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1. Introduction (Andreas Arndt)

Good morning, ladies and gentlemen!

My colleague Thomas Köntgen and I would like to welcome you to the annual press briefing for the 2014 financial year of pbb Deutsche Pfandbriefbank, here in Munich.

Having published an ad-hoc disclosure on Friday night, containing some troublesome news concerning the annual results, starting the annual press briefing with the statement that 2014 was a successful year does not – on the face of it – appear to be a sensible option. Yet in principle, 2014 was **a good year for pbb** (slide #1).

- We have increased pbb's **new business** by 24%, to € 10.2 billion – an all-time high for pbb since it was founded in 2009.
- **Net interest income** was up 32% year-on-year, to € 421 million – impressive evidence of pbb's operating profitability.
- We cut **costs**, by 20%, to € 251 million.
- Under fully phased-in Basel III rules, and including the profit for the year, the **Common Equity Tier 1 (CET1) ratio** was 13.5%.

However, as reported on Friday, we recognised a **value adjustment in the amount of € 120 million** on our portfolio of receivables against Heta Asset Resolution AG ("Heta"), which has a nominal value of € 395 million and is covered by indemnities. We did this in response to a moratorium imposed on the 1st of March 2015, and related statements by the Austrian Finance Minister.

As a result of the value adjustment, **pre-tax profit declined to € 54 million** – excluding this effect, it would have been € 174 million, and would have exceeded our initial forecast by 24%.

Heta is a wind-down entity of the Republic of Austria whose task is to realise the assets of Hypo Alpe Adria. We hold the exposure as part of our non-strategic Value portfolio, which is earmarked for being run off. The entire Heta exposure is covered by a **letter of indemnity issued by the Austrian federal state of Carinthia**. On Friday night, Moody's lowered Carinthia's rating by four notches, with a negative outlook. However, in its assessment of this Austrian federal state, the rating agency continues to assign a high probability for extraordinary support by the Republic of Austria. This is in line with our own assessment.

I will come back to this issue in more detail later. Let me summarise the key aspects in this context:

- Firstly, we will pursue our claims with all the means at our disposal.
- Secondly, we have decided not to wait for the legal process – instead, we took action at an early stage, and in a transparent manner. pbb has the earnings power and reserves necessary to deal with such situations.
- Thirdly, we consider this valuation adjustment an extraordinary factor that does not affect our strategic operating business.

We have **further strengthened the market position** for our core business during 2014.

- pbb is ranked amongst the **top three commercial real estate lenders providers** in Germany. Moreover, we are **strong in Europe** as one of only a handful of cross-border real estate financiers in the European core markets.
- We have also achieved a crowning position on the capital markets: we are now the **biggest Pfandbrief issuer** in terms of volumes outstanding.

We will **continue to consistently pursue** our chosen path throughout 2015.

- We will continue to **enhance profitability in our operating business**, with a moderate, conservative development of our new business being the key factor.
- In addition, we want to **continuously enhance the efficiency of our processes**, to also improve profitability on the costs side.

With our client coverage and market presence, together with the increase in operating profitability, we have built a strong **foundation for the bank's re-privatisation** in 2015. The tender process was initiated on 17 February; at the same time we are preparing for a flotation as an alternative option for privatisation. We are making good progress , and we anticipate being able to meet the EU's requirements for privatisation by the end of the year.

Thomas Köntgen will talk later about our clients and the markets we are active in. Firstly though, I will present the results for 2014 and provide an outlook for 2015.

The figures for pbb's consolidated financial statements 2014 (in accordance with IFRS) are preliminary and unaudited. Given the extensive calculations required over the last few days, some rounding differences may still occur. We will publish the audited financial statements and the annual report on 27 March.

2. Results 2014

Before looking at the results for 2014, there are some items I would like to discuss first.

For obvious reasons, let me start with **Heta** (slide #2).

