Deutsche Pfandbriefbank AG

Munich

(hereinafter also referred to as ***Deutsche Pfandbriefbank***, ***pbb*** or ***Issuer***)

EUR 300,000,000 Undated Non-Cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2018

pbb will issue on 19 April 2018 (the ***Issue Date***) EUR 300,000,000 undated non-cumulative fixed to reset rate Additional Tier 1 notes of 2018 (the ***Notes***). The issue price of the Notes is 100.00 per cent. of their principal amount (the ***Issue Price***).

The Notes will bear interest on their aggregate principal amount at the applicable Rate of Interest (as defined in the terms and conditions of the Notes set out in the section "*4. Conditions of Issue*") from (and including) 19 April 2018 (the ***Interest Commencement Date***) to (but excluding) the day on which the Notes are due for redemption. The applicable Rate of Interest for the period from the Interest Commencement Date to 28 April 2023 (being the first Reset Date (as defined in the terms and conditions of the Notes) and the first date on which the Notes may be redeemed at the option of the Issuer other than for tax or regulatory reasons and hereinafter referred to as the ***First Redemption Date***) will be a fixed rate of 5.750 per cent. *per annum*; thereafter, the applicable Rate of Interest will be reset at five year intervals on the basis of the then prevailing 5-Year EUR Mid Swap Rate (as defined in the terms and conditions of the Notes) plus a margin of 5.383 per cent. *per annum*. Interest is payable annually in arrear on 28 April of each year (each an ***Interest Payment Date***), commencing 28 April 2019 (long first interest period). Payments of interest (each an ***Interest Payment***) are subject to cancellation, in whole or in part, and, if cancelled, are non-cumulative and Interest Payments in following years will not increase to compensate for any shortfall in Interest Payments in any previous year. The Notes do not have a maturity date. The Notes are redeemable by the Issuer at its discretion on the First Redemption Date and on each Reset Date thereafter or in other limited circumstances and, in each case, subject to limitations and conditions as described in the terms and conditions of the Notes. The Redemption Amount (as defined in § 5 (6) of the terms and conditions of the Notes) and the aggregate principal amount of the Notes may be reduced upon the occurrence of a Trigger Event (as defined and further described in § 5 (8) (a) of the terms and conditions of the Notes).

On each Reset Date the Rate of Interest payable under the Notes is calculated by reference to the annual swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" as of 11.00 a.m. (Frankfurt time) on the relevant Interest Determination Date, and which is provided by ICE Benchmark Administration (***ICE***). As at the date of this prospectus (the ***Prospectus***), ICE does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (***ESMA***) pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the ***Benchmark Regulation***). As far as the Issuer is aware, the transitional provisions in Article 51 Benchmark Regulation apply, such that ICE Benchmark Administration is not currently required to obtain authorisation or registration. The annual swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" is calculated with reference to the Euro Interbank Offered Rate (***EURIBOR***), which is provided by the European Money Market Institute (***EMMI***). As at the date of this Prospectus, the EMMI does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 Benchmark Regulation apply, such that the EMMI is not currently required to obtain authorisation or registration.

This Prospectus constitutes a prospectus within the meaning of Article 5.3 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended from time to time (the ***Prospectus Directive***). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* of the Grand Duchy of Luxembourg (the ***CSSF***) in its capacity as competent authority under the Luxembourg law of 10 July 2005 relating to prospectuses for securities, as amended (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières* – the ***Luxembourg Prospectus Law***), which implements the Prospectus Directive into Luxembourg law. As per Article 7(7) of the Luxembourg Prospectus Law, by approving the Prospectus the CSSF gives no undertaking as to the economic or financial soundness of the issue of the Notes or the quality and solvency of the Issuer. Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market "*Bourse de Luxembourg*" of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments, as amended (***MiFID II***).

Investing in the Notes involves certain risks. Please review the section "*1. RISK FACTORS*" beginning on page 1 of this Prospectus.

THESE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE *SECURITIES ACT*) AND MAY BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

The Notes are issued in bearer form with a denomination of EUR 200,000 each.

The Notes have been assigned the following securities codes: ISIN XS1808862657, Common Code 1808862657, WKN A2GSLH.

Structuring Adviser

UBS Investment Bank

Joint Lead Managers

Goldman Sachs International **J.P. Morgan** **UBS Investment Bank**

The date of this Prospectus is 17 April 2018.

IMPORTANT NOTICE

Restrictions on marketing and sales to retail investors

The Notes issued pursuant to this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the ***FCA***) published the Product Intervention (***Contingent Convertible Instruments and Mutual Society Shares***) Instrument 2015 (the ***PI Instrument***). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (***PRIIPs***) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended) (***MiFID II***) was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, PRIIPs and MiFID II are referred to as the ***Regulations***.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and the (ii) offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities such as the Notes.

Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein) including the Regulations.

The Joint Lead Managers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Joint Lead Managers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

1. it is not a retail client (as defined in MiFID II);

2. whether or not it is subject to the Regulations it will not:

(A) sell or offer the Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

(B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the MiFID II).

In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

(i) the identified target market for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and

(ii) no key information document (***KID***) under PRIIPs has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

PRIIPs Regulation/Prospectus Directive/Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (***IMD***), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a ***distributor***) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

NOTICE

No person is authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers (as defined in the section "*8. Subscription and Sale of the Notes*"). Neither the delivery of this Prospectus nor any offering or sale of any Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of its affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

This Prospectus contains certain forward-looking statements, in particular statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements in the section "*6. Description of Deutsche Pfandbriefbank AG*" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other documents incorporated herein by reference.

To the fullest extent permitted by law, neither the Joint Lead Managers nor any other person mentioned in this Prospectus, except for the Issuer, is responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Lead Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Joint Lead Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the ***Securities Act***) and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States of America (***United States***) or to U.S. persons. For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see the section "*8. Subscription and Sale of the Notes*".

IN CONNECTION WITH THE ISSUE OF THE NOTES, UBS INVESTMENT BANK (THE *STABILISING MANAGER*) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Prospectus all references to ***€***, ***EUR*** or ***Euro*** are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended. References to ***USD***, ***U.S. dollars, dollar*** and ***$*** are to United States currency, and the terms ***United States*** and ***U.S.*** mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

To supplement the Issuer's consolidated financial statements presented in accordance with the International Financial Reporting Standards (***IFRS***), the Issuer uses certain ratios and measures included in this Prospectus that might be considered to be "alternative performance measures" (each an ***APM***) as described in the ESMA Guidelines on Alternative Performance Measures (the ***ESMA Guidelines***) published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs: "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures." The APMs included in this Prospectus are not alternatives to measures prepared in accordance with the IFRS Accounting and Reporting Regulations and might be different from similarly titled measures reported by other companies. The Issuer's management believes that this information, when considered in conjunction with measures reported under the IFRS Accounting and Reporting Regulations, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Issuer's financial performance. In addition, these measures are used in internal management of the Issuer, along with financial measures reported under the IFRS Accounting and Reporting Regulations, in measuring the Issuer's performance and comparing it to the performance of its competitors. In addition, because the Issuer has historically reported certain APMs to investors, the Issuer's management believes that the inclusion of APMs in this Prospectus provides consistency in the Issuer's financial reporting and thus improves investors' ability to assess the Issuer's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the IFRS Accounting and Reporting Regulations.

OVERVIEW OF THE NOTES

The following overview contains basic information about the Notes and does not purport to be complete. It does not contain all the information that is important to making a decision to invest in the Notes. For a more complete description of the Notes, please refer to the terms and conditions of the Notes set out in the section "4. Conditions of Issue" of this Prospectus which, in case of any inconsistency, will prevail. For more information on the Issuer, its business and its financial condition and results of operations, please refer to the section "6. Description of Deutsche Pfandbriefbank AG" of this Prospectus. In addition, potential investors should carefully review the section "1. Risk Factors" of this Prospectus. Terms used in this overview and not otherwise defined have the meanings given to them in the terms and conditions of the Notes.

Issuer	Deutsche Pfandbriefbank AG.
Notes	EUR 300,000,000 Undated Non-cumulative Fixed to Reset Rate Additional Tier 1 Notes of 2018.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors that are material for the purpose of assessing the risks associated with an investment in the Notes. These risks are set out under the section "*1. Risk Factors*" of this Prospectus.
Structuring Adviser	UBS Limited, 5 Broadgate, London EC2M 2QS, United Kingdom (***UBS Investment Bank***)
Joint Lead Managers	Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom, J.P. Morgan Securities plc (***J.P. Morgan***), 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom and UBS Investment Bank
Paying Agent	Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Calculation Agent	Deutsche Pfandbriefbank AG, Freisinger Str. 5, 85716 Unterschleißheim, Germany
Principal Amount	EUR 300,000,000
Issue Price	100 per cent.
Issue Date of the Notes	19 April 2018
First Redemption Date	28 April 2023
Maturity	The Notes have no scheduled maturity and only provide for a redemption right of the Issuer (see section "– *Redemption Right of the Issuer*" below) but not for a redemption right of the holders of the Notes (each a ***Holder***).
Specified Denomination	EUR 200,000.00
ISIN, Common Code,	ISIN XS1808862657, Common Code 1808862657, WKN A2GSLH

WKN

Use of Proceeds

The net proceeds from the issue of the Notes will be used for general corporate purposes and to strengthen the Issuer's regulatory capital base by providing Additional Tier 1 capital for the Issuer

Status of the Notes

The Notes constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* among themselves and (subject to the subordination provision set out in the following sentence and the final paragraph of this section "– *Status of the Notes*") *pari passu* with all other subordinated obligations of the Issuer but senior to obligations of the Issuer under Common Equity Tier 1 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with Common Equity Tier 1 instruments. In the event of resolution measures imposed on the Issuer and in the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Notes shall be fully subordinated to

(i) the claims of creditors of the Issuer that are unsubordinated (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 of the German Banking Act (*Kreditwesengesetz* – ***KWG***) or any successor provision thereto),

(ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and

(iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung* – ***InsO***) or any successor provision hereto

so that in any such event no amounts shall be payable in respect of the Notes until

(i) the claims of such other unsubordinated creditors of the Issuer (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 KWG or any successor provision thereto),

(ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and

(iii) the claims specified in § 39 (1) nos. 1 to 5 InsO or any successor provision thereto

have been satisfied in full.

Subject to this subordination provision, the Issuer may satisfy its obligations under the Notes also from other distributable assets (*freies Vermögen*) of the Issuer. No Holder may set off his claims arising under the Notes against any claims of the Issuer. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Notes.

In the event of the dissolution, liquidation, insolvency, composition or other

proceedings for the avoidance of insolvency of, or against, the Issuer, claims against the Issuer under the Notes rank *pari passu* with claims against the Issuer under other additional tier 1 instruments within the meaning of Article 52 CRR.

Interest Payments

Pursuant to the terms and conditions of the Notes, the Issuer will (subject to the provisions set out below, see section "– *Discretionary Cancellation of Interest*" and "– *Compulsory Cancellation of Interest*") from (and including) the Interest Commencement Date owe Interest Payments at the applicable Rate of Interest, calculated annually on the basis of the principal amount of the Notes from time to time (which may be lower than the initial principal amount of the Notes (see section "– *Write-down of the Redemption Amount and the Principal Amount of the Notes*" below)) and payable annually in arrear on 28 April of each year, commencing on 28 April 2019 (long first interest period), subject to having accrued and being payable under the terms and conditions of the Notes.

The Rate of Interest will reset on the First Redemption Date and on each Reset Date thereafter. ***Reset Date*** means 28 April 2023 and thereafter each fifth anniversary of the immediately preceding Reset Date. See § 3 of the terms and conditions of the Notes.

The applicable Rate of Interest (as defined in § 3 (2) of the terms and conditions of the Notes) for the period from (and including) the Interest Commencement Date to (but excluding) the First Redemption Date will be a fixed rate of 5.750 per cent. *per annum*; thereafter, the applicable Rate of Interest will be reset on the First Redemption Date and on each Reset Date thereafter on the basis of the then prevailing 5-Year EUR Mid Swap Rate (as defined in § 3 (2) of the terms and conditions of the Notes) plus a margin of 5.383 per cent. *per annum*.

Discretionary Cancellation of Interest

Interest Payments will not accrue if the Issuer has elected, at its sole discretion, to cancel payment of interest (non-cumulative – as set out below, see section "– *Interest Payments are non-cumulative*"), in whole or in part, on any Interest Payment Date.

See § 3 (8) (a) of the terms and conditions of the Notes.

Compulsory Cancellation of Interest

In addition, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date:

(a) to the extent that such payment of interest together with any additional Distributions (as defined in § 3 (9) of the terms and conditions of the Notes) that are simultaneously planned or made or that have been made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9) of the terms and conditions of the Notes) as well as potential write-ups in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9) of the terms and conditions of the Notes), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as deduction for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (*Gewinn*) on which the Available Distributable Items are based; or

(b) if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority (including a prohibition of Distributions in connection with the calculation of the maximum distributable amount within the meaning of Article 141 (2) of Directive 2013/36/EU as supplemented or amended from time to time ("Capital Requirements Directive IV" – ***CRD IV***) (***Maximum Distributable Amount*** or ***MDA***) and as currently transposed into German law by § 10i KWG).

Prohibitions of Distributions imposed by law or an authority pursuant to (b) include, but are not limited to, restrictions of Distributions as a result of non-compliance with the combined buffer requirement under § 10i KWG and the limit resulting from the maximum distributable amount within the meaning of Article 141(2) CRD IV or any successor provision as transposed into national law (at the time of issue of the Notes particularly § 10i KWG in connection with § 37 of the German Solvency Regulation (*Solvabilitätsverordnung*)).

See § 3 (8) (b) of the terms and conditions of the Notes.

Interest Payments are non-cumulative

Interest Payments are non-cumulative. Consequently, Interest Payments in following years will not be increased to compensate for any shortfall in Interest Payments during a previous year and such shortfall shall not constitute an event of default under the terms and conditions of the Notes.

Redemption Right of the Issuer

Any redemption of the Notes, in whole but not in part, is subject to the following:

(a) The Issuer obtaining prior permission of the competent supervisory authority in accordance with Article 78 CRR (or any successor provision). At the time of the issuance of the Notes, permission pursuant to Article 78 CRR requires that either

(i) the Issuer has replaced the Notes with own fund instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the redemption; or

(ii) the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the own funds (pursuant to Article 4 (1) no. 118 CRR own funds means the sum of Tier 1 capital and Tier 2 capital) of the Issuer would – following such redemption – exceed the requirements laid down in Article 92 (1) CRR and the combined buffer requirement as defined in § 10i KWG transposing point (6) of Article 128 CRD IV by a margin that the competent supervisory authority considers necessary on the basis of § 10 para. 4 KWG transposing Article 104 (3) CRD IV;

(b) In addition to (a), in respect of a redemption prior to the fifth anniversary of the issue date of the Notes, if and to the extent required under Article 78 (4) CRR (or any successor provision):

(i) In the case of redemption for reasons of taxation pursuant to § 5 (3),

the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the date of issuance of the Notes; or

(ii) In the case of redemption for regulatory reasons pursuant to § 5 (2), the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

For the avoidance of doubt, any refusal of the competent supervisory authority to grant permission in accordance with Article 78 CRR shall not constitute a default of the Issuer.

Notice pursuant to § 5 (2), (3) and (4) of the terms and conditions of the Notes shall be given in accordance with § 11 of the terms and conditions of the Notes. Such notice shall state the date fixed for redemption and, in the case of a notice pursuant to § 5 (2) or (3) of the terms and conditions of the Notes, the reason for the redemption. If a Trigger Event occurs in the period between the date on which notice to exercise the redemption right is given and the date fixed for redemption, the Notes shall not be redeemed on the date fixed for redemption and the rights and obligations of the Issuer in respect of the Notes shall remain unchanged.

The Issuer may exercise its redemption right pursuant to § 5 (4) of the terms and conditions of the Notes only if any write-downs pursuant to § 5 (8) of the terms and conditions of the Notes have been fully written up, unless the Holders agree to a redemption in such case in accordance with the terms of § 9 of the terms and conditions of the Notes. In addition, upon the occurrence of a Trigger Event the Issuer is not entitled to exercise its redemption rights pursuant to § 5 (2), (3) and (4) of the terms and conditions of the Notes until the write-down pursuant to § 5 (8) of the terms and conditions of the Notes has been effected.

Write-down of the Redemption Amount and the Principal Amount of the Notes

Upon the occurrence of a Trigger Event (as defined and further described in § 5 (8) (a) of the terms and conditions of the Notes), the Redemption Amount and the principal amount of the Notes shall be reduced by the amount of the relevant write-down. If and as long as the principal amount of the Notes is below their initial principal amount, any repayment upon redemption of the Notes will be at the reduced principal amount of the Notes (provided, however, that a consent to such repayment below par by majority resolution of the Holders will be required, if the Notes are redeemed at the option of the Issuer other than for regulatory or tax reasons – as set out in § 5 (6) of the term and conditions of the Notes) and, with effect from the beginning of the interest period in which such write-down occurs, any Interest Payment will be calculated on the basis of the reduced principal amount of the Notes.

A ***Trigger Event*** occurs if at any time the Common Equity Tier 1 capital ratio pursuant to Article 92 (1) (a) CRR or a successor provision (the ***Common Equity Tier 1 Capital Ratio***), determined on (i) a consolidated basis or (ii) a solo basis falls below 7.00 per cent. (the ***Minimum CET1 Ratio***), with a Trigger Event based on the Minimum CET1 Ratio determined on a consolidated basis being applicable at

any time, whereas a Trigger Event based on the Minimum CET1 Ratio determined on a solo basis only being applicable for as long as the Issuer is obliged by law or administrative order to determine the Common Equity Tier 1 Capital Ratio on a solo basis. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the competent supervisory authority or any agent appointed for such purpose by the competent supervisory authority and such determination shall be binding on the Holders.

Upon the occurrence of a Trigger Event, a write-down shall be effected *pro rata* with all other Additional Tier 1 Instruments, the terms of which provide for a write-down (whether permanent or temporary) (or a conversion into Common Equity Tier 1 capital) upon the occurrence of the Trigger Event. For such purpose, the total amount of the write-downs (or conversion into Common Equity Tier 1 capital) to be allocated *pro rata* shall be equal to the amount required to restore fully the Common Equity Tier 1 Capital Ratio of the Issuer to the Minimum CET1 Ratio but shall not exceed the sum of the principal amounts of the relevant instruments outstanding at the time of occurrence of the Trigger Event. The performance of any write-downs in respect of the Notes is not dependent on the effectiveness of a write-down or conversion of other instruments.

If upon the occurrence of a Trigger Event, other Additional Tier 1 Instruments which provide for a Common Equity Tier 1 Capital Ratio different from the Minimum CET1 Ratio as a trigger need to be written down or converted into Common Equity Tier 1 capital in accordance with their terms, any such write-down or conversion will occur in such order of application or ratio as required in accordance with legal or regulatory requirements applicable to the Issuer. If no such order or ratio is required by applicable law or regulations, subject to any previous contractual obligations of the Issuer, the following applies:

Any write-down pursuant to § 5 (8) of the terms and conditions of the Notes shall, subject to the provision set out in the following sentence, be effected *pro rata* with all other Additional Tier 1 Instruments, the terms of which provide for a write-down (whether permanent or temporary) (or a conversion into Common Equity Tier 1 capital) upon the occurrence of a trigger event. Each of the Notes and all other Additional Tier 1 Instruments will only participate in a write-down (or a conversion into Common Equity Tier 1 capital) to the extent required for the Common Equity Tier 1 Capital Ratio of the Issuer to again meet the ratio provided for in their respective terms as ratio triggering the event resulting in such write-down (or conversion into Common Equity Tier 1 capital).

To the extent that the write-down (or a conversion into Common Equity Tier 1 capital) of one or more of the other Additional Tier 1 Instruments of the Issuer is not effective for any reason, (i) the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to effect a write-down of the Notes pursuant to § 5 (8) of the terms and conditions of the Notes and (ii) the write-down or conversion of any other Additional Tier 1 Instruments of the Issuer that is not effective shall not be taken into account in determining the write-down amount of the Notes.

The sum of the write-downs to be effected with respect to the Notes shall be limited to the outstanding aggregate principal amount of the Notes at the time of occurrence

	of the relevant Trigger Event. Following a write-down of the Redemption Amount and the principal amount of the Notes in accordance with the terms and conditions of the Notes described above, the Issuer will be entitled (but not obliged) to effect, at its discretion, an increase of the Redemption Amount and the principal amount of the Notes up to their initial principal amount, subject, however, to certain limitations set out in the terms and conditions of the Notes. See § 5 (8) (b) of the terms and conditions of the Notes.
Payment of Additional Amounts	If the Issuer is required to withhold or deduct at source amounts payable under the Notes on account of taxes in Germany or, as applicable, the United States, the Issuer will, subject to customary exemptions, pay Additional Amounts on the Notes to compensate for such deduction. See § 7 of the terms and conditions of the Notes.
No Set-off	No Holder may set off his claims arising under the Notes against any claims of the Issuer.
No Events of Default	The terms and conditions of the Notes do not provide for any events of default or other rights of the Holders to call the Notes for redemption.
Form of the Notes	The Notes are bearer notes (*Inhaberschuldverschreibungen*) represented by one or more global notes without coupons or receipts to be kept in custody by a common depository.
Listing and Admission to trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the regulated market "*Bourse de Luxembourg*" of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of MiFID II.
Governing Law	The Notes are governed by German law.
Credit Ratings of the Notes	The Notes, upon issuance, are expected to be assigned a rating of BB- by Standard & Poor's Credit Market Services Europe Limited (Zweigniederlassung Deutschland) (***S&P***). A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes. See section "*8. Subscription and Sale of the Notes*" below, including a description on certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States, Italy, the United Kingdom, Ireland, Austria, Norway and Japan. In addition, further restrictions on marketing and sales of the Notes to retail investors apply.

1. RISK FACTORS

Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. Investors should note that the risks discussed below may not prove to be exhaustive and, therefore, may not be the only risks to which the Issuer and its subsidiaries are exposed. Should one or more of the risks described below materialize, this may have a material adverse effect on the cash flows, results of operations and financial condition of the Issuer. Moreover, if any of these risks materialize, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Holders could lose all or part of their investments. Investors should note that the risks discussed below may not prove to be exhaustive and, therefore, may not be the only risks to which the Issuer is exposed. Additional risks and uncertainties, which are currently not known to the Issuer or which the Issuer currently believes are immaterial, could likewise impair the business operations of the Issuer and have a material adverse effect on their business, cash flows, results of operations and their financial condition. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the cash flows, results of operations and financial condition of the Issuer. Investors are advised to consult their bank or financial advisor prior to making an investment decision. In addition, potential investors should be aware that the risks described herein may coincide and thus intensify.

1.1 Risk factors relating to the Issuer

Any investment in the Notes involves risks relating to the Issuer. If any of the following risks actually occurs, the Issuer's ability to fulfill its obligations under the Notes might be affected and/or the market value of the Notes of the Issuer could decline and investors could lose all or part of their investment.

The risks factors relating to the Issuer set out below describe the material risks of Deutsche Pfandbriefbank AG as a financial institution and its direct and indirect shareholdings (together the ***Deutsche Pfandbriefbank Group*** or ***pbb Group***). pbb defines all relevant risks as being "material" which could have a negative impact on pbb's resources, earnings, its liquidity position financial situation or the achievement of its strategic goals. Such risks may limit the Issuer's ability to fulfil its obligations vis-à-vis investors under the Notes.

The business model of the Issuer and its subsidiaries in general can entail risk factors that may affect the Issuer's business, liquidity, financial position, net assets and/or results of operations and as a consequence its ability to fulfil its obligations under the Notes. Those risk factors may be further distinguished into general risks affecting the Issuer, including credit risk, market risk, liquidity risk, operational risk and real estate risk, risks relating to regulatory, legal, tax and litigation matters, and risks subsequent to the restructuring and privatization of the Issuer.

General Risks Relating to the Issuer and the Industry in which the Issuer Operates

1.1.1 The Issuer is exposed to the risks of an unexpected default or decline in the market value of a receivable (loan or bond) or a derivative (alternatively of an entire portfolio of assets/derivatives). The reason for this can be either deterioration in a country's or counterparty's creditworthiness or deterioration of the value of collateral. The credit risk comprises the default risk, migration risk, fulfilment risk of defaulted positions, transfer and conversation risk, tenant risk, settlement risk, prolongation risk and concentration risk.

Default risk comprises risk due to defaults of other parties. This includes defaults of loans and other traditional credit products (credit risk) or bonds and other securities (issuer risk) and counterparty risk due to default of a counterparty of derivatives (replacement risk) and money market transactions (repayment risk)

including the possible default of state or regional governments (sovereign risk) and the risk of decreasing value of collateral.

Migration risk is the risk of a decline in value through rating migration. This includes rating migrations of loans and other traditional credit products (credit risk) or bonds and other securities (issuer risk) and counterparty risk caused through rating migrations of a counterparty of derivatives (replacement risk) and money market transactions (repayment risk), including the impact of rating migrations of state and regional governments (sovereign risk).

