PUBLIC SECTOR FINANCE
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DEUTSCHE
PFANDBRIEFBANK

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Annual press briefing

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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 pbb Deutsche Pfandbriefbank.

During our last annual press briefing in March 2015, we said that we had laid the groundwork to successfully privatise pbb. Today, looking back at the **2015 financial year,** we can say: we accomplished our plans and delivered on our promises (SLIDE 1).

1. We **achieved our operating targets**. 2015 marked the best year for pbb since our restart in 2009.

    - We increased **new business**, including extensions of more than one year, by almost €2 billion to an all-time high of almost €12 billion – without compromising our strict risk standards.

    - **Net interest income**, our most important source of income, grew slightly to €426 million, in spite of competitive pressure. Together, net interest and fee and commission income increased to €440 million.

    - We not only met, but undercut the **costs basis** we had targeted for 2015, spending €220 million, further improving the cost/income ratio from 57.3% to 51.8%.

    - **Profit before tax** amounted to €195 million, exceeding our original expectations and surpassing the previous year's figure of €174 million, which had included a valuation adjustment for Heta.

    - **Return on equity** before taxes was up, from 5.0% in the previous year, to 6.2%.

    - pbb continues to be as well-capitalised and well-positioned for future growth and increasing regulatory requirements.

      Our fully-loaded **CET 1 ratio** in accordance with Basel III improved to 18.2%, including the appropriation of profits for 2015. When compared to our peers, and expecting further regulatory imponderables, these numbers put us in a comfortable position.

2. The **strategic transformation** of pbb has been **concluded**. The Bank has been successfully privatised.

3. Our shareholders will share in this success. For the 2015 financial year, the Management Board will propose to the Annual General Meeting to distribute a **dividend** of €0.43 per share. On an annualised basis, the distribution ratio amounts to 50%, at the upper end of the targeted range.

We will **continue to pursue** our chosen path and **improve further** throughout 2016.

- Our bank has a European focus and is a market leader in commercial real estate finance and public investment finance. pbb plans **to expand its core business** whilst continuing to **optimise its processes** during the 2016 financial year. With our core business in mind, we have the following planned:

    - Despite a highly competitive situation, we are anticipating only a slight contraction in new business margins. Our unique structuring expertise has made us a sought-after partner when it comes to complex transactions, and this reputation enables us to take a risk-conservative approach while maintaining attractive margins. We can build on this strength.

    - In line with our risk strategy, we plan to make adjustments to our product and country mix to reflect the changing business environment. As part of this, we are also exploring the possibility of some conservative activity in the USA, for example.

    - We are also looking to generate additional income through syndications and distributing loan tranches.

  My colleague Thomas Köntgen will return to these points shortly when he discusses clients and markets.

- The **macro-economic environment** is likely to improve moderately in 2016. In real estate financing in particular, we anticipate that basic market conditions will continue to be relatively favourable. We do, however, expect sustained competitive pressure.

- Changes in **regulatory requirements** will fuel uncertainty, especially with regard to risk model recalibrations and a possible increase in risk-weighted assets under European Central Bank and Basel Committee on Banking Supervision plans.

2. Results 2015

2.1 Consolidated results of Deutsche Pfandbriefbank

This brings me to our annual financial statements for 2015. I'd like to begin by asking you to note three things:

- All figures reported in pbb's 2015 consolidated financial statements in accordance with IFRS are **preliminary**, have not been approved by the Supervisory Board and have **not yet been audited**. We will publish the audited financial statements and the annual report on 18 March.

- We **compare** the 2015 results to the **adjusted results for 2014**. You will recall that we made a €120 million adjustment to claims against Heta Asset Resolution; as a result, pre-tax profit fell to €54 million. We continue to view the valuation adjustment as a non-recurring item. As such, we made a decision to report adjusted results of €174 million and so refer to these adjusted, and therefore higher, figures in our year-on-year comparisons.

- pbb Group's earnings in the amount of €195 million again reflected **significant extraordinary items** for the 2015 financial year, including a further value adjustment made on claims against Heta to around 50% of the nominal volume. The very positive results achieved in 2015 reflect the operational strengths and resilience that pbb has developed.

It’s not my intention to cover the entire profit and loss account at this point; instead, I will limit my remarks to key issues. For more detailed statements, please refer to this morning's press release. In 2015 we were able to build on the previous year's good performance. All relevant performance parameters once again are pointing in the right direction and we have made further **qualitative structural improvements to our earnings.**

- We grew **pre-tax profit** (SLIDE 2) by 12% over the previous year, to €195 million, which was far above the level anticipated in early 2015.