- We hold a total of **nine Heta issues** on our books, including one promissory note (which is reported under loans and advances to customers) and eight bonds held as investment securities. All of these were issued between 2002 and 2006, with the bulk of maturities in 2017. A quarter of the issues will mature in 2018.
- On the 1st of March of this year, FMA, the Austrian financial markets regulatory authority, issued a **moratorium** under which interest and principal payments on these issues are deferred until 31 May 2016. There is no insolvency and also no 'bail-in', however.
- To date, we have assumed the de facto **support of the Federal Republic of Austria** for the federal state of Carinthia – not least because Carinthia continues to have access to the facilities of the Austrian Finance Agency, in order to raise funding if necessary. However, the Republic of Austria has declared that it will not honour any guarantees the federal state of Carinthia has issued to the benefit of Heta – a move that was unpredictable for pbb. This is an even more remarkable step since Austria – being a top-rated borrower – has the financial resources to cover these guarantees.
- We have taken the following **measures** in this extraordinary situation:
 - Against the background of the notice issued by the FMA, we have reviewed the legal substance of our claims, and the continued existence of the statutory indemnity issued by the federal state of Carinthia. Our review showed that both were intact.
 - Yet in accordance with our conservative risk approach, we recognised a valuation adjustment of € 120 million in the 2014 financial statements – at an early stage and in keeping with the principles of cautious business. You will see the impact of this adjustment when we present the Income Statement; specifically, in net income from financial investments and net trading income, as well as in loan loss provisions (for the promissory note).
 - We will prepare the remedy of an objection ("Vorstellung" under Austrian law) against the moratorium imposed by FMA. We are prepared to resort to all other legal remedies in order to get our claims fully satisfied.

Clearly, we see the valuation adjustment as an extraordinary effect. For this reason, we consciously report a **"normalised" result for 2014 of € 174 million**. At first glance, this seems to imply a rather moderate increase compared to 2013, where we posted a profit of € 165 million. Effectively, however, **profit improved by 36% year-on-year**, since the results for 2013 included two opposing non-recurring effects, with a net benefit of around € 37 million.

Besides the quantitative improvement, it is especially the **qualitative, structural improvement of results** that is decisive in this context: **net interest income** generated in Real Estate Finance and Public Investment Finance is the **key contributor to our operating results**. Key financial indicators have deteriorated, compared to the previous year, as a consequence of the significant valuation adjustment. Despite extensive cost savings, and impacted by the negative net income from financial investments, the cost/income ratio rose to 77%; return on equity before taxes declined to 1.6%. Again, it is essential to analyse the **adjusted indicators**:

- We were able to reduce the adjusted **cost/income ratio** by 7.4 percentage points, to 57.3% – a reduction by more than 11% that was particularly driven by € 61 million in cost reductions.
- On an adjusted basis, **return on equity before taxes** of 5.0% was unchanged year-on-year. Excluding the German government's € 1 billion silent participation – which we expect to repay during the course of this year – return on equity would be markedly higher.

2.1 Consolidated results of Deutsche Pfandbriefbank AG

Let me now turn to specific aspects of our business, and of our results.

2.1.1 Income from the core operating business

Net interest income grew by 32%, or € 102 million, to € 421 million (slide #3).

- Strong **new business** was a key driver for higher net interest income – with **margins** that remained above those on the existing portfolio. This is an effect that has continued from the previous years; at the same time, it is a material factor for a further increase in our profitability.
- And even though we are achieving higher margins on new business, compared to existing exposures: we experienced pressure on margins – seen in 2014, and prevailing today – resulting from more intense competition, and affecting our competitors as well. However, we have been able to largely offset the decline in gross margins on new business through lower **funding costs**.

Likewise, we were able to partially offset the negative impact of still-lower interest rate levels on **interest income from own funds and liquidity reserves**, thanks to more favourable funding sources and the optimisation of the liquidity reserves.

