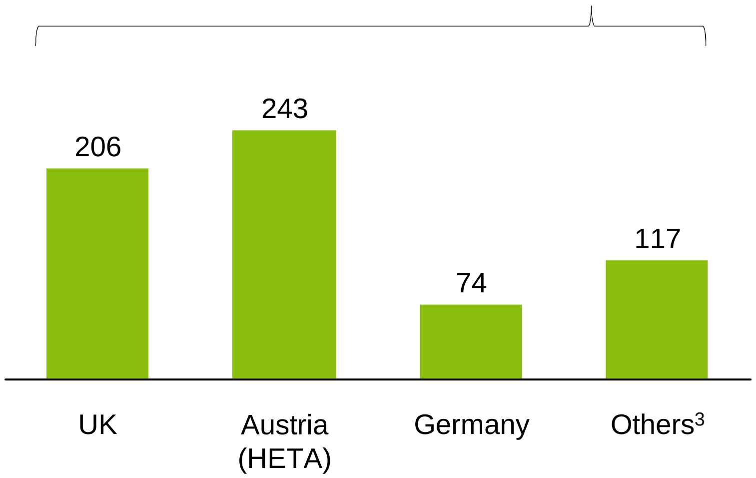
DEUTSCHE PFANDBRIEFBANK

Total problem loans

EUR millions (EaD, Basel III)

Workout[1]
Restructuring[2] (thereof: HETA)

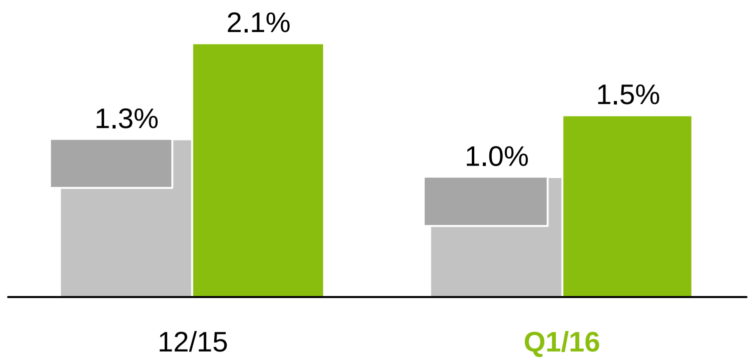




Problem loan ratio

% (EaD, Basel III)

Total portfolio (thereof: HETA)
Real Estate Finance



Key drivers Q1/16:

- Total problem loans further down due to continued successful restructuring activities
- Problem loans by segment:
  - REF: EUR 397 mn
  - PIF: 'nil'
  - VP: EUR 243 mn (only HETA)
- Coverage ratio of 44% does not take into account additional collateral – incl. additional collateral, REF coverage ratio at rd. 100%

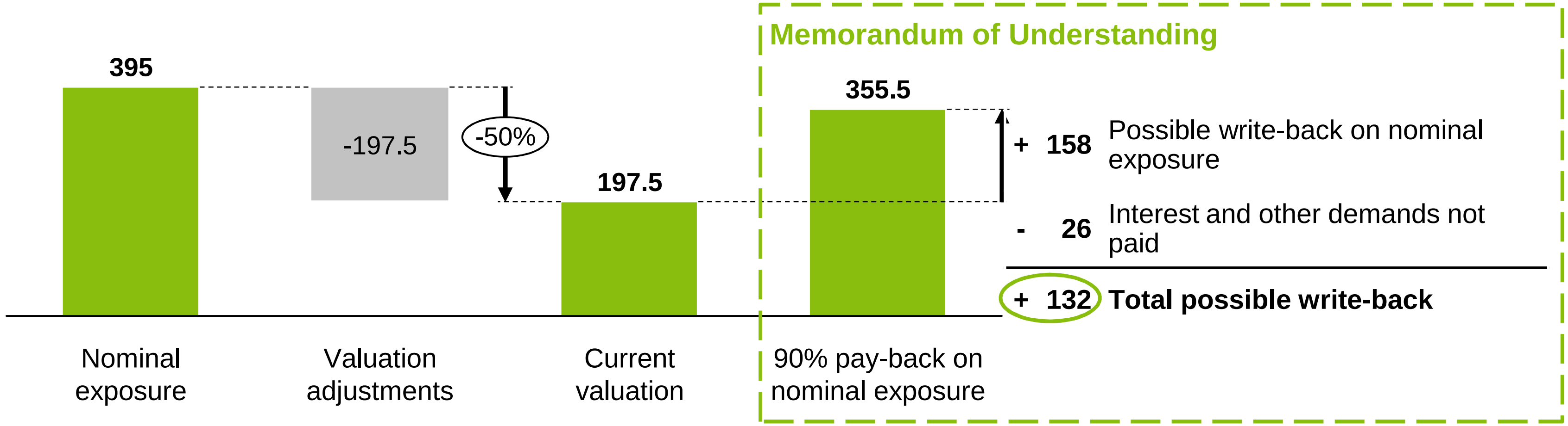
Note: Figures may not add up due to rounding 1 PD class 30: No signs that the deal will recover soon, compulsory measures necessary 2 PD class 28+29: Payments more than 90 days overdue or criteria acc. to respective policy apply 3 Incl. Hungary, Spain, Italy

Side note: Heta Asset Resolution AG (HETA)

Possible write-back of around EUR 132 mn based on MoU signed in May 2016

HETA valuation adjustments

EUR millions

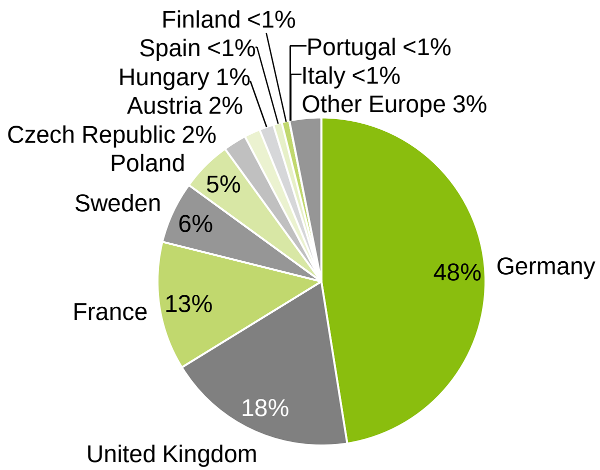


- In May, Memorandum of Understanding (MoU) signed by creditors of Austrian workout institution HETA (including pbb) as well as the Republic of Austria, providing for the largest part of certain HETA's liabilities to be repaid
- Possible write-back of around EUR 132 mn in the event of successful implementation of the MoU (based on current expectation)
- Successful implementation subject to several uncertainties
  - Political stability of position taken
  - Implementation of formal conditions (i.e. – among others – the publication of an offering circular and the acceptance of the offer according to the quota required by law)
  - European Commission's view on potential state aid issues relating to the offer

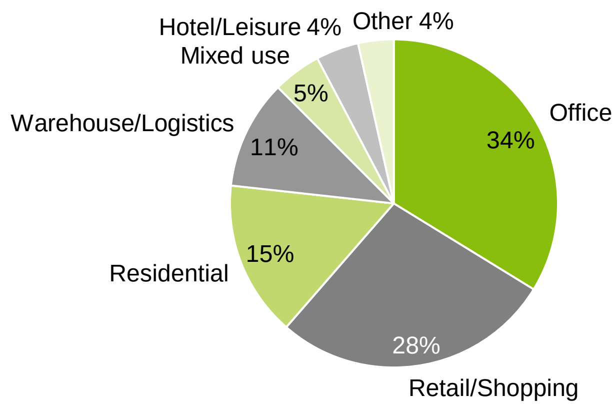
Portfolio
Real Estate Finance (REF)

DEUTSCHE PFANDBRIEFBANK

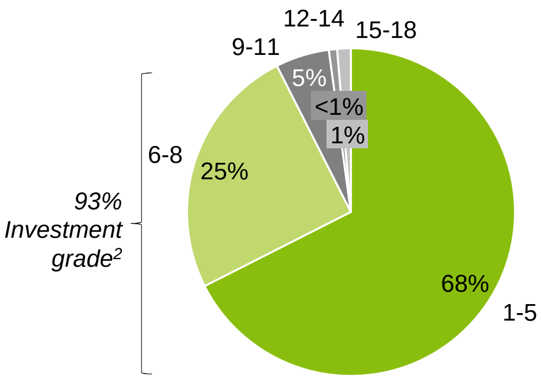
Portfolio: Regions
31/03/2016: EUR 26.1 bn (EaD, Basel III)[1]



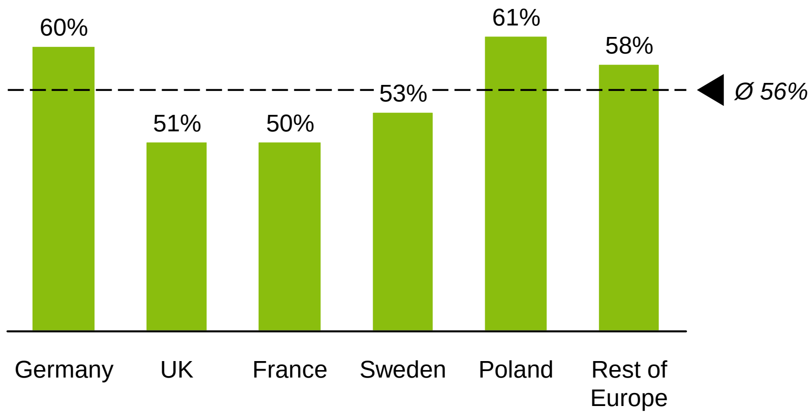
Portfolio: Property types
31/03/2016: EUR 26.1 bn (EaD, Basel III)[1]



Portfolio: Internal Ratings (EL classes)
31/03/2016: EUR 26.1 bn (EaD, Basel III)[1]



Portfolio: Avg. weighted LTVs
31/03/2016 (Commitments)[3]

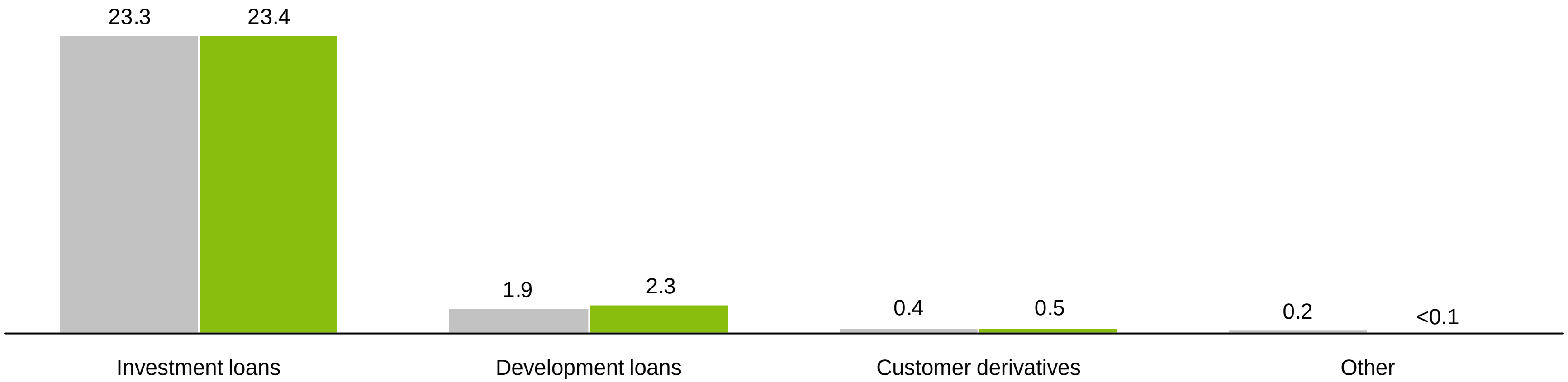


Note: Figures may not add up due to rounding 1 Excl. intra-group exposure 2 EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade 3 Based on performing investment loans only

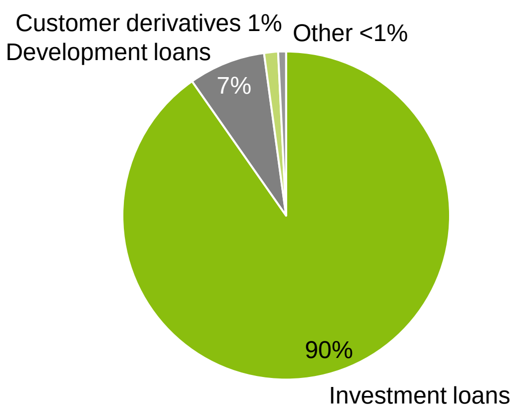
Portfolio
Real Estate Finance (REF)

Loan types
EUR billions (EaD, Basel III)[1]

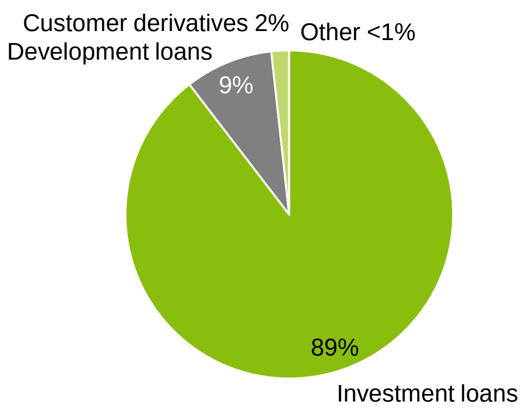
31/12/2015 / Total: EUR 25.8 bn
31/03/2016 / Total: EUR 26.1 bn