  In the fourth quarter, higher – yet still quite low – loan loss provisions and additional general and administrative expenses impacted profits.

- **Net interest income** showed a slight increase, from €421 million to €426 million.

  Following a decline in the third quarter, we experienced a fourth-quarter rise that brought net interest income to €95 million. In the third quarter we also saw – in addition to non-recurring items – a large volume of prepayments on higher-margin loans where clients were not required to pay early termination fees. In addition, clients extended loans before maturity, but at lower margins. In this respect, margin pressure was felt less in actual new business, and instead had a greater impact on existing business because of loan prepayments.

  These outflows, which reflected a general market trend, resulted in lower net portfolio growth of 10%, totalling €31.3 billion, than the record gross new business volume of €12 billion would suggest. A major share of new business went towards absorbing regular and early outflows in the portfolio. In contrast to the third quarter, new business outweighed outflows in the fourth quarter (SLIDE 3).

- In 2015 we once again reduced **costs** by 18% and, at €207 million, managed to undercut our target figure for general and administrative expenses of €220 million. (Slide 4)

  This is where we see the effects of our cost discipline. We benefited from the fact that our IT costs decreased after the servicing for DEPFA ended, which enabled us, for example, to enter into a lower-priced agreement with our IT services provider. Consultancy service expenses were also lower because we had fewer regulatory projects.

  In the fourth quarter, however, the number of such projects increased. At the end of 2015, we launched a project to address the accounting and regulatory changes slated for 2018. This involves, for example, the implementation of IFRS 9 or European credit reporting. However we do not consider the €57 million expense in the fourth quarter as our run rate in the future. Our medium-term objective of keeping general and administrative expenses below €220 million remains unchanged.

- In the 2015 financial year, we reversed €1 million in **loan loss provisions** (net). In the fourth quarter, €7 million of net additions were attributable to just a handful of individual exposures.

  - The low level of loan loss provisioning was in part due to the **real estate market environment**, which remained robust on the whole.

  - Another reason for the low level of loan loss provisions is our risk policy. Our loan portfolio is conservative in terms of both real estate type and regional diversification, and we have strict lending standards. The basis for our analysis is always the business case for the property or property portfolio. We do not see the property first and foremost as collateral, and instead look at the property's cash flow. Only when the business case makes sense do we finance our clients´ transactions.

  Loan loss provisions are reported as **net** figures. We recognised loan loss provisions in the 2015 financial year, but were also able to reverse provisions for other exposures that we had recognised in previous periods.

  We will not necessarily be able to repeat this situation in future – firstly because our portfolio of problem loans has become relatively small, thanks to the good work of our colleagues. Secondly, because we anticipate that **risk costs** will increase in line with market conditions. I will return to this point when I discuss the forecast.

- Due to the unusual situation in 2015, I briefly turn to the topic of taxes and **profit after taxes** (SLIDE 5).

  - Profit after taxes was **€230 million** in 2015, and thus €35 million above pre-tax profits.

    This higher figure is also the basis for the dividend distribution ratio of 50% on an annualised basis, as mentioned earlier.

  - In July 2015, the bank **repaid the silent participation** that had been provided by the German Financial Markets Stabilisation Fund (FMS). In the fiscal sense, this redemption is an expense and therefore corporate tax deductible, which is why pbb did not pay corporate tax in Germany in 2015.

  - The bank paid €21 million in prepaid **trade tax** and **foreign taxes**, and recognised €27 million in **tax provisions** for past periods.

  - This compares with a positive effect from non-cash **deferred taxes** of €83 million.

    Profit after taxes increased by the **delta of €35 million** vis-à-vis pre-tax profits, bringing profit after taxes to **€230 million** as mentioned. We do not anticipate that this largely technical effect will be repeated in 2016.

2.2 Regulatory indicators

The ratios reflect the annual results of 2015 without the proposed dividend, i.e. profits retained (SLIDE 6). I am only referring to fully loaded ratios, i.e. assuming full implementation of Basel III. In the interest of good housekeeping, I would like to draw your attention to the fact that pbb was exempted from determining capital ratios under the waiver option pursuant to section 2a of the German Banking Act (until 31 December 2013) and Article 7 of the EU Capital Requirements Regulation ("CRR" – from 1 January 2014). We chose to voluntarily publish ratios in 2014, as pro-forma ratios. Please also note that the calculation of the 2014 ratios was not based on that year’s adjusted net income, but on actual results including the valuation adjustments on Heta securities.