- **Prepayment fees** totalled € 51 million – almost double the amount for 2013 (€ 27 million). A part of these fees represents the usual level of repayments in the ordinary course of business, but a part was due to the low interest rate environment. We have no choice but to consider a major residual part of these fees as a regular part of interest income.
- A one-off effect of € 15 million was achieved through the early **repurchase of liabilities** vis-à-vis DEPFA Finance N.V., as part of the unbundling of pbb and DEPFA. This positive effect was offset by other effects on income.

Net fee commission income totalled € 1 million (2013: € 9 million). Since these fees depend upon specific transactions, they are not incurred on a regular basis, which means that the decline in net fee and commission income has no particular significance.

Interest income is offset by **loan loss provisions**, with a net € 21 million recognised in 2014 (2013: addition of € 8 million). As explained before, the valuation adjustment on a promissory note to Heta – which required an addition of € 8 million – was a material factor driving higher loan loss provisions.

The continued low level of loan loss provisions is also reflected in the **low volume of problem loans**, now in a total amount of € 1.3 billion (December 2013: € 941 million). This amount now includes the Heta exposure – without this effect, the volume of problem loans would have declined. As at 31 December 2014, problem loans accounted for 1.9% of the overall portfolio (€ 65.3 billion EaD); their proportion thus remains low.

2.1.2 Net other income and expenses, and net other operating income and expenses

Net other operating income/expenses once again decreased during the 2014 financial year – to a significant extent, from € 100 million to € 14 million. (slide #4)

- The decline was mainly attributable to the termination of **servicing for FMS Wertmanagement**. Whilst this effect was already visible in the fourth quarter of 2013, its impact was now evident in the full-year figures.
- We generated € 30 million (2013: € 36 million) in net income from **IT services** provided to our former sister company, DEPFA Group. These services were terminated at the end of 2014, upon the sale of DEPFA to FMS Wertmanagement – in fact, they never formed part of our core business.
- However, the income was offset by administrative expenses of almost the same amount, due to the fact that we invoiced the services with only a low mark-up. Hence, the decline of this item has not affected our bottom line.

We achieved a very significant reduction in **general administrative expenses** during 2014, from € 312 million to € 251 million – down by € 61 million or 20%

- **Non-staff expenses** – which declined from € 191 million to € 141 million during the year under review – account for the biggest portion of general administrative expenses. Likewise, **staff expenses** were lower in 2014, down from € 121 million to € 110 million.
- The **decline** in general administrative expenses was mainly attributable to three factors:
 - the termination of servicing for FMS Wertmanagement at the end of the third quarter of 2013;
 - effects from size adjustments, reflecting pbb's evolution into a specialised Pfandbrief lender – which we carried out in 2013, and which now take effect; and
 - lower expenses for professional services and IT expenses.

2.1.3 Effects from the measurement of financial instruments

Let me now turn to the results of the measurement of financial instruments (slide #5), which were significantly affected by the valuation adjustment on claims against Heta.

- **Net trading income** of –€ 30 million for 2014 was clearly less negative than in the previous year. The re-measurement of derivatives led to an effect in the amount of –€ 12 million. The convergence of present value of derivatives to zero over the term (the so-called 'pull-to-par' effect) also had a negative impact, as did lower market interest rate levels in the long-term maturity ranges. The valuation adjustment on the Heta exposure accounted for –€ 3 million. In 2013, the effects of the conversion to overnight yield curves (which had become necessary due to the first-time application of new valuation standards for derivatives), together with the optimisation of the derivatives portfolio, produced a clearly more negative impact on net trading income of –€ 51 million.

In the absence of a trading book, we do not have any profits or losses from trading activities.

- **Net income from financial investments** was negative in 2014, at –€ 77 million. At –€ 109 million, valuation adjustments on Heta bonds accounted for the vast majority of this item. As you are aware, the previous year's figure of € 96 million was attributable to the disposal of a restructured property in London. A positive factor for this year's net figure was € 21 million in income from the deconsolidation of DEPFA Finance N.V., as part of pbb's disentanglement from DEPFA which – as explained a moment ago – also had a positive effect on net interest income.

