



DEUTSCHE
PFANDBRIEFBANK

Investor Relations Release

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Expert Procedure initiated for "Estate UK-3" securitisation transaction

1. The facts

- Hypo Real Estate Bank International AG, which was merged into Deutsche Pfandbriefbank AG ("pbb"), issued Credit Linked Notes ("CLNs") in February 2007, within the scope of the Estate UK-3 ("UK-3") synthetic securitisation transaction. The CLNs were issued in order to hedge a portfolio of loans in the UK. The portfolio comprised 13 loans, financing 110 commercial property assets. The CLNs have an aggregate volume of GBP 113.68 million, structured in six classes with sequential loss allocation.
- The biggest individual loan in the portfolio (amounting to approximately GBP 176 million) subsequently defaulted, and the underlying collateral was realised in January 2016. The proceeds from realisation were substantially lower than the original collateral value, leading to a loss of approximately GBP 113 million.
- At the end of November 2016, pbb notified auditors Deloitte (the Trustee of the UK-3 transaction) that it intends to allocate the losses to the CLNs.

Deloitte today notified pbb that in their view doubts exist as to whether the loss allocation intended by pbb is justified, and that Deloitte will appoint an Expert, in accordance with the Terms of the UK-3 transaction, who will decide on whether the loss allocation is in fact justified.

2. Impact on pbb

- pbb does not hold any of the CLNs.
- In the event of the loss allocation being fully or partially unjustified, pbb would have to bear the losses to that extent. In pbb's opinion, the prerequisites for the full planned allocation of losses have been met.

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