- Deutsche Pfandbriefbank is better capitalised than ever before. The **CET 1 ratio** rose to 18.2% (Dec 2014: 13.8%) at the end of 2015 The increase was mainly due to a marked reduction in risk-weighted assets, from €15.2 billion to €13.4 billion, which was largely attributable to maturities in, and the reduction of, the Value Portfolio, and to improved ratings.

- The lower tier 1 and own funds ratios reflect the redemption of FMS's silent participation in July 2015.

  The **tier 1 ratio** declined to 18.2% (year-end 2014 20.3%).

  The **own funds ratio** at the end of 2015 was 19.9% (year-end 2014: 22.5%).

Some market observers might even deem pbb to be very highly capitalised, given its CET 1 ratio. At first glance that may well seem to be the case. However, two key things need to be borne in mind.

- We are planning **further growth for the strategic portfolio**, which means higher RWAs.

- We also foresee stricter **regulatory requirements** again being rolled out by supervisory authorities, which may result in an increase in RWAs.

  Banks must **back risk in their lending business with equity capital.** To determine equity capital requirements, banks can either use the standardised approach or can establish internal measures and choose the Internal Rating Based Approach (IRBA).

  The ECB and the Basel Committee are seeking to recalibrate risk models. The laudable objective is to increase transparency and establish standards that enable like-for-like comparisons. The standardised approach, as the name suggests, does not adequately distinguish between the actual risk exposure of individual portfolios. It is our opinion that the standardised approach favours higher-risk portfolios, which may not support regulatory principles. Basel III and the IRBA models are meant to enable exactly these types of distinctions to be made.

With all of that in mind, we have decided to maintain a capital buffer for the time being to ensure we are sufficiently capitalised to face whatever new requirements might arise. With its current capital base, pbb has a buffer of more than 7 percentage points above the SREP ratio, which the ECB defined as 10.75% for pbb in the regulatory test undertaken as part of the so-called Supervisory Review and Evaluation Process (SREP).

3. The pbb share

pbb has now been listed for seven-and-a-half months. Before my colleague Thomas Köntgen addresses our operating business, I'd like to address our shareholder base and the development of the share price.

As a reminder, the pbb **issue price** was €10.75. Roughly 107.6 million shares – including the fully exercised over-allotment option – were distributed at this price from the Federal Government's indirect stake.

A lock-up agreement requires the **Federal Government**, subject to certain exceptions, to hold 20% of the shares for two years, until mid July 2017.

Therefore 80% of the shares are held in **free float**.

- The majority of these shares, to the best of our knowledge, are held by institutional investors. Germany accounts for roughly half, and the other half is distributed nearly equally between the UK and the USA. A small portion is held by investors in other European countries.

- We have a few well-known names in our shareholder base. Based on regulatory reporting, the following institutions hold pbb shares: Deutsche Asset & Wealth Management, MainFirst, UBS Group, Maverick Capital, ETHENEA Independent Investors, Allan & Gill Gray Foundation, President and Fellows of Harvard College as well as Credit Suisse Group.

pbb shares performed well against the Prime Banks Performance Index, which we use as a benchmark. However, they couldn't escape the general **market trend** which had a particularly **adverse** impact on bank shares.

4. Development of the operating business and initiatives (Thomas Köntgen)

Good morning, ladies and gentlemen. I would also like to welcome you to our annual press briefing.

My remarks are intended to give you an **overview of our operating business** and to elaborate on the **initiatives planned for 2016** that Andreas Arndt mentioned briefly.

- We would like to leverage our excellent franchise to keep new business margins stable year on year, although we have factored in a slight decline.
- We are planning to make a moderate adjustment in our product and country mix, and will seek
- to generate additional income through partial loan placements.

These initiatives are oriented around the need to **continuously develop** our business. pbb is one of the largest lenders for commercial real estate and public-sector investments in the European market. That is why it's so important that we anticipate market trends and changes. Doing so is the only way to ensure that we maintain our position as a market leader in our sector.

4.1 New business

For the third year in a row, we increased new business by roughly €2 billion – without compromising our stringent risk standards, bringing the total to **€12 billion** for 2015, including extensions for more than one year. At a robust 20%, the share of extensions has remained relatively constant. We have no preference in terms of true new business or extensions, because in both cases we have to compete with other providers.