Concentration risk is the risk of cluster formation in relation to a risk factor or counterparty, or a strongly correlated group of risk factors or counterparties.

Fulfilment risk is defined as the risk that the Issuer makes a payment or delivers an asset which has been sold to a counterparty but does not receive a payment or the purchased asset.

Tenant risk describes the risk that losses in rental income for properties will negatively influence the respective borrowers' debt service capacity. In addition, it includes the secondary concentration risk (tenant cluster risk), which arises when one and the same tenant is involved in multiple properties funded by the Issuer.

Realization risk with respect to defaulted positions is the risk that existing general and individual loan loss provisions change during the timeframe of the evaluation or that in case of realization deviations occur.

Transfer risk is the risk that a government or central bank restricts the use of a currency to their own country. This includes the conversion risk, which is the risk that a government or central bank declares its own currency as non-convertible. Together with the sovereign risk, the transfer and the conversion risk form the country risk.

Prolongation risk is the risk of an unexpected extension of the holding period of a credit risk related asset.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.2 The Issuer is exposed to market risks, in particular risks associated with volatility in credit spreads, interest rates and foreign currency exchange rates which may have a negative effect on the Issuer's assets, financial position and results of operation.

The Issuer is exposed to market risks associated with volatility in credit spreads, interest rates, foreign currency exchange rates and other volatilities leading to changes in the present value of, and/or net income arising from, positions even though the Issuer does not have any significant trading book positions. Market risk is defined as the risk of loss of value resulting from the fluctuation of market prices of financial instruments.

In this case, the credit spread is likely to widen which would lead to a fall of such instrument's market price and have a negative effect on the assets of the Issuer. Particular market risks also arise from the interest rate environment and potential changes to it. While historically low interest rates reduce the value of existing liabilities of the Issuer and lower cost of new funding at the same time, asset portfolios held by the Issuer may be impacted the opposite way. Existing liquidity reserve investments may increase in market value but returns earned on new liquidity reserve investments may be lower – thus negatively affecting future income. Furthermore, while low interest rates may increase the value of existing deposits to our customers, changed terms and conditions may deter customers from saving money through deposits under the Issuer's "*pbb direkt*" brand (and reduce the attractiveness of the Issuer's debt investments in general) – thus reducing the effectiveness of these funding sources to the Issuer. The Issuer's margins may also be affected by a continued low interest rate environment which is putting pressure on deposit net interest margins throughout the industry. Furthermore, in

the event of sudden large or frequent increases in interest rates, the Issuer may not be able to reprice its rates in time, which may negatively affect margins and overall revenue in the short term. This risk exists in particular if the maturities of the Issuer's assets on one hand and its liabilities on the other hand do not match, in particular if no, insufficient or ineffective hedging arrangements have been made. Unpredictable currency exchange rate fluctuations also represent a notable market risk to the Issuer. For example, the discontinuation of the Swiss Franc cap versus the Euro in 2015 and the referendum on Brexit on 23 June 2016 (for details see below) had significant repercussions on the financial sector including the Issuer. Future unexpected fluctuations (be they associated with similar developments such as the continuing discussion about Brexit and the stability of the EU or other developments that may have a negative impact inter alia on foreign currency exchange rates, interest rates and/or credit spreads) may also have a direct effect on the Issuer. The Issuer strives toward limiting its exposure to market risks by way of hedging arrangements. However, the Issuer's hedging strategy may prove insufficient or ineffective and is also exposed to counterparty risks.

The transactions of the Issuer are furthermore exposed to basis risk (risk from changes in basis spreads), volatility risk (risk from changes of implied volatility) and concentration risk (risk of additional losses due to one-sided portfolio mix; accounted for by using correlations between risk factors when determining value at risk).

After the referendum on the United Kingdom's (***UK***) membership in the European Union (***EU***) on 23 June 2016 which resulted in a vote in favor of the withdrawal of the UK from the EU (***Brexit***), the pound sterling depreciated and overall fluctuations in currency exchange rates, interest rates and credit spreads increased and may continue to increase. For details see the risk factor *"– 1.1.17 The prospective withdrawal of the UK from the EU could adversely affect the economic conditions in the UK, Europe and globally and in particular the real estate markets in both the UK and the EU and, thus, may have a negative impact on the financial condition of the Issuer and its ability to make payments under the Notes"*.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.3 The Issuer is exposed to liquidity risks, i.e. the risk of being unable to meet its liquidity requirements in full or in time, in particular in case of unmatched assets and liabilities and/or a disruption of funding markets, which may negatively affect its ability to fulfil its due obligations.

Liquidity risk is defined as the risk of not being able to meet the extent and deadlines of existing or future payment obligations in full or on time. This would for instance be the case if – as indeed has happened at the former Hypo Real Estate Group with its parent company Hypo Real Estate Holding AG (now: Hypo Real Estate Holding GmbH) in the course of the financial crisis in 2008 / 2009 – there were no longer sufficient external refinancing sources to provide the required amount of capital. Even if the funding markets further improved in recent years, the situation on the capital markets is still to a high degree unpredictable and readily available external refinancing sources may become – also within a very short time period – insufficient and/or more expensive. The funding markets remain susceptible to disruption, as can be seen by the interventions of the European Central Bank (***ECB***). During the sovereign debt crisis the ECB felt forced to act several times to stabilize the Euro area's financial markets. Under its Security Markets Programme (***SMP***) the ECB bought government bonds from countries under pressure, including Italy and Spain, in the secondary market in the amount of EUR 210 billion between May 2010 and February 2012. In December 2011 and February 2012, the ECB provided banks with large amounts of special long-term financing. As a supplement to the European Stability Mechanism (***ESM***), the ECB introduced the Outright Monetary Transactions (***OMT***) program in 2012 as the successor of the SMP, enabling, in principle, the unlimited purchase in the secondary market of government bonds of countries supported by an ESM program. In addition, since January 2015, the ECB has been buying government bonds of all countries of the European Monetary Union excluding Greece, on a regular basis independent of market conditions, under the framework of a general "quantitative easing" monetary policy.

While this program's announced primary aim was not to support the market access of highly indebted countries, it did make it easier for governments to obtain financing at lower rates. Currently, there is also a third program to buy certain assets including covered bonds under a third covered bond purchase program (***CBPP3***) in place launched in October 2014 by the Euro system. It aims to enhance the functioning of the monetary policy transmission mechanism, support financing conditions in the Euro area, facilitate credit provision to the real economy and generate positive spillovers to other markets. The program has recently been expanded to last until September 2018, but also has been reduced to an amount of EUR 30 billion per month. Besides the expansion of such purchase programs, the ECB also decided to cover corporate bonds going forward. However, there have been doubts whether some of the measures are within the legal mandate of the ECB; in addition, there are discussions regarding the political and economic effectiveness respectively adequateness of such measures. Therefore, it is possible that the ECB will in the future amend or reduce measures which have so far supported the markets in the Eurozone and in particular the refinancing opportunities of banks, including the Issuer. At the same time, it cannot be excluded that the ECB interventions may affect in particular Pfandbriefe, the Issuer's main source of funding. The frequent purchase of Pfandbriefe has led to a tightening of Pfandbriefe spreads. It cannot be ruled out that in view of this effect the interest of other investors in Pfandbriefe may decline. This may persist even after the ECB ceases to apply its policies which could cause Pfandbriefe spreads to widen again and consequently increase the refinancing costs of the Issuer. Furthermore, a potential new downturn of the European economy could jeopardise the recovery of some member states from the debt crisis and result in a new loss of confidence and sharply reduced transaction volumes on the issuance markets or the interbank market. Interest rate movements could also affect market liquidity. If the funding markets were to be disrupted by such events, the Issuer's liquidity situation and funding costs could be negatively impacted. A consequence might be a conscious reduction in the volume of new business.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.4 The Issuer is exposed to risks resulting from its cyclical and low-number high-volume business model.

The industry in which the Issuer operates, in particular the commercial real estate financing market, has historically been cyclical, with significant fluctuations in operating results due to periodical changes in transaction volumes, changing levels of capacity and general economic, legal, tax, regulatory, social and other conditions. The cyclicality of the sectors and assets which the Issuer finances through its real estate finance and public investment finance activities are driven by economic trends and have, in the past, often followed certain patterns over longer periods. However, cyclical patterns are increasingly difficult to predict and it cannot be ruled out that they may not prove to be true for the future and/or that the Issuer may wrongly assess or anticipate those cyclical patterns. In each case this may result in material adverse effects on the Issuer's business, financial position, and results of operations.

Besides, the Issuer's business is generally low in terms of the numbers of transactions (with only about 150 to 230 transactions per year) but high-volume (with, on average, about EUR 50 to 60 million per transaction). A failure to complete one or more large transactions could have a material adverse effect on the Issuer's full year or interim results, liquidity, net assets and financial position.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.5 The Issuer is exposed to operational risks i.e. the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events including legal risk.

Operational risks are associated with most aspects of the Issuer's business, and comprise numerous widely differing risks. The Issuer defines operational risk as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events and includes legal risk. In addition the definition

of operational risk includes model, conduct, reputational, outsourcing risks, system information and communication technology (***ICT***) risk and data quality risk.

Major operational risks result from the continuing enhancements of the Issuer. This comprises also changes in IT environment. Operational risks are attributable for instance to manually recorded transactions as well as the high number of different processing and monitoring systems. Operational changes are also a result of continuously developing regulatory requirements, such operational changes affecting numerous processes, including IT process, and involving corresponding risks.

A further operational risk results from the reliance on key employees who hold risk-taking positions as well as other employees with particular know-how. Employees in key positions or with particular know-how could decide to leave pbb. Also, the Issuer might fail to retain or attract qualified management and employees essential for the Issuer's business. This could impact the development in assets, financial position and earnings of the Issuer.

The operational risk at the Issuer also includes reputational risks. Reputational risks are defined as the risk of losses due to events that may damage customers', shareholders', investors', supervisory authorities' or third parties´ trust in the Issuer or its products and services on offer. This also includes a negative perception of the Issuer by the public due to negative publicity, which can have different sources including the history of the Issuer and the Hypo Real Estate Group it belonged to. The Issuer's image has been stressed by its affiliation to Hypo Real Estate Group in recent years. Negative consequences for the achievements of the Issuer's objectives cannot be ruled out and may fundamentally affect the business activities of the Issuer. The Issuer´s definition of reputational risks also includes a negative perception of the Issuer by its employees, which might lead to pbb not being able to attract or retain qualified personnel.

The Issuer's operational systems are subject to an increasing risk of cyber-attacks and other internet and/or computer related crime, which could result in material losses of client or customer information, damage the Issuer's reputation and lead to regulatory penalties as well as criminal and other sanctions and financial losses.

Furthermore, the Issuer is exposed to operational risks related to potential failings of key outsourcing suppliers.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.6 The Issuer is exposed to real estate risk in relation to the valuation of its real estate loan portfolio and a potential decline of the value of the underlying real estate portfolio.

The Issuer distinguishes an own risk category for real estate risk in connection with the assessment of the value of its real estate loan portfolios. It describes the risk of a potential decline in the value of the real estate portfolio which underlies the respective real estate loan portfolio of the Issuer due to a deterioration of the general real estate situation or a negative change of specific features of individual properties resulting from vacancies, changed usage options, construction damages, investment requirements etc. This could lead to borrowers not being able to repay their loans in full or on time. Generally, the Issuer does not invest directly in real estate. However, it may be possible that the Issuer acquires real estate in connection with rescue activities and, thus, bears enhanced real estate risk. The Issuer may further be exposed to increased real estate risk in the future, if the Issuer expands its business to countries in which it did not do or ceased to do business in the past and is more dependent on third parties resulting from the lack of knowhow, representations and personnel in such countries.

After the referendum on Brexit which resulted in a vote in favor of the withdrawal of the UK from the EU, there is an increased risk in relation to the valuation of certain real estate assets in the UK and the EU. For

details see the risk factor *"– 1.1.17 The prospective withdrawal of the UK from the EU could adversely affect the economic conditions in the UK, Europe and globally and in particular the real estate markets in both the UK and the EU and, thus, may have a negative impact on the financial condition of the Issuer and its ability to make payments under the Notes"*.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.7 The Issuer may be exposed to significant risk provisioning, as well as to the risk that the relevant collaterals may not be sufficient.

Risk provisioning was only required for a relatively small number of individual exposures in recent years. However, even if the Issuer expects that risk provisioning will normalise (i.e. increase), it cannot be ruled out that significant risk provisioning will have to be recognised in the future even beyond a normalised level. The need for risk provisioning primarily depends on the economic situation of the financed objects, although it could also be the result of a general crisis in individual markets, such as the real estate markets of various countries. In such a case, this could lead to overcapacity in the market and devaluation in the Issuer's portfolio. Changes to monetary policy can also negatively impact the performance of real estate assets.

The Issuer is also exposed to the risk that collateral granted to it as security is or could become insufficient to cover the full loan amount. Such risk could arise due to an overestimation of the value of the collateral when the loan was initially granted or as a result of a subsequent decrease in value (e.g. following a decline in local rent levels, a reduced demand for the financed assets, the bursting of real estate "bubbles" or a general crisis affecting individual real estate markets or due to the specific circumstances of the collateral realisation (such as fire sales)). Furthermore, the Issuer may be or become unable to undertake, or hampered from, timely and successful enforcement of its enforcement rights, in particular due to local laws, customs or other specialties, such as in Italy. Additionally, the legal framework for guarantees and warranties may change, which, for example, already occurred in Austria as regards guarantees issued by the state of Carinthia. This would complicate the repossession or the sale of collateral and could thus inhibit the Issuer's ability to recover any outstanding amounts.

If any of these risks materialize, they could have a material adverse effect on the Issuer´s business, financial position, and results of operations.

1.1.8 The Issuer bears the risk of failing proceeds for new business and increased funding costs which may negatively affect the Issuer's financial position.

Business risk comprises several underlying risk categories which mainly consist of strategic risk and the risk of fluctuations in costs/income, and thus to a certain extent also comprises liquidity risk. The materialisation of the business risk for the Issuer may result from failing proceeds for new business and from increased funding costs which in turn may result from both increased funding needs and increase of the unsecured refinancing rate. The planned profitability of the Issuer is based on an adequate growth and high portfolio profitability. If the envisaged development of the size and the margins cannot be achieved because of, for instance, increasing competition in the market, the Issuer will not be able to retain a positive cost-income ratio or the cost-income ratio investors expect the Issuer to have. The Issuer may also encounter difficulties to sell assets from the value portfolio (***VP*** or ***Value Portfolio***) which is of a significant volume, provides for low or negative margins and long maturities and no new business is made in the VP. This may increase the pressure on the Issuer to find alternative business opportunities with higher margins, but potentially also higher risks.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.9 If market interest rate levels remain at the current low level in the long term or further decrease, negative impacts on the earnings situation of the Issuer cannot be excluded and market turmoils may arise.

The market interest rate level is currently on a very low level. If the market interests rates remain this low in the long term or decrease even further, negative impacts on several of the Issuer's portfolios, such as for instance the investment of the liquidity reserve and the investment of own funds (pursuant to Article 4 (1) no. 118 CRR own funds means the sum of Tier 1 capital and Tier 2 capital), cannot be excluded. This may compromise the development in earnings. Negative effects may also impact other market participants, which may have a positive or negative effect on the competition. For instance, the historically low interest rates have caused competitors other than banks to enter the lending market, e.g. insurance companies and funds, and it cannot be excluded that this trend continues and further competitors enter the market, which could result in stronger competition as well as lower margins and lending volumes for the Issuer. In extreme cases, turbulences may arise on the market due to the interconnected nature of the markets. Furthermore low market interest rates may result in premature adjusting conditions of credit exposures, possibly pressuring future margins. The low interest rate environment may also trigger market exuberance in other asset classes. As such, the volatilities of real estate valuations may rise, irrespective of the quality of the underlying property. Long-term negative interest rates could also lead to longer maturities, ongoing political uncertainty and a potential economic recession that could disrupt funding markets and thus also the Issuer which might result in a targeted reduction of new business volume.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.10 The Issuer bears the risk of downgrading of the ratings assigned to it, its debt instruments and/or the Notes, which may have a negative effect on the Issuer's funding opportunities, on triggers and termination rights within derivatives and other contracts and on access to suitable hedge counterparties and thus on the Issuer's business, liquidity situation and its development in assets, financial position and earnings.

The Issuer is generally exposed to the risk that the ratings assigned to it by rating agencies could be downgraded. Further, any rating assigned to the Issuer, its debt instruments and/ or the Notes at the date of issuance is not indicative of future performance of the Issuer's business or its future creditworthiness.

A rating, solicited or unsolicited, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Ratings are based on current information furnished to the rating agencies by the Issuer and information obtained by the rating agencies from other sources. Because ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information at any time, a prospective purchaser should verify the current long-term and short-term ratings of the Issuer, its debt instruments and/or the Notes, as the case may be, before purchasing any instruments issued by the Issuer. Changes to specific rating drivers with regard to the Issuer, its debt instruments and/or the Notes may affect a rating agency's assessment and may hence lead to rating downgrades or changes in rating outlooks. Rating agencies may change their methodology at any time. A change in the rating methodology may have an impact on the ratings of the Issuer, its debt instruments and/or the Notes.

For the evaluation and usage of ratings, please refer to the Rating Agencies' pertinent criteria and explanations and the relevant terms of use are to be considered. Ratings cannot serve as a substitute for personal analysis. The debt instruments and/or the Notes will be assigned credit ratings at the request or with the cooperation of the Issuer by rating agencies from time to time. The Issuer may at any time terminate a rating mandate and/or mandate other rating agencies. Following termination of a rating mandate, the Issuer will no longer apply for such ratings to be assigned to the debt instruments and/or the Notes issued by the respective

rating agency, and there is no obligation for the Issuer to apply for ratings at all, as there is also no obligation of rating agencies to provide ratings on the Issuer, its debt instruments and/or the Notes, unless a contractual obligation to do so is in place. Notwithstanding the above, rating agencies can at any time issue ratings on an unsolicited basis.

Rating agencies continue to adapt their methodologies and models in order to assess, amongst other factors, the changing macro-economic environment, external requirements on banks, such as regulatory requirements and the potential impact of the European sovereign debt crisis. These include, but are not limited to, the new European legislative initiatives to centralize supervision of systemically important banks, to support bank resolution and bail-in of unsecured creditors and to harmonize bank creditors' insolvency ranking as well as potential future changes to regulatory requirements relating for example to the assessment of the amount of risk weighted assets (***RWA***) etc. and, thus, capital ratios, leverage ratios, Minimum Requirement for Eligible Liabilities (***MREL***)/ Total Loss-Absorbing Capacity (***TLAC***), the current Basel III reform package (***Basel IV***), the implementation of IFRS 9, and the like. This could have a negative effect on the ratings.

Furthermore, changes to specific rating drivers with regard to the Issuer, its debt instruments and/or the Notes may affect a rating agency's assessment. Against this background the continued positive development of the Issuer and its rating drivers in line with the rating agencies' expectations is of major relevance. Specific rating drivers include, but are not limited to, underlying assessments and certain assumptions with regards to the economic risk of the German banking system, the regional split of the Issuer's lending activities, business model, earnings, capitalization, liquidity and risk profile, the systemic relevance of the Issuer and/or the Pfandbrief and its available buffers to protect senior debt in a bail-in scenario, potential effects resulting from the British referendum to leave the EU as well as the termination or reduction of the Federal Republic of Germany's indirect minority shareholding in the Issuer. With regard to the ratings of Pfandbriefe, rating agencies define, and regularly review, over-collateralization requirements in order to assign their ratings. This may result in an increase of the over-collateralization requirements and, in case no such collateral is provided, have a negative impact on the current ratings of the Pfandbriefe issued by the Issuer (which could result in higher refinancing costs). If additional collateral was to be provided in order to meet new over-collateralization requirements, this would have to be refinanced by other, more expensive means of funding (i. e. the issuance of unsecured debt) and an increase of such over-collateralization requirements could negatively impact the liquidity situation of the Issuer.

A rating downgrade, especially below investment grade (if in such case such notes issued by the Issuer are then no longer eligible for collateral in return for liquidity offered by the ECB in its monetary policy operations), could have negative effects on the funding opportunities of the Issuer and could significantly increase the costs of refinancing. Furthermore, rating downgrades could have a negative impact on triggers and termination rights under derivatives and other contracts, and on the access to suitable hedge counterparties. A rating downgrade could also result in the Issuer being required to provide (additional) collateral due to contractual obligations (margin calls) and therefore lead to increased liquidity needs. Furthermore, a rating downgrade, especially below investment grade, could prohibit certain investors from investing in, or holding certain instruments issued by the Issuer and thereby limit the basis of available and cost efficient funding and/or may lead to pressure on such instruments and, thereby, negatively affect their price. Especially in the case of sub-investment grade ratings of senior liabilities, the Issuer may be facing severe difficulties to write new business in the absence of sufficient or affordable funding. This would prohibit the Issuer from pursuing its business strategy. In particular, the Issuer's business model and strategy are based on the assumption that the Issuer's senior liabilities remain rated at investment grade level. Thus, in particular if none of the mandated long-term senior ratings are at investment grade level, this would have a material adverse effect on the Issuer.

The negative effects described above could also be the result of a "split" rating (where a rating downgrade is not carried out simultaneously by all relevant rating agencies and one long-term rating referring to the same debt class remains at investment grade level while the other(s) are sub-investment grade, even if

unsolicited) or in the event that the Issuer or its debt instruments or its Notes were assigned a rating by one rating agency only (where the other ratings have for example been withdrawn).

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended from time to time (the ***CRA Regulation***) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (***ESMA***) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Please also see "*1. Risk factors – 1.3. Risk factors relating to the Notes – 1.3.18 Change in the credit ratings assigned to the Issuer and/or the Notes could affect the market value and reduce the liquidity of the Notes.*"

1.1.11 The Issuer is exposed to risks in relation to the conditions in the international financial markets and the global economy, including various tax policies, which may have a negative impact on the Issuer's business conditions and opportunities.

Macro-economic developments may have a negative impact on the business conditions and opportunities of the Issuer.

Since 2007, international capital markets have been affected by ongoing turbulences which were accompanied by high market volatility and reduced liquidity. The disruptions have resulted in a sweeping reduction of available financing and have led to some financial institutions, including the Issuer, being subject to financial distress (see above under "*–1.1.3 The Issuer is exposed to liquidity risks, i.e. the risk of being unable to meet its liquidity requirements in full or in time, in particular in case of unmatched assets and liabilities and/or a disruption of funding markets, which may negatively affect its ability to fulfil its due obligations.")*.

This has led to recessions throughout numerous countries in Europe and around the world, weak economic growth and a considerable increase in insolvencies across different business sectors compared to pre-crisis levels. The ensuing sovereign debt crisis had an even greater impact on the overall banking sector and, in particular, on banks that were active in public budget financing. The rating downgrades of many European countries, such as Greece, Portugal, Italy, Spain, Ireland and Cyprus, and the United States were reflected in volatility on the financial markets (for details on how the sovereign debt crisis affects the issuer see under "*– 1.1.13 The Issuer has been and will continue to be directly affected by the European sovereign debt crisis, and it may be required to take impairments on its exposures to sovereign debt and other financial instruments which benefit from state guarantees or similar instruments, such as in the case of its former claims against HETA Asset Resolution AG"* below).

Historically low interest rates across financial markets have, among other things, led to a noticeable euphoria among market participants giving rise to concerns that market participants underestimate the likelihood and severity of risks, such as a break-up of the Eurozone, an escalation of geopolitical tension, severe disruptions of currency exchange rates or a decline in confidence in the ability of the ECB to safeguard financial stability or

a decline in confidence in the ability of the member states of the EU to achieve the required rebalancing and adjustment required in their economies. The low interest rates at which ECB has been and currently still is providing liquidity to the market might lead to an inflation of asset values and/or an increase of currency depreciation, but also lead to a further spread tightening which could affect revenues and profitability of real estate lenders. Furthermore, a sudden change in the ECB's policies could undermine market confidence and destabilize the financial markets. All these risks endanger the financial stability which, if they materialize, could have a material adverse effect on the Issuer's business, liquidity, financial position, net assets and results of operations.

On a global level the development in global interest rates in the future remains unpredictable. In December 2017, the U.S. Federal Reserve raised its target rate for the federal funds rate to a range of 1.25 per cent. to 1.5 per cent. Further uncertainties in particular exist regarding the future policy of the U.S. Federal Reserve caused by the new presidential administration in the United States. While future developments in the United States might contribute to the instability in international financial markets in general and might favor banks in the United States there is also the risk that the Issuer's business activities, especially business activities in the United States will be negatively affected thereof.

Due to the high level of interdependence between financial institutions, liquidity problems of one institution or a default of such institution may negatively affect other financial institutions which are currently considered to be solvent. Even the doubted, or perceived lack of, creditworthiness of a counterparty may already lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts. Such risks could have a material adverse effect on the Issuer's ability to raise new funding as well as on its business, liquidity, financial position, net assets and results of operations.