31/12/2015



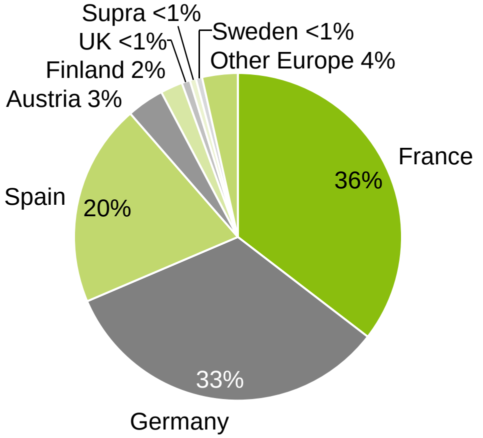
31/03/2016



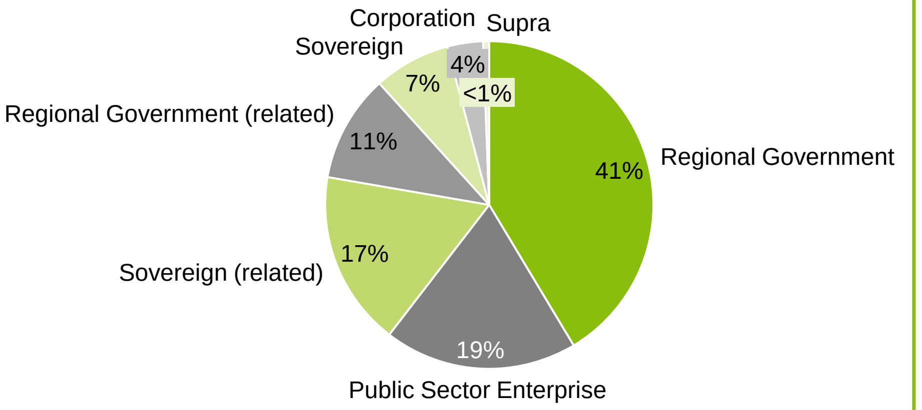
Note: Figures may not add up due to rounding   1 Excl. intra-group exposure

Portfolio
Public Investment Finance (PIF)

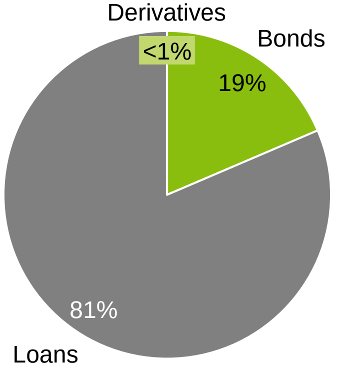
Portfolio: Regions
31/03/2016: EUR 8.3 bn (EaD, Basel III)



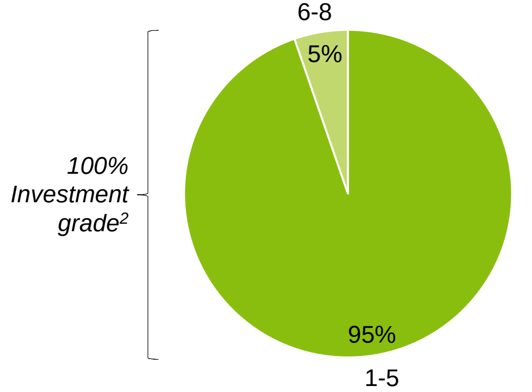
Portfolio: Borrower classification[1]
31/03/2016: EUR 8.3 bn (EaD, Basel III)



Portfolio: Product class
31/03/2016: EUR 8.3 bn (EaD, Basel III)



Portfolio: Internal ratings (EL classes)
31/03/2016: EUR 8.3 bn (EaD, Basel III)

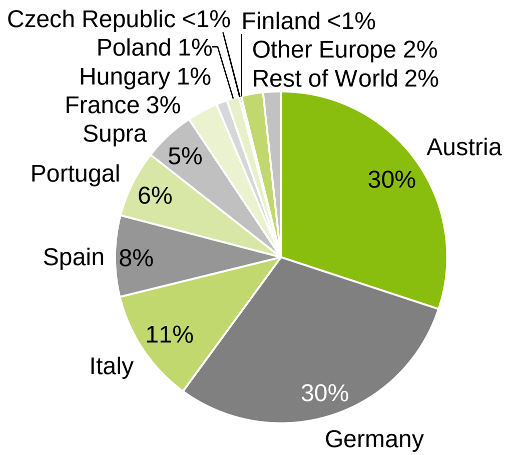


Note: Figures may not add up due to rounding 1 See appendix for definition of borrower classification 2 EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade

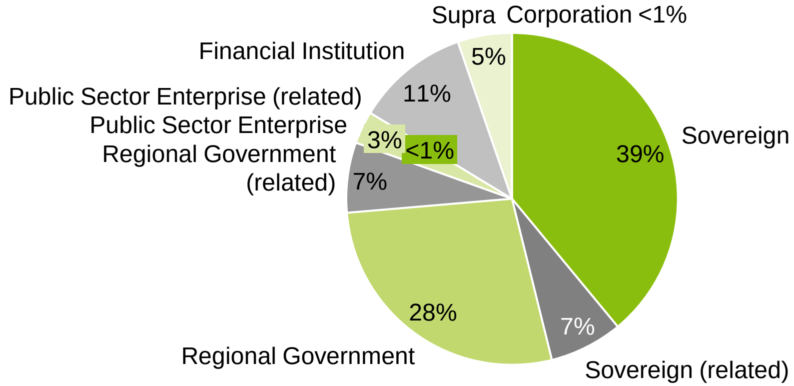
Portfolio
Value Portfolio (VP)

pbb DEUTSCHE PFANDBRIEFBANK

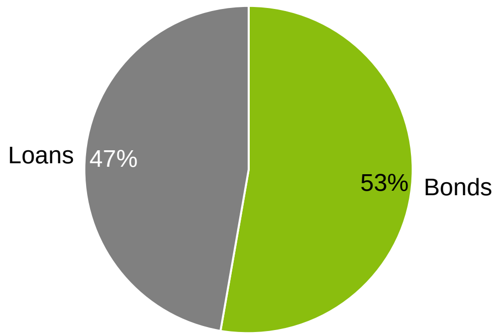
Portfolio: Regions
31/03/2016: EUR 21.8 bn (EaD, Basel III)[1]



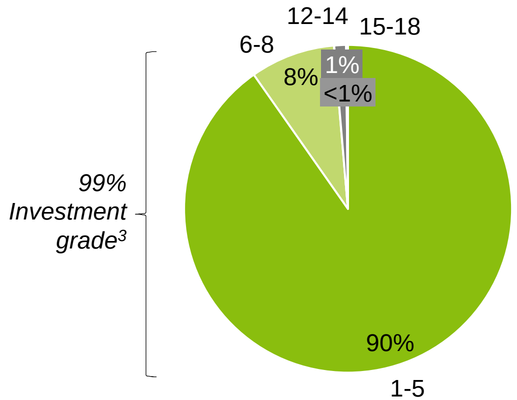
Portfolio: Borrower classification[2]
31/03/2016: EUR 21.8 bn (EaD, Basel III)[1]



Portfolio: Product class
31/03/2016: EUR 21.8 bn (EaD, Basel III)[1]



Portfolio: Internal ratings (EL classes)
31/03/2016: EUR 21.8 bn (EaD, Basel III)[1]

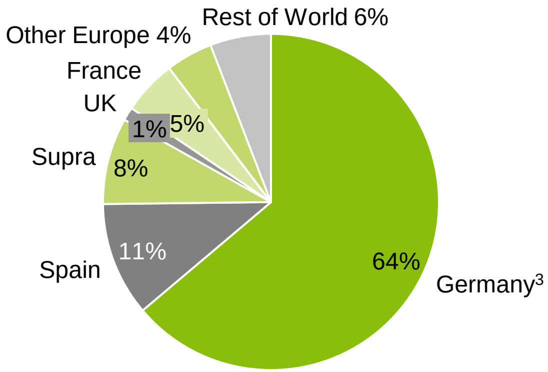


Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure 2 See appendix for definition of borrower classification 3 EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade

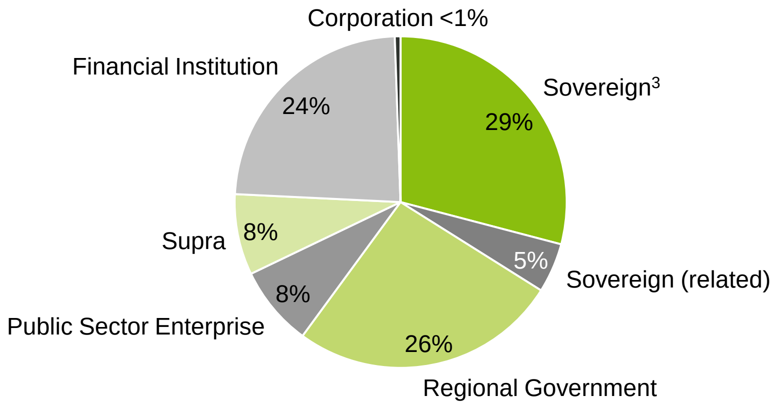
Portfolio
Consolidation & Adjustments (C&A)

pbb DEUTSCHE PFANDBRIEFBANK

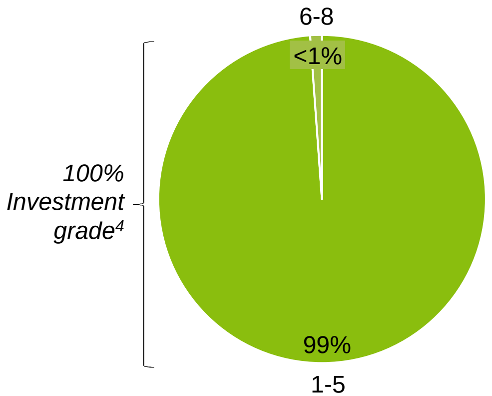
Portfolio: Regions
31/03/2016: EUR 5.3 bn (EaD, Basel III)[1,2]



Portfolio: Borrower classification[4]
31/03/2016: EUR 5.3 bn (EaD, Basel III)[1,2]



Portfolio: Internal ratings (EL classes)
31/03/2016: EUR 5.3 bn (EaD, Basel III)[1,2]

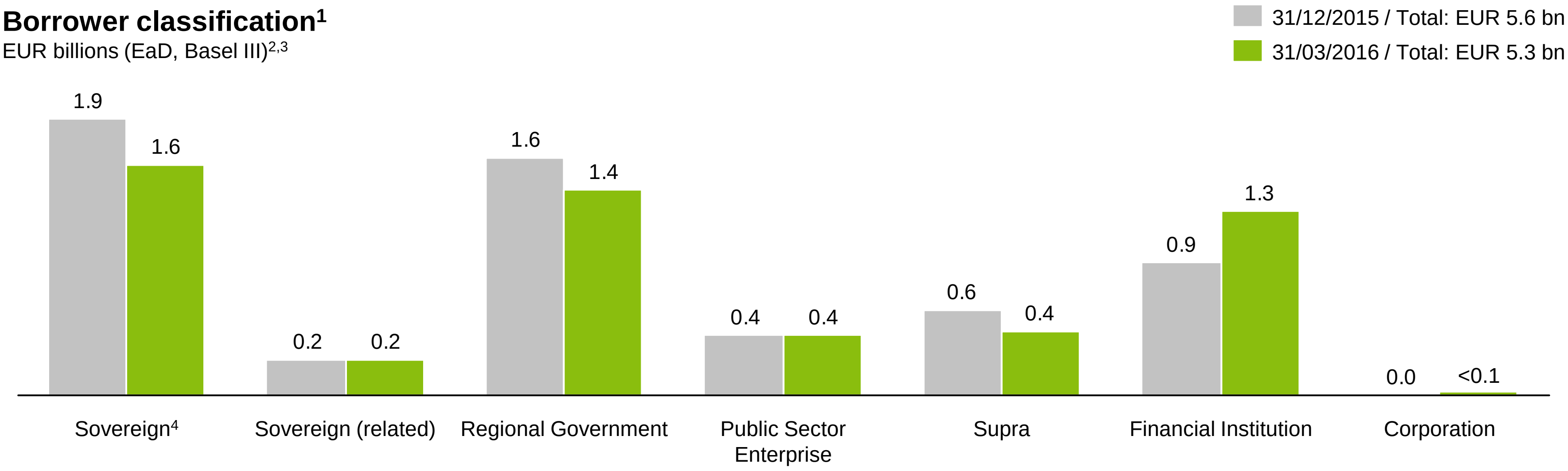


Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure 2 Excl. intra-group exposure 3 Incl. Bundesbank accounts (01/16: EUR 0.7 bn) 4 See appendix for definition of borrower classification 5 EL Classes 1-8 = Investment grade; EL classes 9-18 = Non-investment grade

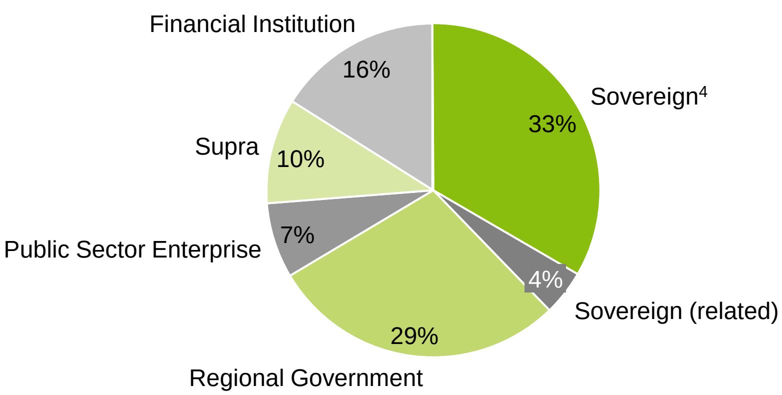
Portfolio
Consolidation & Adjustments (C&A)

pbb DEUTSCHE PFANDBRIEFBANK

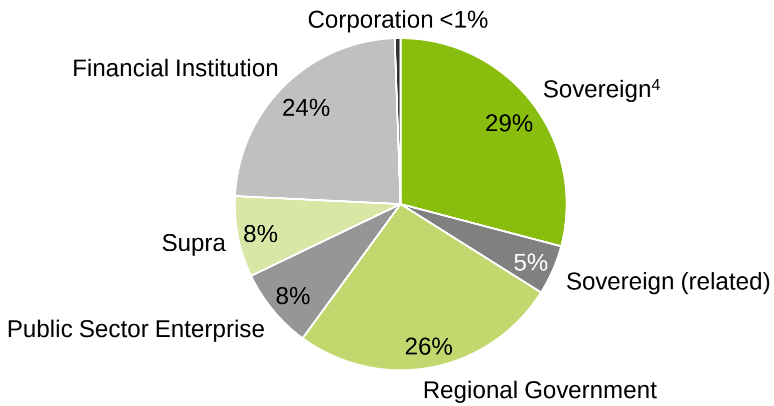
Borrower classification[1]
EUR billions (EaD, Basel III)[2,3]



31/12/2015



31/03/2016



Note: Figures may not add up due to rounding (03/16: EUR 0.7bn; 12/15: EUR 1.3 bn)
1 See appendix for definition of borrower classification
2 Excl. FMS-WM guaranteed exposure
3 Excl. intra-group exposure
4 Incl. Bundesbank accounts

Regulation

Regulation (especially current discussion on risk-weights) remains challenging and potentially puts further pressure on RWA

PRELIMINARY!