The volume of new business in **the first two months of 2016** has been in line with our expectations.

4.1.1 Real Estate Financing

In the Real Estate Finance segment, which accounts for more than 85% of our new business, new business was **up 16% to €10.4 billion** for the year (SLIDE 7). The volume in each quarter was nearly equal in contrast to previous years when it was common for there to be an increase at year end. This stability is one of the reasons we believe that transaction volumes will not show any notable increase in 2016.

We concluded **180 transactions** in total. This demonstrates a particular aspect of our business. Every deal is individually structured and subjected to a detailed analysis – especially in terms of risk.

The **average maturity** of new loans rose slightly, to 5.7 years (2014: 5.1 years). The average loan-to-value ratio, which is an important indicator for the bank's risk exposure, remained at 63% and thus at a constant low level (2014: 64%).

The **gross margin** declined in 2015 to roughly 170 basis points (BP), compared to more than 200 BP in 2014. Margins were stable for the year as a whole, which we view as a good achievement. We attribute this largely to the fact that our clients value our expertise in finding tailor-made solutions and structures – and that they are willing to pay a premium for it.

In 2016 – and the future generally – we are planning to expand these skills and continue to devote ourselves to **tailor-made solutions.** Doing business with sophisticated professional property clients requires that we see through market developments eye-to-eye, analyse our clients' strategies and evaluate more than the collateral, i.e. the property.

The **breakdown of new business** largely echoes our existing portfolio, with 47% in Germany, slightly below 20% in the UK and 10% in France, Central and Eastern Europe, and Scandinavia. The same applies to the breakdown by property type, with office properties accounting for one third, retail a quarter, residential roughly 20% and logistics about 10%. Additionally, we originated new business in mixed-use properties and hotels, which we also have in our existing portfolio.

The consistent distribution of new business and portfolio is no accident; we want to keep the overall allocation of our portfolio constant. We will however expand our **regional financing activities** in line with our current conservative standards.

- As part of one of the initiatives mentioned earlier, we are considering originating new business in **Slovakia**, **Italy** and possibly in **Romania** – on a highly selective basis. The focus will be exclusively on established property types and first-class properties, and we find these markets interesting with regard to portfolio diversification. For 2016 we are aiming to generate a modest proportion – less than 5 per cent – of total new business in these countries.

  We see potential here from our **internationally** active clients, to whom we can offer services in other markets. Often, individual properties in these countries are part of existing portfolios. To date, we have not financed the related portfolios; now, however, we can offer our clients financing for that purpose as well.

- We are also considering getting involved in the **US market**, which, should we decide to move forward, we will approach cautiously and at the most opportune time. At present, however, we have no plans to open an office there.

4.1.2 Public Investment Finance

In Public Investment Finance, new business increased by **33% to €1.6 billion** (SLIDE 8).

This volume is distributed across **48 transactions**, with an average loan size of roughly €33 million, slightly up from the previous year. The average **maturity** of the loans increased to 8.4 years in 2015 (2014: 6.7 years)

Nearly 70% of new business was originated in France, roughly 20% in Germany and 10% in Spain. This means that the **regional distribution** of new business differs from the existing portfolio, where Germany accounts for roughly 35% – competition in our home market has squeezed margins for new business. This leads us to increase our focus on deals in France and the UK.

In this segment, we offer our clients three **products**:

- **traditional public investment finance** with concrete projects or properties which is indifferent from 'old style' budget financing, as well as

- **export finance**, where there is export credit insurance coverage.

- We added a third product in 2015 that we think is quite attractive: **finance leasing**. I can offer a concrete example by way of explanation. We worked with a French bank to supply financing for a large office building in Paris. The users were two French ministerial departments. The French government committed to a twenty-year lease agreement, with a fully amortising loan.

  The transaction was attractive to **pbb** for two reasons. Firstly, it allowed us to take advantage of synergies between our two business divisions. Secondly, whilst we are in fact carrying French sovereign risk on our books, we are generating a more attractive return than we would through public-sector budget financing.

  Finance leasing is becoming more prevalent amongst **public-sector entities** because it frees up liquidity for use elsewhere. We see potential in this product for the future.

Public Investment Finance complements Real Estate Finance. The market shows a lot of momentum and we are well positioned. Our two business divisions open up economies of scale and scope for us, as the example I just mentioned demonstrates. Last but not least, Public Investment Finance is a more constant source of revenue for pbb because the market is less cyclical than in Real Estate Finance.