The referendum on Brexit which resulted in a vote in favor of the withdrawal of the UK from the EU already had, and may continue to have significant impacts on the European and global financial markets and is expected to lead to a decline in the economic growth in the UK, and potentially also the EU and globally. For details see the risk factor *"– 1.1.17 The prospective withdrawal of the UK from the EU could adversely affect the economic conditions in the UK, Europe and globally and in particular the real estate markets in both the UK and the EU and, thus, may have a negative impact on the financial condition of the Issuer and its ability to make payments under the Notes".*

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.12 Geopolitical conflicts may adversely impact the markets and the Issuer's profitability and business opportunities.

In the last few years, the number of geopolitical conflicts increased worldwide. In connection with those conflicts sanctions are sometimes imposed on certain countries, for example sanctions against Russia in the context of the conflict in the Ukraine. Any future intensification or expansion of these conflicts could have a negative effect on the markets and thus on the Issuer's business, liquidity, financial position, net assets and results of operations.

1.1.13 The Issuer has been and will continue to be directly affected by the European sovereign debt crisis, and it may be required to take impairments on its exposures to sovereign debt and other financial instruments which benefit from state guarantees or similar instruments, such as in the case of its former claims against HETA Asset Resolution AG.

Several European countries were and still are only able to obtain funds with the support of international aid programs in recent years. If the debt crisis of certain countries deteriorates and creditors would be obliged to accept an haircut on other countries' bonds or if public sector debtors become insolvent, the Issuer might also have to recognize considerable allowances for losses on loans and advances and securities. These allowances might increase if, due to interrelationships or market turmoils, the crisis in individual countries spreads to debtors currently considered to be solvent.

A continued weak economic recovery in the Eurozone outside of Germany highlights the risk that the sovereign debt crisis may reignite. This risk has been further illustrated by the decision of the Austrian Financial Market Authority (***FMA***) dated 1 March 2015 and 10 April 2016 in relation to HETA Asset Resolution AG (***HETA***) to place a moratorium on the payments under HETA's debt securities and to apply a bail-in to these debt securities. These debt securities were subject to a letter of indemnity issued by the Austrian federal state of Carinthia. This may trigger doubts as to the reliability of public guarantees and similar instruments, such as the letter of indemnity issued by the Austrian federal state of Carinthia. Institutions like the Issuer holding sovereign debt and/or debt guaranteed by sovereign or public sector entities are particularly exposed to the effects of the sovereign debt crisis as they might be required to take significant impairments on their instruments and could eventually be confronted with debtors' defaults. While the Issuer no longer provides budget financing to governments, the legacy sovereign debt exposure in Issuer's Value Portfolio amounts to EUR 17.0 billion as of 31 December 2017. In connection with its activities in public investment finance (***PIF***), the Issuer may further be exposed to risks relating to the creditworthiness of sovereigns, local governments and municipalities. Any restructuring of outstanding sovereign debt, other financial instruments which benefit from public guarantees and similar instruments may result in potential losses for the Issuer, for instance as a result of "haircuts" based on collective action clauses pursuant to Article 12 (3) of the Treaty establishing the European Stability Mechanism. These risks arising from the European sovereign debt crisis may have, should they materialize, a material adverse effect on the Issuer's business, liquidity, financial position, net assets and results of operations.

Following the FMA's decision on HETA's debt securities in March 2015, the Issuer was forced to take a significant impairment on its exposure to HETA. On 10 April 2016, the FMA decided to apply a bail-in, among others, to senior bonds of HETA creditors of 53.98 per cent. Other measures announced by the FMA included the extension of the bonds' maturities to 31 December 2023 and the cancellation of interest payments as of 1 March 2015. In October 2016, the Issuer has accepted a buy-back offer in relation to its senior bonds of HETA from the Carinthian Compensation Payment Fund (*Kärntner Ausgleichszahlungs-Fonds*), in conjunction with the purchase of a guaranteed zero-coupon bond. Although the Issuer sold the zero-coupon bond at the beginning of the fourth quarter of 2016 at 89.86 per cent., this shows that there is a material risk going forward that the Issuer might be required to take impairments on its exposures to sovereign debt and other financial instruments which benefit from state guarantees or similar instruments.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.14 The Issuer is exposed to the risk of default in the cover pools for Pfandbriefe, this may in particular be related to unfavorable regional economic conditions that may have a negative impact on the cover pools.

The Issuer is exposed to the risk of default in the cover pools for the Pfandbriefe, the separate pools of specified qualifying assets to cover the aggregate principal amount of the outstanding Pfandbriefe (each a ***Cover Pool***), which could adversely affect the Issuer's net assets, financial position and result of operations, and may result in the insufficiency of funds to meet the obligations under the Pfandbriefe. Assets in the Cover Pools include real estate finance loans which are exposed to the economic situation of the financed object which can deteriorate. The assets also include loans and bonds issued by public sector entities. The ability of sovereign backed entities or entities backed by other public sector entities (such as local or regional governments) to meet

payment obligations may be undermined by a relapse of the sovereign debt crisis. For details see the risk factor "*– 1.1.13 The Issuer has been and will continue to be directly affected by the European sovereign debt crisis, and it may be required to take impairments on its exposures to sovereign debt and other financial instruments which benefit from state guarantees or similar instruments, such as in the case of its former claims against HETA Asset Resolution AG.*"

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.15 Changes to the method of valuation of financial instruments may adversely impact the Issuer and his development in earnings. Likewise, changes resulting from new IFRS accounting standards may adversely impact the Issuer and his development in earnings.

The methods of valuation of financial instruments are continuously developed further in the market. For instance, the growing use of funding valuation adjustments with respect to the valuation of uncollateralized derivatives may result in a change in the market conventions for valuing of derivatives, could have a material adverse effect on the Issuer´s business, results of operations and financial position.

As of 1 January 2018, the Issuer has to apply IFRS 9 Financial Instruments. The initial application of IFRS 9 has to be accounted retrospectively as of 1 January 2018, i.e. is shown profit or loss neutral in equity. In the pbb Group, the initial application of IFRS 9 caused an increase in equity of EUR 109 million after deferred taxes. Regarding subsequent reporting periods, the application of IFRS 9 regulations will result in more volatile results of operations compared to the former regulations under IAS 39, due to the higher number of financial instruments to be measured at fair value through profit or loss and the new regulations regarding impairments pursuant to IFRS 9. This volatility may result in multi-million Euro fluctuations, and may thus be considered substantial regarding the pbb Group's recent net income levels. Furthermore, pbb intends to align its recognition of bad debt allowance on the basis of the German Commercial Code with the recognition of bad debt allowance on the basis of IFRS 9, which might lead to an initial application effect which would have to be shown directly in profit or loss of the unconsolidated financial statements. In addition, the volatility of the profit or loss in the unconsolidated financial statements may increase in the future. Furthermore, it should be considered that common interpretations have not been developed in the banking and auditor's sector for some regulations of the principle-based IFRS 9, which is why there is some uncertainty as to how to correctly apply IFRS 9 and, as a consequence, there may be changes in application resulting in further volatility and also limited comparability of financial statements.

Furthermore, IFRS 16 will have to be applied as from 1 January 2019 and will change the accounting of the Issuer in particular if it is acting as lessee as all leases (except certain short-term leases and small asset leases) will be recognized in the balance sheet of the Issuer as so-called right-of-use assets. Such and comparable adjustments may have a material adverse effect on the Issuer's business, assets, financial position and results of operations.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.16 Changes to the risk-assessment concept may have an adverse impact on the capital ratio of the Issuer.

The risk-assessment concept is continuously developed further in cooperation with the competent supervisory authority. In the past, national supervisory authorities like the *Bundesanstalt für Finanzdienstleistungsaufsicht* (***BaFin***) have paid high attention to this issue, and the ECB which assumed responsibility for the supervision of the Issuer on 4 November 2014, also focuses thereon. In particular, the ECB is now responsible for reviewing the existing, already approved, current or future internal rating based approach (***IRBA***) models, i.e. models which banks may use to calculate the own funds which are required for certain credit

exposures. As part of a sector-wide review, the ECB has reviewed some of the models used by the Issuer and such reviews might be repeated in the future by the ECB. This has already led to, and may continue to lead to, different, stricter requirements being imposed upon the Issuer, that may result in higher RWA and, as a consequence, a call for higher capital requirements. Further, it cannot be ruled out that the ECB could refrain from authorizing model adaptations and that specific IRBA models may no longer be recognized. Also, the new developments in the area of risk-assessment may also have an impact on the risk-assessment analysis in the pillar 2 going-concern approach and in the gone-concern approach, influence the assessment of market values for assets and liabilities and also result in a higher amount of RWA. A further factor of influence on the risk-assessment in the gone-concern approach is the development of market values of assets and liabilities. If, for example, hidden liabilities increase due to changes in the market value, the core capital could drop below the required capital ratio.

If any of these risks materialize, this could have a material adverse effect on the Issuer´s business, results of operations and financial position.

1.1.17 The prospective withdrawal of the UK from the EU could adversely affect the economic conditions in the UK, Europe and globally and in particular the real estate markets in both the UK and the EU and, thus, may have a negative impact on the financial condition of the Issuer and its ability to make payments under the Notes.

A referendum on the UK's membership in the EU was held on 23 June 2016 and resulted in a vote in favor of the withdrawal of the UK from the EU (Brexit). On 29 March 2017, the UK has notified the European Council under Article 50 of the Lisbon Treaty of its intention to withdraw from the EU. As a result, negotiations take place to determine the terms of the United Kingdom's departure from, and of its new relationship with, the EU. At the date of this Prospectus it is unclear what type of agreement will be concluded between the UK and the EU, and in particular, if the UK will continue to have access to the single market of the EU as well as if EU companies (including pbb, which maintains a branch in London) will maintain access to the UK markets. The prospective withdrawal of the UK from the EU may introduce potentially significant new uncertainties and instability in the UK and the EU and may further increase market volatility, in particular volatility of the pound sterling and other currency exchange rates, interest rates and credit spreads. It already led, and may continue to lead, to disruptions for the European and global financial markets, such as the decrease of the pound sterling and of market values of listed EU companies, in particular from the financial industries and the real estate sector. This and a potential economic downturn may particularly affect real estate markets, both in the UK and the EU, if, for example, investments into real estate are put on hold or cancelled, the demand for property changes, in particular due to the potential migration of parts of the financial services industry from London to other financial centers in the EU, vacancy rates increase, rental levels decline, and, thus, the value of real estate assets is adversely affected. Funding risk is related to the fact that it is uncertain whether real estate located in the UK will continue to qualify as eligible assets for the cover pool for Mortgage Pfandbriefe and whether public financings provided to regional administrations and territorial authorities located in the UK will continue to qualify as eligible assets for the cover pool of Public Pfandbriefe in accordance with the German Pfandbrief Act. Funding may also be adversely affected if the value of cover pool assets need to be reevaluated. Furthermore, it is uncertain what authorization will be required to do financing business in the UK after Brexit. Brexit has already caused significant volatility in the foreign exchange markets and might encourage certain anti-EU and populist parties in other member states seeking to conduct referenda with respect to their continuing membership in the EU. Such developments may, inter alia, lead to a decline in volume and margins of new business and to negative implications for the rating drivers and subsequently the ratings of the Issuer or the Notes or the Pfandbriefe. Also, there is the risk that the value of real estate situated in the UK serving as collateral for loans granted by the Issuer declines. In case of a potential liquidation of such collaterals the Issuer might be treated worse or might be forced to prolong even non-performing loans. Overall, this may have a negative impact on the financial condition of the Issuer and its ability to make payments under the Notes or Pfandbriefe.

1.1.18 The Issuer faces investment risks resulting from acquisitions of and participations in other enterprises and portfolios the realization of which might exacerbate any of the risks disclosed in this section.

As part of its general strategy the Issuer may make investments in other enterprises or third-party portfolios. Despite intensive due diligence and assessments the success of such measures cannot be guaranteed. The Issuer therefore faces investment risks such as the risk of potential value losses resulting from the provision of capital or similar capital contribution commitments. The realization of such investment risks might negatively impact the risk profile of the Issuer at a group level and might therefore exacerbate any of the risks disclosed in this section. The degree of these risks will increase depending on the specific size of the respective acquisition or participation.

If any of these risks materialize, this could have a material adverse effect on the Issuer's business, results of operations and financial position.

1.2 Risk factors relating to regulatory aspects concerning credit institutions in general

1.2.1 Regulatory changes or enforcement initiatives could adversely affect the business of pbb and its subsidiaries.

pbb and its subsidiaries are subject to banking and financial services laws and government regulation in each of the jurisdictions in which they conduct business. Regulatory authorities have broad administrative surveillance and regulatory authorities over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, loan loss provisions, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. In this regard, regulatory authorities conduct control and monitoring measures on a regular basis. Regulatory authorities have among other things the power to bring administrative or judicial proceedings against the Issuer or the subsidiaries of the Issuer, which could result, among other things, in suspension or revocation of the Issuer's licenses, cease and desist orders, conditions, fines, civil penalties, criminal penalties or other disciplinary action.

Such proceedings and/or other regulatory initiatives or enforcement actions could have a material adverse effect on the reputation, the business, results of operations or financial condition of pbb and its subsidiaries.

Banking and financial services laws, regulations and policies currently governing pbb and its subsidiaries may change at any time in ways which could have an adverse effect on their business. Furthermore, changes in existing banking and financial services laws and regulations may materially affect the reputation of pbb and its Subsidiaries, the way in which they conduct business, the products or services they may offer and the value of their assets.

1.2.2 Stress tests and similar exercises may adversely affect the business of pbb and its subsidiaries.

pbb has been and, in the future, may be subject to stress tests and similar exercises that have been and, in the future, may be initiated and conducted by the German financial regulatory authorities BaFin and *Deutsche Bundesbank* (the ***German Central Bank***), the European Banking Authority (***EBA***), the ECB, the Single Resolution Board (***SRB***), and/or any other competent authority. The result of operations of pbb and its subsidiaries may be adversely affected if pbb or any of the financial institutions with which pbb and its subsidiaries do business receives negative results on such stress tests.

ECB has conducted comprehensive assessments and will continue to do so in the future, comprising an asset quality review (the ***AQR***) and a stress test which was performed in cooperation with the EBA and carried out based on the EBA methodology. By the end of 2014 pbb Group had passed the requirements of the comprehensive assessment of the ECB including the EBA stress test. EBA also conducted an EU wide stress test exercise in 2016. pbb Group was one of the 51 banking groups that were subject to such stress test exercise.

Different from previous stress tests, no capital thresholds were defined. The final results of the 2016 EU-wide stress test were published by EBA on 29 July 2016. A further stress test was announced in 2017 and is being conducted in the first half of 2018. pbb is subject to this stress test.

Such kind of stress tests and similar exercises can be reintroduced any time in the future again.

If the Issuer's capital was to fall below the predefined threshold of a given stress test at the end of the stress test period and/or other deficiencies were identified in connection with the stress text exercise, remedial action may be required to be taken by the Issuer, including potentially requirements to strengthen the capital situation of the Issuer and/or other supervisory interventions. Investors should note, however, that the powers of the competent supervisory authorities are not limited to actions in response to specific breaches of stress test requirements but that they may also take action against pbb Group irrespective of such breaches on the basis of their general authority and, can form the basis of additional prudential requirements applicable to the pbb Group resulting the Supervisory Review and Evaluation Process (***SREP***).

Further, the exercise of such general authority as well as the publication of stress test results and their findings could have a negative impact on the Issuer's reputation and its ability to refinance itself as well as increase its cost of funding or require other remedial actions. The same applies to related additional prudential requirements set by a competent authority in connection with a stress test or a similar exercise (even if related to a credit institution other than the Issuer), their evaluation by financial market participants, but also the market's impression that stress tests or related prudential requirements are not sufficient in order to judge or reinstate a solid financial standing of a bank could have a negative impact on the Issuer's reputation or its ability to refinance itself as well as increase its costs of funding or require other remedial actions. Also, negative stress test results of and/or additional prudential requirements for financial institutions with which pbb does business may adversely affect the business activities of pbb. In addition, the risks arising from the aforementioned aspects could have further material adverse effects on pbb's reputation, business, results of operations or financial condition and thereby or otherwise have an impact on its creditors, including the Holders of the Notes.

1.2.3 The Issuer may be exposed to specific risks arising from the so-called Single Supervisory Mechanism (SSM), the Single Resolution Fund (SRF) and other regulatory measures.

On 4 November 2014, the ECB has assumed the direct supervision of a number of significant institutions in the context of the European single supervisory mechanism (the ***SSM***). The SSM is inter alia based on the Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (***SSM Regulation***) according to which the ECB, supported by the participating national competent authorities (***NCAs***, such as BaFin and the German Central Bank), will directly supervise the most significant banking groups in the Euro area, including the pbb Group. The SSM is considered as the first pillar of the so-called EU Banking Union. With a view to fulfill the supervisory tasks assumed by it, the ECB is empowered, in particular as part of the SREP, to inter alia, analyze the business model, internal control arrangements, risk governance as well as capital and liquidity adequacy of individual groups of significant credit institutions (such as pbb Group) and to require those to comply with own funds and liquidity adequacy requirements which may exceed regular regulatory requirements or take early correction measures to address potential problems. The key result of the application of the SREP will be a common scoring resulting in individual additional capital and liquidity requirements for the credit institutions under the SSM. As a result, each affected credit institution receives and the Issuer has already received SREP decisions by the ECB, which, among others, increase the capital requirements applicable to the Issuer.

Under the SSM, the ECB together with the NCAs is currently working on establishing on a framework of joint standards setting a common set of understanding regarding priorities from a regulatory and banking supervisory point of view. Part of this ongoing work focuses, *inter alia*, on further harmonizing options and

discretions available for European Member States under the CRD IV/CRR-Package (particularly noting Regulation (EU) 2016/445 of the ECB of 14 March 2016 and Guideline (EU) 2017/697 of the ECB of 4 April 2017) and a targeted approach to monitor suitability of internal bank models evaluating capital and liquidity adequacy. Whereas such joint standard framework and other arrangements determined under the SSM may not be publicly available information and also be subject to change, these may have an impact on how regulatory requirements are actually applied. Procedures within the SSM (including the interaction between NCAs and the ECB) will be subject to constant scrutiny, change and development and this fact as well as other regulatory initiatives could change interpretation of regulatory requirements and lead to additional regulatory requirements, increased cost of compliance and reporting for the Issuer. Furthermore, such developments may require re-adjustment of a credit institution's business plan that is subject to the SSM or having other material adverse effects on its business, results from normal operations or financial condition.

Further, in August 2014 a regulation establishing the so-called single resolution mechanism (the ***SRM***) entered into force (EU Regulation (EU) No. 806/2014, the ***SRM Regulation***). The SRM is meant to establish a uniform procedure for the resolution of credit institutions that are subject to the EU banking supervisory mechanism SSM. The SRM Regulation, the Directive 2014/59/EU (***BRRD***) and the German Act on the Recovery and Resolution of Institutions (*Sanierungs- und Abwicklungsgesetz*, the ***SAG***) which transposes the BRRD into German national law are closely connected. As a result of a resolution measure under the SRM, Holders of the Notes may already prior to the occurrence of insolvency or liquidation of the Issuer be exposed to the risk of losing part or all of the invested capital. In this respect, please see also "*– 1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD*".

In addition, a single bank resolution fund (the ***SRF***) has been established which may in certain circumstances and subject to various conditions provide medium term funding for potential resolution measures in respect of any bank that is subject to the SRM. Credit institutions such as pbb are required to provide contributions to the SRF, including annual contributions and ex-post contributions in addition to existing bank resolution cost contributions. These contributions constitute a substantial financial burden for pbb as well as the other banks subject to the SRM.

In addition, Directive 2014/49/EU on deposit guarantee schemes was published. This revised Directive provides, inter alia, for faster repayments. In general, financial means dedicated to the compensation of the depositors in times of stress have to comply with 0.8 per cent. of the amount of the covered deposits by 3 July 2024, whereby the calculation of the contributions has to be made in due consideration of the risk profiles of the respective business models and those with a higher risk profile should provide higher contributions. In connection therewith, the institutional deposit guarantee scheme of the Sparkassen Finanzgruppe has been restructured and has been approved as deposit guarantee scheme pursuant to the German law on deposit guarantees (*Einlagensicherungsgesetz*, ***EinSiG***) by BaFin in the meantime. This created a new annual contribution for pbb since 2015 until 2024, which in turn resulted in an additional financial burden. Special or additional contributions over and above those already paid may be levied, for instance, as part of a compensation case where support is provided. The obligation to pay contributions until 2024 and any special or additional contributions represent a risk with regard to pbb's financial position.

Further, the European Commission has published a proposal for a reform package to create a uniform euro-area wide deposit guarantee scheme for bank deposits (also referred to as ***EDIS***) as a third pillar of the EU Banking Union. The proposal of reforms includes among other things the creation of a European Deposit Insurance Fund on the level of the EU (Banking Union) which will be financed by contributions to be provided by the banking industry. Subject to the final implementation, should the proposals be implemented, this may result in obligations of the Issuer to come up for further contributions. Further, the aforementioned developments regarding EDIS may have other material adverse effects on the Issuer's business, results of operations or financial condition.

Such aforementioned proceedings and/or other regulatory initiatives could change the interpretation of regulatory requirements applicable to the Issuer and lead to additional regulatory requirements, bank levies, result in increased supervisory fees, increase the costs of compliance and reporting as well as require the Issuer to provide cost contributions to the SRF and other bodies in addition to existing bank resolution cost contributions. Further, such developments may have other material adverse effects (including those set out above) on the Issuer's business, results of operations or financial condition.

1.2.4 Risks Regarding MREL and TLAC

Holders of the Notes and other creditors of the Issuer are exposed to risks in connection with requirements of the Issuer to maintain a certain threshold of eligible bail-in able debt.

The BRRD and the related Commission Delegated Regulation (EU) No. 2016/1450 of 23 May 2016 prescribe that banks shall, upon respective request by the competent resolution authority, hold a minimum level of own funds and eligible liabilities (***MREL***) and specify the criteria relating to the methodology for setting MREL. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) individually based on certain criteria including systemic importance and taking into account the relevant bank's resolution strategy. Under the law applicable on the date of this Prospectus, eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including by contractual provisions).

In November 2015, the Financial Stability Board (***FSB***) issued its final standard regarding regulatory capital and eligible liabilities to be maintained at a minimum by global systemically important banks (***G-SIBs***) i.e. institutions which are relevant for the system on a global scale (Total Loss Absorbency Capacity – ***TLAC*** and the ***TLAC Standard***, respectively). Given the legal nature of the TLAC Standard and the fact that the Issuer does not constitute a G-SIB, the TLAC Standard currently is not directly binding upon the Issuer, although this may of course change. Furthermore, please note that the SRB tends to harmonize the calculation of MREL quotas with the TLAC Standard, so that the TLAC Standard thereby, to a certain extent, is indirectly applicable to pbb.

In November 2016, the European Commission published a new banking reform package in which it proposed amendments to the CRR, CRD IV, BRRD, and SRM Regulation (the ***2016 Banking Reform Package***), including, among others, proposals for (i) adjustments to the leverage ratio requirement, (ii) the introduction of a binding detailed net stable funding ratio which will require credit institutions to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities), (iii) a requirement to have more risk-sensitive own funds (i.e. capital requirements) for institutions that trade in securities and derivatives, following Basel's work on the 'fundamental review of the trading book', and (iv) the implementation of new standards on TLAC, by which the TLAC Standard shall be implemented into binding European law.

As part of the 2016 Banking Reform Package, the European legislator also revised and significantly extended the scope of eligibility criteria for liabilities in order to qualify as MREL in the future. Pursuant to the latest draft legislative proposal, the eligibility criteria under the TLAC Standard are almost identical to the eligibility criteria provided for MREL. These eligibility criteria include that the creditor of an MREL liability must not have any set-off or netting rights and no right to acceleration other than in the case of insolvency or liquidation (i.e. the creditor cannot terminate or call default even if the Issuer would fail to pay any amount due under the instrument).

Whilst German banks expected existing unsubordinated debt instruments with market standard terms and conditions issued prior the date of this Prospectus to be eligible under MREL, the aforementioned proposed eligibility criteria include features that are not included in market standard terms and conditions of unsubordinated liabilities issued by German banks. Therefore, it cannot be excluded that a significant amount of the Issuer's existing liability instruments will not qualify for the purposes of MREL.

In this respect, one of the decisive factors as to whether the Issuer's outstanding liabilities may be recognised as MREL will be whether the final legislation will contain sufficiently broad grandfathering provisions. The latest draft legislative proposal contains grandfathering provision with respect to MREL eligibility criteria. However, depending on the extent of the grandfathering provisions that will be introduced in the final legislation and implemented by the competent resolution authorities, the Issuer (like other European banks) may be required to further issue new debt for the purposes of fulfilling any MREL requirement binding upon it.