ECB 'TRIM' (2016-2017)

Goals

- **Reliability, acceptability, comparability** and **quality** of models
- **Uniform** regulatory environment

Amendments

- **Review use of IRBA-Models** for Low-Default-Portfolio
- Discussion on exposure-level, model-parameter **floors to ensure a minimum level of conservatism**
- Consideration of **stricter specification of parameter estimation practice** to reduce variability in RWA

BASEL IV Exposure Draft (2016-2018)

SA+

Goals

- Balance **simplicity and risk sensitivity** and promote **comparability** by reducing variability in RWA across banks and jurisdictions
- Ensure that the **SA constitutes a suitable alternative** and complement the IRB approach

Amendments

- Increased **standardised risk-weights** primarily for CRE assets
- **Reduce national discretions** when implementing the revised SA

IRBA

- **New IRBA Floor** based on revised SA **expected at 60-80% of SA+ RWA**
- **Remove option to use IRBA-Models** for Low-Default-Portfolio and apply **Slotting Approach**

Relevant for all banks – asset based lenders strongly affected

High uncertainty regarding final outcome of risk-weights!

Sources: ECB letter on ECB targets 2016/2017 (Dec 2015); Basel Committee on Banking Supervision, Consultation Documents (Dec 2015, Mar 2016)

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

DEUTSCHE PFANDBRIEFBANK

Rainer Göbel

GLL Real Estate Partners, München

GLL Real Estate Partners GmbH

Aktuelle Immobilieninvestitionen in Europa: "Wer suchet, der findet"
Investmentstrategien der GLL Real Estate Partners GmbH in einem divergenten Marktumfeld

Rainer Göbel – Frank Schickram

pbb Bankentag - Frankfurt am Main - 07.07.2016

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE
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GLL
REAL ESTATE PARTNERS

Übersicht


Wer wir sind?
GLL
REAL ESTATE PARTNERS
What next?
Die nächsten Schritte von GLL
GLL
REAL ESTATE PARTNERS
Aktuelles von den Märkten
Market Liquidity
Price Attractiveness
Leasing Potential
GLL Kite
Stability of Returns
Economic Stability
Aktuelle Investments

GLL Real Estate Partners

GLL REAL ESTATE PARTNERS

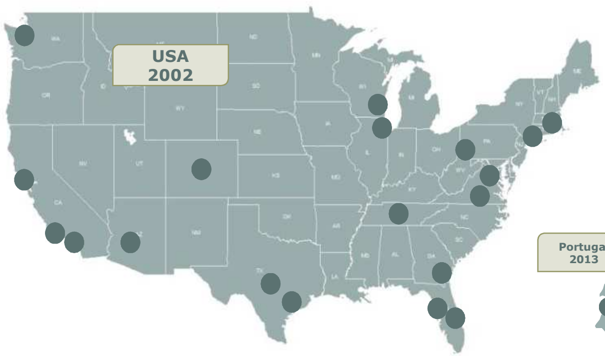
Verwaltetes Vermögen	Mitarbeiter & Standorte	Gründung
EUR rd. 6.0 Mrd.	110 Mitarbeiter	2000
16 Fonds, 100+ Objekte in Europa, USA & Latein Amerika	50 internationale Immobilienspezialisten in 12 Ländern auf 5 Kontinenten	Inhabergeführt Top Platzierung in FERI-Studien (2006/08/10/12/14)

Investmentstandorte & Investmentziele

USA

5,7
Transaktionsvolumen
(USD in Mrd.)

72 **Objekte**
(seit 2002)

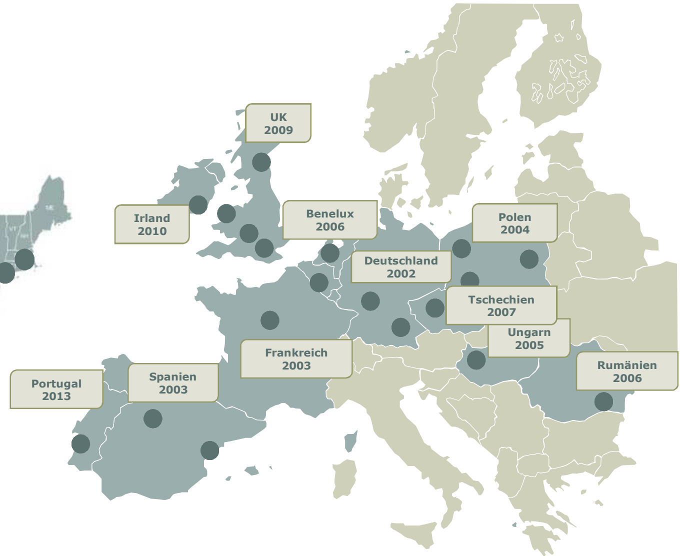


Europa

West **CEE**

4,3 **Transaktionsvolumen** **2,1**
(EUR in Mrd.)

76 **Objekte** **41**
(seit 2000)



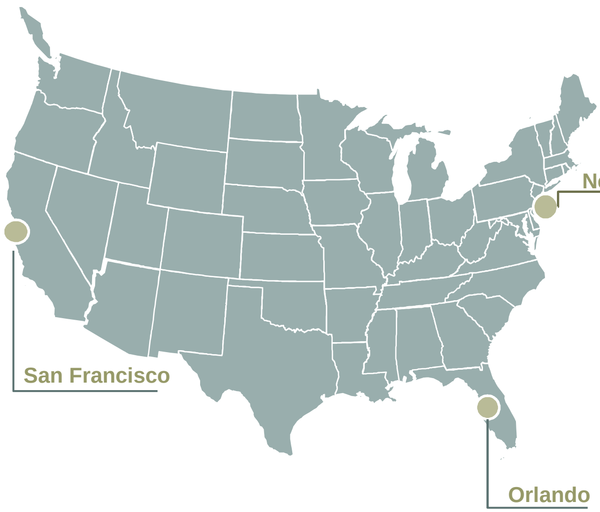
Latein Amerika

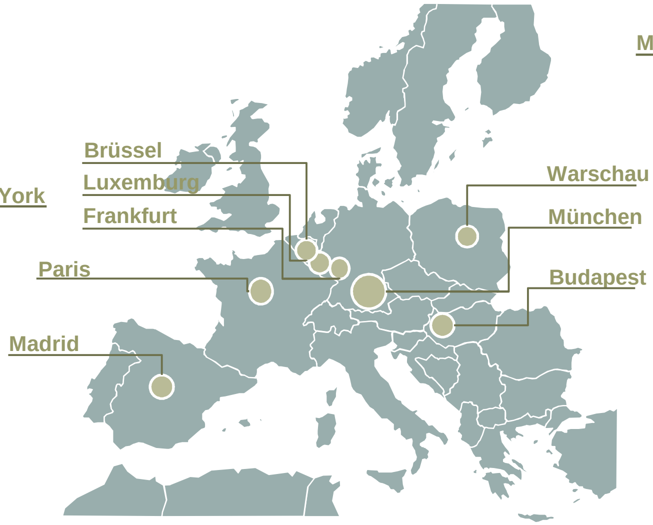
255 Mio. USD
Transaktionsvolumen

9 **Objekte**
(seit 2007)

Standorte und Mitarbeiter

USA	Europa	Latein Amerika
25 Mitarbeiter	**80 Mitarbeiter**	**5 Mitarbeiter**
3 Standorte	**8 Standorte**	**2 Standorte**





Gesprochene Sprachen / Nationalitäten innerhalb der GLL:

Gründungsidee & Philosophie von GLL

International & unabhängig

- Pionier bei grenzüberschreitenden Immobilieninvestitionen
- Inhabergeführt
- Fokussiert auf Immobilieninvestments
- Unabhängig von Makler und Bankeninteressen
- Internationales Team und starkes Netzwerk

Strategisch & taktisch

- Frühzeitiger Markteintritt & rechtzeitiger Marktaustritt
- GLL-Kite als innovatives Research-Tool
- Echtzeit-Szenarioanalysen stützen Buy-Hold-Sell Strategien
- Asset Management durch lokale Präsenz

Kundenorientiert & beständig

- Homogene & ausschließlich institutionelle Kunden
- Wiederholt Top-Rankings in FERI-Studien
- Pioneer im modernen Reporting – GLL Go!
- Langfristige Mitarbeiter- und Kundenbindung

Unsere Eigenkapitalgeber – Eine Auswahl

K|ZVK. Wir sind der Altersversorger für Kirche und Diakonie.

VK|PB. Gemeinsame Versorgungskasse für Pfarrer und Kirchenbeamte

LÄK Thüringen Körperschaft des öffentlichen Rechts

Ärzteversorgung Mecklenburg-Vorpommern

VK|PB. Gemeinsame Versorgungskasse für Pfarrer und Kirchenbeamte
Anstalt des öffentlichen Rechts

European Bank for Reconstruction and Development

Tierärzteversorgung Niedersachsen

Steuerberaterkammer Mecklenburg-Vorpommern

Zahnärztekammer Sachsen-Anhalt Körperschaft des öffentlichen Rechts

hannover re®

Harel Insurance & Finance

e.on

VZN Versorgungswerk der Zahnärztekammer Nordrhein

DEVK Versicherungen

Investec

Ärzteversorgung Sachsen-Anhalt

Bayerische Landesstiftung

Bayerische Versorgungskammer

Sentinel Retirement Fund

Samsung SRA Asset Management

Samsung

die Stuttgarter Alles Gute für die Zukunft

Ärzteversorgung Niedersachsen

VZN Versorgungswerk der Zahnärztekammer Nordrhein

Unsere Fremdkapitalgeber

Darlehensrahmen:

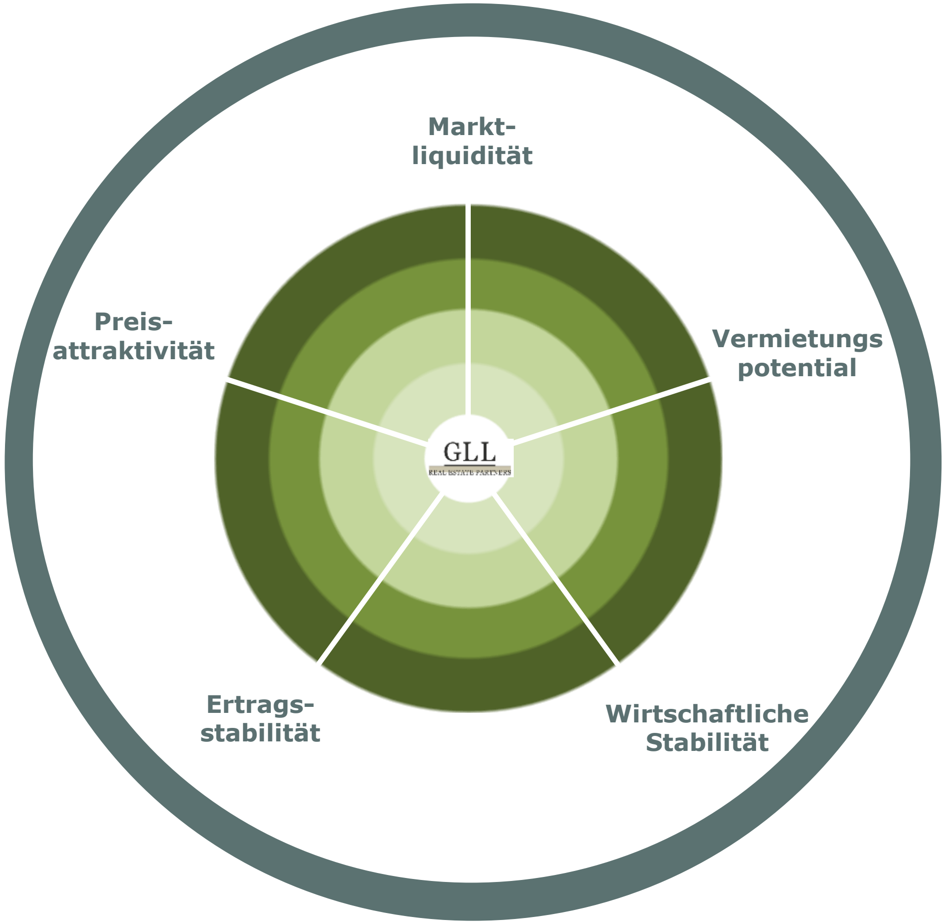
- LTV: 40% bis 60%
- Tilgungsfrei
- Laufzeit: 5 bis 10 Jahre
- Schlanke Strukturen & angemessene Reporting-Pflichten
- Portfoliofinanzierung zur Risikoglättung
- Natural Hedge:
  z.B. Finanzierung der US Immobilien durch Kreditaufnahme in lokaler Währung ($). Als Sicherheitsleistung werden Immobilien in der Eurozone, die vollständig eigenkapitalfinanziert sind, gestellt.

