

Press Release



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pbb Deutsche Pfandbriefbank expands its public investment finance offering to the UK

- First transaction is two loans totalling £20 million loan to Midlothian Council
- Scholz: "UK market offers a variety of opportunities for a lender focusing on public investments"

Munich/London, 12 May 2016 – pbb Deutsche Pfandbriefbank continues to expand its public investment finance business to cover the UK as the fifth local market in addition to France, Germany, Spain and the Nordic region.

In February the bank signed its first transaction with a UK Local Authority, providing two forward starting fixed interest rate loans totalling £20 million to Midlothian Council. Forward starting loans are agreed in advance, at a fixed interest rate, for delivery on a pre-determined future date providing certainty to local authorities on the financing cost of future capital expenditure. The borrower will use the proceeds of the loans to finance its loans pool and to repay existing debt which was utilised to finance long-term investments in vital services including new schools, social housing, utilities (including waste management), health and care facilities.

Midlothian Council is one of 32 councils in Scotland. It is located in the South of Scotland and is bordering Edinburgh. Like all 32 councils in Scotland, Midlothian is a unitary authority which is responsible for all local government functions within its area. The Council has a population of around 86,000 inhabitants. Over the last five years, the population increased on average by 1% per year.

Dr. Bernhard Scholz, Member of the Management Board at pbb Deutsche Pfandbriefbank, commented: "The UK market offers opportunities for a specialist lender focusing on public investments. The current marketplace enables local authorities to pursue more innovative and competitive financing arrangements making it attractive to specialist lenders with in-depth knowledge."

Jean Christophe, Head of Public Investment Finance at pbb Deutsche Pfandbriefbank, adds: "pbb can offer Local Authorities in the UK many years of experience and know-how in funding public sector projects in mainland Europe. The bank offers a broad range of products and services for the public sector such as forward starting loans which provide certainty and savings to Local Authorities; we believe the loan with Midlothian Council can be the first of many. In addition, we believe we can offer innovative solutions to UK Local Authorities in designing schemes for investment areas in focus such as housing or energy related projects."

Gary Fairley, Head of Finance & Integrated Service Support at Midlothian Council: "The two loans with pbb provide a viable alternative to traditional Public Works Loan Board borrowing, adding certainty to the Council's loan portfolio and allowing the Council to hedge against interest rate movements with loans that are extremely competitive in the current historically low investment environment."



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Note to editors:

pbb is a specialized lender for real estate and public investment finance. The bank's strategic portfolio in public investment finance amounts to € 7.3 billion (as of 31/03/2016). In 2015, pbb's new business in this sector increased to €1.6 billion.

pbb has identified three key areas in which the bank will take an active role in public investment finance:

- **Traditional public investment finance**
 - o pbb offers financing solutions for the funding of Public Sector facilities (administrative and special purpose facilities, educational and cultural establishments, and sport facilities), municipal and residential construction (council housing, apartment building companies, student housing), utilities (energy, water, waste, recycling & environment), health and age (hospitals, medical and geriatric care facilities as well as administration and insurance facilities) and other essential infrastructure.
 - o The bank has vast experience of financing complex public/private sector partnerships for infrastructure projects in which private sector partners lead the design, construction, operation and financing of a public investment. pbb's experience across European markets allows to offer tailor-made solutions to fulfil the objectives set by public sector clients.
- **ECA finance** - export finance, where there is export credit insurance coverage
- **Finance Lease** – pbb can offer a range of leasing arrangements in which the bank is typically the legal owner of the asset during the financing period, while leaving operating control and the economic risks and returns in relation to the valuation of the underlying property/asset with the lessee. The product is at the crossroads between public investment finance and real estate finance business and offers a solution where conventional funding arrangements do not always apply. This product primarily targets clients in France and the Nordic Countries.

The bank is able to offer one-stop-shop structures and has the ability to underwrite and syndicate large volumes and long maturities.

Media contacts:

Walter Allwicher, +49 89 2880-28787, walter.allwicher@pfandbriefbank.com

Oliver Gruss, +49 89 2880-28781, oliver.gruss@pfandbriefbank.com