Further, the latest draft legislative proposal provides that the resolution authorities may, on a case by case basis, require that MREL must be met with subordinated liabilities and banks expect resolution authorities to actually make use of such authority so that a significant amount of the MREL requirement may have to be met by virtue of subordinated liabilities.

Given that the legislative procedure in respect of the MREL amendments described above is still pending, the scope of relevant criteria for liabilities to be eligible for MREL in accordance with the final law and whether and to what extent outstanding liabilities of the Issuer will be subject to grandfathering provisions cannot be predicted conclusively at the date of this Prospectus.

Monitoring as well as compliance with MREL, as currently implemented and as provided for in the latest draft legislative proposal, may cause changes that affect the profitability of business activities and require changes to certain business practices, which could expose the Issuer to additional costs (including increased compliance and refinancing costs) or have other material adverse effects on the Issuer's business, financial condition or results of operations. Implementing any necessary changes may also require the Issuer to invest significant management attention and resources, to make any necessary changes. As a consequence, this may have an adverse effect on a Holder's economic or legal position.

Also, non-compliance or imminent non-compliance by the Issuer with MREL requirements may not only have a negative effect on the financial position and earnings of the Issuer and/or the market value of the instruments, but could form the basis of the resolution authority requiring the Issuer to set-up a plan to restore compliance with MREL, taking Early Intervention Measures against the Issuer and even to take this fact into account by the competent authority when conducting the failure or likely to fail assessment. As a result, the Creditors are exposed to the related risks and could eventually result in Holders losing their investment in the Notes in whole or in part ("– *1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD*").

1.2.5 The Issuer is exposed to risks arising from increased regulatory requirements such as additional capital buffers.

Within the EU, some of the post-crisis reform measures developed by the Basel Committee on Banking Supervision (***BCBS***) in relation to the New Basel Capital Accord on capital requirements for financial institutions (so called ***Basel III***) have been implemented on the basis of a package of amendments to the Capital Requirements Directive (by virtue of EU Directive 2013/36/EU as amended or replaced from time to time, the ***CRD IV*** and the related German implementation law, the ***CRD IV-Umsetzungsgesetz***, and regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (as amended, supplemented or replaced from time to time, the "CRR", together with the related regulatory and technical standards and the CRD IV as well as the CRD IV-Umsetzungsgesetz, the ***CRD IV/CRR-Package***). The predominant part of the provisions of the CRR became applicable as of 1 January 2014 and as a European regulation the CRR is directly applicable to institutions in the EU. Both, the CRR and CRD IV will most likely be impacted and further amended by the 2016 Banking Reform Package.

Pursuant to the CRD IV/CRR-Package, the capital requirements for credit institutions have and will become significantly tighter in terms of both quality and quantity. In addition to the gradual introduction of the new capital ratios by 2019, the CRD IV/CRR-Package generally provides for a transitional phase until 2022 for capital instruments that were recognised as regulatory tier 1 capital before the CRR entered into force, but do not meet the CRR requirements for Common Equity tier 1 capital (CET 1 capital). The German Banking Act (*Kreditwesengesetz* – ***KWG***) also requires banks to build up a mandatory capital conservation buffer (Common Equity Tier 1 capital amounting to 2.5 per cent. of risk-weighted assets in 2019), and authorizes national authorities to require banks to build an additional countercyclical buffer for risk-weighted assets in the respective country (Common Equity Tier 1 capital of generally up to another 2.5 per cent. of risk-weighted assets in 2019) during periods of high credit growth. The capital conservation buffer and the maximum for the countercyclical buffer will be phased in from 2016 in four equal steps of 0.625 per cent.; the respective maximum buffer requirement of 2.5 per cent. will be applicable from 2019 onwards. The additional countercyclical buffer has been set by BaFin to be 0.0 (zero) per cent. and in the time period between 1 January 2018 through 31 December 2018. There are two other countries where the Issuer has customers and where the supervisory authorities have set a countercyclical buffer other than zero as of 31 December 2017: Sweden with 2 % and Norway with 2 %. Since the loan portfolio in these countries has to be weighted by their percentage of the RWA of all credit risks of pbb, the total specific countercyclical buffer rate of pbb is quite low with 0.11 % as of 31 December 2017.

Furthermore, a mandatory capital conservation buffer in the amount of 1.875 per cent. of RWA applies. In addition, the BaFin may require banks to build up a systemic risk buffer (Common Equity Tier 1 capital of between 1 per cent. and 3 per cent. of risk-weighted assets for all exposures and, in exceptional cases, up to 5 per cent. for domestic and third-country exposures) to prevent long-term non-cyclical systemic or macro-prudential risks, in particular if risk aspects are not fully covered by the capital requirements under the CRR or if the risk-bearing capability is endangered.

If a bank fails to build up and maintain the required capital buffers, it will be subject to restrictions on payments on certain own funds instruments (such as paying dividends, for example), share buybacks, and discretionary compensation payments.

Also, additional capital requirements in terms of capital buffers, increased requirements regarding liquidity and large exposures may be imposed, in particular in connection with the 2016 Banking Reform Package. Even though such regulatory measures may not necessarily directly interfere with rights of creditors of an affected credit institution, the mere fact that a competent authority applies such tool to a specific credit institution may have indirect negative effects, e.g. on pricing of instruments issued by such entity or on the entity's ability to refinance itself.

In addition, further regulatory requirements need to be complied with such as the Liquidity Coverage Ratio (***LCR***) and the Net Stable Funding Ratio (***NSFR***) which are of great importance to credit institutions such as the Issuer. According to the current legislation, the liquidity requirements relating to the LCR (which requires credit institutions to maintain certain liquid assets for a 30-day period against the background of a stress scenario) have been implemented since October 2015 with a minimum LCR ratio of 80 per cent. since 1 January 2017 which has been increased to 100 per cent. to be met since 1 January 2018. The NSFR which must be adhered to since 1 January 2018, is calculated as the ratio of available funding resources across all maturities to the funding required and must also be at least 100 per cent. Finally, the CRD IV/CRR-Package sets out a non-risk-based maximum leverage ratio. While the CRR does not require banks immediately to comply with a specific leverage ratio, banks are required to report and publish their leverage ratios for a future assessment and calibration of the leverage ratio. In December 2017, the BCBS decided to make a 3.0 per cent. target ratio a binding minimum requirement from 2018 onwards. Therefore, it is expected that banks will be required to fully comply with the leverage ratio starting in 2018. The introduction of such a legally binding non-risk-based leverage ratio may constrain the Issuer's ability to grow in the future or even require the Issuer to reduce its business volumes.

The capital ratios may be significantly impacted in the future by the intended changes to the regulatory requirements in the context of current and not yet finalised considerations of the BCBS to further calibrate and amend the current Basel III reform package (sometimes referred to as ***Basel IV***), particularly from 2019. A large number of changes in the area of market, operational and counterparty risk are consolidated in this regard under Basel IV. Stricter rules concerning counterparty risk will be of particular relevance for the Issuer. The Issuer uses internal models approved by the supervisory authorities to map counterparty risk (Internal Ratings Based Approach – ***IRBA***). The supervisory authorities are planning under Basel IV to significantly restrict the use of IRBA models by basing the capital backing more closely on the standard approach (***CSA floor***), by limiting the use of the IRBA to certain exposure classes as well as limiting the use of internal risk parameters (***Constrained IRB***). The BCBS has announced in December 2017 the finalisation of the Basel III capital framework, including revisions related to the credit risk and operational risk frameworks, as well as the introduction of an output floor. In this respect, the ECB has launched the Targeted Review of Internal Models (***TRIM***), which assesses internal models to measure credit risk, market risk and counterparty credit risk which could result in capital needs for pbb (i.e. an increase in RWA). If all these changes to the capital framework are adopted in their current form in Germany, pbb expects its overall RWA would increase, while capital ratios and the leverage ratio would decrease, accordingly, absent any mitigating measures. pbb also expects that it would incur increased costs to implement the proposed changes.

New regulatory requirements or accounting rules (such as IFRS 9 from 2018) may also adversely affect the capital ratios in the future. IFRS 9 is expected to substantially impact accounting, measurement and presentation of financial instruments in future consolidated financial statements. These uncertainties could have negative effects on the future development of the Issuer's business. Furthermore, the Basel Standard 239 (BCBS 239) gives rise, for example, to comprehensive future requirements regarding risk data aggregation including the IT architecture and risk reporting by banks. This could lead to higher costs than initially planned, and could have a negative impact in the economic situation of the Issuer.

The regulatory requirements described above have various further effects on the Notes, such as restricting the possibility of the Issuer to make Interest Payments under the Notes (see "*– 1.3 Risk factors relating to the Notes – 1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.*") and restricting the possibility of the Issuer to redeem the Notes (see "*– 1.3 Risk factors relating to the Notes – 1.3.7 The Notes have no scheduled maturity and the terms and conditions of the Notes do not contain any events of default provision.*).

1.2.6 The global financial crisis has led to an increase in regulatory activity at national and international levels to adopt new regulations and to more strictly enforce existing regulations applicable to the financial sector, which has a significant effect on the costs of compliance and may significantly affect the activity levels of financial institutions.

On 23 November 2016, the European Commission published, among other proposals, a proposal to amend the CRD IV/CRR-package. These proposals aim to complete the reform agenda by tackling remaining weaknesses and implementing some outstanding elements of the reform that are essential to ensure the institutions' resilience but have only recently been finalised by global standard setters (i.e. the BCBS and the FSB), in particular the LCR, the NSFR, the leverage ratio and more risk sensitive own funds (i.e. capital) requirements for institutions that trade to an important extent in securities and derivatives and new standards on TLAC of G-SIBs which will require those institutions to have more loss-absorbing and recapitalisation capacity, tackle interconnections in the global financial markets and further strengthen the EU's ability to resolve failing G-SIBs while minimising risks for taxpayers. The proposal might make it more difficult for the Issuer to fulfil the capital requirements, if adopted.

The financial crisis has led many governments and international organisations to make significant changes in banking regulations. The regulatory framework applicable to banks and prudential requirements

continues to be changing, not only with respect to the aforementioned considerations of the BCBS to further calibrate the Basel III reform package, but also with regard to the following aspects:

- The current beneficial treatment of risk weightings may change in relation to specific assets (e.g. exposures owed by governmental entities) so that e.g. governmental debt may attract significantly higher capital charges.

- It can be expected that in the European Banking Union additional and changing capital requirements for the Issuer will result from the SREP Process.

- The plan of the European Commission to boost business funding and investment financing with the aim to build a true single market for capital across 28 EU Member States (so-called EU Capital Markets Union), one objective of which being to enable small and mid-sized enterprises (SMEs) and other companies to get direct access to capital market financing may change the role of credit institutions (including the Issuer's) in assisting such companies to obtain funding and thereby also change a credit institution's business models. A reliable impact assessment of these ongoing developments is not yet possible.

The above enumeration of potential risk factors relating to regulatory aspects concerning credit institutions in general is not exhaustive. International bodies such as the FSB and the BCBS as well as the lawmakers and regulatory authorities in Europe are continuously working on additional recommendations, regulations, standards, etc. It is likely that in future further regulations need to be considered which might adversely affect the positions of creditors of credit institutions (such as the Holders of the Notes).

Areas where changes could have a particular impact on the Issuer's business include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;

- general changes in governmental or regulatory policy that may significantly influence investors' decisions, in particular in markets in which the Issuer operates;

- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;

- changes in competition and pricing environments;

- further developments in the financial reporting environment;

- differentiation among financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees; and

- implementation of regionally applicable systems for customer or depositor compensation or remuneration schemes.

Implementation of such regulatory changes has already resulted in an increase in the cost of compliance and funding for pbb and its subsidiaries and other financial institutions and may continue to do so which may affect their results of operations. Ongoing regulatory changes and challenges may require banks to continually review their business models and constantly improve efficiency to be able to ensure sufficient profitability and maintain the ability to build up capital from their own resources. Depending on the type of regulatory changes, the regulatory aspects could force financial institutions (including the Issuer) in the future to cease potentially profitable but disproportionately capital-intensive business operations or lead to reduced levels of activity for financial institutions and/or changes to a bank's business model, which could significantly impact pbb's and its subsidiaries' business, financial condition and results of operations.

If the Issuer fails to address, or appears to fail to address, appropriately any changes or initiatives in banking regulation, its reputation could be harmed and it could be subject to additional legal and litigation risk, which in turn would increase the amount and number of claims and damages asserted against it or would expose the Issuer to an increased risk of enforcement actions, administrative fines and penalties.

Given that capital adequacy requirements (including the MREL requirement) and liquidity requirements have been and will continue to be increased, this may require the Issuer to raise additional own funds instruments, increase other forms of capital or reduce its total risk exposure amount to a greater extent which in turn may result in an adverse effect on the Issuer's long term profitability. Additionally, the market's willingness to participate in such capital raising measures may be limited, for example if the Issuer's competitors carry out similar capital raising measures at the same time in order to comply with the stricter regulatory capital requirements.

As a consequence, this may potentially have an adverse effect on the economic or legal position of creditors of the Issuer, including the Holders of the Notes. Any such change may also have a material adverse effect on the operating results and financial position of pbb and its subsidiaries. The potential introduction of a legally binding leverage ratio as well as market pressure to comply with a certain leverage ratio (regardless of whether such ratio may legally be required), may lead to similar results.

1.2.7 Governmental and central bank action in response to the financial crisis significantly affects competition and may affect the legal or economic position of the Issuer.

In response to the financial crisis, there has been significant intervention by governments and central banks in the financial services sector, *inter alia* in taking direct shareholdings in individual financial institutions and contributions of other forms of capital, taking over guarantees of debt and purchasing distressed assets from financial institutions. In some instances, individual financial institutions have been nationalised. The eligibility to benefit from such measures is in some instances tied to certain commitments of the participating bank, such as lending exclusively to certain types of borrowers, adjustments to the bank's business strategy, suspension of dividends and other profit distributions and limitations on the compensation of executives.

Such interventions involve significant amounts of money and have significant effects on both the participating as well as the non-participating institutions, in particular in terms of access to refinancing sources and capital and the ability to recruit and retain skilled employees. Institutions such as pbb and its subsidiaries were in a position to preserve greater autonomy in their strategy, lending and compensation policy but may suffer competitive disadvantages with respect to their cost base, in particular their costs of refinancing and capital. They also may suffer a decline in depositor or investor confidence thus risking a loss of liquidity.

The implementation of any such measures with respect to other companies could affect the perception of the overall prospects for the financial services sector or for certain types of financial instruments. In such case the price for the financial instruments of pbb and its subsidiaries could drop and their costs of refinancing and capital could rise, which could have a material adverse effect on their business, results of operations, or financial condition.

In June 2014 the ECB announced a package of instruments to fight against excessively low inflation rates. The most important instruments focus on a slight reduction in interest rates, negative interest rates ("penalty interest") for deposits held by banks at the ECB and a special Federal Reserve Credit Program. In January 2015, the ECB announced a new expanded asset purchase program aimed at fulfilling the ECB's price stability mandate. Purchases under such program shall include bonds issued by Euro area central governments, agencies and European institutions and were intended to be carried out until at least September 2016. The new program will encompass the asset-backed securities purchase program (***ABSPP***) and the covered bond purchase programs (CBPP3), which were both launched in late 2014, and according to ECB's announcement combined monthly purchases will amount to EUR 60 billion. In the meantime the ECB even accelerated its expansionary

monetary policy. In addition to reducing the deposit rate to -0.40 per cent., the ECB also made further changes to its expanded asset purchase program for bonds (***EAPP***), including temporarily increasing its monthly purchases for a year starting in April 2016. It also began purchasing corporate bonds in mid-2016. The inflation rate climbed above the 1.0 per cent. mark at the end of 2016 for the first time in more than three years. However, this increase was mainly due to base effects related to the price of oil, with domestic price pressure remaining low, as reflected in a core rate of just 0.9 per cent. (December). On 26 October 2017, the ECB's Governing Council decided to extend the EAPP until September 2018 but that net purchases would be reduced from the current monthly pace of EUR 60 billion to a new monthly pace of EUR 30 billion from January 2018. Further actions by ECB may occur at any time but the impact on the Issuer cannot be foreseen yet.

1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD.

In 2014, the BRRD which provides for an EU-wide recovery and resolution regime for certain financial institutions established in the European Union (such as pbb) was enacted. In Germany, the BRRD has been implemented into German law by the SAG.

1.2.8.1 Interplay of BRRD, SAG and the SRM Regulation

Additionally, the SRM Regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the ***SRF***) has been enacted. The predominant part of the provisions of the SRM Regulation is applicable since 1 January 2016. The SRM Regulation introduced the SRM as a uniform procedure for the resolution of (groups of) credit institutions and certain other financial institutions, including all groups of bank supervised by the ECB (such as the Issuer). The SRM is part of the EU-Initiative for the establishment of a European banking union. The focus of the SRM Regulation is the transfer of material resolution powers from national resolution authorities to the European Single Resolution Board (the ***SRB***).

For credit institutions (like pbb) that are directly supervised by the ECB, the effect of the SRM Regulation becoming applicable has been the shift of most of the responsibilities of the national resolution authority in the relevant Member State (i.e. with respect to Germany, the BaFin who assumed the duties of the Bundesanstalt für Finanzmarktstabilisierung, (***FMSA***) relating to the BRRD, SAG and the SRM Regulation as of 1 January 2018) under the BRRD from the national level to the European level, in particular to the newly established SRB, a new agency of the EU, for the purposes of a centralized and uniform application of the resolution regime. Accordingly, for those credit institutions the SRB is inter alia responsible for resolution planning, setting MREL targets, adopting resolution decisions, writing down capital instruments and is entitled to take other early intervention measures. National resolution authorities in the EU member states concerned (such as the BaFin) would implement such resolution decisions adopted by the SRB in accordance with the powers conferred on them under national law transposing the BRRD. Against this background, it has to be noted that a potential conflict of interest may arise due to the fact that the BaFin would be responsible to implement resolution decisions adopted by the SRB with respect to pbb since the BaFin, on the one hand, is subject to the legal and technical supervision (*Rechts- und Fachaufsicht*) of the Federal Ministry of Finance (*Bundesministerium der Finanzen*), i.e. a body of the Federal Republic of Germany, while the Federal Republic of Germany, on the other hand, holds the company shares of the Bundesrepublik Deutschland – Finanzagentur GmbH which manages the SoFFin since January 2018 that holds 100 per cent. of the shares of the Hypo Real Estate Holding GmbH, and, thus, more than 20 per cent. (i.e. 20 per cent. plus one share) of the shares of pbb. However, this potential conflict of interest is mitigated by the fact that the material decisions are taken by the SRB.

The SRM Regulation and related provisions provide for further details and instruments of the SRM which may already impact on pbb and its business activities prior to pbb being in a difficult financial situation or

being considered to fail or likely to fail. Therefore, Holders of the Notes may already prior to the occurrence of insolvency or a liquidation of the Issuer be exposed to the risk of losing part of or all of the invested capital.

As a result of the BRRD (as transposed into national laws) and the SRM Regulation, among other things, (i) credit institutions and resolution authorities are obliged to draw up recovery and resolution plans on how to deal with situations of financial stress, (ii) competent authorities are entitled to take early intervention measures, (iii) a set of resolution tools have been introduced that resolution authorities can apply to preserve critical functions without the need to bail out a credit institution (or its creditors), and (iv) resolution funds are being set-up to finance and facilitate the effective and efficient resolution of credit institutions.

1.2.8.2 Early Intervention Measures

In relation to early intervention measures, the competent authority may, subject to certain conditions take various actions and measures e.g. require a credit institution to provide intragroup financial support (including provision of liquidity or injection of capital) for a group company that experiences financial difficulties, initiate changes to legal and/or operational structures, requiring credit institutions to draw up detailed recovery plans setting out how stress scenarios or cases of systemic instability could be addressed or request reduction of a credit institution's risk profile, measures enabling recapitalization measures or improving the liquidity situation or otherwise requiring improvement actions regarding the resilience of the core business lines and critical functions and even require one or more members of the management body or senior management to be removed or replaced (the ***Early Intervention Measures***).

1.2.8.3 Broad range of Resolution Measures and Resolution Tools, related effects and uncertainties

The BRRD, its transposition into German law inter alia pursuant to the SAG, the SRM Regulation and related changes to the legal framework may result in risks for the Holders of the Notes.

In particular, the SAG and the SRM Regulation provide that the competent resolution authorities have the power to write-down Common Equity Tier 1 capital instruments, Additional Tier 1 capital instruments (including the Notes) and Tier 2 capital instruments (the ***Relevant Capital Instruments***) or to convert Relevant Capital Instruments into shares or other instruments of ownership of an institution (including any Common Equity Tier 1 capital instruments) (the ***Power to Write-Down and Convert Capital Instruments***). Such Power to Write-Down and Convert Capital Instruments will, in particular, be given if either (i) the conditions for resolution as set out above have been met, (ii) the appropriate authority determines that unless that power is exercised in relation to the Relevant Capital Instruments, the institution or group will no longer be viable (the so-called ***point of non-viability*** or ***PONV***) or (iii) the institution requires public financial support. Where the institution is failing or likely to fail, such write-down or conversion of Relevant Capital Instruments may be mandatory. Any write down or conversion by virtue of the application of the Power to Write-Down and Convert Capital Instruments may result in the Holder losing all or part of its invested capital or having its Notes converted into highly-diluted equity which might have a value close to zero.

Furthermore, pbb's creditors are exposed to the risk of the so-called bail-in tool pursuant to which claims for payment of principal, interest or other amounts under the Notes may be subject to a permanent reduction, including to zero, some other variation of the terms and conditions of the Notes in other aspects (e.g. variation of the maturity of a debt instrument) or a conversion into one or more instruments that constitute common equity tier 1 capital instruments (such as capital stock) by intervention of the competent resolution authorities (the so-called ***Bail-in Tool***). Any write down or conversion by virtue of a Bail-in Tool may result in the Holder losing all or part of its invested capital or having its Notes converted into highly diluted equity which might have a value close to zero.

In addition to the Power to Write-Down and Convert Capital Instruments and the application of the Bail-in Tool, the competent resolution authorities are able to apply any other Resolution Measure, where ***Resolution Measure*** means, amongst others, the Bail-in Tool, the sale of the relevant entity or its shares, the formation of a

bridge institution and the separation of valuable assets from the impaired assets of a failing credit institution, any transfer of rights and obligations (such as the Issuer's obligations under the Notes) to another entity, other amendment of the terms and conditions of the Notes (including their cancellation) or even the change of the legal form of the Issuer.

Noteholders and other creditors of the Issuer, including the Holders of the Notes, are bound by any Resolution Measure and would have no claim or any other right against pbb arising out of any Resolution Measure and pbb would be relieved from making payments under the Notes accordingly. This would occur if pbb's or pbb Group's continued existence is at risk (*Bestandsgefährdung*), for example if it is deemed by the competent authority to be failing or likely to fail and certain other conditions are met (as set forth in the SRM Regulation, the SAG and other applicable rules and regulations).

Whether, and if, to which extent the Notes (if not or not fully exempted by way of protective provisions) may be subject to Resolution Measures or Early Intervention Measures will depend on a number of factors that are outside of pbb's control, and it will be difficult to predict when, if at all, a such measures will occur. The exercise of any Resolution Measure would in particular not constitute any right of a Holder to terminate the Notes. In case the Issuer is subject to any Resolution Measure exercised by a competent resolution authority, Holders of the Notes and other creditors of the Issuer face the risk that they may lose all or part of their investment, including the principal amount plus any accrued interest, or that the obligations under the Notes are subject to any change or variation in the terms and conditions of the Notes (which change will be to the detriment of the Holder), or that the Notes would be transferred to another entity (which may lead to a detrimental credit exposure) or are subject to any other measure if Resolution Measures occur.

1.2.8.4 Hierarchy of creditors' claims

The resolution regime envisages ensuring that holders of Common Equity Tier 1 capital instruments (as shareholders) and holders of Additional Tier 1 capital instruments (including the Notes) and other own funds instruments bear losses first and that creditors bear losses after such holders of Common Equity Tier 1 capital instruments, Additional Tier 1 capital instruments (including the Notes) and other own funds instruments generally in accordance with the order of creditors applicable in regular insolvency proceedings for credit institutions. Generally, if Resolution Measures are applied, no creditor should incur a greater loss than it would have incurred if the institution had been wound up under regular insolvency proceedings (so called no creditor worse-off principle (***NCWO***)), provided that this principle will not prejudice the ability of the competent resolution authority to use any resolution tool, but only lead to a compensation claim that may be raised by the affected person. Accordingly, the resolution authorities will generally exercise their power within the Resolution Measures in a particular sequence so that (i) Common Equity Tier 1 capital instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of Additional Tier 1 capital instruments (including the Notes) being written down on a permanent basis or converted into Common Equity Tier 1 capital instruments, (iii) thereafter, the principal amount of Tier 2 capital instruments being written down on a permanent basis or converted into Common Equity Tier 1 capital instruments and (iv) thereafter, certain eligible liabilities in accordance with the hierarchy of claims of pbb's creditors in normal insolvency proceedings being written down on a permanent basis or converted into Common Equity Tier 1 capital instruments. In respect of the risk to pbb Group it must be said that such hierarchy of claims may be subject to change. Holders of the Notes must be aware that the Notes constitute Additional Tier 1 capital of the Issuer and will therefore be subject to an application of Resolution Measures at a very early stage of the sequence before any Tier 2 capital instruments or other liabilities of the Issuer will be affected.