Darlehensportfolio:

- Nationale und internationale Banken & Versicherungen
  (derzeit rd. 15 Darlehensgeber)
- Rd. 2. Mrd. USD Darlehensvolumen
  (Finanzierungen in EUR, USD, GBP, HUF, PLN, UF)
- Einzel- & Portfoliofinanzierung

Aktuelles von den Märkten

GLL Real Estate Kite™



GLL Kite Rating

Schwache Ausprägung → **Starke Ausprägung**

1	2	3	4	5

Marktliquidität (Transaktionsvolumen)

Schwache Nachfrage- / Angebotssituation (eingeschränkter Exit)	Hohes Angebot & hohe Nachfrage (kurzfristiger Austritt möglich)

Vermietungspotential

Hohe Leerstandsrate, geringe Nachfrage, angespannte Wettbewerbersituation	Niedrige Leerstandsrate, hohe Nachfrage, geringer Wettbewerb

Wirtschaftliche Stabilität

schwache Wachstumsprognose, geringe Transparenz	starke BIP-Prognose, politisch stabil, transparent

Ertragsstabilität

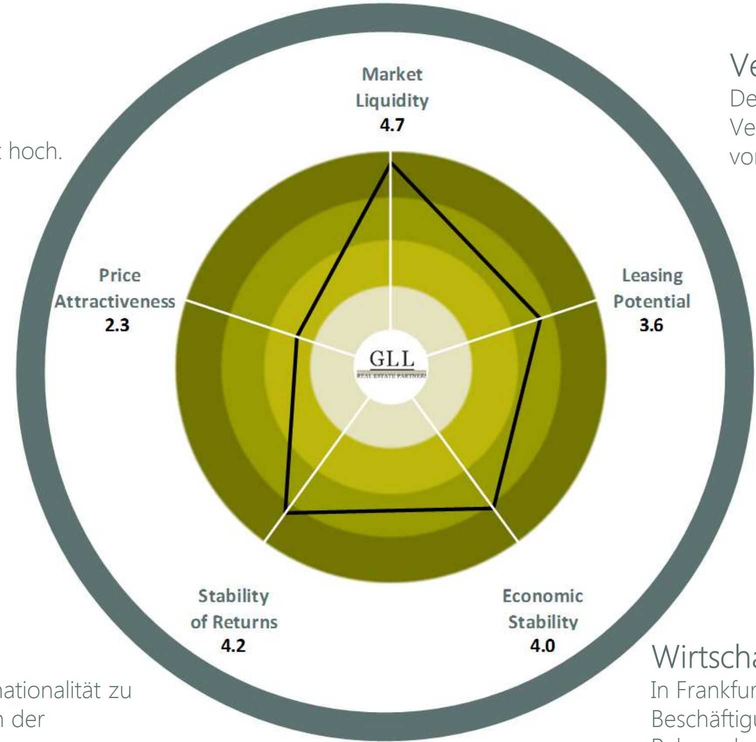
Hohe Volatilität	Stabile Erträge, hohe Vorhersehbarkeit

Preisattraktivität

teurer Markt für den Käufer (Rückläufige Mieten oder historisch niedrige Caprates)	Preiswerter Markt für den Käufer (Hohes Mietwachstum und CapRates)

Am Beispiel von Frankfurt

Marktliquidität:
Das Investitionsvolumen stieg 2015 erneut an und betrug in Summe 4 Mrd. Euro. Ausländische Investoren treten wieder verstärkt in den Vordergrund (50% des Investitionsvolumen).



Preisattraktivität:
Die Anfangsrenditen sinken und das Mietniveau ist hoch. In ausgewählten Lagen ergeben sich aber auch in Frankfurt gute Einstiegsmöglichkeiten.

Vermietungspotenzial:
Der Leerstand ist rückläufig; aktuell dominieren kleinteilige Vermietungen. Rd. 60% der Fertigstellungen in 2016/2017 sind vorvermietet.

Ertragsstabilität:
Die Stadt am Main gehört trotz ihrer Internationalität zu den weniger volatilen Märkten in Europa in der Langzeit-Betrachtung.

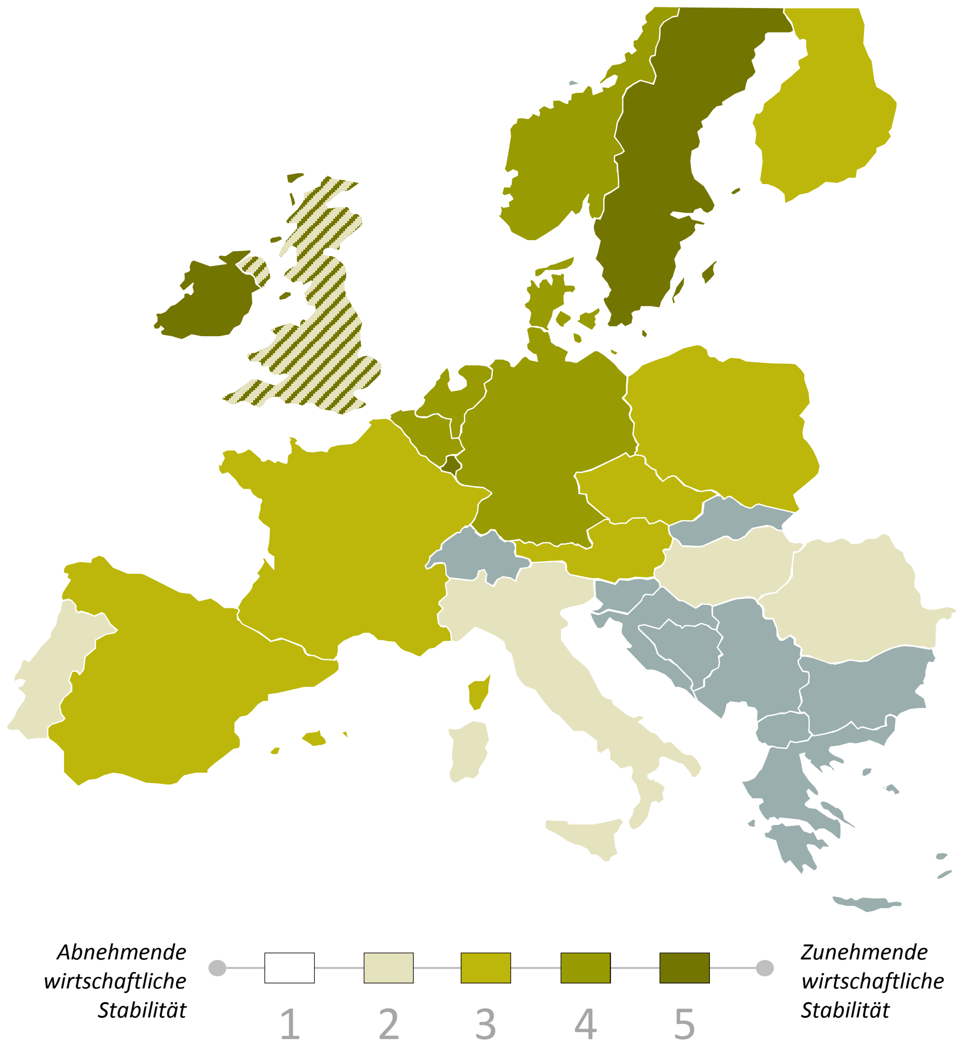
Wirtschaftliche Stabilität:
In Frankfurt sorgen ein BIP-Wachstum von rd. 1,5% und Beschäftigungswachstum für stabile wirtschaftliche Rahmenbedingungen.

Wirtschaftliche Stabilität in Europa

Aktuelles Marktumfeld

Wirtschaftliche Stabilität:

- Im Herzen & Norden Europas hoch
- Peripherie und Osten holen auf
- UK ungewiss nach Referendum



Quelle: GLL Real Estate KITE

Vermietungsmärkte in Europa

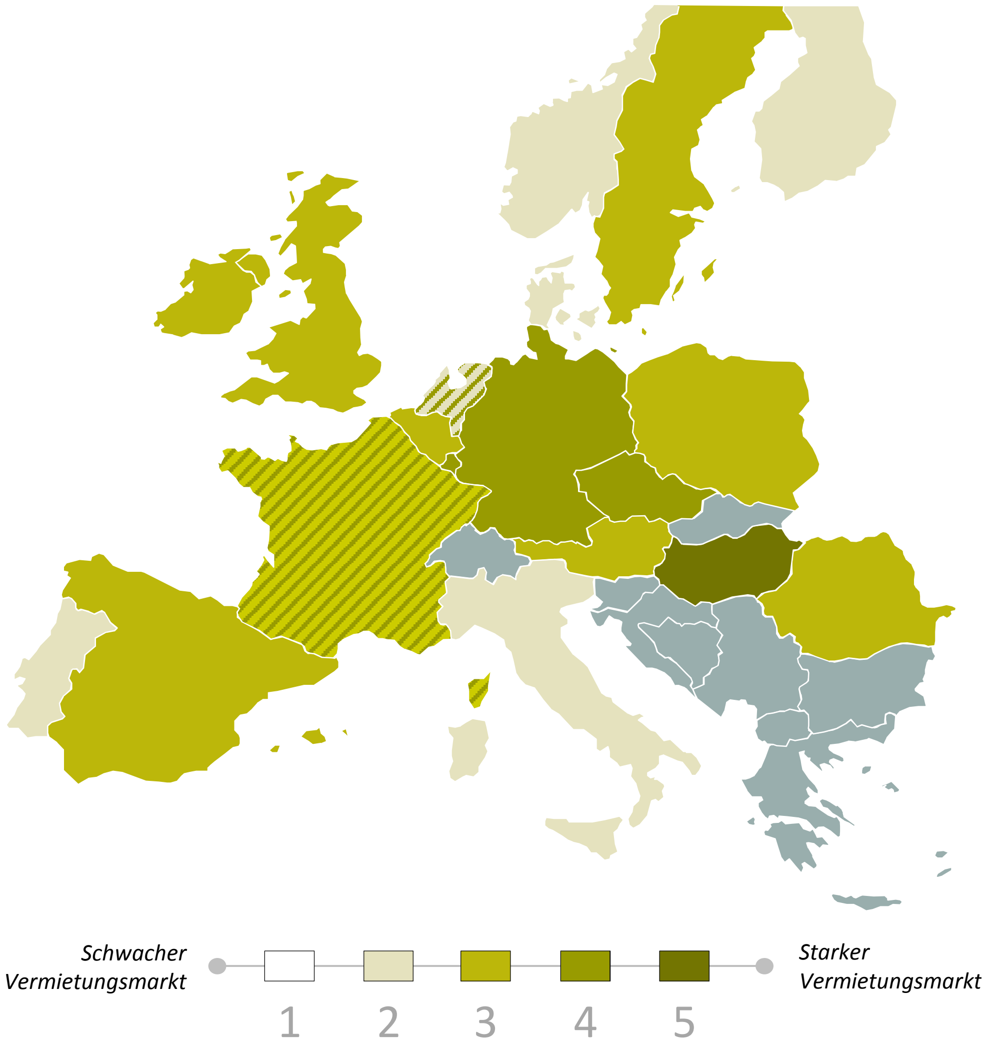
Aktuelles Marktumfeld

Wirtschaftliche Stabilität:

- Im Herzen & Norden Europas hoch
- Peripherie und Osten holen auf
- UK ungewiss nach Referendum

Vermietungs-Märkte:

- Take-Up Rekorde in Paris, Budapest & Berlin
- Sinkende Leerstände
- Zunehmendes Mietwachstum



Quelle: GLL Real Estate KITE

Aktuelles Marktumfeld

Wirtschaftliche Stabilität:
- Im Herzen & Norden Europas hoch
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- UK ungewiss nach Referendum

Vermietungs-Märkte:
- Take-Up Rekorde in Paris, Budapest & Berlin
- Sinkende Leerstände
- Zunehmendes Mietwachstum

Investment-Märkte:
- Generell niedrige Anfangsrenditen
- Randlagen noch „preisattraktiv"
- Hohe Liquidität und Anlagedruck
- Aber Brexit:
  Die Karten werden neu gemischt

Niedrige Preisattraktivität — 1 — 2 — 3 — 4 — 5 — *Hohe Preisattraktivität*

Quelle: GLL Real Estate KITE

Strategie & Selektion der europäischen Bürostandorte

Balanced Return Strategie

z.B.

German Big 5, Paris, (London), Brüssel

Vermietungsstrategie

z.B.

Hamburg, Budapest, Manchester, Luxemburg

Market-Timing-Strategie

z.B.

Dublin, Barcelona, Madrid, Bukarest

Auswirkungen des Brexit auf den UK Immobilienmarkt

	London Buy after correction		UK Regional (Birmingham, Manchester, Edinburgh, Glasgow) HOLD		European key markets Buy selective	
	short term	long term	short term	long term	short term	long term
Investment						
Cap rates:	+ +	stable (potential for yield compression!)	+	stable	stable	stable
Liquidity:	- - (oportunistic, first to increase)	+	-	stable	-	+
Leasing						
Take Up:	--	rebound	-	stable	- / + for alternative financial hubs!	stable
Rents:	--	rebound	-	rebound	-	stable but divergent
Rational	➢ Open & international ➢ Overallocation in banking and financial services ➢ High volatility due to high liquidity		➢ Diversified economic basis ➢ Regional driven ➢ Less volatile ➢ Lower rental & sf² values ➢ Low costs for living and doing business		➢ Short term weaker rental growth due to uncertainty ➢ Expansive money policy (ECB) helps ➢ Pressure for neccessary EU reforms increasing ➢ Alternative location to UK for international HQ	

Aktuelle Investments

Transaktionsvolumen 2015 & 2016: **1,8 Mrd. Euro**

Ausgewählte Transaktionen:

2008

(1) MAPRE Building Buenos Aires, AR

2013

(2) Territoria EL Bosque,
Santiago de Chile, CL

2015

(3) Kazimierz Office Center, Krakow, PL
(4) One11 West Illinois , Chicago, US
(5) Coleman Street, London, UK
(6) Les Cordeliers, FR
(7) Maisons Laffitte, FR
(8) Town Brookhaven, Atlanta, US
(9) Victoria Center, Bucharest, RO
(10) Wisconsin Avenue, Maryland, US
(11) One Brindleyplace, Birmingham, UK
(12) Fibra, Lima, PE
(13) Floreasca Park, Bucharest, RO
(14) Cobank Building, Denver, US
(15) Orinda Theatre Square, Orinda, US
(16) Paseo de Recoletos, Madrid, ES
(17) Amazon Logistic Center, Wroclaw, PL
(18) AEW Portfolio, FR