Net income from financial investments included other minor effects.

- **Net income from hedge relationships** – or hedge accounting – decreased to –€ 3 million during the year under review (2013: € 9 million), mainly due to the ineffectiveness of hedges. The Group has not held any financial instruments designated at fair value through profit or loss since 2013.

2.2 Total assets

At € 75.5 billion, pbb Group's **total assets** were **virtually unchanged** at the reporting date – only € 1 billion higher than at the end of 2013 (*slide #6*). Main changes to the assets side during 2014 included the following factors:

- an increase in the strategic portfolio, from € 27.6 billion to € 29.8 billion (both in nominal terms), reflecting strong new business origination. Furthermore, total assets were affected by the lower level of market interest rates, which increased market values of derivatives carried as trading assets or other assets, as well as fair-value adjustments to hedged items.
- In contrast, the nominal volume of the non-strategic Value portfolio comprising budget finance exposures declined in line with planning, by € 2.3 billion to € 21.3 billion. Based on contractual maturities, the nominal value of this portfolio is set to decline by approximately 40% over the next four years, with related RWAs expected to fall by more than 50% over the next three years.
- The deconsolidation of DEPFA Finance N.V. further reduced total assets by € 0.9 billion. Cash reserves held as at 31 December 2013 were largely invested during the year under review, leading to a € 3.2 billion shift to loans and advances to customers.

2.3 Regulatory Capital Ratios

Under the waiver option pursuant to section 2c of the German Banking Act (until 31 December 2013) and Article 7 of the EU Capital Requirements Regulation ("CRR" – from 1 January 2014), pbb is currently exempted from determining capital ratios. Whilst we calculate these ratios at the level of HRE Group only, we nonetheless publish pro-forma ratios for pbb on a voluntary basis. pbb remains well-capitalised. Its **capital ratios** further **improved** during the year under review (*slide #7*), mainly due to a marked reduction in risk-weighted assets, from € 18.1 billion to € 15.5 billion, which was largely attributable to maturities in the Value portfolio, and to improved ratings. The ratios already incorporate full-year results for 2014.

- As at 31 December 2014, the CET1 ratio was 21.7%, up 3.2 percentage points year-on-year. Under fully phased-in Basel III, the CET1 ratio was 13.5%.
- The Tier 1 ratio rose from 19.7% at year-end 2013 to 23% at year-end 2014 (fully phased-in: 19.9%).
- The own funds ratio at the end of 2014 was 26.1% (31 Dec 2013: 23.2%); on a fully phased-in basis, it was 22.1%.

The fully phased-in CET1 ratio does not include the € 1 billion FMS silent participation, which pbb expects to repay within the framework of re-privatisation. Thus, even without the silent partnership, pbb is well capitalised.

2.4 Summary

Summarising my comments on the financial statements:

- pbb's normalised results for 2014 improved, both in quantitative and qualitative terms.
- We are well-positioned in terms of capital and reserves.

This bodes well for the privatisation process, which I would now like to turn to.

3. Privatisation of pbb

Ladies and gentlemen,

Right now, the privatisation of pbb is our most important project, next to our core, day-to-day operative business – i.e. originating new exposures, securing funding, managing credit risks. Having initiated the privatisation process in the summer of 2014 (slide #8), and following intensive preparations, HRE then took the first formal step and launched a **tender process**. Numerous investors have formally expressed their interest in the sales process.

We are **preparing a flotation** in parallel to the tender process. In this context, we also want to use indications received from the tender process to decide which privatisation option would yield the better results for a sale. We have not pre-determined which of the privatisation options we want to pursue. Our ambition is to provide the German government with options – within the framework of set requirements – and to achieve the best possible results, for taxpayers and for the bank.

We firmly believe that we are **ready for privatisation**, and I think that we will be able to credibly demonstrate this here today. Over the course of the past four to five years, pbb has successfully worked towards a sustainably successful and profitable business model, and to establish itself as a strong financing partner in the market.