The Revised State Aid Guidelines of the European Commission also have to be considered in this context. Accordingly, public support for a crisis ridden bank will generally only be available after shareholders, the holders of subordinated instruments (such as the Notes) and creditors of other (un)subordinated liabilities have contributed (by means of a write down, conversion or otherwise) to loss absorption and recapitalization in

an amount equal to not less than 8 per cent. of the total liabilities (including own funds). This may mean that shareholders and many creditors of an affected bank, including, in particular, the Holders of the Notes, are at risk to lose their invested capital and related rights as a result of application of Resolution Measures such as the Power to Write-Down and Convert Capital Instruments and/or the Bail-in Tool.

1.2.8.5 Potential investor to consider related risks

Potential investors in the Notes should therefore take into consideration that, in the event of a crisis of pbb or pbb Group and thus already prior to any liquidation or insolvency or such procedures being instigated, they will be exposed to a risk of default and that, in such a scenario, it is likely that they will suffer a partial or full loss of their invested capital, or that the Notes or other debt will be subject to a conversion into one or more equity instruments (e.g. capital stock) of pbb. Potential investors in the Notes should be aware that extraordinary public financial support for troubled banks, if any, would only potentially be used as a last resort after having assessed and exploited, to the maximum extent practicable, the Resolution Measures, including the Power to Write-Down and Convert Capital Instruments and/or the Bail-in-Tool.

Investors in the Notes should in particular note that the Notes are issued with the aim of being recognized as Additional Tier 1 capital pursuant to CRR and given the applicable state aid guidelines (which require strengthened burden sharing requirements by banks' creditors), the SRM Regulation, the SAG as well as the BRRD and the related Bail-in Tool, Holders of the Notes in particular should take into consideration that they may be significantly affected by such aforementioned procedures and measures (which may lead to the loss of the entire investment before other creditors' claims are affected). Further, any other creditor of pbb and its subsidiaries may also be affected by such measures.

As a consequence, the FMSA, the SRB or any other competent authority might in any such situation be entitled, inter alia, to demand – for instance as a prerequisite for the granting of state or similar extraordinary public financial support – that any interest may not be paid and that the nominal amount of instruments (such as any of the instruments but taking into account the hierarchy of claims) be reduced down to zero, variation of the terms and conditions of the Notes in other aspects (e.g. variation of the maturity of a debt instrument) or impose other regulatory measures, including, but not limited to, conversion of the respective Notes or any other debt into one or more equity instruments (e.g. capital stock). Any such regulatory measure may release pbb or pbb and its subsidiaries from its obligations under the terms and conditions of the Notes or any other debt. In such circumstances, Holders of the Notes would not be entitled to terminate, or otherwise demand early redemption of, the Notes or any other debt, or to exercise any other rights in this respect. In this context, in particular the hierarchy of claims of pbb's creditors in normal insolvency proceedings and the liability cascade provided for by the BRRD and the SAG must be taken into account.

Also, the aforementioned measures may produce comparable results from an economic point of view for creditors concerned, e.g. the initial debtor (i.e. pbb) may be replaced by another debtor (who may have a fundamentally different risk profile or creditworthiness than pbb). Alternatively, the claims of bank creditors against the institution concerned may continue to exist while the institution's assets, its area of activity or creditworthiness are no longer the same. Alternatively, the claims may remain with the original debtor, but the Issuer's legal or economic situation regarding the debtor's assets, business activity and/or creditworthiness may not be identical (and may have significantly deteriorated compared to the situation prevailing prior to the application of the relevant measure), to the situation prior to the application of the measure.

Further, even though any Resolution Measure or an Early Intervention Measure may not in all cases directly interfere with the rights of Holders of the Notes or other creditors of the Issuer, already the mere fact that the SRB, the FMSA or another competent authority prepares or applies any Resolution Measure or any Early Intervention Measure towards pbb or pbb Group or even a different credit institution may have a negative effect, e.g. on the market value, pricing or liquidity of liabilities issued by pbb or pbb Group, their volatility, on the

rating of pbb or pbb Group or on pbb's or pbb Group's ability to refinance itself or its refinancing costs or otherwise have a material adverse effect on the operating results and financial position of pbb or pbb Group.

1.2.9 Rights of Holders may be adversely affected by measures pursuant to Kreditinstitute-Reorganisationsgesetz.

As a German credit institution, pbb is subject to the Kreditinstitute-Reorganisationsgesetz (***KredReorgG***) which inter alia introduced special restructuring schemes for German credit institutions by 1 January 2011: (i) the restructuring procedure (*Sanierungsverfahren*) pursuant to § 2 et seqq. of the KredReorgG and (ii) the reorganisation procedure (*Reorganisationsverfahren*) pursuant to § 7 et seq. of the KredReorgG.

These aforementioned procedures under the KredReorgG are additional measures next to potential measures, steps and proceedings under the SRM. The major difference is that the aforementioned procedures under the KredReorgG are only commenced upon respective initiation by the affected credit institution whereas measures, steps and proceedings under the SRM do not require consent or approval by the affected credit institution. Whereas a restructuring procedure pursuant to the KredReorgG may generally not directly interfere with rights of creditors of a credit institution, the reorganisation plan established under a reorganisation procedure pursuant to the KredReorgG may provide for measures that affect the rights of the credit institution's creditors including a reduction of existing claims or a suspension of payments. Such measures may, however, not affect the asset pool serving as cover for Pfandbriefe. The measures proposed in the reorganisation plan are subject to a particular majority vote mechanism of the creditors and shareholders of the respective credit institution so that dissenting creditors may be overruled. Furthermore, the KredReorgG stipulates detailed rules on the voting process and on the required majorities and to what extent negative votes may be disregarded. Measures pursuant to the KredReorgG are instituted only upon the respective credit institution's request and respective approval by the competent regulatory authority and the competent higher regional court (*Oberlandesgericht*). Claims of Holders and other creditors of the Issuer may therefore be adversely affected by any restructuring or reorganisation procedure (or the announcement thereof), including the perception of the market that a Resolution Measure pursuant to the resolution framework relating to the BRRD, the SAG and the SRM may soon be taken with the risks for such creditors that can have the same extent as the risks arising from Resolution Measures themselves (please see "*– 1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD. – 1.2.8.4 Hierarchy of creditors' claims*").

1.2.10 Risks in relation to separation of proprietary trading and other high-risk trading from other banking business.

Upon request from the then EU Internal Markets Commissioner Michel Barnier, a group of experts led by Erkki Liikanen proposed a set of recommendations for structural reforms to promote financial stability and efficiency of the EU banking sector which were published in October 2012 (the so-called Liikanen Report). In this respect, the EU Commission presented proposals for the future bank structure in the EU on 29 January 2014, in particular with respect to the so-called "system of institutional separation of commercial and investment banking functions" (*Trennbankensystem*). Thus, the largest and most complex EU banks with significant trading activities (measured as the ratio of trading activities to total assets or in terms of the absolute trading volume) shall be prevented from engaging in proprietary trading in financial instruments and commodities and from investing, directly or indirectly, in leveraged hedge funds. Moreover, supervisors shall be granted authority to require the transfer of other high-risk trading activities (potentially including market-making activities, complex derivatives and securitization operations) to a separate trading entity within the group. Compared to the German system of institutional separation of commercial and investment banking functions described below, the EU Commission's proposals in this respect provide for divergent thresholds, and thus for a broader scope, and presumably also for a more extensive definition of critical trading activities which are subject to separation. The

details of the upcoming EU legislation are, however, still being negotiated and may, therefore, be subject to changes.

In August 2013, the German "Act on ring-fencing of risks and on the planning of recovery and resolution of credit institutions" (***Trennbankengesetz***) was published in the German Federal Gazette. Pursuant to the Trennbankengesetz, credit institutions carrying out deposit and lending business and exceeding certain thresholds are required to either cease prohibited high-risk activities (proprietary trading, high-frequency trading, lending and providing guarantees to leveraged hedge funds) or to segregate them from the other business areas by transferring them into a separate financial trading subsidiary. Such separation may result in higher financing costs for the separated activities that could adversely affect the Issuer's business, financial condition and results of operations. In this regard, there remain legal and factual uncertainties with regards to the interpretation and implementation of the Trennbankengesetz.

As a part of the US Dodd-Frank Wall Street and Consumer Protection Act, the so-called "Volcker Rule" (Section 619) was adopted on 10 December 2013, came into force on 1 April 2014, but provided for a two-year "conformance period" until 21 July 2016. The Final Rule contains provisions prohibiting certain banking entities from engaging in "proprietary trading" or acquiring or retaining an ownership interest in, sponsoring or having certain relationships with "covered funds". Even though this Rule was adopted in the Unites States, foreign banking entities could be affected by it, e.g. if they maintain a branch or agency in the United States. The ban of proprietary trading means that, as a basic principle, an affected banking entity is barred from engaging in the purchase or sale of certain financial positions as principal for its own trading account. The prohibited financial positions are securities, derivatives and their respective options, inter alia. There are several exemptions to the ban of proprietary trading for foreign banking entities, such as a permission of trading that occurs "solely outside the U.S." (SOTUS).

Even though it is currently not clearly foreseeable how the future EU proposals in relation to the Liikanen Report and national implementation thereof and/or an application of the Trennbankengesetz and the Volcker Rule on an ongoing basis will affect creditors' rights, it is conceivable that, if pbb Group must separate certain trading activities, pbb Group may have a fundamentally different risk profile or creditworthiness or that this may result in other negative effects on the business model and/or the profitability of pbb Group or that this may have other negative impact on pbb Group's business model which in turn may have a material prejudicial effect on rights of the Issuer's creditors.

1.2.11 Risks in relation to the impacts of current European economic and political developments

Even though the burdens arising from the debt crisis are lower than in the past, the progress of structural adjustments in the Euro area will remain in the focus of the capital markets. The debt crisis still remains one of the greatest economic risks for the Euro area since for many member states the reduction of financial deficits and the government debt ratio remain challenging tasks.

In the EU membership referendum held on 23 June 2016, the UK voted to leave the EU. The according official application was filed on 29 March 2017. The withdrawal may make free access to the Single European Market more difficult for the UK, which would mean the loss of a strong economic partner for the EU. The effects that this will have on individual asset classes (such as project financing, structured finance and real estate financing) depend on the results of the negotiations between the UK government and the EU Commission, which will be assessed by the Bank in a timely and appropriate manner.

Should Greece, or any other Euro area country exit the monetary union, the resulting need to reintroduce a national currency or substitute the Euro with another supranational currency and restate existing contractual obligations could have unpredictable financial, legal, political and social consequences. Given the highly interconnected nature of the financial system within the Euro area and the levels of exposure pbb Group has to public and private counterparties around Europe, pbb Group's ability to plan for such a contingency in a manner

that would reduce pbb Group's exposure to non-material levels is likely to be limited. If the overall economic climate deteriorates as a result of one or more departures from the Euro area, nearly all of pbb Group's business segments, including its more stable flow businesses, could be adversely affected, and if pbb Group is forced to write down additional exposures, pbb Group could incur substantial losses.

1.3 Risk factors relating to the Notes

1.3.1 The Notes may not be a suitable investment for all investors if they do not have sufficient knowledge and/or experience in the financial markets and/or access to information and/or financial resources and liquidity to bear all the risks of an investment and/or a thorough understanding of the terms of the Notes and/or the ability to evaluate possible scenarios for economic, interest rate and other factors that may affect their investment.

Each potential investor in the Notes must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- have sufficient knowledge and experience for investing in regulatory capital notes and should be familiar with the specific risks of investing in regulatory capital notes, including the risks associated with potential restrictions which may be imposed by regulatory authorities on the offering and sale or re-sale of the Notes and therefore potentially on the value of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes which are complex financial Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

1.3.2 The Notes are complex instruments that may not be suitable for certain investors.

The Notes are complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost. A potential investor should not invest in the Notes unless he/she has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the

likelihood of cancellation of payment of principal, payment of distributions or a write-down and the market price of the Notes, and the impact of this investment on the potential investor's overall investment portfolio.

1.3.3 Interest Payments are entirely discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.

The Notes accrue Interest Payments in accordance with their terms. However, pursuant to the terms and conditions of the Notes, no Interest Payments will accrue or be payable by the Issuer on any Interest Payment Date if (but only to the extent that):

(i) the Issuer has the right, in its sole discretion and at any time, to cancel all or part of any payment of interest, including (but not limited to) if such cancellation is necessary to prevent the Common Equity Tier 1 Capital Ratio (as defined in § 5 (8)) from falling below the Minimum CET1 Ratio (as defined in § 5 (8)) or to meet a requirement imposed by the competent supervisory authority.(e.g. "– *1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.*"); or

(ii) such payment of interest together with any additional Distributions (as defined in § 3 (9)) that are simultaneously planned or made or that have been made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9)) as well as potential write-ups in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9)), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as deduction for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (*Gewinn*) on which the Available Distributable Items are based (see "– *1.3.4 Interest Payments depend, among other things, on the Issuer's Available Distributable Items*." below, which also includes definitions of the terms "Distributions", "Tier 1 Instruments" and "Available Distributable Items" used in this paragraph); or

(iii) if and to the extent the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority (including a prohibition of Distributions in connection with the calculation of the maximum distributable amount within the meaning of Article 141 (2) of Directive 2013/36/EU as supplemented or amended from time to time ("Capital Requirements Directive IV" – ***CRD IV***) (***Maximum Distributable Amount*** or ***MDA***) and as currently transposed into German law by § 10i KWG) (see "– *1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.*" below).

The Issuer may make the election to cancel the payment of any Interest Payment (in whole or in part) on any Interest Payment Date for any reason. In addition, the Issuer will be legally prevented to pay interest (in whole or in part) if and to the extent any of the conditions set out under (ii) to (iii) above are fulfilled. No such election to cancel the payment of any Interest Payment (or part thereof) or non-payment of any Interest Payment (or part thereof) will entitle the Holders or any other person to demand such payment or to take any action to cause the liquidation, dissolution or winding-up of the Issuer.

If due to any of the conditions set out above Interest Payments do not accrue and are not payable on any Interest Payment Date, such Interest Payment will not be paid at any later point of time (non-cumulative). Accordingly, Interest Payments on following Interest Payment Dates will not be increased to compensate for any shortfall in Interest Payments on any previous Interest Payment Date. To the extent that payments of interest are cancelled, such cancellation includes all Additional Amounts payable pursuant to § 7 of the terms and conditions of the Notes. Any payments of interest which have been cancelled will not be made or compensated at any later date. Any accrued but unpaid interest on the Notes up to (and including) a Trigger Event (whether or not such

interest has become due for payment) shall be automatically cancelled. For the avoidance of doubt, any accrued but unpaid interest from the Trigger Event up to the write-down date shall also be automatically cancelled even if no notice has been given to that effect.

Furthermore, if the Issuer exercises its discretion not to pay interest on the Notes on any Interest Payment Date, this will not give rise to any restriction on the Issuer making distributions or any other payments to the holders of any instruments ranking *pari passu* with, or junior to, the Notes. It is the Issuer's current intention, whenever exercising its discretion to propose any dividend or distributions in respect of its ordinary shares or its discretion to cancel Interest Payments, it will take into account the relative ranking of these instruments in its capital structure. However, there is no guarantee that the Issuer will not change such intention and pay dividends on ordinary shares while electing to cancel Interest Payments.

Investors should be aware that there will be no circumstances under which an Interest Payment will be compulsory for the Issuer. Issuers have in the past made use of their right not to pay interest under comparable instruments.

Certain market expectations may exist among investors in the Notes with regard to the Issuer making Interest Payments. Should the Issuer's actions diverge from such expectations or should the Issuer be prevented from meeting such expectations for regulatory reasons, any such event which could result in an Interest Payment not being made or not being made in full may adversely affect the market value of the Notes and reduce the liquidity of the Notes.

1.3.4 Interest Payments depend, among other things, on the Issuer's Available Distributable Items.

The amounts payable as Interest Payments under the Notes depend, among other things, on the future Available Distributable Items of the Issuer. Interest Payments will not accrue if (but only to the extent that) such payment, together with any Distributions that are simultaneously planned or made or that have been made by the Issuer on Tier 1 Instruments as well as potential write-ups in the then current financial year, would exceed Available Distributable Items, provided, however, that for purposes of this determination the Available Distributable Items shall be increased by an amount equal to the aggregate amount accounted for as deduction for Distributions on Tier 1 Instruments (including the Notes) when determining the profit which forms the basis of the Available Distributable Items (see "*– 1.3.3 Interest Payments are entirely discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.*" above). In such event, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date. With the annual profit and any distributable reserves of the Issuer forming an essential part of the Available Distributable Items, investors should also carefully review the sections "*– 1.1 Risk factors relating to the Issuer*" and "*– 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general"* since any change in the financial prospects of the Issuer or its inherent profitability, in particular a reduction in the amount of profit and/or distributable reserves on an unconsolidated basis, may have an adverse effect on the Issuer's ability to make a payment in respect of the Notes. In addition, current or future legal requirements applicable to the Issuer regarding distributions, will influence the level of Available Distributable Items.

Available Distributable Items in accordance with Art. 4 (1) No. 128 CRR means, with respect to any payment of interest, the profit (*Gewinn*) as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date for which audited financial statements are available, plus (i) any profits brought forward (*vorgetragene Gewinne*) and distributable reserves (*ausschüttungsfähige Rücklagen*), minus (ii) any losses carried forward and any profits which are non-distributable pursuant to applicable law or the Articles of Association of the Issuer and any amounts allocated to the non-distributable reserves, provided that such profits, losses and reserves shall be determined on the basis of the unconsolidated financial statements of the

Issuer prepared in accordance with German commercial law and not on the basis of its consolidated financial statements.

CRR means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (including any provisions of regulatory law supplementing this Regulation); to the extent that any provisions of the CRR are amended or replaced, the term "CRR" shall refer to such amended provisions or successor provisions.

Distributions means any kind of payment of dividends or interest.

Tier 1 Instruments means capital instruments which, according to CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital.

The Issuer's management has broad discretion within the applicable accounting principles to influence the amounts relevant for determining the Available Distributable Items and the amount of the Distributions will also be in the Issuer's discretion. Accordingly, the Issuer is legally capable of influencing its ability to make Interest Payments to the detriment of the Holders.

1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.

Interest Payments will also be excluded if (and to the extent) the competent supervisory authority instructs the Issuer to cancel an Interest Payment or such Interest Payment is prohibited by law or administrative order on any Interest Payment Date (see "*– 1.3.3 Risk factors relating to the Notes – Interest Payments are entirely discretionary and subject to the fulfilment of certain conditions. If the Issuer elects not to make an Interest Payment, such deferral will be non-cumulative, i.e. the Issuer will be under no obligation to make up for such non-payment at any later point of time. There will be no circumstances under which an Interest Payment will be compulsory for the Issuer.*" above).

The CRR prohibits the Issuer from making an Interest Payment if (but only to the extent that) the relevant Interest Payment would exceed the Issuer's Available Distributable Items as determined in accordance with the terms and conditions of the Notes or if such payment does not meet any of the other conditions set out in Art. 52 (1) lit. (l) CRR. However, it cannot be excluded that the European Union and/or the Federal Republic of Germany and/or any other competent authority enacts further legislation or amends existing legislation, in each case affecting the Issuer and thereby also adversely affecting the right of the Holders to receive Interest Payments on any Interest Payment Date.

The right of the competent supervisory authority to issue an order to the Issuer to cancel all or part of the Interest Payments is stipulated in § 45 para 2 and para 3 KWG. Under the relevant provisions, regulatory action can be taken in cases of inadequate own funds or inadequate liquidity. Cases of inadequate liquidity include a breach by the Issuer of the requirements under § 11 KWG or other liquidity requirements. Cases of inadequacy of own funds within the meaning of § 45 para 2 and para 3 KWG exist if an institution or the relevant group do not meet the minimum own funds requirements stipulated by CRR or, if applicable, the additional capital requirements established under § 10 para 3 or para 4 KWG or § 45b para 1 sent. 2 KWG. More specifically, CRR requires a minimum amount of total regulatory capital of 8 per cent. of the RWA of the institution respectively the relevant group and also imposes minimum requirements for Tier 1 capital and Common Equity Tier 1 capital (all within the meaning of the CRR), which are subject to a phased-in implementation. § 10 para 3 and para 4 KWG and § 45b para 1 sent. 2 KWG allow the competent supervisory authority to establish a higher minimum requirement of regulatory capital under certain circumstances.

In addition to the BaFin, the ECB also has the power, according to Art. 16 (2)(i) SSM Regulation, to restrict or prohibit distributions by the institution to holders of Additional Tier 1 instruments if the own funds requirements of an institution are not complied with.

CRD IV also introduced capital buffer requirements that are applicable in addition to the minimum capital requirements (and the additional requirements under § 10 para 3 or para 4 KWG or § 45b para 1 sent. 2 KWG, if applicable) and are required to be met with Common Equity Tier 1 capital. The respective CRD IV requirements have been implemented into German law through §§ 10c et seq. KWG which introduced various new capital buffers: (i) the capital conservation buffer (as implemented in Germany by § 10c KWG), (ii) the institution-specific counter-cyclical buffer (as implemented in Germany by § 10d KWG and §§ 33 et seq. of the German Solvency Regulation (*Solvabilitätsverordnung* – ***SolvV***), (iii) the global systemically important institutions buffer or, depending on the institution, the other systemically important institutions buffer (as implemented in Germany by §§ 10f and 10g KWG) and (iv) the systemic risk buffer (as implemented in Germany by § 10e KWG and § 37 SolvV). While the capital conservation buffer will, after a phase-in period, be in any case applicable to the Issuer, one or all of the other buffers may additionally be established and be applicable to the Issuer (whereby the global systemically important institutions buffer and the other systemically important institutions buffer may only be applied alternatively not cumulatively), see "*– 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general – 1.2.5 The Issuer is exposed to risks arising from increased regulatory requirements such as additional capital buffers.*" All applicable buffers will be aggregated in a combined buffer (as implemented by § 10i KWG), applying a calculation specified in § 10i KWG. If the Issuer does not meet such combined buffer requirement, the Issuer will be restricted from making Interest Payments on the Notes in certain circumstances (set out in § 10i KWG in conjunction with § 37 SolvV) until the competent supervisory authority has approved a capital conservation plan in which the Issuer needs to explain how it can be ensured that the Interest Payments and certain other discretionary payments, including distributions on Common Equity Tier 1 instruments and variable compensation payments, do not exceed the maximum distributable amount. The maximum distributable amount is calculated as a percentage of the profits of the institution since the last distribution of profits as further defined in § 37 para 2 SolvV. The applicable percentage is scaled according to the extent of the breach of the combined buffer requirement as further defined in § 37 para 3 SolvV. As an example, if the scaling is in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the Issuer's discretion to cancel (in whole or in part) Interest Payments in respect of the Notes. Again, it cannot be excluded that the European Union and/or the Federal Republic of Germany and/or any other competent authority enacts further legislation or amends existing legislation, in each case affecting the Issuer and thereby also adversely affecting the right of the Holders to receive Interest Payments on any Interest Payment Date. The ECB also has the power to establish own funds requirements which go beyond the minimum capital requirements established in the CRR.

From 1 January 2018 on the Issuer (on a consolidated basis) is required to maintain a Common Equity Tier 1 capital ratio of 9.125 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20 per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)). This requirement comprises: (i) a Pillar 1 minimum requirement pursuant to the CRR for Common Equity Tier 1 capital of 4.50 per cent. of risk-weighted assets; (ii) a Pillar 2 requirement for Common Equity Tier 1 capital of 2.75 per cent. of risk-weighted assets; and (iii) a capital conservation buffer of Common Equity Tier 1 capital of 1.875 per cent. of risk-weighted assets for 2018. Those capital ratios are calculated in accordance with own funds provisions as applicable from time to time and taking into account any applicable transitional provision (i.e. on a "phase-in basis"). Please note that the SREP-requirement is subject to an annual review and amendment, with the result that the CET 1 requirements could be adjusted. The CET1 minimum capital requirement that applies for 2018 also represents the threshold for mandatory calculation of a so-called maximum distributable amount (MDA), which is the basis for distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional Tier 1 capital and may thus limit such distributions and interest payments. Both capital buffers must be covered from Common Equity Tier 1 capital. This results in a total requirement of 12.625 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20

per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)) of own funds at Group level before any of the aforementioned MDA restrictions apply.

From 1 January 2019 on the Issuer is required to maintain an own funds ratio of 13.25 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20 per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)).