4.2 Syndication and Placement as cross-divisional Initiative

Syndication, i.e. distributing loan portions across multiple lenders, is an original component of our business model and can be used to manage concentration risks, for example.

In future we would like to strengthen this business to generate additional revenue and enhance the profitability of individual deals. We've launched an initiative to do just that.

- We see potential demand in the market for loans – structured with our expertise and meeting our strict risk criteria.

  Possible partners include in particular institutional investors interested in commercial real estate and public infrastructure asset classes, but who are lacking in means or market access.

- We retain a significant portion of every loan on our balance sheet. By placing tranches we earn commissions without burdening our balance sheet.

- Because the characteristics of their business allow certain market participants to accept lower margins, this enables us to unlock market potential. It is to our advantage that the market is now more broadly diversified than in the past; there are more potential partners who have approaches that complement our business model.

4.3 Portfolio

Let me now turn to our portfolio. I've already touched on individual aspects of our two strategic portfolios, so I will instead try to give you a bird's eye view. I'll put the portfolio for the Consolidation & Adjustments segment to the side for the moment, which basically comprises asset items for the purpose of asset and liability management.

Our **total financing volume** (SLIDE 9) fell by €1.1 billion to exactly €50 billion in 2015.

- This decrease resulted largely from the run-off of the non-strategic **Value Portfolio.**

  We also sold a sub-portfolio with a €0.8 billion volume to accelerate the reduction in the non-core book and free up committed capital early.

  The Value Portfolio therefore decreased by €4 billion to €18.7 billion.

- Both **strategic portfolios** grew by approximately 10% respectively. The real estate finance portfolio is now €24 billion whilst the public investment finance portfolio is €7.3 billion. These portfolios now account for more than 60% of the overall portfolio.

  Growth has been less prominent for the strategic portfolios than new business volume might suggest. Andreas Arndt has already told you the underlying reason. We saw extensive loan prepayments, many of which were originally granted in 2010 to 2012 and had higher margins. We believe however that this trend is largely behind us given the development in the real estate market and interest rates. We will also increase our work with clients to refinance loans where their strategies justify doing so.

The **quality of the portfolio** remains very high.

- The share of the portfolio rated as **investment grade** according to pbb's definitions remained at 96% as at the end of 2015.

- The share of **problem loans** fell from €1.14 billion to €0.78 billion, nearly a third of which is accounted for by claims against Heta, in the sum of €241 million.

  Only a fraction of this portfolio, just €3 million as at year-end, are **workout loans** or defaulted loans.

  The vast majority of the problem loans are actually exposures where we are in the process of negotiating the necessary **restructuring** with the borrower. This may be, and often is, a case where covenants have been breached. But we're not talking about loan defaults in the traditional sense. This is an expression of our policy of getting involved early on when an unplanned event occurs, for example in the leasing of a property, to prevent default before it happens.

4.4 Funding

There are a few constants in pbb's funding. We fund ourselves largely on a matched-maturity basis with a focus on the German **Pfandbrief**, supplemented by unsecured funding where necessary. For 2016 we would like to improve our position, and have launched initiatives to optimise our liabilities side.

Due to the portfolio development just outlined on the assets side, funding requirements were lower on the whole in 2015 than in 2014. pbb raised **€4.5 billion in long-term funds** on the capital markets during 2015, compared to €6 billion in 2014 (SLIDE 10).

- We issued **€1.9 billion in Pfandbriefe** compared to €3.9 billion the previous year.

  In particular, there was a notable decline in **Mortgage Pfandbriefe**, with an annual volume of €1.1 billion (2014: €3.6 billion). The impact of the assets side (from loan prepayments) can be seen here.

  We have increased the volume of **Public-sector Pfandbriefe** from €0.3 billion to €0.8 billion in line with new business growth.

- We have also expanded **unsecured funding** from €2.1 billion to €2.6 billion. In addition, we have significantly increased the volume of our ‘pbb direct’ retail deposit offering, from €1.5 billion to €2.6 billion.

- **Private placements** accounted for roughly 55% of mortgage bonds and unsecured funding. Private placements, which we are able to tailor to investors´ individual requirements, are attractive because they present lower refinancing costs than so-called benchmark issues with broad market placements requiring minimum volumes of €500 million.