2016

(19) Princess Street, Edinburgh, GB
(20) Kinnaird House, London, UK
(21) Rue Lamennais, Paris, FR
(22) Amazon Logistic Center, Poznan, PL
(23) South Hope Street, Los Angeles, US
(24) Zaulek Piekna, Warsaw, PL

Case Study: Kinnaird House (London)

Kinnaird House
(Balanced Return Strategie)

Ankauf | 2012
Ankaufspreis | 57 Mio. £

Überzeugt durch:

- Erstklassige Lage
  im St. James District
- Freistehendes Gebäude mit
  historischer Fassade
- Class A Bürogebäude
  mit McKinsey als Hauptmieter

Verkauf | Q1 2016
Verkaufspreis | 84 Mio. £

Levered Property IRR | 21%

Case Study: Recoletos (Madrid)

Recoletos

(Vermietungsstrategie)

Ankauf | 2010

Ankaufspreis | 30 Mio. €

Überzeugt durch:

- Herausragende Lage im CBD
- Hohes Repositionierungs-potenzial
- Prestigeträchtige Aussen-Wirkung

Verkauf | Q4 2015

Verkaufspreis | 44 Mio. €

Levered Property IRR | 16%

Case study: Floreasca Park (Bukarest)

Floreasca Park

(Market Timing Strategie)

Ankauf | Q3 2015

Ankaufspreis | 104 Mio. €

Überzeugt durch:

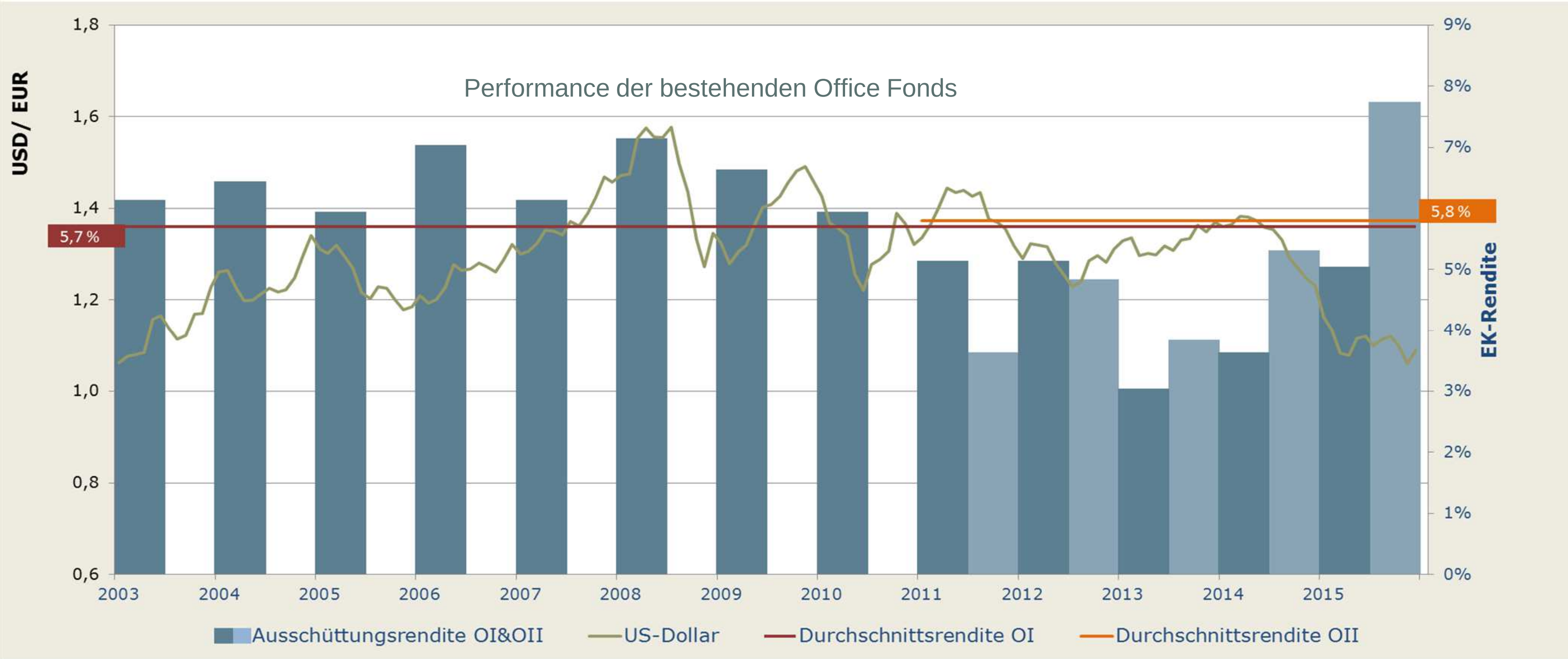
- „State of the Art" - Immobilie
- BREEAM „Excellent" & niedrige Nebenkosten
- Renommierte Mieter (Oracle, Allianz)
- Attraktive Anfangsrendite 7,4%
- Vollvermietet / WALT >7 Jahre

aktuell im Bestand

Eigen- und Fremdkapitalgeber

Erfolgsgeschichte Office Fund I & II

Fortsetzung der erfolgreichen GLL Office I und GLL Office II Fonds



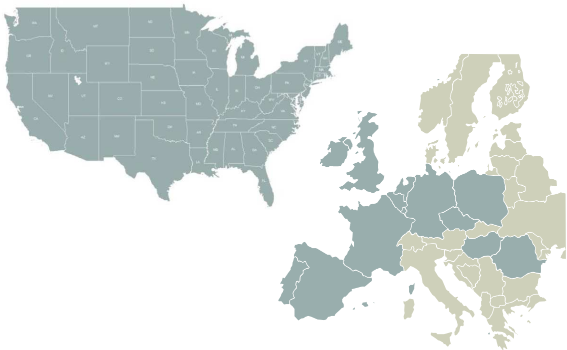
What next? – Eine Auswahl unserer Produkte

Office III

Fortführung der Erfolgsgeschichte
Office I & II

Phase: Capital Raising

- Zielmärkte Europa und USA
- Fokus auf eine nachhaltig und stabile Ausschüttung
- Research basierte Marktselektion
- Währungssicherung durch Natural Hedge



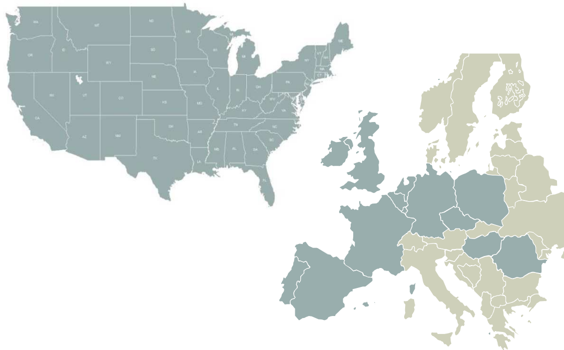
Retail Center II

Fortführung des erfolgreichen
Retail Center I

Phase: Capital Raising

Ausschüttung Retail Center I 2015: 7,9%

- Erzielung langfristig stabiler Renditen
- Wertschöpfung durch proaktives Asset Management
- Diversifizierung & Vorteile aus Markzyklen nutzen



Latein Amerika

Teilhaben am Wachstumspotenzial
Latin America Fund

1 Objekt bereits erfolgreich akquiriert
(Fibra WB – Lima, Peru)

- Höhere, risikoadequate Verzinsung
- Gute demographische Voraussetzungen
- Auf dem Sprung: Von Schwellenländern zu Industrienationen
- Divergent Marktzyklen bieten auch Chancen

What next? Korrelation der Immobilienmärkte

?

Der nächste Schritt: Ein neuer Kontinent auf der GLL Karte

GLL Real Estate Partners GmbH

GLL Real Estate Partners GmbH
Lindwurmstrasse 76 | 80337 München, DE | www.gll-partners.com

Kontakt:

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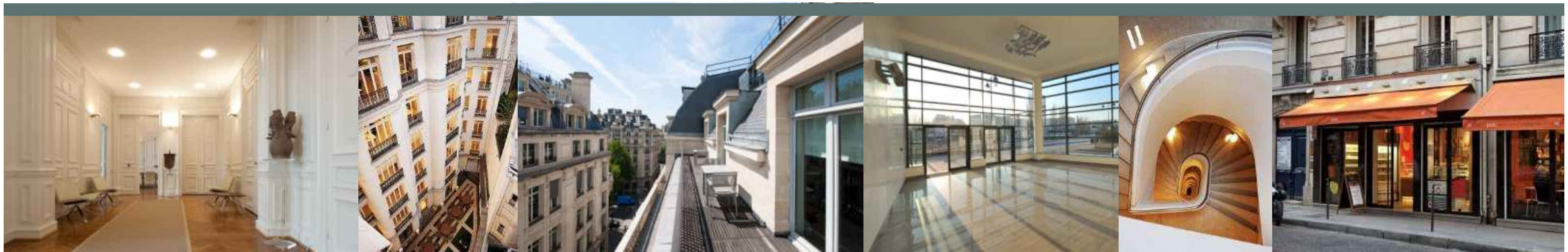


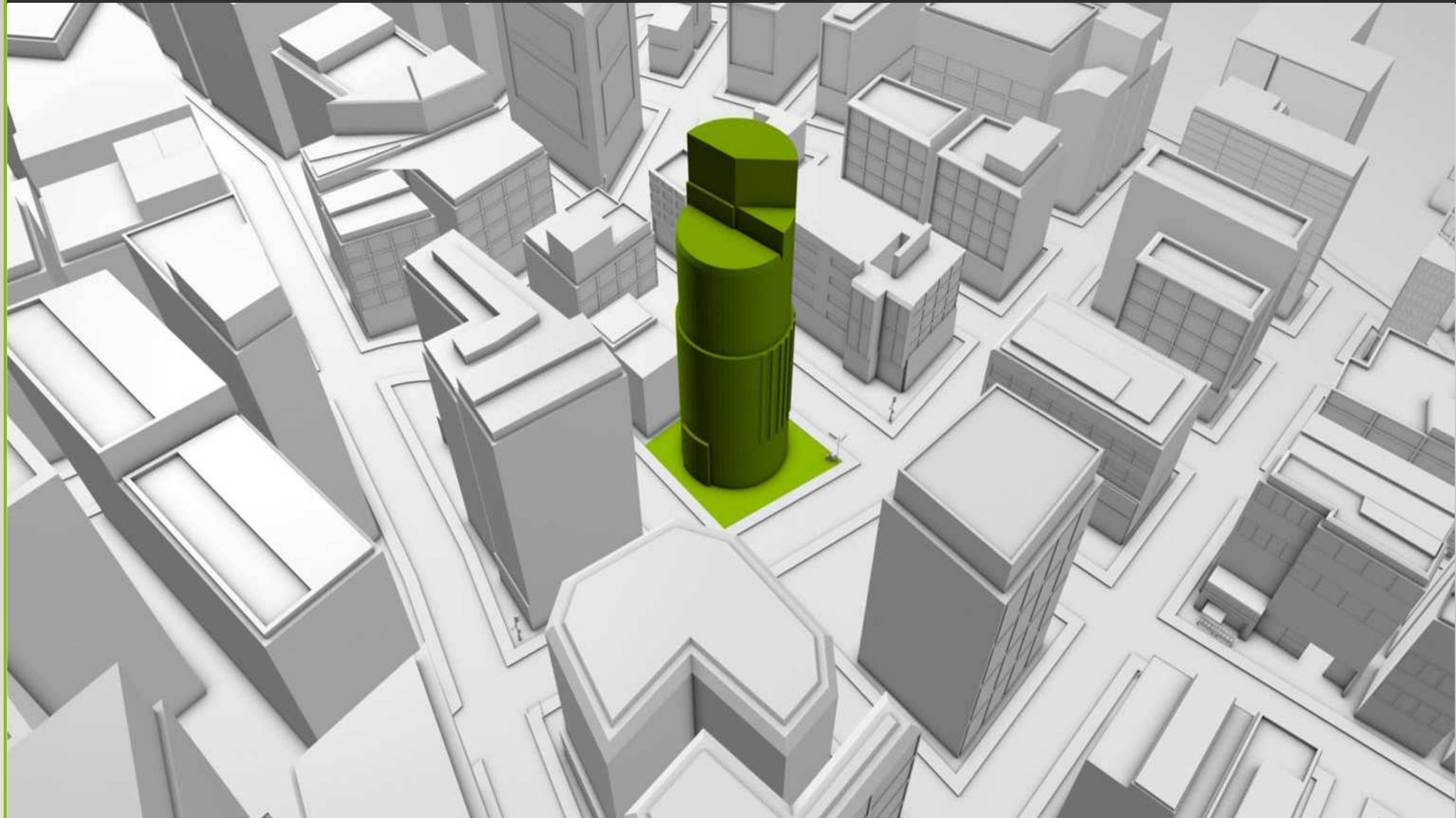
pbb Banks‘ Day

Strong 2015 and solid Q1/16 – some challenges ahead

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb

DEUTSCHE
PFANDBRIEFBANK



Dr. Bernhard Scholz

Public Investment Finance / Loan Markets

Public Investment Finance

pbb uses existing market base to originate selected business opportunities with favorable conditions through its European presence with deep regional expertise