Should this higher ratio be breached in the future, it is highly likely that the ECB will restrict or prohibit distribution payments by the Issuer. Such restrictions or prohibitions could affect both dividends to pbb's owners as well as Interest Payments on the Notes. In addition, it cannot be excluded that the ECB will restrict or prohibit Interest Payments even before such threshold is reached if it has evidence that the Issuer is likely to breach the requirements within the next 12 months. The ECB is at any time empowered to lift or amend the obligation to hold additional capital requirements.

The Issuer has to determine the above ratios on a solo basis if the Issuer can no longer apply the waiver granted by the competent authority to calculate the above ratios solely on a consolidated basis. It cannot be excluded that the waiver will be withdrawn at some point in time in the future. In the meantime, the Issuer does not report the above ratios on a solo basis. The above ratios on a solo basis might be lower than if calculated on a consolidated basis (including in connection with the calculation of the maximum distributable amount on a solo basis). Should any such ratio be breached in the future, it is highly likely that the competent supervisory authority will restrict or prohibit distribution payments by the Issuer.

As of the date of this Prospectus, there is no binding requirement for the Issuer to maintain a certain ratio or amount of a minimum level of own funds and eligible liabilities (MREL). The Issuer expects MREL to become a binding requirement during 2018. Currently, for the Issuer, the most stringent of potential MREL calculations under discussions in Europe (in the UK, MREL has been set recently) would be 8 per cent. of total liabilities and own funds (***TLOF***). As of 31 December 2017, 8% of TLOF would amount to EUR 4.076 billion. In relation to the issuer's EUR 14.514 billion RWA as of 31 December 2017, this would translate into a target MREL ratio of 28.1% of the RWA compared to eligible items amounting to 76% of RWA, based on a preliminary calculation, by the Issuer based on the Issuer's understanding of the draft legislation, as of 31 December 2017. Such MREL requirement for the Issuer may also have an impact on the threshold for mandatory calculation of a so-called maximum distributable amount (MDA), which is the basis for distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional Tier 1 capital and may thus limit such distributions and interest payments.

Accordingly, even if the Issuer was intrinsically profitable and willing to make Interest Payments, it could be prevented from doing so by regulatory provisions and/or regulatory action. In all such instances, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date.

Please see also "*– 1.3.9 The Notes may be written down (without prospect of a potential write-up in accordance with the terms and conditions of the Notes) or converted if the Issuer becomes subject to resolution*".

1.3.6 The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.

The principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event (a write-down) which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. A ***Trigger Event*** occurs if at any time the Common Equity Tier 1 capital ratio pursuant to Article 92 (1) (a) CRR or a successor provision (the ***Common Equity Tier 1 Capital***

Ratio), determined on (i) a consolidated basis or (ii) a solo basis falls below 7.00 per cent. (the ***Minimum CET1 Ratio***), with a Trigger Event based on the Minimum CET1 Ratio determined on a consolidated basis being applicable at any time, whereas a Trigger Event based on the Minimum CET1 Ratio determined on a solo basis only being applicable for as long as the Issuer is obliged by law or administrative order to determine the Common Equity Tier 1 Capital Ratio on a solo basis. The Issuer has to determine the Common Equity Tier 1 Capital Ratio on a solo basis if the Issuer can no longer apply the waiver granted by the competent authority to calculate the Common Equity Tier 1 Capital Ratio solely on a consolidated basis. It cannot be excluded that the waiver will be withdrawn at some point in time in the future. In the meantime, the Issuer does not report its Common Equity Tier 1 Capital Ratio on a solo basis. The Common Equity Tier 1 Capital Ratio on a solo basis might be lower than if calculated on a consolidated basis.

Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the competent supervisory authority or any agent appointed for such purpose by the competent supervisory authority and such determination shall be binding on the Holders. Interest Payments will be calculated on the basis of the reduced principal amount of the Notes; even if the Issuer in its discretion decides to make Interest Payments under such circumstances and is legally permitted to make Interest Payments, Interest Payments will not accrue in full. In such event, Holders would receive no, or reduced, Interest Payments on the relevant Interest Payment Date. Such write-down would also negatively affect the size of the Redemption Amount payable on the Notes. The terms and conditions of the Notes stipulate that the Issuer will be entitled to redeem the Notes for certain tax or regulatory reasons even if the Redemption Amount payable on the Notes has been and continues to be reduced due to such write-down. The amount to be repaid under the Notes, if any, may thus be substantially lower than the initial principal amount of the Notes, and may also be reduced to zero which would result in a full loss of all money invested in the Notes. The same applies if the Issuer elects to redeem the Notes on the First Redemption Date or on any Interest Payment Date thereafter and the Holders, by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Act on Issues of Debt Securities, have consented to a repayment at the reduced repayment amount. Investors should note that a full loss of all money invested in the Notes is also possible under circumstances when inadequate own funds or an over-indebtedness (*Überschuldung*) result in the insolvency or liquidation of the Issuer. In such cases, the amounts payable under the Notes will most likely be reduced to zero and the Holders of Notes would have no claims in the liquidation. Their position might thus be worse than the position of holders of equity or of other debt instruments ranking junior to or *pari-passu* with the Notes but which will not be written down or converted into participations in the capital stock or other Common Equity Tier 1 instruments of the Issuer upon the occurrence of a Trigger Event.

Therefore, as any event which could result in a write-down of the Redemption Amount and the principal amount of the Notes may adversely affect the market value of the Notes and reduce the liquidity of the Notes, the market price of the Notes is expected to be affected by changes in the Common Equity Tier 1 Capital Ratio of the Issuer. Such changes may be caused by changes in the amount of Common Equity Tier 1 capital and/or RWA, as well as changes to their respective definition and interpretation under the applicable capital regulations. Specifically, the Common Equity Tier 1 Capital Ratio as of the end of any past accounting period which is set out in this Prospectus is subject to changes and cannot serve as an indication for the future development of the Common Equity Tier 1 Capital Ratio. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes. A decline or perceived decline in the Common Equity Tier 1 Capital Ratio may significantly affect the trading price of the Notes.

Following a write-down of the Redemption Amount and the principal amount in accordance with the terms and conditions of the Notes described above, the Issuer will, subject to certain limitations set out in the terms and conditions of the Notes, be entitled (but not obliged) to effect, in its sole discretion an increase of the

Redemption Amount and the principal amount of the Notes up to their initial principal amount. However, there can be no assurance that the Issuer will at any time have the ability and be willing to effect such write-up.

1.3.7 The Notes have no scheduled maturity and the terms and conditions of the Notes do not contain any events of default provision.

The Notes have no scheduled maturity and will run for an indefinite period of time. The Holders have no ability to require the Issuer to redeem their Notes. Under their terms, the Notes may only be redeemed by the Issuer and the terms and conditions of the Notes do not provide for any events of default under which a Holder may redeem the Notes. In particular, neither non-viability nor a Regulatory Bail-in in connection therewith (see "*– 1.3.9 The Notes may be written down (without prospect of a potential write-up in accordance with the terms and conditions of the Notes) or converted if the Issuer becomes subject to resolution*") will constitute an event of default with respect to the Notes.

Except for certain tax or regulatory reasons, as stipulated in this Prospectus, the terms and conditions of the Notes provide that an ordinary redemption by the Issuer, in whole but not in part, may not become effective earlier than the First Redemption Date and on each Reset Date thereafter. In addition, the terms and conditions of the Notes stipulate that no redemption by the Issuer shall become effective without prior regulatory approval. Such regulatory approval is subject to regulatory provisions. At the time of the issuance of the Notes, among other requirements Article 78 CRR requires that prior to any redemption either (i) the Issuer has replaced the Notes with own fund instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the redemption; or (ii) the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the own funds of the Issuer would – following such redemption – exceed the requirements laid down in Article 92 (1) CRR and the combined buffer requirement as defined in § 10i KWG transposing point (6) of Article 128 CRD IV by a margin that the competent supervisory authority considers necessary on the basis of § 10 para. 4 KWG transposing Article 104 (3) CRD IV. Moreover, any redemption by the Issuer of the Notes will be at the Issuer's full discretion.

Certain market expectations may exist among investors in the Notes with regard to the Issuer making use of a right to call the Notes for redemption. Should the Issuer's actions diverge from such expectations or should the Issuer be prevented from meeting such expectations for regulatory reasons, the market value of the Notes could be adversely affected and the liquidity of the Notes could be reduced. In the event of a redemption of the Notes by the Issuer, the investor will no longer receive disbursements and will be subject to re-investment risk of the proceeds at the then prevailing market conditions.

Therefore, Holders should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

1.3.8 The Notes can be redeemed by the Issuer at any time in its sole discretion under certain regulatory or tax reasons. In such case, the Redemption Amount may be substantially lower than the initial principal amount of the Notes due to a write-down that has not been fully written up. In case of a write-down to zero, this may result in a full loss of the principal amount.

The Notes may be redeemed at any time, in whole but not in part, subject to prior approval by the competent supervisory authority, and without any previous write-down having been written up (a) for regulatory reasons, if the Issuer determines that it may not treat the full aggregate principal amount of the Notes as Additional Tier 1 capital for the purposes of its own funds in accordance with the CRR or (b) for tax reasons, if the tax treatment of the Notes, due to a change in applicable legislation, including a change in any fiscal or regulatory legislation, rules or practices, which takes effect after the Interest Commencement Date, changes (including but not limited to the tax deductibility of interest payable on the Notes or the obligation to pay Additional Amounts pursuant to § 7 of the terms and conditions of the Notes) and the Issuer determines, in its own discretion, that such change has a material adverse effect on the Issuer. Any changes in the tax treatment of

the Notes resulting in a withholding or deduction of taxes on amounts payable in respect of the Notes which, however, do not create an obligation of the Issuer to pay Additional Amounts, will not constitute a reason to call the Notes. In addition, the Notes may also be redeemed at the option of the Issuer on the First Redemption Date and on each Reset Date thereafter, but in this case subject only to any previous write-down having been fully written-up, unless the Holders, by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Act on Issues of Debt Securities, consent to a redemption in such case. With regard to such potential majority resolution of the Holders please also see "*– 1.3.13 The terms and conditions of the Notes, including the terms of payment of principal and interest are subject to amendments by way of majority resolutions of the Holders, and any such resolution will be binding for all Holders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of Notes outstanding. In case of an appointment of a joint representative, the individual right of a Holder of Notes to pursue and enforce its rights under the terms and conditions of the Notes may be limited.*".

If the Issuer elects, in its sole discretion and subject to prior approval by the competent supervisory authority, to redeem the Notes, the Notes will be repaid as a consequence thereof. Due to any previous write-downs that have not been fully written up, in the cases of a redemption for regulatory or tax reasons (or, in case of a redemption at the option of the Issuer, if the Holders have consented to a redemption below par by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Act on Issues of Debt Securities) the amount to be repaid under the Notes, if any, may be substantially lower than the initial principal amount of the Notes, and may also be reduced to zero which would result in a full loss of all money invested in the Notes (see "*– 1.3.6 The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*").

A discretionary redemption option by the Issuer is likely to limit the market value of the Notes. During any period when the Issuer may elect, or in case of an actual or perceived increased likelihood that the Issuer may elect, to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

In addition, if the Issuer redeems the Notes in any of the circumstances mentioned above, a Holder of such Notes is exposed to the risk that due to such redemption its investment will have a lower than expected yield. In this event an investor might not be able to reinvest the redemption proceeds at a comparable yield.

1.3.9 The Notes may be written down (without prospect of a potential write-up in accordance with the terms and conditions of the Notes) or converted if the Issuer becomes subject to resolution.

The Notes are intended to qualify as own funds in the form of additional Tier 1 capital of the issuer within the meaning of Art. 52 (1) CRR for an indefinite period of time. Pursuant to §§ 65 and 89 et seq. SAG, the competent resolution authorities as of January 2015 do have the power either to write down the Notes in full or in part or to convert the Notes into one or more instruments that constitute Common Equity Tier 1 capital for the Issuer. Each of these measures is hereinafter referred to as a ***Regulatory Bail-in*** (which corresponds to the application of the Power to Write-Down and Convert Capital Instruments referred to in "*1. Risk Factors – 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general– 1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD.*" above. In the case of a Regulatory Bail-in the Holders would not have – or in case of a partial write-down would only have a reduced – claim against the Issuer. A Regulatory Bail-in taken by the resolution authority is in particular to be expected, if the Issuer is failing or likely to fail or if public financial support is granted. The Holders would

have no claim against the Issuer in such a case and there would be no obligation of the Issuer to make payments under the Notes.

Claims under the Notes are subject to Regulatory Bail-in. This risk is in addition to the risk that the Issuer's Common Equity Tier 1 Capital Ratio falls below a certain trigger, which is also laid down in the terms and conditions of the Notes and which is described in "*– 1.3.6 The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*".

The extent to which the principal amount of the Notes may be subject to a Regulatory Bail-in may depend on a number of factors that may be outside the Issuer's control, and it will be difficult to predict when, if at all, a Regulatory Bail-in will occur. Accordingly, trading behaviour in respect of the Notes may not follow the trading behaviour associated with other types of securities issued by other financial institutions which may be or have been subject to a Regulatory Bail-in. Potential investors should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if a Regulatory Bail-in occurs.

In addition, investors should note that the provisions of the terms and conditions of the Notes dealing with a potential write-up of the Redemption Amount and the principal amount of the Notes should the Notes have been subject to a write-down (see "*– 1.3.6 The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*") will not apply in case the Notes have been subject to a Regulatory Bail-in and it is therefore generally the case that any write-down due to a Regulatory Bail-in cannot be written up.

1.3.10 Claims under the Notes are subordinated in the Issuer's insolvency or liquidation.

In the event of resolution measures imposed on the Issuer and in the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Notes shall be fully subordinated to (i) the claims of creditors of the Issuer that are unsubordinated (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 KWG or any successor provision thereto), (ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung* – ***InsO***) or any successor provision hereto so that in any such event no amounts shall be payable in respect of the Notes until (i) the claims of such other unsubordinated creditors of the Issuer (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 KWG or any successor provision thereto), (ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 InsO or any successor provision thereto have been satisfied in full. Subject to this subordination provision, the Issuer may satisfy its obligations under the Notes also from other distributable assets (*freies Vermögen*) of the Issuer. No Holder may set off his claims arising under the Notes against any claims of the Issuer. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Notes.

Accordingly, the Holder's rights under the Notes will rank behind all creditors of the Issuer in the event of the insolvency or liquidation of the Issuer. The Issuer's payment obligations under the Notes will rank *pari passu* amongst themselves and with all claims in respect of existing, if any, and future instruments classified as

Additional Tier 1 capital of the Issuer within the meaning of Article 52 CRR and the payment of interest thereunder and are only senior to obligations of the Issuer under Common Equity Tier 1 instruments and under instruments which, pursuant to their terms or mandatory provisions of law, rank *pari passu* with Common Equity Tier 1 instruments.

Prior to any insolvency or liquidation of the Issuer, under bank resolution laws applicable to the Issuer from time to time, the competent resolution authority may write down (including to zero) the obligations of the Issuer under the Notes, convert them into equity (e.g. ordinary shares of the Issuer) or apply any other resolution measure, including (but not limited to) any transfer of the obligations to another entity, an amendment of the terms and conditions or a cancellation of the Notes.

As a consequence, claims of the Holders of the Notes also have a substantially increased likelihood of being subject to the risks arising from Resolution Measures. See "*– 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general – 1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement the BRRD.*"

1.3.11 There is no restriction on the amount or type of further instruments, including those which depend, amongst others, on the Issuer's Available Distributable Items, or other indebtedness that the Issuer may issue, incur or guarantee.

The Issuer has not entered into any restrictive covenants in connection with the Notes regarding its ability to issue or guarantee further instruments, including those which depend, amongst others, on the Issuer's Available Distributable Items, or other indebtedness ranking *pari passu* with or senior to claims under the Notes. The issue or guaranteeing of any such further instruments or indebtedness may limit the Issuer's ability to make payments of principal and interest under the Notes and may reduce the amount recoverable by the Holders on a liquidation or winding-up of the Issuer.

1.3.12 The Notes may be subject to regulatory restrictions.

National and European regulators have highlighted the specific risks involved in an investment of regulatory capital notes, in particular for retail investors. Under the rules set out in the PI Instrument, the United Kingdom Financial Conduct Authority has limited the sale of certain regulatory capital notes, including the Notes, to retail investors. It cannot be excluded that regulators will impose further restrictions on the offering or sale of regulatory capital notes (including the Notes), or that the regulatory environment for regulatory capital notes may further change, or that the offering or sale and/or on-sale of regulatory capital notes will be restricted further for certain groups of investors. Any current or future regulatory restriction, especially restrictions for the offering or sale or on-sale of regulatory capital notes which are applicable to the Notes, may have a significant influence on the market price of the Notes.

1.3.13 The terms and conditions of the Notes, including the terms of payment of principal and interest are subject to amendments by way of majority resolutions of the Holders, and any such resolution will be binding for all Holders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of Notes outstanding. In case of an appointment of a joint representative, the individual right of a Holder of Notes to pursue and enforce its rights under the terms and conditions of the Notes may be limited.

Pursuant to the terms and conditions of the Notes, the Holders may consent by majority resolution to amendments of the terms and conditions of the Notes in accordance with and subject to the German Act on Issues of Debt Securities, in particular, the terms and conditions of the Notes provide that the Holders may consent, by way of majority resolution pursuant to § 9 of the terms and conditions of the Notes and in accordance with the provisions of the German Act on Issues of Debt Securities (*Gesetz über Schuldver-*

schreibungen aus Gesamtemissionen (*Schuldverschreibungsgesetz* – ***SchVG***), to a redemption of the Notes below par at the option of the Issuer (see "– *1.3.6 The Redemption Amount and the principal amount of the Notes will be reduced under the terms and conditions of the Notes upon the occurrence of a Trigger Event which may result in lower Interest Payments as well as lower capital payments upon repayment of the Notes. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Notes.*").

The voting process under the terms and conditions of the Notes will be governed in accordance with the SchVG, pursuant to which the required participation of Holder votes (quorum) is principally set at 50 per cent. of the aggregate principal amount of outstanding notes in the first Holders' meeting or in a vote without a meeting. In case there is no sufficient quorum in the first Holders' meeting or in the vote without a meeting, there is no minimum quorum requirement in a second meeting or voting on the same resolution (unless the resolution to be passed requires a qualified majority, in which case Holders representing at least 25 per cent. of outstanding Notes by principal amount must participate in the meeting or voting). As the relevant majority for Holders' resolutions is generally based on votes cast, rather than on principal amount of Notes outstanding, the aggregate principal amount such Notes required to vote in favor of an amendment will vary based on the Holders' votes participating. Therefore, a Holder is subject to the risk of being outvoted by a majority resolution of such Holders and losing rights towards the Issuer against his will in the event that Holders holding a sufficient aggregate principal amount of the Notes participate in the vote and agree to amend the terms and conditions of the Notes or on other matters relating to the Notes by majority vote in accordance with the terms and conditions of the Notes and the SchVG. As such majority resolution is binding on all Holders of the Notes, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority, certain rights of such Holder against the Issuer under the terms and conditions of the Notes may be amended or reduced or even cancelled.

In case of an appointment of a joint representative (*gemeinsamer Vertreter*) for all Holders, it is possible that a Holder of Notes may be deprived of its individual right to pursue and enforce its rights under the terms and conditions of the Notes against the Issuer, such right passing to the joint representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

1.3.14 There has been no prior market for the Notes, a liquid market may not develop and the Notes may be subject to significant market price volatility. Market price volatility might have reasons beyond the control or sphere of the Issuer or the Notes.

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may be traded at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application may be made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange which is a regulated market for the purposes of the MiFID II or other or further stock exchanges, there is no assurance that such applications will be accepted, that Notes will be so admitted or that an active trading market will develop. Moreover, the liquidity and the market for the Notes can be expected to vary with changes in the securities market and economic conditions, the financial condition and prospects of the Issuer and other factors which generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Notes. Market liquidity in hybrid financial instruments similar to the Notes has historically been limited. In addition, potential investors should note that hybrid financial instruments similar to the Notes have experienced pronounced price fluctuations in connection with the crisis of the financial markets and the banking sector since 2007. It can thus not be excluded that the market price of the Notes will be negatively affected by factors that are beyond the control or sphere of the Issuer or the Notes, e.g. if the price of other own funds instruments negatively develops, even if such other instruments are issued by third parties.

1.3.15 Holders of the Notes are exposed to risks associated with callable fixed to reset rate notes. Movements of the market interest rate and/or the credit risk premium can adversely affect the price of the Notes and lead to losses upon a sale.

The Holders of the Notes are exposed to the risk that the price of the Notes falls as a result of changes in the market interest rate or the premium the market applies to the risks relating to the Issuer or the Issuer's capital (***credit risk premium***). While the interest rate of the Notes is initially fixed until the First Redemption Date of the Notes and thereafter, unless the Notes are previously redeemed or repurchased and cancelled, the interest rate applicable to the Notes for any period following the First Redemption Date of the Notes will be determined at five year intervals by the Calculation Agent on the basis of the margin (corresponding to the initial credit spread) and the then prevailing 5-Year EUR Mid Swap Rate on the second business day prior to, as applicable, the First Redemption Date and each Reset Date thereafter (and such interest rate will apply for the respective interest period commencing on the First Redemption Date or, as applicable, such Reset Date), the current interest rate on the capital market (***market interest rate***) and the credit risk premium typically changes on a daily basis. As the market interest rate and/or the credit risk premium changes, the price of the Notes also changes, but in the opposite direction. If the market interest rate or the credit risk premium increases, the price of the Notes typically falls and if the market interest rate or the credit risk premium falls, the price of the Notes typically increases. Hence, Holders should be aware that movements of the market interest rate and the credit risk premium are independent from each other and that movements of the market interest rate and/or the credit risk premium can adversely affect the price of the Notes and can lead to losses.

The same risk applies to notes which bear different fixed interest rates for different interest periods, such as the Notes. In addition, the holders of the Notes are exposed to the risk that the interest rate for the interest periods commencing on or after 28 April 2023 is lower than the rate of interest for the previous interest periods. According to the terms and conditions of the Notes, the interest rate for the interest periods commencing on or after 28 April 2023 are calculated on an interest level, which is equal to the relevant 5-Year EUR Mid Swap Rate plus a margin of 5.383 per cent. *per annum*. The 5-Year EUR Mid Swap Rate is subject to fluctuation, and may even be negative.

1.3.16 Risks associated with the reform of LIBOR, EURIBOR and other interest rate benchmarks

The London Interbank Offered Rate (***LIBOR***), the Euro Interbank Offered Rate (***EURIBOR***) and other interest rates or other types of rates and indices which are deemed "benchmarks" (each a ***Benchmark*** and together, the ***Benchmarks***) have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes which are linked to such a Benchmark.

International proposals for a reform of Benchmarks include the European Council's regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the ***Benchmark Regulation***) which is fully applicable since 1 January 2018.

The Benchmark Regulation could have a material impact on Notes which are linked to a Benchmark, in particular in any of the following circumstances:

- a rate or index which is a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 Benchmark Regulation), the administrator is recognised (Article 32 Benchmark Regulation) or the Benchmarks is endorsed (Article 33 Benchmark

Regulation) (subject to applicable transitional provisions). If this is not the case, notes linked to such Benchmarks, including the Notes, could be impacted; and

- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level, and could have a (negative) impact on the Notes, including Calculation Agent determination of the rate.

On each Reset Date the Rate of Interest payable under the Notes is calculated by reference to the annual swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00 AM FRANKFURT" as of 11.00 a.m. (Frankfurt time) on the relevant Interest Determination Date, and which is provided by ICE Benchmark Administration (***ICE***). As at the date of this Prospectus, ICE does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (***ESMA***) pursuant to Article 36 Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 Benchmark Regulation apply, such that ICE Benchmark Administration is not currently required to obtain authorisation or registration.

The annual swap rate for swap transactions denominated in Euro with a term of five years, which appears on the Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" is calculated with reference to the Euro Interbank Offered Rate (***EURIBOR***), which is provided by the European Money Market Institute (***EMMI***). As at the date of this Prospectus, the EMMI does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 Benchmark Regulation apply, such that the EMMI is not currently required to obtain authorisation or registration.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the ***FCA Announcement***). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

If a Benchmark were to be discontinued or otherwise unavailable, the rate of interest for the Notes which are linked to such Benchmark will be determined for the relevant period by the fall-back provisions applicable to the Notes. If, on any day on which a determination of the interest rate is to be made, the 5-Year EUR Mid Swap Rate is not available as reference rate for the determination of interest payable under the Notes, five leading swap dealers in the interbank market selected by the Calculation Agent will determine the reset reference bank rate pursuant to the provisions set out in the terms and conditions of the Notes. If no quotation is provided, the Reset Reference Bank Rate will be the last observable mid-swap rate for Euro swaps with a term of 5 years which appears on the Screen Page, as determined by the Calculation Agent. There is a risk that the determination of the reset reference bank rate using any of these provisions may result in a lower interest rate payable to the holders of the Notes than the use of other provisions. Notwithstanding these fall-back provisions, the discontinuance of the relevant reference rate may adversely affect the market value of the Notes.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements.