We believe that 2015 was also a very successful year for our funding activities, especially in light of the very volatile capital markets environment, and particularly in the second half of the year, while we were in the process of privatising. In the fourth quarter of 2015, **after privatisation**, we successfully placed our **first benchmark issues** – both unsecured and Pfandbriefe. It was a milestone for us.

We have opened 2016 with a lot of momentum. In addition to private placements, we have successfully placed two Mortgage Pfandbriefe and one senior unsecured issue to the market, both as benchmark issuances. We do however intend to continue **expanding our funding base** in future. That is why we are launching initiatives on the liabilities side to complement measures taken on the assets side.

- We want to broaden our international **investor base** for both benchmark issues and private placements. We will continue to intensify our current investor relations work. Our clients and banking partners on the liabilities side are just as important as our credit clients.

- At the same time we want to expand our existing **deposit-taking business** with private customers, to optimise our funding mix.

At the beginning of his presentation, Andreas Arndt stated that pbb delivered on its promises in 2015. The same applies with regard to our credit clients and our clients on the liabilities side, for whom we have been – and will continue to be – a dependable partner.

Thank you very much for your attention; I will now hand you back to Andreas Arndt.

5. Forecast (Andreas Arndt)

To conclude, I'd like to take a look at what we see coming up in 2016. I'll touch both on operating trends as well as our financial indicator targets, before turning to the challenges ahead and initiatives.

5.1 Operating Trends

I'll begin with **operating trends** (SLIDE 11):

- We anticipate competitive pressure to persist in a generally intact market environment. Accordingly we have incorporated a slight drop in **margins** in our plans, but will, as we have in the past, seek to counter margin pressures whilst adhering to our risk strategy.

- In view of this environment and in light of the high level of new business originated in 2015, we are planning for stable **new business volumes**.

- Assuming the same new business volume as in 2015, we expect considerable growth in our **strategic portfolio**. We believe that loan repayments will be lower this year than they were last year.

  The non-strategic Value Portfolio will continue to run off. Where practicable and reasonable, we would like to accelerate this process by actively managing reductions.

- We anticipate being able to **place** more loan tranches in 2016 than before.

5.2 Targets for 2016

With the strength of 2015 in mind, we have set ourselves the following **targets** for 2016 (SLIDE 12):

- We expect that **pre-tax profit** will be slightly below the level for 2015 (€195 million).

  Performance in the first quarter may be affected by the fact that the entire bank levy falls due in the period.

- We expect normalised **loan loss provisions** equivalent to expected loss of 10-12 basis points on the real estate financing portfolio – in 2015, by comparison, no net addition to loan loss provisions was necessary.

  That does not mean that we do foresee any specific reason for higher loan loss provisions. But as cautious business people we cannot assume that we will either have no loan loss provisions or will be able to reverse provisions.

- We expect a slight year-on-year decline in **net interest income** but will keep commission income stable. In this context, syndications, which I mentioned in relation to operating trends, will make up for the previous year's positive one-off effect; operationally, we will seek to achieve an increase in net commission income.

- By maintaining cost discipline, we will aim to ensure that **general and administrative expenses** increase only slightly despite higher project costs. In any event, as in 2015, we want to remain beneath our medium term costs target of €220 million.

- We would like to keep a stable **return on equity before taxes** , which was 6.2% in 2015.

- In 2016, the **CET1 ratio** will be significantly above the minimum 5.125 % requirement under the CRR, as well as above the 12.5 % CET 1 ratio targeted. Based on the capital ratios with a CET 1 ratio of 18.2% (fully loaded, including profit appropriations for 2015), pbb Group has a buffer in the event that risk-weighted asset increase.

5.3 Initiatives for 2016

Ladies and Gentlemen,

An important focus in 2015 was pbb's privatisation. This marked the **conclusion of pbb's transformation**. At the same time, pbb generated its **highest operating results** yet in 2015.

2016, however, will present particular challenges, both in terms of regulation and the market environment. We have launched **four initiatives** in response (SLIDE 13):

- We are a sought-after partner for property investors when it comes to complex transactions. It's where we can add value to our customers with our **structuring expertise**. And it's something we want to continue to expand.

- Our risk strategy allows us to make moderate adjustments to our **product and country mix**. And we plan to do so.

- We are going to generate additional revenue through **syndication and placement**.

- Finally, we would like to further diversify our **funding**.

Despite the challenges presented by the market and regulation, we anticipate a good pre-tax profit, slightly below the very strong figure for the previous year.

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