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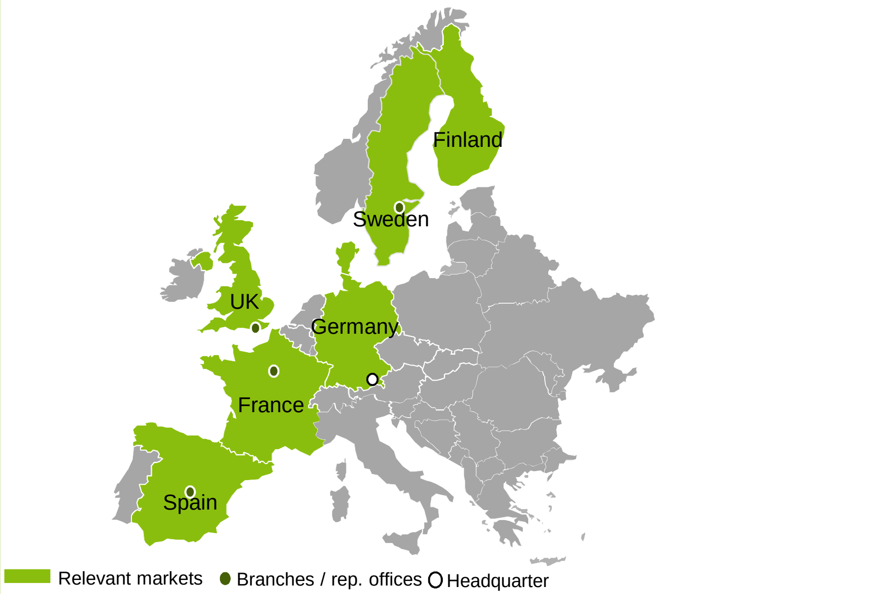
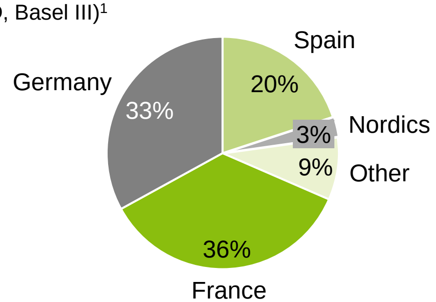
Relevant European markets



Portfolio by regions

31/03/2016: EUR 8.3 bn (EaD, Basel III)[1]



Positioning

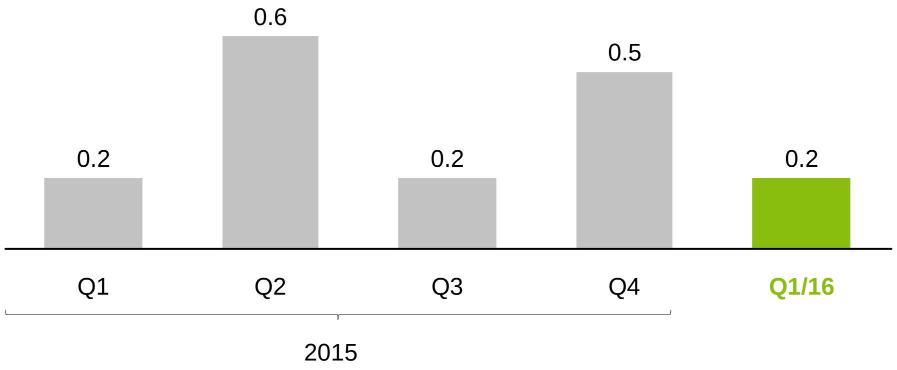
Regions	■ De-centralised organisation within the core business processes and regional teams, who maintain close relationships with municipal and regional clients ■ France accounts for the majority of recent Public Investment Finance originations ■ In Germany main business has been ECA finance
Products	■ ECA: Focus is on Hermes guaranteed fin's that are the main source of assets to manage the German bucket in the coverpool. ■ Finance Lease: structures identified as feasible for pbb to gain market shares ■ PPP: Infrastructure Finance is expected to grow and investment in such assets by institutional investors should be made easier.

Note: Figures may not add up due to rounding   1 Excl. intra-group exposure

Public Investment Finance

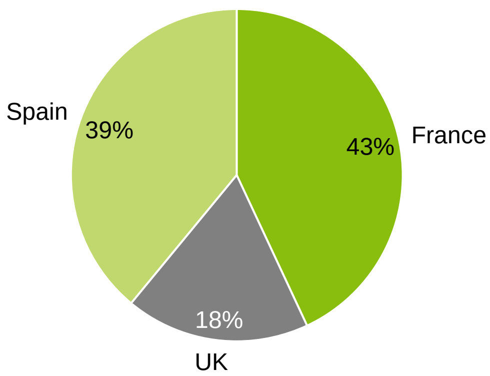
PIF New business

PIF: New business
EUR billions (commitments)

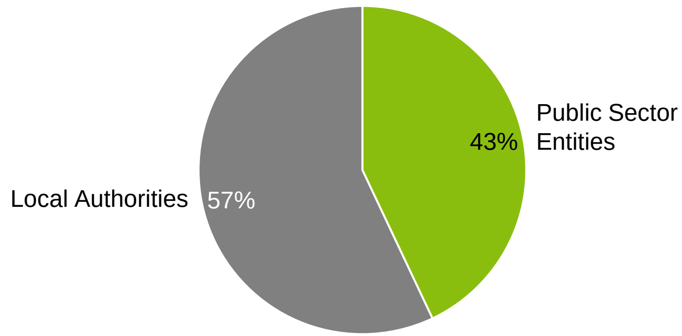


New business	Q1/15	2015	Q1/16
Total volume (EUR bn)	0.2	1.6	0.2
No. of deals	7	48	7
Average maturity (years)[1]	~8.0	~8.4	~8.2
Average gross margin (bp)	>100	>75	>75

Regions
Q1/16: EUR 0.2 bn



Counterparty Types
Q1/16: EUR 0.2 bn



Note: Figures may not add up due to rounding   1 WAL

Public Investment Finance

Examples of recent transactions

pbb DEUTSCHE PFANDBRIEFBANK

EPADESA
Replace standards of the tunnel in La Défense
€ 35 million
Long Term Loan
France
March 2016

EPA Eco-Vallée Plaine du Var
Land acquisitions and works
€ 14 million
Medium Term Loan
France
March 2016

CH Valenciennes
Construction of public buildings
€ 10 million
Long Term Loan
France
March 2016

Midlothian Council
Forward Funding for the Council's Capital Programme
Two £10 million loans
Long Term Financing
United Kingdom
February 2016

TURKISH AIRLINES
Two A330-300 & one A330-200F
Joint Arranger and Sole-Lender
2015

Métropole de Lyon
Renovation & construction of schools and road network
€ 30 million
Medium Term Loan
France
December 2015

EP Paris Saclay
Financing geothermal project
€ 25 million
Bilateral Loan
France
December 2015

Hamburger Stadtentwässerung AöR
Waste Water Management Infrastructure
€ 40 million
Schuldschein Loan
Germany
November 2015

STIF
Acquisition and renovation of rolling stock Schuldschein
€ 30 million
Medium Term Loan
France
July 2015

France Domaine Séquoia Tower
€ 480 million
Real Estate Leasing
pbb as co-lead and co-lessor
France
June 2015

Public Investment Finance

Examples of recent transactions

pbb Deutsche Pfandbriefbank arranged a €30 million "Schuldschein" loan for the Syndicat des Transports d'Ile-de-France.

STIF is the public authority that organizes and controls the Paris public transportation network, it finances investments related to this sector. Between 2015 and 2025 STIF plans to improve public transport within the Ile-de-France region by investing €9 billion in the acquisition of new and renovation of existing rolling stock. It will also improve and extend the existing infrastructure.

Public Investment Finance

Selected key competitors in core markets are mostly domestic players

pbb DEUTSCHE PFANDBRIEFBANK

Major Competitors

Germany	Sparkasse; Europäische Investitionsbank; KFW Bank aus Verantwortung; German Landesbanken
France	La Banque Postale; Groupe BPCE; Crédit Mutuel Arkea; Credit Coopératif
Spain	BBVA; Abanca; Santander; "la Caixa"; bankinter.; BS; liberbank
Nordics	SEB; Handelsbanken; Nordea

Loan Markets
Structuring, syndication and distribution are core competences of pbb

Unit	Role
Loan Markets REF/PIF	■ **Partnering Approach:** Management of loan partner network across all types of loan investors (including junior, mezz and PE partners) ■ Arrangement and implementation of large loan and structured finance solutions ■ New business origination via loan partners ■ Underwriting, execution and pipeline management of loan sales and acquisition measures across all lending platforms and business areas
Agency Desk	■ Administration and management of syndicated or structured facilities from closing to repayment

Real Estate Finance

US market provides business opportunities as a complement – cautious step-by-step entry envisaged

DEUTSCHE PFANDBRIEFBANK

	EU	US
Total CRE market size	€ ~200 bn	US$ >300 bn
Ø gross interest margins[1]	~100-190 bp	~170-280 bp

- **US is biggest CRE market of the world**
- **One of the most diversified and transparent markets**
- **US market provides attractive margin levels**

Capabilities

- pbb with historically strong market presence – experience and knowledge can be utilised
- Broad and stable client network of international clients also focusing on US market can be leveraged
- Well-known position for financing of complex, large deals in focused areas
- Pfandbrief eligibility given

Market entry approach

- Cautious step-by-step entry – leverage of existing networks of partner banks and international clients to foster market entry
- Primarily syndication-in of investment loans
- Focus on core asset classes in East Coast metropolitan areas – estimated pbb relevant market amounts up to US$ ~80 bn p.a.

Source: Company information, MBA, JLL, Trepp, RealWebFunds, Fed, Real Capital Analytics

1 pbb focused asset classes depending on LTV levels

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

DEUTSCHE PFANDBRIEFBANK

Thomas Köntgen

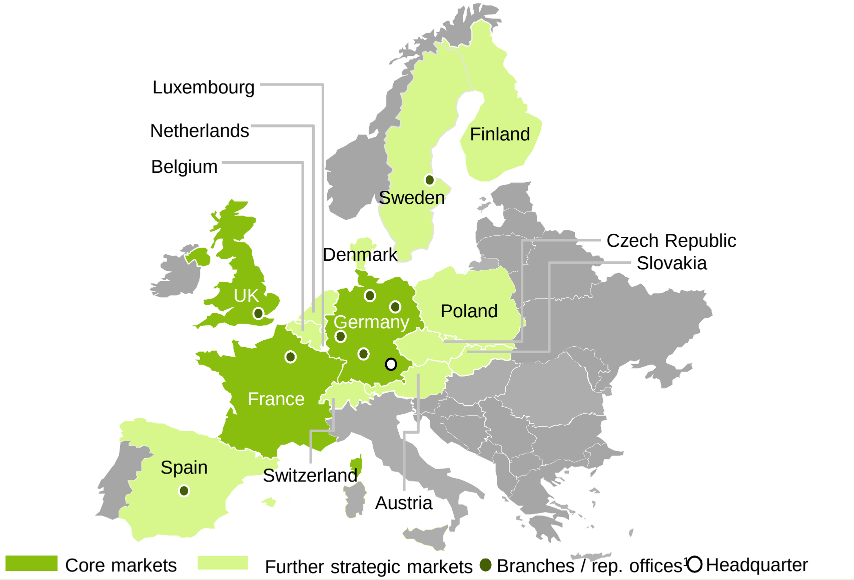
Real Estate Finance

Real Estate Finance

Diversified approach focussing on attractive segments of the European Real Estate Markets

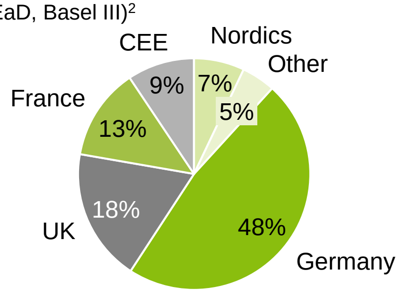
DEUTSCHE PFANDBRIEFBANK

Relevant European markets



Portfolio by regions

31/03/2016: EUR 26.1 bn (EaD, Basel III)2



Positioning

Regions	■ pbb established centres of local expertise in key locations, which are staffed with experienced originators, underwriters and supporting functions. ■ Credit, property analysis and legal also with local structures. Therefore risk analysis and management very close to local market developments, however steered centrally by unified processes and central credit decisions. ■ Target markets without local pbb presence get served by specialized central teams with long time experience in those markets.
Products	■ Majority of new business volume represented by “Investment Loans” for existing properties, with focus on Pfandbrief-eligible business ■ Financing of residential and commercial developments as add-on. Only with secured building rights, pre-sales/ lettings and equity cushions in particular locations. Restricted to 15% of overall pbb REF book.

Note: Figures may not add up due to rounding 1 One subsidiary in Tokyo, which will be closed 2 Excl. intra-group exposure

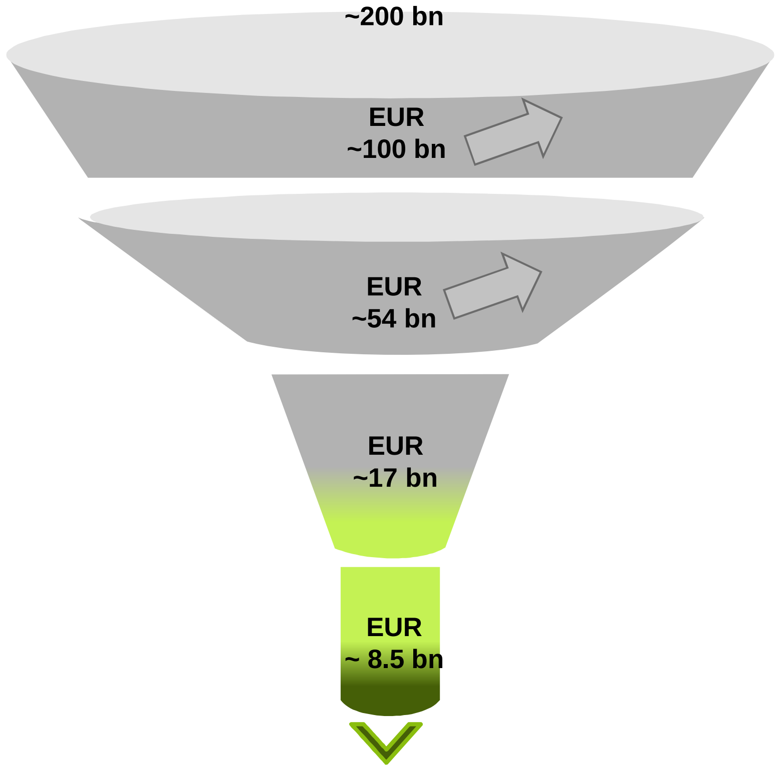
Real Estate Finance

REF: New Business Origination with increased market penetration and selective business intake