Although it is uncertain whether or to what extent any of the above-mentioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of the Notes linked to such Benchmark, investors should be aware that any changes to a relevant Benchmark may have a material adverse effect on the value of the Notes.

1.3.17 The Notes may be traded with accrued interest, but under certain circumstances described above, subsequent Interest Payments may not be made in full or in part.

The Notes may trade, and/or the prices for the Notes may appear on trading systems on which the Notes are traded, with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that includes such accrued interest upon purchase of the Notes. However, if an Interest Payment is not being made or not being made in full on the relevant Interest Payment Date, purchasers of such Notes will not be entitled to an Interest Payment (in full or in part, as the case may be), and will not receive any compensation for an increased price paid due to accrued interest.

1.3.18 Change in the credit ratings assigned to the Issuer and/or the Notes could affect the market value and reduce the liquidity of the Notes.

The Issuer expects that, upon issuance, the Notes will be assigned a rating of BB- by S&P.

Furthermore, any change in, or withdrawal of, the credit rating(s) assigned to the Issuer and/or the Notes may affect the market value and could reduce the liquidity of the Notes. Such rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Further, any rating assigned to the Notes at the date of issuance is not indicative of future performance of the Issuer's business or its future creditworthiness.

A rating, solicited or unsolicited, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Ratings are based on current information furnished to the rating agencies by the Issuer and information obtained by the rating agencies from other sources. Because ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information at any time, a prospective purchaser should verify the current long-term and short-term ratings of the Issuer, its debt instruments and/or the Notes, as the case may be, before purchasing any instruments issued by the Issuer. Changes to specific rating drivers with regard to the Issuer, its debt instruments and/or the Notes may affect a rating agency's assessment and may hence lead to rating downgrades or changes in rating outlooks. Rating agencies may change their methodology at any time. A change in the rating methodology may have an impact on the ratings of the Issuer, its debt instruments and/or the Notes. Any change in, or withdrawal of, the credit rating(s) assigned to the Issuer and/or the Notes may affect the market value and could reduce the liquidity of the Notes.

For the evaluation and usage of ratings, please refer to the Rating Agencies' pertinent criteria and explanations and the relevant terms of use are to be considered. Ratings cannot serve as a substitute for personal analysis. The debt instruments and/or the Notes will be assigned credit ratings at the request or with the cooperation of the Issuer by rating agencies from time to time. The Issuer may at any time terminate a rating mandate and/or mandate other rating agencies. Following termination of a rating mandate, the Issuer will no longer apply for such ratings to be assigned to the debt instruments and/or the Notes issued, by the respective rating agency, and there is no obligation for the Issuer to apply for ratings at all, as there is also no obligation of rating agencies to provide ratings on the Issuer, its debt instruments and/or the Notes, unless a contractual obligation to do so is in place. Notwithstanding the above, rating agencies can at any time issue ratings on an unsolicited basis.

Please also see "*1. Risk factors – 1.1. Risk factors relating to the Issuer - 1.1.10- The Issuer bears the risk of downgrading of the ratings assigned to it, its debt instruments and/or the Notes, which may have a*

negative effect on the Issuer's funding opportunities, on triggers and termination rights within derivatives and other contracts and on access to suitable hedge counterparties and thus on the Issuer's business, liquidity situation and its development in assets, financial position and earnings."

1.3.19 There may be circumstances under which the Notes may be subject to withholding tax which will not be grossed-up, including withholding tax under FATCA.

In the event of the imposition of a withholding or deduction by way of tax on interest payments under the Notes, including but not limited to withholding tax under the Foreign Account Tax Compliance Act (***FATCA***) (as described below), the Issuer is required to withhold or deduct at source amounts payable under the Notes. The Issuer will, subject to customary exemptions, pay Additional Amounts on the Notes to compensate for such deduction (as described in § 7 of the terms and conditions of the Notes). However, if any of such exemptions applies (including an exemption for payments on account of withholding tax under FATCA), no additional amounts will be paid to the Holders.

The United States has enacted rules, commonly referred to as FATCA, that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with Germany (the ***IGA***). Under the IGA, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. In particular, no assurance can be made that payments under the Notes made to entities that are considered non-US "financial institutions" will not be subject to FATCA to the extent such payments are considered "foreign passthru payments" within the meaning of FATCA. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

1.3.20 Taxation risk

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred to or of other jurisdictions. In addition, potential purchasers are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. See also "– *1.3.19 There may be circumstances under which the Notes may be subject to withholding tax which will not be grossed-up, including withholding tax under FATCA.*" above.

1.3.21 Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the ***Commission Proposal***) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the ***Participating Member States***). However, Estonia has since stated that it will not participate. The Commission Proposal remains under review and a revised proposal has not been published yet.

The Commission Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range

of circumstances, including by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or Participating Member States may decide to discard the Commission Proposal.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

1.3.22 Currency Risk

Prospective investors in the Notes should be aware that an investment in the Notes may involve exchange rate risks which may affect the expected yield of the Notes.

For example, a change in the value of the Euro against the US dollar or any other foreign currency will result in a corresponding change in the US dollar or such other foreign currency value of the Notes. If the underlying exchange rate rises and the value of the Euro correspondingly falls, the price of the Note expressed in US dollars or in such other foreign currency falls.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal and any changes in exchange rates affect the pro-ration between tranches of Additional Tier 1 instruments issued in different currencies upon write-down and write-up.

1.3.23 Legality of Purchase

Potential purchasers of the Notes should be aware that the lawfulness of the acquisition of the Notes might be subject to legal restrictions potentially affecting the validity of the purchase. Neither the Issuer, the Joint Lead Managers nor any of their respective affiliates have assumed or assume responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different). A prospective purchaser may not rely on the Issuer, the Joint Lead Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

1.3.24 Change of Law

The terms and conditions of the Notes are based on German law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change with respect to German law or administrative practice after the Issue Date of the Notes.

1.3.25 Market Price Risk

In addition to the risks described above, the market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including the market interest and yield rates.

2. RESPONSIBILITY STATEMENT

The Issuer, with its registered offices in Munich, Freisinger Str. 5, 85716 Unterschleißheim, Federal Republic of Germany, accepts responsibility for the information given in this Prospectus and declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted.

3. USE OF PROCEEDS

In connection with the issue of the Notes, the Issuer will receive proceeds of approximately EUR 300,000,000. The net proceeds from the issue of the Notes will be used for general corporate purposes and to strengthen the Issuer's regulatory capital base by providing Additional Tier 1 capital for the Issuer.

4. CONDITIONS OF ISSUE

ANLEIHEBEDINGUNGEN

§ 1
Währung, Stückelung, Form

(1) *Währung; Stückelung*. Diese am 19. April 2018 begebene Emission (der ***Begebungstag***) von nachrangigen Schuldverschreibungen (die ***Schuldverschreibungen***) der Deutsche Pfandbriefbank AG (die ***Emittentin***) wird in Euro (***EUR***, ***€*** oder die ***festgelegte Währung***) im Gesamtnennbetrag von EUR 300.000.000 (in Worten: Euro dreihundert Millionen) in einer Stückelung von EUR 200.000 (die ***festgelegte Stückelung***) und einem Ausgabebetrag von 100% (***Ausgabebetrag***) begeben.

(2) *Form*. Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde – Austausch*.

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die ***vorläufige Globalurkunde***) ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den Festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die ***Dauerglobalurkunde*** und zusammen mit der vorläufigen Globalurkunde, die ***Globalurkunden***) ohne Zinsscheine verbrieft sind, ausgetauscht. Die Globalurkunden tragen jeweils die eigenhändigen Unterschriften ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird an einem Tag (der ***Austauschtag***) gegen die Dauerglobalurkunde ausgetauscht, der nicht weniger als 40 Tage nach dem Tag der Begebung der Schuldverschreibungen liegt. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die

TERMS AND CONDITIONS OF THE NOTES

§ 1
Currency, Denomination, Form

(1) *Currency; Denomination*. This issue dated 19 April 2018 (the ***Issue Date***) of subordinated notes (the ***Notes***) of Deutsche Pfandbriefbank AG (the ***Issuer***) is being issued in euros (***EUR***, ***€*** or the ***Specified Currency***) in the aggregate principal amount of EUR 300,000,000 (in words: euros three hundred million) in a denomination of EUR 200,000 (the ***Specified Denomination***) at an issue price of 100% (the ***Issue Price***).

(2) *Form*. The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange*.

(a) The Notes are initially represented by a temporary global note (the ***Temporary Global Note***) without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the ***Permanent Global Note*** and together with the Temporary Global Note, the ***Global Notes***) without coupons. The Global Notes shall each be signed manually by authorized signatories of the Issuer and shall each be authenticated by or on behalf of the Paying Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the ***Exchange Date***) not earlier than 40 days after the date of issue of the Notes. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is not a U.S. person (other than certain

wirtschaftlichen Eigentümer der Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Solange die Schuldverschreibungen durch eine vorläufige Globalurkunde verbrieft sind, werden Zinszahlungen erst nach Vorlage dieser Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Begebung der Schuldverschreibungen eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 (3) auszutauschen. Schuldverschreibungen, die im Austausch für die vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in § 4 (3) definiert) geliefert werden.

financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Notes will be treated as a request to exchange the Temporary Global Note pursuant to subparagraph (b) of this § 1 (3). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4 (3)).

(4) *Clearing System*. Die die Schuldverschreibungen verbriefende Globalurkunde wird von einem oder im Namen eines Clearing Systems verwahrt. ***Clearing System*** bedeutet Folgendes: Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxemburg, Luxemburg (***CBL***), und Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brüssel, Belgien (***Euroclear***), als Betreiberin des Euroclear Systems und jeder Funktionsnachfolger. ***International Central Securities Depositary*** oder ***ICSD*** bezeichnet jeweils CBL und Euroclear (zusammen die ***ICSDs***). Die Schuldverschreibungen werden in Form einer classical global note (***CGN***) ausgegeben und von einer gemeinsamen Verwahrstelle im Namen beider ICSDs verwahrt.

(4) *Clearing System*. The Global Notes representing the Notes will be kept in custody by or on behalf of the Clearing System. ***Clearing System*** means the following: Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg (***CBL***), and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium (***Euroclear***), as operator of the Euroclear System and any successor in such capacity. ***International Central Securities Depositary*** or ***ICSD*** means each of CBL and Euroclear (together, the ***ICSDs***). The Notes are issued in classical global note (***CGN***) form and are kept in custody by a common depositary on behalf of both ICSDs.

(5) *Gläubiger von Schuldverschreibungen*. ***Gläubiger*** bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen Rechts an den Schuldverschreibungen.

(5) *Holder of Notes*. ***Holder*** means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

(6) *Aufzeichnungen des Clearing Systems.* Jede Herabschreibung oder Hochschreibung soll in den

(6) *Records of the Clearing Systems.* Any Write-Down or Write-Up shall be reflected in the records

Aufzeichnungen von CBL und Euroclear als Poolfaktor festgehalten werden.

of CBL and Euroclear as a pool factor.

§ 2
Status

§ 2
Status

(1) *Eigenmittel*. Zweck der Schuldverschreibungen ist die Überlassung von Eigenmitteln auf unbestimmte Zeit in Form von zusätzlichem Kernkapital an die Emittentin.

(1) *Own funds*. The Notes are intended to qualify as own funds in the form of additional tier 1 capital of the Issuer for an indefinite period of time.

(2) *Rang*. Die Schuldverschreibungen begründen direkte, nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander und (vorbehaltlich der Nachrangregelungen in Satz 2 und in nachstehendem Absatz dieses § 2 (2)) mit allen anderen nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, jedoch Verbindlichkeiten der Emittentin aus Instrumenten des harten Kernkapitals und aus Instrumenten, die nach ihren Bedingungen oder aufgrund gesetzlicher Anordnungen Instrumenten des harten Kernkapitals im Range gleichstehen, vorgehen. Im Fall von Abwicklungsmaßnahmen in Bezug auf die Emittentin und im Fall der Auflösung, der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin gehen die Verbindlichkeiten aus den Schuldverschreibungen (i) den Ansprüchen dritter Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten (einschließlich Ansprüchen gegen die Emittentin aus deren vorrangigen nicht-bevorrechtigten Schuldtiteln im Sinne von § 46f Absatz 6 Satz 1 des Kreditwesengesetzes (***KWG***) oder einer Nachfolgebestimmung), (ii) den Ansprüchen aus Instrumenten des Ergänzungskapitals und aus Instrumenten, die nach ihren Bedingungen oder aufgrund gesetzlicher Anordnungen Instrumenten des Ergänzungskapitals im Range gleichstehen oder vorgehen, sowie (iii) den in § 39 Absatz 1 Nr. 1 bis 5 Insolvenzordnung (***InsO***) oder einer Nachfolgebestimmung bezeichneten Forderungen im Range vollständig nach, so dass Zahlungen auf die Schuldverschreibungen solange nicht erfolgen,

(2) *Rank*. The Notes constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* among themselves and (subject to the subordination provision in sentence 2 and the following paragraph of this § 2 (2)) *pari passu* with all other subordinated obligations of the Issuer but senior to obligations of the Issuer under Common Equity Tier 1 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with Common Equity Tier 1 instruments. In the event of resolution measures imposed on the Issuer and in the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Notes shall be fully subordinated to (i) the claims of creditors of the Issuer that are unsubordinated (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 of the German Banking Act (Kreditwesengesetz – ***KWG***) or any successor provision thereto), (ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 of the German Insolvency Statute (*Insolvenzordnung* – ***InsO***) or any successor provision hereto so that in any such event no amounts shall be payable in respect of the Notes until (i) the claims of such other unsubordinated creditors of the Issuer (including claims against the Issuer under its senior non-preferred debt instruments within the meaning of § 46f (6) sentence 1 of the German Banking Act (Kreditwesengesetz – ***KWG***) or any successor

wie (i) die Ansprüche dieser dritten Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten (einschließlich vorrangiger nicht-bevorrechtigter Schuldtitel im Sinne von § 46f Absatz 6 Satz 1 KWG oder einer Nachfolgebestimmung), (ii) die Ansprüche aus den Instrumenten des Ergänzungskapitals und aus Instrumenten, die nach ihren Bedingungen oder aufgrund gesetzlicher Anordnungen Instrumenten des Ergänzungskapitals im Range gleichstehen oder vorgehen, sowie (iii) die in § 39 Absatz 1 Nr. 1 bis 5 InsO oder einer Nachfolgebestimmung bezeichneten Forderungen nicht vollständig befriedigt sind. Unter Beachtung dieser Nachrangregelung bleibt es der Emittentin unbenommen, ihre Verbindlichkeiten aus den Schuldverschreibungen auch aus dem sonstigen freien Vermögen zu bedienen. Kein Gläubiger ist berechtigt, mit Ansprüchen aus den Schuldverschreibungen gegen Ansprüche der Emittentin aufzurechnen. Den Gläubigern wird für ihre Rechte aus den Schuldverschreibungen weder durch die Emittentin noch durch Dritte irgendeine Sicherheit oder Garantie gestellt; eine solche Sicherheit oder Garantie wird auch zu keinem späteren Zeitpunkt gestellt werden.

provision thereto), (ii) the claims under Tier 2 instruments and under instruments which, pursuant to their terms or mandatory provisions of law rank *pari passu* with or senior to Tier 2 instruments, and (iii) the claims specified in § 39 (1) nos. 1 to 5 InsO or any successor provision thereto have been satisfied in full. Subject to this subordination provision, the Issuer may satisfy its obligations under the Notes also from other distributable assets (*freies Vermögen*) of the Issuer. No Holder may set off his claims arising under the Notes against any claims of the Issuer. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Notes.

(3) *Auflösung, Liquidation, Insolvenz*. Im Fall der Auflösung, der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin sind die Ansprüche gegen die Emittentin aus den Schuldverschreibungen gleichrangig mit den Ansprüchen gegen die Emittentin aus anderen Instrumenten des zusätzlichen Kernkapitals im Sinne von Artikel 52 CRR.

(3) *Dissolution, liquidation, insolvency*. In the event of the dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, claims against the Issuer under the Notes rank *pari passu* with claims against the Issuer under other additional tier 1 instruments within the meaning of Article 52 CRR.

CRR bezeichnet die Verordnung (EU) Nr. 575/2013 des Europäischen Parlaments und des Rates vom 26. Juni 2013 über Aufsichtsanforderungen an Kreditinstitute und Wertpapierfirmen und zur Änderung der Verordnung (EU) Nr. 648/2012 (einschließlich jeder jeweils anwendbaren aufsichtsrechtlichen Regelung, die diese Verordnung ergänzt); soweit

CRR means Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (including any provisions of regulatory law supplementing this Regulation); to the extent that any provisions of the CRR are amended or replaced, the term "CRR" as

Bestimmungen der CRR geändert oder ersetzt werden, bezieht sich der Begriff CRR in diesen Anleihebedingungen auf die geänderten Bestimmungen bzw. die Nachfolgeregelungen.

used in these terms and conditions of the Notes shall refer to such amended provisions or successor provisions.

(4) *Verstöße*. Zahlungen, die den Verboten in § 2 (2) und (3) zuwiderlaufen, haben keine Tilgungswirkung. Durch nachträgliche Vereinbarung können der Nachrang gemäß § 2 (2) und (3) nicht beschränkt sowie die Laufzeit der Schuldverschreibungen und jede anwendbare Kündigungsfrist nicht verkürzt werden. Werden die Schuldverschreibungen unter anderen als den in § 2 (2) und (3) beschriebenen Umständen oder infolge einer Kündigung nach Maßgabe von § 5 (2), § 5 (3) oder § 5 (4) zurückgezahlt oder von der Emittentin zurückerworben, so ist der zurückgezahlte oder gezahlte Betrag der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurück zu gewähren, sofern nicht die für die Emittentin zuständige Aufsichtsbehörde der Rückzahlung oder dem Rückkauf zugestimmt hat. Eine Kündigung oder Rückzahlung der Schuldverschreibungen nach Maßgabe von § 5 oder ein Rückkauf der Schuldverschreibungen ist in jedem Fall nur mit vorheriger Zustimmung der für die Emittentin zuständigen Aufsichtsbehörde zulässig.

(4) *Violations*. Payments that contravene the prohibition of payments in § 2 (2) and (3) do not have a discharging effect. No subsequent agreement may limit the subordination pursuant to the provisions set out in § 2 (2) and (3) or shorten the term of the Notes or any applicable notice period. If the Notes are redeemed or repurchased by the Issuer otherwise than in the circumstances described in § 2 (2) and (3) or as a result of a redemption pursuant to § 5 (2), § 5 (3) or § 5 (4), then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary unless the competent supervisory authority of the Issuer has given its permission to such redemption or repurchase. A termination or redemption of the Notes pursuant to § 5 or a repurchase of the Notes requires, in any event, the prior permission of the competent supervisory authority of the Issuer.

(5) *Hinweis auf die Möglichkeit von gesetzlichen Abwicklungsmaßnahmen.* Die zuständige Abwicklungsbehörde kann nach den für die Emittentin geltenden Abwicklungsvorschriften Verbindlichkeiten der Emittentin aus den Schuldverschreibungen vor einer Insolvenz oder Liquidation der Emittentin herabschreiben (bis einschließlich auf null), in Eigenkapital (zum Beispiel Stammaktien der Emittentin) umwandeln oder sonstige Abwicklungsmaßnahmen treffen, einschließlich (jedoch nicht beschränkt auf) einer Übertragung der Verbindlichkeiten auf einen anderen Rechtsträger, einer Änderung der Anleihebedingungen oder einer Löschung der Schuldverschreibungen.

(5) *Note on the possibility of statutory resolution measures.* Prior to any insolvency or liquidation of the Issuer, under bank resolution laws applicable to the Issuer from time to time, the competent resolution authority may write down (including to zero) the obligations of the Issuer under the Notes, convert them into equity (e.g. ordinary shares of the Issuer) or apply any other resolution measure, including (but not limited to) any transfer of the obligations to another entity, an amendment of the terms and conditions or a cancellation of the Notes.

§ 3
Zinsen

(1) *Zinszahlungstage*.

(a) Vorbehaltlich des Ausschlusses der Zinszahlung nach § 3 (8) und einer Herabschreibung nach § 5 (8) werden die Schuldverschreibungen bezogen auf ihren Gesamtnennbetrag ab dem 19. April 2018 (der ***Verzinsungsbeginn***) (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und danach von jedem Zinszahlungstag (einschließlich) bis zum nächstfolgenden Zinszahlungstag (ausschließlich) verzinst. Im Falle einer Herabschreibung nach § 5 (8) (a) werden die Schuldverschreibungen, solange und soweit sie noch nicht nach § 5 (8) (b) wieder hochgeschrieben wurden, nur bezogen auf den entsprechend reduzierten Gesamtnennbetrag verzinst; die Berechnung der Zinsen bezogen auf den entsprechend reduzierten Gesamtnennbetrag der Schuldverschreibungen gilt für die gesamte betreffende Zinsperiode, in welcher diese Herabschreibung nach § 5 (8) (a) erfolgt und für jede folgende Zinsperiode und eine Hochschreibung gemäß § 5 (8) (b) wirkt sich erst ab der Zinsperiode aus, die an einem Zinszahlungstag beginnt, an oder vor dem diese Hochschreibung erfolgt ist.

(b) ***Zinszahlungstag*** bedeutet jeder 28. April. Erster Zinszahlungstag ist der 28. April 2019 (lange erste Zinsperiode).

(c) Fällt ein Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, so wird die Zinszahlung auf den nächstfolgenden Geschäftstag verschoben.

Geschäftstag bezeichnet jeden Tag (außer einem Samstag oder Sonntag), an dem das Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) geöffnet ist.

(d) Die Gläubiger sind nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund einer

§ 3
Interest

(1) *Interest Payment Dates*.

(a) Subject to a cancellation of interest payments pursuant to § 3 (8) and a write-down pursuant to § 5 (8), the Notes shall bear interest on their aggregate principal amount from (and including) 19 April 2018 (the ***Interest Commencement Date***) to (but excluding) the first Interest Payment Date, and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. In the event of a write-down pursuant to § 5 (8) (a), the Notes, unless and until they have been written up again pursuant to § 5 (8) (b), shall only bear interest on the aggregate principal amount which has been reduced accordingly; interest will be calculated on the basis of the reduced aggregate principal amount of the Notes for the full Interest Period in which such write-down pursuant to § 5 (8) (a) occurred and for any Interest Period thereafter and any write-up pursuant to § 5 (8) (b) will only become effective from the Interest Period commencing on an Interest Payment Date on or prior to which such write-up has occurred.

(b) ***Interest Payment Date*** means each 28 April. The first Interest Payment Date is 28 April 2019 (long first interest period).

(c) If any Interest Payment Date would otherwise fall on a day which is not a Business Day, the interest payment shall be postponed to the next day which is a Business Day.

Business Day means any day (other than Saturday or Sunday) on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) is open.

(d) The Holders are not entitled to demand further interest or other amounts if an interest payment is

Verschiebung der Zinszahlung gemäß § 3 (1) (c) zu verlangen.

postponed in accordance with § 3 (1) (c).

(2) *Zinssatz*. Der Zinssatz (der ***Zinssatz***)

(2) *Rate of Interest*. The rate of interest (the ***Rate of Interest***)

(i) für jede Zinsperiode (wie nachstehend definiert), die in den Zeitraum vom Verzinsungsbeginn (einschließlich) bis zum 28. April 2023 (ausschließlich) fällt, entspricht 5,750% *per annum* und

(i) for each Interest Period (as defined below) which falls in the period from (and including) the Interest Commencement Date to but excluding 28 April 2023 shall be equal to 5.750% *per annum*, and

(ii) für jede Zinsperiode, die am oder nach dem 28. April 2023 beginnt, entspricht der Zinssatz dem betreffenden 5-Jahres EUR Mid-Swapsatz (wie nachstehend definiert), der für den Zinsanpassungszeitraum, in den die betreffende Zinsperiode fällt, festgestellt wurde, zuzüglich einer Marge von 5,383[1] % *per annum*.

(ii) for each Interest Period commencing on or after 28 April 2023 shall be equal to the applicable 5-Year EUR Mid Swap Rate (as defined below) determined in relation to the Reset Period into which the relevant Interest Period falls plus a margin of 5.383[2] % *per annum*.

Zinsperiode bezeichnet den jeweiligen Zeitraum von dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) bzw. von jedem Zinszahlungstag (einschließlich) bis zum jeweils darauffolgenden Zinszahlungstag (ausschließlich).

Interest Period means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date.

Zinsanpassungstag bezeichnet den 28. April 2023 und danach jeden fünften Jahrestag des jeweils unmittelbar vorangegangenen Zinsanpassungstages.

Reset Date means 28 April 2023 and thereafter each fifth anniversary of the immediately preceding Reset Date.

Zinsanpassungszeitraum bezeichnet jeweils den Zeitraum von einem Zinsanpassungstag (einschließlich) bis zum nächstfolgenden Zinsanpassungstag (ausschließlich).

Reset Period means the period from (and including) a Reset Date to (but excluding) the immediately following Reset Date.