- Our focus lies on the major **European markets**, where we have **deep market penetration**, and also support our clients in **cross-border transactions**.
 - Our regional focus is on our **core markets** of Germany, France, the United Kingdom and the Nordic region, as well as on selected countries in Central and Eastern Europe. In addition, we are active in other European markets on a selective basis. These countries offer a stable business environment and extensive potential for business.
 - We have achieved a high degree of **market penetration** in these countries. We have also deployed **relevant functions locally**: not just sales teams, but covering the entire new business process chain, including real estate valuation experts, specialists for real estate law, loan structuring experts as well as client service staff for existing exposures. In this way, we can provide more benefits to our clients and are able to better assess the opportunities and risks of an exposure.
 - We support our clients, both locally and for **cross-border transactions**. This provides us with a competitive advantage in commercial real estate finance.
- We have a **highly sophisticated risk management** in place: we manage our credit risk exposure consistently and successfully; we structure loans in line with the financed property, to ensure that risks are adequately accounted for. The low portion of problem loans, and the low level of loan loss provisions we have maintained for several years now are evidence for the success of our approach to risk management.
- We will demonstrate **structural improvements to profitability** over the next few years. Whilst we have been generating competitive returns in our real estate finance core business for several years now, the bank's overall return is still affected by the Value portfolio. Through the planned reduction of this sub-portfolio, whilst generating higher-margin new business, we aim to significantly enhance overall return over the coming years. In other words: we must consistently continue to do what we have successfully done to date. Not in a spectacular way, but – as we believe – in a very efficient and stable manner.

This combination of a strong market presence, effective risk management and an increase in the bank's return on equity continues to benefit from a positive market environment. Demand for real estate lending and the need for modernising public-sector infrastructure together provide us with a stable and sustainable foundation for our business, as Thomas Köntgen will point out in a moment.

4. Outlook

This brings me to the last part of my speech – the outlook (slide #9). pbb has grown significantly since 2012: new business volume rose from € 5.6 billion to € 10.2 billion in 2014. Net interest income was up 42% over the past two years, to € 421 million – at the same time, general administrative expenses were down by almost 30%, to € 251 million.

We have set ourselves the following targets for 2015:

- We are aiming to slightly exceed 2014's **new business level** in the 2015 financial year. Given the development in new business, we aim at a slight increase in nominal volumes of the strategic portfolios held in Real Estate Finance and Public Investment Finance.

The non-strategic Value portfolio continues to run off.

Against this background, pbb is aiming to further expand its average total portfolio margin.

I acknowledge that this forecast is less detailed than you are used to from pbb. However, I ask for your understanding that this is due to the specific situation of the planned privatisation, and the associated practice of the capital markets.

Ladies and gentlemen,

This brings me to the conclusion of my comments. Thank you very much for your attention; I will now hand over to Thomas Köntgen.

5. Development of the operating business (Thomas Köntgen)

Good morning, ladies and gentlemen. I would also like to extend a warm welcome to you. I will now present an overview of our operating business, starting with new business (slide #10).

5.1 New business

€ 10.2 billion in new business originated during 2014 (including extensions for more than one year) marks an **all-time high for pbb**. Our approach of **focusing on the key European core markets** – and covering these very intensively – has paid off.

- We boosted new business by around a quarter year-on-year. pbb's origination strength is evidenced by both the absolute volume and the rate of increase.
- In fact, the **fourth quarter of 2014** was the best quarterly number we ever produced: no less than **€ 3.2 billion** in new business. It is remarkable that our quarterly average during 2014 was practically the same as the strongest quarter of 2013.

Allow me to outline some key details on our new business, starting with **real estate finance**.

- Once again, at **€ 9.0 billion** (2013: € 7.0 billion), real estate finance accounted for the lion's share of new business, in line with our strategy. Accordingly, the **number of transactions** was also up, by around a quarter, to 161. This also shows that average transaction sizes have remained virtually unchanged. In other words, growth was not achieved through larger exposures – which would imply higher concentration risks.