DEUTSCHE PFANDBRIEFBANK

Prudent underwriting process

2015



REF market

pbb rough screening

Pre New Deal Committee (Pre NDC; *selection done by originator)*

NDC approved

Credit approved

New Real Estate Finance commitments — **EUR ~8 bn[1]**

Currently more transactions to be screened to meet profitability requirements

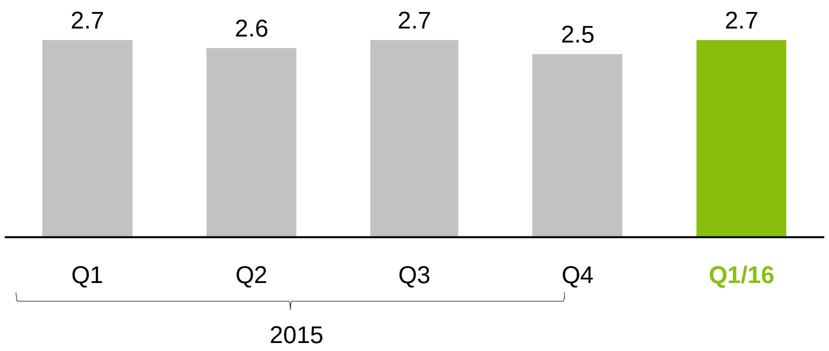
1 Excluding extensions >1year

Real Estate Finance

New business volume (incl. extensions >1 yr) at good level of EUR 2.7 bn – unchanged conservative business approach

REF: New business

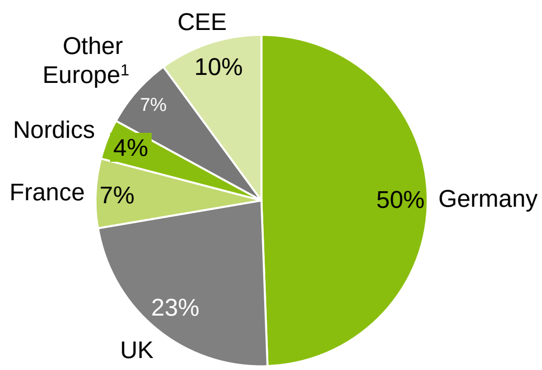
EUR billions (commitments, incl. extensions >1 yr)



New business	Q1/15	2015	Q1/16
Total volume (EUR bn)	2.7	10.4	2.7
thereof: Extensions >1 year	0.7	*2.3*	*0.3*
No. of deals	33	180	44
Average maturity (years)[2]	~5.6	~5.7	~5.3
Average LTV (%)[3]	61	63	63
Average gross margin (bp)	>170	~170	~170

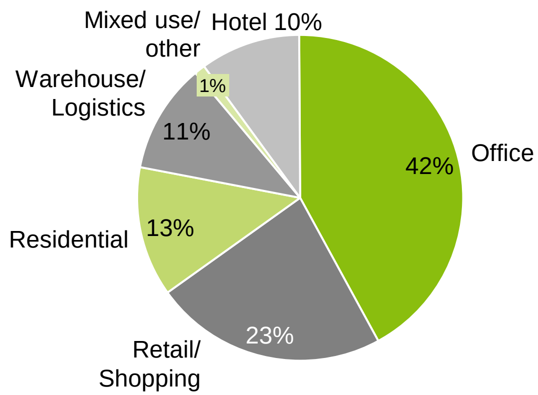
Regions

Q1/16: EUR 2.7 bn



Property types

Q1/16: EUR 2.7 bn



Note: Figures may not add up due to rounding 1 Austria, Netherlands 2 Legal maturities 3 New commitments; avg. LTV (extensions): 56%; 56% (2015); 53% (Q1/15)

Real Estate Finance

Examples of recent transactions

pbb
DEUTSCHE PFANDBRIEFBANK

Standard Life Investments
Ingelsta Retail Park, Norrköping
SEK 275 million
Acquisition Loan
Sweden
June 2016

GLL Real Estate Partners
Two logistic fulfillment Centers in Wroclaw & Poznan
€ 78 million
Investment Loans
Poland
December 2015 & April 2016

Deutsche Wohnen AG
Residential Portfolio in Berlin
€ 116 million
Investment Loan
Germany
April 2016

Valad Europe
Janki Shopping center in Warsaw
€ 117 million
Investment & development Loan – Club Deal
Poland
April 2016

Tishman Speyer
The Economist Plaza
St James's, London
Mixed use property
£ 75 million
Acquisition Loan
United Kingdom
March 2016

Partners Group and Sveafastigheter
Mixed-use Property Portfolio
€ 255 million
Acquisition & Capex Loan, Club Deal
Sweden & Finland
February 2016

SCI FRF2 Apollo
Nine retail parks
€ 72.5 million
Acquisition Loan
France
February 2016

Carval Investors
Two Retail Parks
€ 28 million
Acquisition Loan
France
February 2016

Amundi Real Estate & Ilmarinen Mutual Pension Insurance
Office Building, Frankfurt
€ 67.5 million
Acquisition Loan
Germany
February 2016

Partners Group & Valad Europe
Logistics & industrial portfolio
€ 160 million
Acquisition Loan
Pan-CEE
January 2016

Real Estate Finance

Examples of recent transactions

DEUTSCHE PFANDBRIEFBANK

pbb has provided a medium-term acquisition facility of SEK 275 million (approx. € 30 million) to the Standard Life Investments European Real Estate Club II L.P. (Euro Club II). The loan was provided to finance the acquisition of Ingelsta Retail Park, a 37,000 sqm retail park located in Norrköping, Sweden. The transaction closed in June 2016.

Ingelsta Retail Park is a modern purpose built retail park constructed in 2006, lo-cated within the Ingelsta retail area which is the dominant retail cluster in Norrköping. The 37,000 sqm retail park consists of two properties collectively known as Ingelsta Handelscentrum (Ingelsta Retail Park) and is anchored by well-known retail chains such as Bauhaus, Willy's, Jula and Rusta.

Real Estate Finance

pbb is one of the major players in Europe

pbb DEUTSCHE PFANDBRIEFBANK

Major Competitors

Germany	Deutsche Hypo (Ein Unternehmen der NORD/LB), LBBW, Berlin Hyp, ING, DekaBank, DG HYP (Entschieden besser finanziert), BayernLB, UniCredit, HSH Nordbank
UK	Investment Banks and Debt Funds; Barclays, HSBC, ING
France	Natixis, Berlin Hyp, ING, Crédit Foncier, BNP Paribas, Crédit Agricole, DekaBank
CEE	Local financing banks; Erste, UniCredit
Nordics	SEB, Nordea, Handelsbanken

Major pan European players

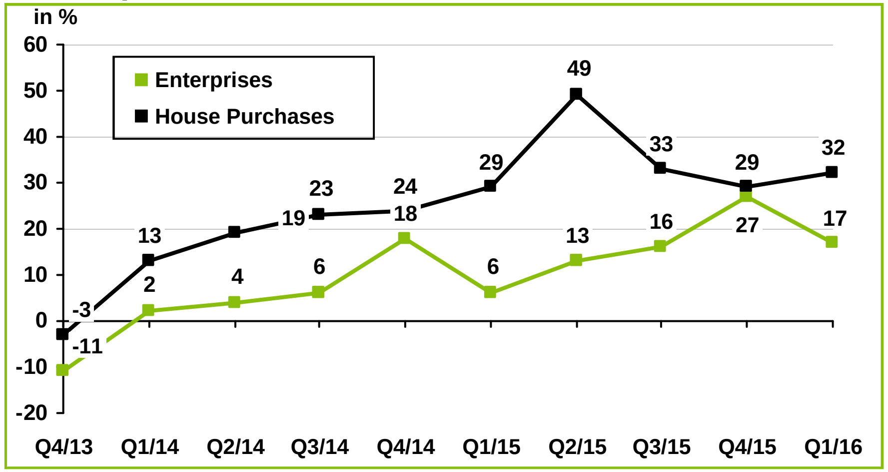
- pbb Deutsche Pfandbriefbank
- Helaba Landesbank Hessen-Thüringen
- Aareal Bank Group

Real Estate Finance

ECB survey shows firmer lending demand against subdued sentiment of REF bankers

DEUTSCHE PFANDBRIEFBANK

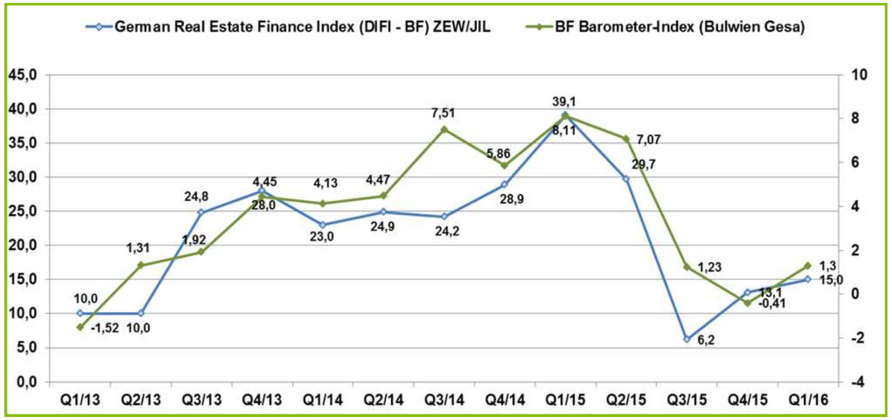
Development of Euro area loan demand



Comments

- The loan demand in the Euro Zone is generally going up for loans to companies and residential financings. In Q4/15 the demand for loans to companies increased further; whereas in Q1/16 it came down again.
- The demand for retail housing loans progressed further in longer term comparison, but could not match the significant increase in Q2/15 until date.

Development of German REF Sentiment

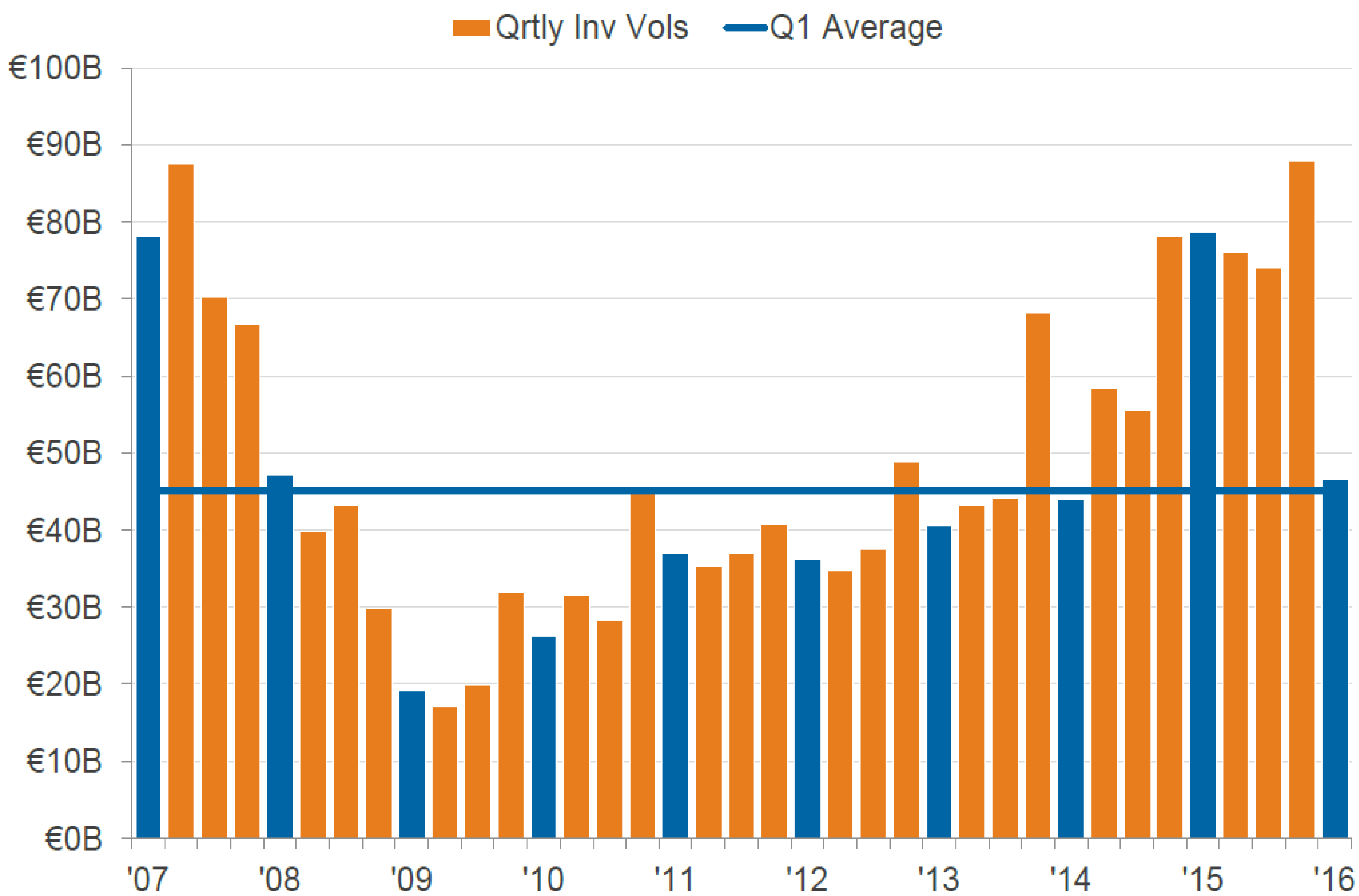


- Since beginning of 2015, the sentiment started to ease as strong competition with margin pressure as well as the funding situation in the senior unsecured space is taking its toll.
- However in longer term comparison, the German real estate financing industry sentiment is still positive, as money flow into properties is strong and defaults are rare.
- Latest surveys indicate some negative impacts from regulatory environment (e.g rental caps, higher RWA's), at least temporary lower investment volumes from Jan. to May.