At 23% (2013: 24%), the share of **extensions** in overall volumes (which we include in new business for terms of more than one year) also remained practically unchanged.

- The **average maturity** of new exposures rose slightly, from 4.4 years in 2013 to 5.1 years. Likewise, the average LTV of new commitments increased marginally, to 64% (2013: 61%), thus remaining at a conservative level. The average LTV for the entire portfolio decreased from 64% to 62%.
- The **average gross margin** of more than 200 basis points also remained at a healthy level for us. However, competition has intensified further, especially in the domestic business.

Let me now turn to developments in **Public Investment Finance**.

- New business volume remained at **€ 1.2 billion**, following strong growth in the previous year.
- The **average maturity** of new exposures rose slightly, from 6.7 years in 2013 to 8.1 years.
- The **average gross margin** declined from around 100 basis points in 2013 to 75 basis points, largely due to the higher share of export financing business in Germany.

Public Investment Finance is a natural complement to Real Estate Finance. The market for public investment finance is a fast-growing **market for the future** – a market where pbb enjoys a strong position. Furthermore, the two business divisions provide **economies of scale and scope**. Finally, the market for public-sector investment finance is not as cyclical as the real estate finance business, thus allowing for **more stable income**.

5.2 Portfolio

Let me now turn to our portfolio. We carried out a **re-segmentation** of our portfolio in 2014, designed to better reflect the structure of our business.

- The strategic Public Investment Finance business is now reported as a segment in its own right, separated from the non-strategic budget finance portfolio, which has been added to the Value portfolio. This portfolio segmentation better represents the structure of our business.
- The strategic real estate finance portfolio was largely unaffected by this re-segmentation exercise.

The same applies to Consolidation & Adjustments, where we report technical consolidation items as well as items that cannot be allocated to another segment. By way of example, this includes the share of equity not allocated to the other segments and the corresponding income.

We have adjusted the figures for 2013 accordingly, in order to facilitate comparison. In line with Basel III rules, we report the portfolio on the basis of exposure at default (EaD), as opposed to nominal values (slide #11).

- During the period under review, pbb Deutsche Pfandbriefbank's **overall portfolio** declined by approximately € 4 billion, to € 65.3 billion.
- However, the bank's **strategic portfolios** grew as expected during 2014: the Real Estate Finance portfolio increased by more than € 2 billion, to €24.3 billion (end-2013: € 22.2 billion). The Public Investment Finance portfolio grew by 10%, to € 9.2 billion.
- At € 24.9 billion at the end of 2014, the **non-strategic Value portfolio – which is running off** – was virtually unchanged year-on-year. However, in contrast to an analysis based on nominal values, the lower levels of long-term interest rates led to measurement adjustments, which impacted portfolio size.
- The EaD of **Consolidation & Adjustments** showed a very significant decline, from € 13.8 billion to € 6.9 billion – reflecting the fact that we have reduced our placements with the central bank (on account of negative interest rates), using repo transactions via Eurex Repo instead. In contrast to central bank deposits, these transactions are collateralised by securities, which reduces EaD in this segment.

5.3 Funding

Let me now turn to the funding of our business. The **structure of our balance sheet** remains characterised by matched-maturity funding to the largest extent. In more practical terms, this means the portfolio is very largely funded through to repayment of the loans extended. We will continue to adhere to our conservative risk strategy, which is also evident here.

Given our very good liquidity position – thanks not least to funding raised already in 2013 – we were able to lower our funding activities in 2014 without sacrificing our conservative liquidity policy. Against this background, we raised **€ 6 billion in long-term funds** on the capital markets during 2014 (2013: € 7.7 billion), **clearly extending maturities** across all products (slide #12).

- We issued **Pfandbriefe** totalling **€ 3.9 billion**

At € 3.6 billion, **Mortgage Pfandbriefe** accounted for the largest part of issuance, reflecting our business. The average maturity was 6.4 years (2013: € 3.2 billion with an average maturity of 5.4 years). The spreads we pay have tightened.