[1] Historic DIFI Sentiment Index ranges from about +70 (booming) to about -50 (strong deterioration) and mirrors the sentiment of about 100 German real estate bankers
[2] Historic BF.Barometer ranges from +10 (booming) to -10 (credit crunch) and mirrors the sentiment of about 160 German real estate bankers

Real Estate Finance

CRE Investment Volume Europe is cooling in 2016



Source: Real Estate Capital Analytics

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Treasury

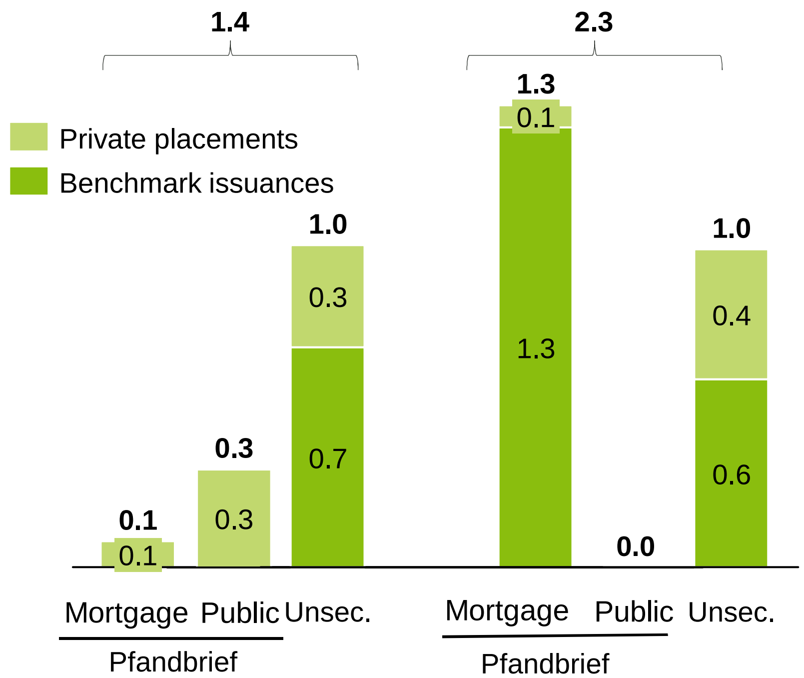
Funding

Strong funding activities with already 5 benchmarks in 2016

New long-term funding

EUR billions[1]

	Q1/15			Q1/16		
Spread (Ø, bp)[1]	9	12	90	22	-	124
Tenor (Ø, yrs)	16.6	6.7	4.6	7.7	-	5.3



Pfandbriefe Benchmarks			
January	EUR 750 mln mortgage	7y	+8 bps/MS
February	EUR 500 mln mortgage	6y	+8 bps/MS
April	EUR 500 mln public	19y	+25 bps/MS

All benchmarks currently trade inside issue spread

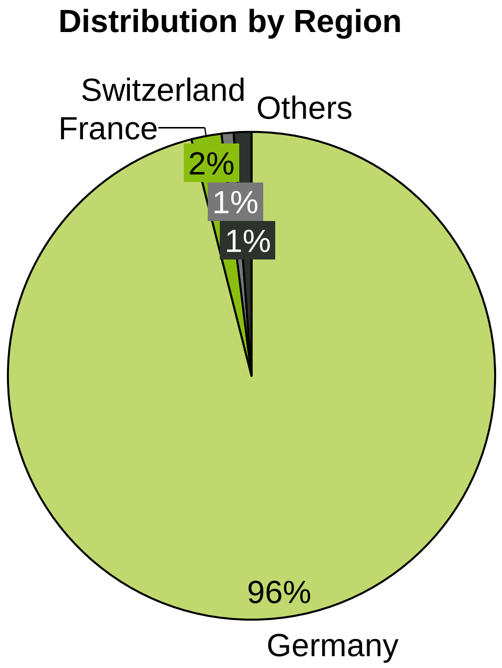
Senior Unsecured			
January	EUR 500 mln	3y	+140 bps/MS
April	EUR 500 mln	4y	+125 bps/MS

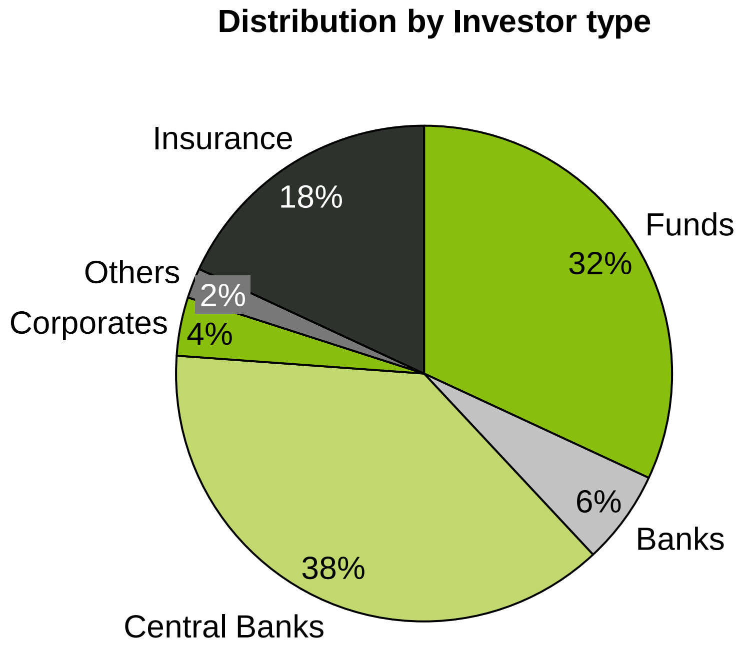
Secondary market spreads tightend significantly since issuance

Note: Figures may not add up due to rounding 1 Excl. money market and deposit business; vs. 3M Euribor

Funding

19yr Pfandbriefbenchmark longest Outstanding Covered Bond Benchmark

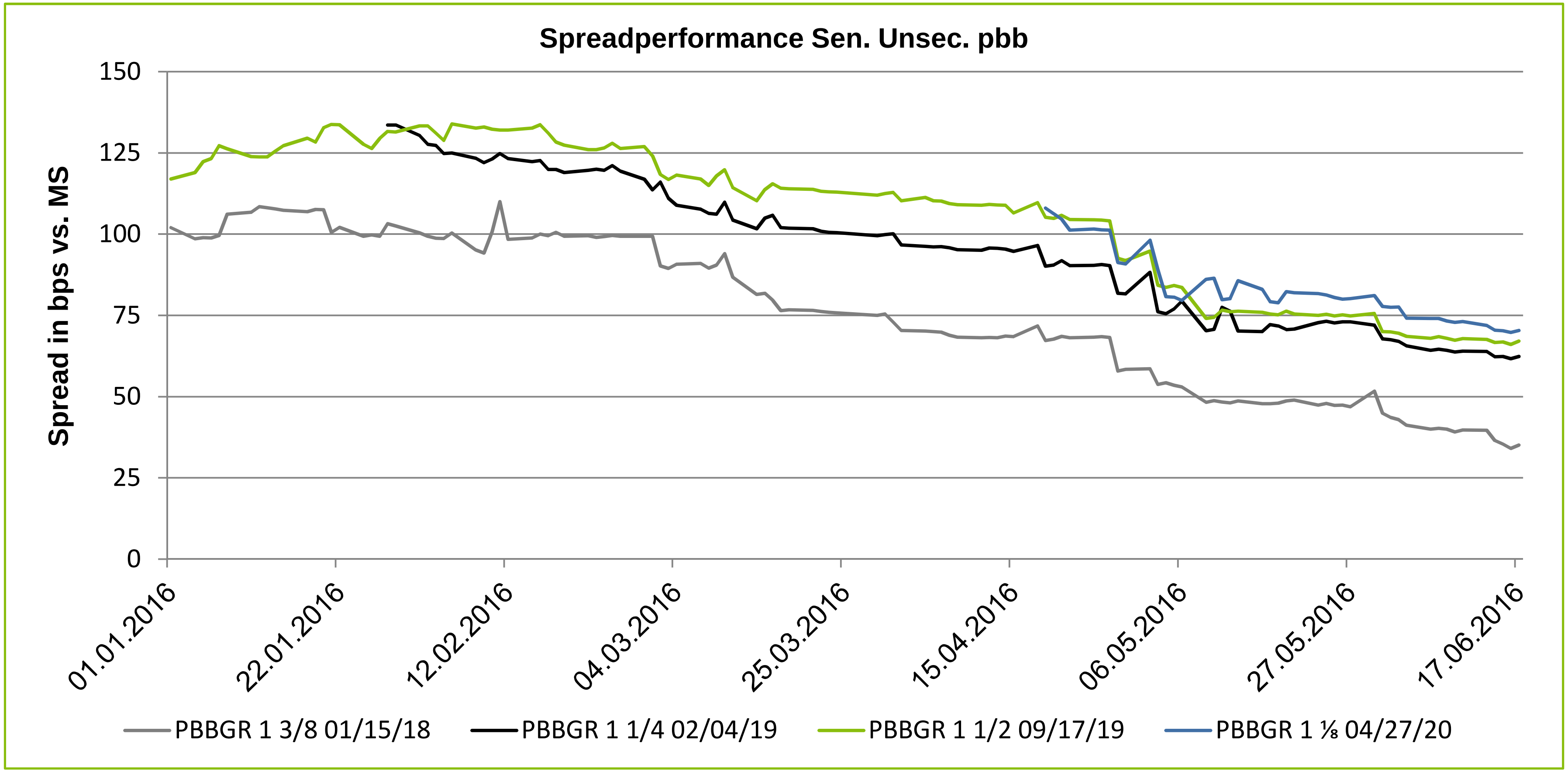




- Well prepared unique transaction in the covered bond market
- The maturity 2035 has a perfect fit to our asset / liability profile in the public sector cover pool
- Good demand from high quality Asset Managers and Insurance Companies
- The transaction demonstrates our ability to refinance the bank also with very long maturities
- Positive market response paved the way for the very successful 4 year unsecured benchmark

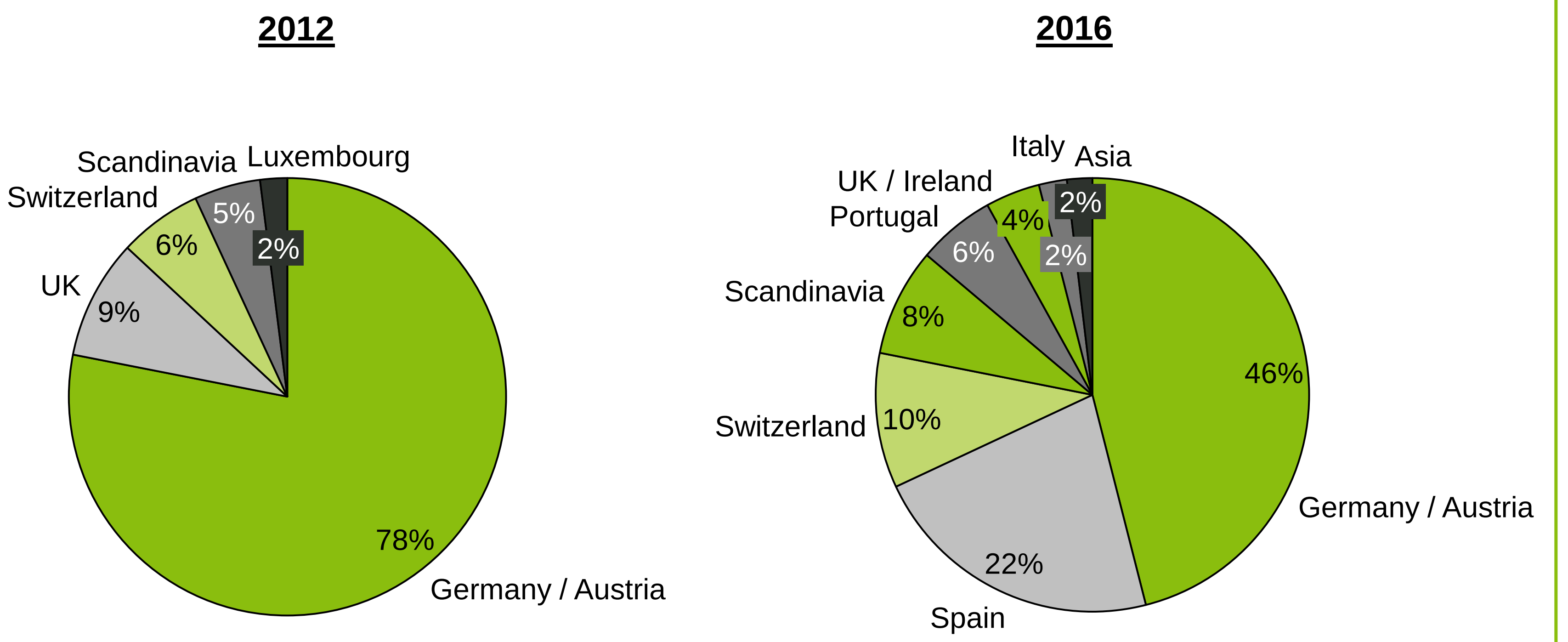
Funding

Strong Performance of our Unsecured Secondary Market Spreads



- Unsecured Benchmark curve extended to 2020
- Secondary market spreads outperformed the iTraxx
- Due to the rather long dated private placements benchmarks are used to cover the shorter maturities

Funding
Unsecured Investorbase Successfully Diversified



- Significant broadening of the investor base
- Much less dependent on the home market Germany
- Further diversification in the future desirable

Treasury
What you can do for us

Funding	■ Further diversification of the investor base ▪ Introduction to potential new investors and re-opening of credit lines with traditional investors ▪ Enlarge geographic reach and develop new currencies (AUD, HKD, CZK, PLN, NOK) ■ Product placement ▪ Unsecured private placements with maturities starting 2018 ▪ USD public sector Pfandbriefe as private placements ▪ Mortgage Pfandbriefe in SEK and GBP ▪ Tier 2 as private placements (EUR and USD possible) ■ Development of new markets (ProBond, Formosa, Kangaroo)
Liquidity Management	■ Repos via GC Pooling ■ Commercial Paper Program ■ Securities lending
Asset Liability Management	■ Competitive and prompt pricing for new transactions and terminations ■ Transparent quotes: ideally mid-market rate and margin ■ Continuous access to derivatives in our main currencies: ▪ IRS, Caps/Floors, CCS ▪ EUR, USD, GBP, SEK ■ Eurex Clearing / Backloading; open dialogue on optimization of existing derivatives portfolios ■ Access to your research platforms and positioning ideas