During 2014, pbb issued **Public Sector Pfandbriefe** with a volume of € 0.3 billion and an average maturity of 20.7 years (2013: € 1.2 billion with an average maturity of 10.6 years). A higher level of loan maturities at the end of the year permitted a marked reduction in issuance volumes.

Nonetheless, with an aggregate € 36 billion in outstanding Pfandbrief issues, pbb is now the **biggest issuer of the German Pfandbrief**.

- **Unsecured issues** totalled € 2.1 billion during 2014, with an average maturity of 6.2 years (2013: 5.2 years). The term of these issues thus remains far beyond the privatisation deadline, as required by the EU.
- The volume of **private placements** – comprising Pfandbriefe and unsecured issues – totalled € 3.5 billion and was thus in line with the previous year's figure (2013: € 3.4 billion).

Public placements amounted to € 2.6 billion (2013: € 4.4 billion). In spite of the lower volumes, we placed three benchmark bonds in euros, with maturities of between three to eight years, and tapped four issues. We were also active in non-euro currencies, with a benchmark issue in pound sterling.

We launched **retail deposit-taking** in 2013, through pbbdirekt.com, with the strategic objective of broadening our funding base. Retail customers continue to respond very well to our offer of overnight and term deposits (slide #13): at the end of 2014, aggregate deposits amounted to approximately € 1.5 billion, up by almost € 1 billion year-on-year. As a source of funding, the deposit-taking business is designed to complement the capital markets activities.

5.4 Market outlook for 2015

The business environment in the markets which are relevant to us **continues to be favourable**.

- We do not anticipate any significant **interest rate increases** – which makes real estate investments more affordable as well as more attractive compared to other asset classes.

Bond purchases by the European Central Bank are likely to keep funding costs low.

- The **EU's € 21 billion package**, designed to support private-sector investment in the EU, will have a favourable impact on our markets.
- Signals from the **real estate markets** remain favourable: prices are expected to continue rising – without any signs of a bubble building in the commercial real estate markets we cover. Moreover, the share of equity invested remains markedly higher than during the last real estate boom – which translates into healthier loan-to-value ratios in our portfolios.

Accordingly, momentum has prevailed in new real estate finance and public investment finance business. We anticipate volumes for the first quarter of 2015 to exceed the levels seen for the same quarter of the previous year.

6. Strategic position

Ladies and gentlemen,

over the past few years, pbb has worked towards – and reached – its target structure, with the following milestones:

- the roll out of a completely new IT infrastructure from the year 2009 onwards;
- the transfer of non-strategic assets to FMS Wertmanagement;
- a revision of pbb's structures and processes, alongside an expansion in its market-facing teams, plus the hand-over of servicing to FMS WM's service entity in 2013;
- the termination of IT insourcing for DEPFA, which was transferred to FMS WM on 19 December 2014.

We have set ourselves two particular goals for this year (slide #14):

- Firstly, we want to further enhance the **efficiency of our organisation and processes**; this will have to – and will be – our ongoing goal.
- Secondly, with a growing strategic portfolio, we also want to intensify the **management** as well as the ongoing **optimisation of our lending portfolio**. We will continue to, and increasingly focus on, actively managing the portfolio – this will be part of the business model. Specifically, this means:
 - active coverage of our existing client base, in order to achieve a high portion of extensions in the strategic portfolio;
 - leveraging our strengths in syndication in order to exploit additional sources of income, whilst continuing to strictly manage risks involved in large underwritings.

In the context of syndication, we will not extend any loans that do not meet our requirements in terms of a good risk/return ratio, and which fail to comply with standards in the secondary markets.

We are convinced that pbb is very well-positioned, including on the credit and capital markets. We want to strengthen this position on our path to privatisation, and to further boost operating profitability.

Thank you very much for your attention. We now look forward to answering your questions.

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