Zinsfeststellungstag bezeichnet in Bezug auf den 5-Jahres EUR Mid-Swapsatz, der für einen Zinsanpassungszeitraum festzustellen ist, den zweiten Geschäftstag vor dem Zinsanpassungstag, an dem der jeweilige Zinsanpassungszeitraum

Interest Determination Date means, in respect of the 5-Year EUR Mid Swap Rate to be determined in relation to a Reset Period, the second Business Day prior to the commencement of the relevant Reset Period.

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[1] Die Marge wird dem Prozentsatz entsprechen, der am Tag des Pricing der Schuldverschreibungen als ursprünglicher Credit Spread festgelegt und der auch für die Bestimmung des gemäß Unterabsatz (i) anwendbaren Festzinssatzes Anwendung finden wird.

[2] The margin will correspond to the percentage rate determined as initial credit spread on the pricing date of the Notes; the same percentage rate will be used to determine the fixed interest rate applicable pursuant to subparagraph (i).

beginnt.

5-Jahres EUR Mid-Swapsatz bezeichnet in Bezug auf einen Zinsanpassungszeitraum:

(i) den auf jährlicher Basis ausgedrückten Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 5 Jahren, der auf der Reuters Bildschirmseite „ICESWAP2" (oder auf einer anderen Seite, die die Bildschirmseite „ICESWAP2" auf Reuters oder gegebenenfalls bei einem anderen Informationsanbieter, der Reuters ersetzt, ersetzt und jeweils von der Person benannt wird, welche die dort angezeigte Information für die Zwecke der Anzeige von Sätzen, die mit dem 5-Jahres EUR Mid-Swapsatz vergleichbar sind, zur Verfügung stellt) (die ***Bildschirmseite***) um 11:00 Uhr (Ortszeit Frankfurt am Main) an dem für den betreffenden Zinsanpassungszeitraum maßgeblichen Zinsfeststellungstag unter der Überschrift "EURIBOR BASIS – EUR" und der Unterüberschrift "11:00 AM Frankfurt time" (wie diese Überschriften bzw. Unterüberschriften jeweils erscheinen) angezeigt wird; oder

(ii) falls der 5-Jahres EUR Mid-Swapsatz nicht zu dieser Zeit an dem für den betreffenden Zinsanpassungszeitraum maßgeblichen Zinsfeststellungstag auf der Bildschirmseite angezeigt wird, der Reset-Referenzbanksatz an diesem Zinsfeststellungstag.

Reset-Referenzbanksatz bedeutet mit Bezug auf den jeweiligen Zinsanpassungszeitraum der auf jährlicher Basis ausgedrückte Prozentsatz, der auf der Basis der betreffenden 5-Jahres EUR Mid-Swapsatz Kurse festgestellt wird, die von den Reset-Referenzbanken der Berechnungsstelle um ca. 11:00 Uhr (Ortszeit Frankfurt am Main) an dem für den betreffenden Zinsanpassungszeitraum maßgeblichen Zinsfeststellungstag mitgeteilt werden.

Wenn mindestens drei Quotierungen mitgeteilt

5-Year EUR Mid Swap Rate means in relation to any Reset Period:

(i) the 5-year swap rate for Euro swap transactions, expressed as an annual rate, as displayed on the Reuters screen "ICESWAP2" (or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing the information appearing there for the purpose of displaying rates comparable to the 5-Year EUR Mid Swap Rate) (the ***Screen Page***) under the heading "EURIBOR BASIS – EUR" and the caption "11:00 AM Frankfurt time" (as such headings and captions may appear from time to time) as at 11:00 a.m. Frankfurt time on the relevant Interest Determination Date in respect of the relevant Reset Period; or

(ii) if no 5-Year EUR Mid Swap Rate is published on the Screen Page at the relevant time on the Interest Determination Date in respect of the relevant Reset Period, the Reset Reference Bank Rate on such Interest Determination Date.

Reset Reference Bank Rate means in relation to the relevant Reset Period, the percentage rate, expressed as an annual rate, determined on the basis of the applicable 5-Year EUR Mid Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent around 11:00 a.m. Frankfurt time on the Interest Determination Date in respect of such Reset Period.

If at least three quotations are provided, the Reset

werden, ist der Reset-Referenzbanksatz das arithmetische Mittel (auf- oder abgerundet wie oben beschrieben) der übermittelten Quotierungen, wobei die höchste Quotierung (oder, falls es mehrere gleich hohe Höchstkurse geben sollte, einer dieser (Höchstkurse) und die niedrigste Quotierung (oder, falls es mehrere gleich niedrige Niedrigstkurse geben sollte, einer dieser Niedrigstkurse) unberücksichtigt bleiben. Sofern nur zwei Quotierungen übermittelt werden, ist der Reset-Referenzbanksatz das arithmetische Mittel (auf- oder abgerundet wie oben beschrieben) der übermittelten Quotierungen. Sofern nur eine Quotierung übermittelt wird, ist der Reset-Referenzbanksatz die übermittelte Quotierung. Sofern keine Quotierung übermittelt wird, ist der Reset-Referenzbanksatz, wie von der Berechnungsstelle festgelegt, der zuletzt auf der Bildschirmseite angezeigte Swapsatz für Euro-Swaps mit einer Laufzeit von 5 Jahren.

Reference Bank Rate will be the arithmetic mean (rounded as provided above) of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded as provided above) of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotation is provided, the Reset Reference Bank Rate will be the last observable mid-swap rate for Euro swaps with a term of 5 years which appears on the Screen Page, as determined by the Calculation Agent.

Reset-Referenzbanken sind fünf führende Swaphändler im Interbankenmarkt, die die Berechnungsstelle (in gutem Glauben handelnd) in ihrem Ermessen nach Rücksprache mit der Emittentin ausgewählt hat.

Reset Reference Banks means five leading swap dealers in the interbank market selected by the Calculation Agent in its discretion (acting in good faith) after consultation with the Issuer.

5-Jahres EUR Mid-Swapsatz Kurse bedeutet das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf die fünfte Dezimalstelle, wobei 0,000005 aufgerundet wird) der Geld- und Briefkurse für den jährlichen festverzinslichen Teil (berechnet auf der Basis eines 30/360 Zinstagequotienten) einer Zinsswaptransaktion in der festgelegten Währung, bei der ein fester Zinssatz gegen einen variablen Zinssatz getauscht wird, und die:

5-Year EUR Mid Swap Rate Quotations means the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating interest rate swap transaction in the Specified Currency, which:

(i) eine Laufzeit von 5 Jahren hat, beginnend mit dem Zinsanpassungstag, an dem der betreffende Zinsanpassungszeitraum beginnt,

(i) has a term of 5 years commencing on the Reset Date on which the relevant Reset Period commences;

(ii) über einen Betrag lautet, der für eine einzelne Transaktion in dem jeweiligen Markt zu der jeweiligen Zeit mit einem Swap-Markt anerkannten Händler mit guter

(ii) is in an amount representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and

Bonität repräsentativ ist, und

(iii) einen variabel verzinslichen Teil hat (berechnet auf der Basis eines Actual/360 Zinstagequotienten), der auf dem 6 Monats-EURIBOR-Satz basiert oder der auf andere Weise in Übereinstimmung mit üblicher Marktpraxis zum gegebenen Zeitpunkt festgelegt wird, wobei der variabel verzinsliche Teil nicht unter Bezug auf den EURIBOR festgelegt werden muss.

(iii) has a floating leg (calculated on an Actual/360 day count basis) based on the 6 months EURIBOR rate or as otherwise determined in accordance with the customary market practice at such time, whether or not the floating leg of such swap is determined by reference to EURIBOR.

(3) *Zinsbetrag*. Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Zinssatz zu bestimmen ist, den Zinssatz bestimmen und den auf die Schuldverschreibungen (vorbehaltlich § 3 (8)) zahlbaren Zinsbetrag in Bezug auf die festgelegte Stückelung (der ***Zinsbetrag***) für die entsprechende Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient (wie nachstehend definiert) auf die festgelegte Stückelung (vorbehaltlich § 5 (8)(a)) angewendet werden. Der resultierende Betrag wird auf die kleinste Einheit der festgelegten Währung auf- oder abgerundet, wobei 0,5 solcher Einheiten aufgerundet werden.

(3) *Interest Amount*. The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the ***Interest Amount***) payable on the Notes (subject to § 3 (8)) in respect of the Specified Denomination for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction (as defined below) to the Specified Denomination (subject to § 5 (8)(a)) and rounding the resultant figure to the nearest unit of the Specified Currency, with 0.5 of such unit being rounded upwards.

Zur Klarstellung: Die Höhe des auf die Schuldverschreibungen jeweils zahlbaren Zinsbetrages wird nicht aufgrund der Bonität der Emittentin oder eines mit ihr verbundenen Unternehmens angepasst.

For the avoidance of doubt: The level of any Interest Amount payable on the Notes will not be amended on the basis of the credit standing of the Issuer or any affiliated entity.

(4) *Mitteilung von Zinssatz*. Die Berechnungsstelle (bzw., für den Fall, dass die Emittentin den Reset-Referenzbanksatz, wie in § 3 (2) vorgesehen, bestimmt, die Emittentin) wird veranlassen, dass der Zinssatz, die jeweilige Zinsperiode und der betreffende Zinszahlungstag (i) der Emittentin, der Zahlstelle und den Gläubigern gemäß § 11 baldmöglichst, aber keinesfalls später als am fünften auf die Berechnung jeweils folgenden Geschäftstag und (ii) jeder Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und

(4) *Notification of Rate of Interest*. The Calculation Agent (or, in case the Issuer determines the Reset Reference Bank Rate as provided in § 3 (2), the Issuer) will cause the Rate of Interest, each Interest Period and the relevant Interest Payment Date to be notified (i) to the Issuer, to the Paying Agent and to the Holders in accordance with § 11 as soon as possible after their determination, but in no event later than the fifth Business Day thereafter and (ii), if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange as soon as possible after their

deren Regeln eine Mitteilung an die Börse verlangen, baldmöglichst, aber keinesfalls später als zu Beginn der jeweiligen Zinsperiode, mitgeteilt werden.

determination, but in no event later than the first day of the relevant Interest Period.

(5) *Verbindlichkeit der Festsetzungen*. Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 3 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Zahlstelle und die Gläubiger bindend.

(5) *Determinations Binding*. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Paying Agent and the Holders.

(6) *Auflaufende Zinsen*. Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, ist der ausstehende Gesamtnennbetrag der Schuldverschreibungen vom Tag der Fälligkeit an (einschließlich) bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich) in Höhe des gesetzlich festgelegten Zinssatzes für Verzugszinsen[3] zu verzinsen.

(6) *Accrual of Interest*. The Notes shall cease to bear interest from the beginning of the day on which they are due for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue on the outstanding aggregate principal amount of the Notes from (and including) the due date to (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law[4].

(7) *Zinstagequotient*. Falls Zinsen für einen Zeitraum von weniger oder mehr als einem Jahr zu berechnen sind, erfolgt die Berechnung des betreffenden Zinsbetrags auf Grundlage des Zinstagesquotienten (wie nachstehend definiert). ***Zinstagequotient***" bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf die Schuldverschreibungen für einen beliebigen Zeitraum (der ***Zinsberechnungszeitraum***) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch die tatsächliche Anzahl von Tagen im betreffenden Zinsjahr (d.h. vom 28. April eines Jahres (einschließlich) bis zum nächstfolgenden 28. April (ausschließlich)).

(7) *Day Count Fraction*. If interest is to be calculated for a period of less or more than a year, the relevant Interest Amount will be calculated on the basis of the Day Count Fraction (as defined hereafter). ***Day Count Fraction*** means with regard to the calculation of an Interest Amount on the Notes for any period of time (the ***Calculation Period***) the actual number of days in the Calculation Period divided by the actual number of days in the respective interest year (i.e. from (and including) 28 April in any year to (but excluding) the next 28 April).

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[3] Der gesetzliche Verzugszinssatz beträgt gemäß §§ 288 Absatz l, 247 BGB für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz.

[4] Pursuant to §§ 288 (1), 247 of the German Civil Code (*BGB*), the default rate of interest per year established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time.

(8) *Ausschluss der Zinszahlung.*

(a) Die Emittentin hat das Recht, jederzeit die Zinszahlung nach freiem Ermessen ganz oder teilweise entfallen zu lassen, insbesondere (jedoch nicht ausschließlich) wenn dies notwendig ist, um ein Absinken der Harten Kernkapitalquote (wie in § 5 (8) definiert) unter die Mindest-CET1-Quote (wie in § 5 (8) definiert) zu vermeiden oder eine Auflage der zuständigen Aufsichtsbehörde zu erfüllen. Sie teilt den Gläubigern unverzüglich, spätestens jedoch am betreffenden Zinszahlungstag gemäß § 11 mit, wenn sie von diesem Recht Gebrauch macht und beziffert den Betrag, mit dem sie von diesem Recht Gebrauch macht sowie die gegebenenfalls verbleibende Zinszahlung. Die Erklärung der Emittentin gegenüber den Gläubigern über einen vollständigen oder teilweisen Zinsausfall kann auch konkludent durch Nichtzahlung der Zinsen oder nur teilweise Zahlung der Zinsen am betreffenden Zinszahlungstag erfolgen. Das Unterbleiben einer schriftlichen Mitteilung gegenüber den Gläubigern berührt somit nicht die Wirksamkeit des Ausfalls der Zinszahlung und stellt keine Pflichtverletzung der Emittentin unter diesen Anleihebedingungen dar. Eine bis zum betreffenden Zinszahlungstag nicht erfolgte Benachrichtigung ist unverzüglich nachzuholen.

(b) Eine Zinszahlung auf die Schuldverschreibungen ist für die betreffende Zinsperiode ausgeschlossen und entfällt (ohne Einschränkung des freien Ermessens nach § 3 (8) (a)):

(i) soweit eine solche Zinszahlung zusammen mit den zeitgleich geplanten oder erfolgenden und den in dem laufenden Geschäftsjahr der Emittentin bereits erfolgten weiteren Ausschüttungen (wie in § 3 (9) definiert) auf die anderen Kernkapitalinstrumente (wie in § 3 (9) definiert) sowie mögliche Hochschreibungen die Ausschüttungsfähigen Posten (wie in § 3 (9) definiert) übersteigen würde, wobei die Ausschüttungsfähigen Posten für diesen Zweck um

(8) *Cancellation of Interest Payment.*

(a) The Issuer has the right, in its sole discretion and at any time, to cancel all or part of any payment of interest, including (but not limited to) if such cancellation is necessary to prevent the Common Equity Tier 1 Capital Ratio (as defined in § 5 (8)) from falling below the Minimum CET1 Ratio (as defined in § 5 (8)) or to meet a requirement imposed by the competent supervisory authority. If the Issuer makes use of such right, it shall give notice to the Holders in accordance with § 11 without undue delay but no later than on the relevant Interest Payment Date and specifies the amount for which it makes use of such right and the remaining amount of interest to be paid (if any). The declaration by the Issuer towards the Holders regarding the cancellation of all or part of any interest payment can also be implied in the non-payment or partial payment of interest on the relevant Interest Payment Date. Therefore, any failure to give written notice to the Holders shall not affect the validity of the cancellation and shall not constitute a default of the Issuer under these terms and conditions of the Notes. A notice which has not been given until the relevant Interest Payment Date shall be given without undue delay thereafter.

(b) Payment of interest on the Notes for the relevant Interest Period shall be excluded and cancelled (without prejudice to the exercise of sole discretion pursuant to § 3 (8) (a)):

(i) to the extent that such payment of interest together with any additional Distributions (as defined in § 3 (9)) that are simultaneously planned or made or that have been made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9)) as well as potential write-ups in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9)), provided that, for such purpose, the Available Distributable Items shall be increased by an amount

einen Betrag erhöht werden, der bereits als Abzug für Ausschüttungen in Bezug auf Kernkapitalinstrumente (einschließlich Zinszahlungen auf die Schuldverschreibungen) in die Ermittlung des Gewinns, der den Ausschüttungsfähigen Posten zugrunde liegt, eingegangen ist; oder

equal to what has been accounted for as deduction for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (*Gewinn*) on which the Available Distributable Items are based; or

(ii) wenn und soweit die zuständige Aufsichtsbehörde anordnet, dass diese Zinszahlung insgesamt oder teilweise entfällt, oder ein anderes gesetzliches oder behördliches Ausschüttungsverbot besteht (einschließlich ein Ausschüttungsverbot in Zusammenhang mit der Berechnung des in Artikel 141 Absatz 2 der Richtlinie 2013/36/EU in ihrer jeweils ergänzten oder geänderten Fassung (*„Capital Requirements Directive IV"* – ***CRD IV***) bezeichneten ausschüttungsfähigen Höchstbetrags (in der englischen Sprachfassung der sogenannte „*Maximum Distributable Amount*" oder „*MDA*"), wie gegenwärtig durch § 10i KWG in deutsches Recht umgesetzt).

(ii) if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority (including a prohibition of Distributions in connection with the calculation of the maximum distributable amount within the meaning of Article 141 (2) of Directive 2013/36/EU as supplemented or amended from time to time ("Capital Requirements Directive IV" – ***CRD IV***) ("Maximum Distributable Amount" or "MDA") and as currently transposed into German law by § 10i KWG).

Zu den gesetzlichen oder behördlichen Ausschüttungsverboten nach (ii) zählen insbesondere (jedoch nicht ausschließlich) Ausschüttungsbeschränkungen infolge einer Nichterfüllung der kombinierten Kapitalpufferanforderung nach § 10i KWG sowie die Grenze des ausschüttungsfähigen Höchstbetrags (*Maximum Distributable Amount*) nach Artikel 141 Absatz 2 CRD IV bzw. einer Nachfolgeregelung, wie in das nationale Recht umgesetzt (zum Zeitpunkt der Begebung der Schuldverschreibungen insbesondere § 10i KWG i.V.m. § 37 der Solvabilitätsverordnung).

Prohibitions of Distributions imposed by law or an authority pursuant to (ii) include, but are not limited to, restrictions of Distributions as a result of non-compliance with the combined buffer requirement under § 10i KWG and the limit resulting from the maximum distributable amount within the meaning of Article 141 (2) CRD IV or any successor provision as transposed into national law (at the time of issue of the Notes particularly § 10i KWG in connection with § 37 of the German Solvency Regulation (*Solvabilitätsverordnung*)).

CRD IV bezeichnet die Richtlinie 2013/36/EU des Europäischen Parlaments und des Rates vom 26. Juni 2013 über den Zugang zur Tätigkeit von Kreditinstituten und die Beaufsichtigung von Kreditinstituten und Wertpapierfirmen, zur Änderung der Richtlinie 2002/87/EG und zur Aufhebung der Richtlinien 2006/48/EG und 2006/49/EG in ihrer jeweils gültigen Fassung.

CRD IV means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as amended from time to time.

(c) Die Emittentin ist berechtigt, die Mittel aus entfallenen Zinszahlungen uneingeschränkt zur Erfüllung ihrer eigenen Verpflichtungen bei deren Fälligkeit zu nutzen. Soweit Zinszahlungen entfallen, schließt dies sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge (wie in § 7 definiert) ein. Entfallene Zinszahlungen werden nicht nachgezahlt. Angefallene aber nicht gezahlte Zinsen auf die Schuldverschreibungen bis (einschließlich) dem Auslöseereignis (unabhängig davon, ob solche Zinsen fällig geworden sind) entfallen automatisch. Zur Klarstellung, angefallene aber nicht gezahlte Zinsen ab dem Auslöseereignis bis zur Herabschreibung entfallen ebenfalls automatisch, selbst wenn keine entsprechende Mitteilung gemacht wurde.

(c) The Issuer has the right to use the funds from cancelled payments of interest without restrictions for the fulfilment of its own obligations when due. To the extent that payments of interest are cancelled, such cancellation includes all Additional Amounts (as defined in § 7) payable pursuant to § 7. Any payments of interest which have been cancelled will not be made or compensated at any later date. Any accrued but unpaid interest on the Notes up to (and including) a Trigger Event (whether or not such interest has become due for payment) shall be automatically cancelled. For the avoidance of doubt, any accrued but unpaid interest from the Trigger Event up to the write-down date shall also be automatically cancelled even if no notice has been given to that effect.

(d) Der Ausfall von Zinszahlungen nach diesem § 3 stellt keine Pflichtverletzung der Emittentin unter diesen Anleihebedingungen dar.

(d) The cancellation of interest pursuant to this § 3 shall not constitute a default of the Issuer under these terms and conditions of the Notes.

(9) *Bestimmte Definitionen.*

(9) *Certain Definitions.*

Ausschüttung bezeichnet jede Art der Auszahlung von Dividenden oder Zinsen.

Distribution means any kind of payment of dividends or interest.

Ausschüttungsfähige Posten bezeichnet gemäß Art. 4 (1) Nr. 128 CRR in Bezug auf eine Zinszahlung den Gewinn am Ende des dem betreffenden Zinszahlungstag unmittelbar vorhergehenden Geschäftsjahres der Emittentin, für das ein testierter Jahresabschluss vorliegt, zuzüglich (i) etwaiger vorgetragener Gewinne und ausschüttungsfähiger Rücklagen, jedoch abzüglich (ii) vorgetragener Verluste und gemäß anwendbarer Rechtsvorschriften oder der Satzung der Emittentin nicht ausschüttungsfähiger Gewinne und in die nicht ausschüttungsfähigen Rücklagen eingestellter Beträge, wobei diese Gewinne, Verluste und Rücklagen ausgehend von dem handelsrechtlichen Einzelabschluss der Emittentin und nicht auf der Basis des Konzernabschlusses festgestellt werden.

Available Distributable Items in accordance with Art. 4 (1) No. 128 CRR means, with respect to any payment of interest, the profit (*Gewinn*) as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date, for which audited annual financial statements are available, plus (i) any profits brought forward (*vorgetragene Gewinne*) and distributable reserves (*ausschüttungsfähige Rücklagen*), minus (ii) any losses carried forward and any profits which are non-distributable pursuant to applicable law or the Articles of Association of the Issuer and any amounts allocated to the non-distributable reserves, provided that such profits, losses and reserves shall be determined on the basis of the unconsolidated financial statements of the Issuer prepared in accordance with German commercial law and not on the basis of its consolidated financial statements.

Instrumente des zusätzlichen Kernkapitals bezeichnet Kapitalinstrumente, die im Sinne der

Additional Tier 1 Instruments means capital instruments which, according to the CRR, qualify as

CRR zu den Instrumenten des zusätzlichen Kernkapitals (*Additional Tier 1 capital*) zählen.

Kernkapitalinstrumente bezeichnet Kapitalinstrumente, die im Sinne der CRR zu den Instrumenten des harten Kernkapitals oder des zusätzlichen Kernkapitals zählen.

Additional Tier 1 capital.

Tier 1 Instruments means capital instruments which, according to the CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital.

§ 4
Zahlungen

(1) *Allgemeines*.

(a) *Zahlungen auf Kapital*. Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe von § 4 (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems außerhalb der Vereinigten Staaten.

(b) *Zahlungen von Zinsen*. Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von § 4 (2) an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Zahlungsweise*. Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der festgelegten Währung.

(3) *Vereinigte Staaten*. Für die Zwecke des § 1 (3) und des § 4 (1) und des § 7 bezeichnet ***Vereinigte Staaten*** die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Erfüllung*. Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(5) *Zahltag*. Fällt der Fälligkeitstag für eine Zahlung von Kapital in Bezug auf eine Schuldverschreibung auf einen Tag, der kein

§ 4
Payments

(1) *General.*

(a) *Payment of Principal*. Payment of principal in respect of Notes shall be made, subject to § 4 (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System outside the United States.

(b) *Payment of Interest*. Payment of interest on Notes shall be made, subject to § 4 (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *United States*. For the purposes of § 1 (3) and § 4 (1) and § 7, ***United States*** means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Discharge*. The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(5) *Payment Date*. If the date for payment of principal in respect of any Note is not a Business Day then the Holders shall not be entitled to payment

Geschäftstag ist, dann haben die Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Geschäftstag und sind nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

(6) *Bezugnahmen auf Kapital und Zinsen*. Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen, jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Anleihebedingungen auf Zinsen auf Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge (wie in § 7 definiert) einschließen.

(7) *Hinterlegung von Kapital und Zinsen*. Die Emittentin ist berechtigt, beim Amtsgericht München Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt und auf das Recht der Rücknahme verzichtet wird, erlöschen die jeweiligen Ansprüche der Gläubiger gegen die Emittentin.

§ 5
Rückzahlung; Herabschreibungen

(1) *Keine Endfälligkeit*. Die Schuldverschreibungen haben keinen Endfälligkeitstag.

(2) *Rückzahlung aus regulatorischen Gründen*. Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Kalendertagen gekündigt und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung

until the next Business Day and shall not be entitled to further interest or other payment in respect of such delay.

(6) *References to Principal and Interest*. Reference in these terms and conditions of the Notes to principal in respect of the Notes shall be deemed to include, as applicable, the following amounts: the Redemption Amount of the Notes, any premium and any other amounts which may be payable under or in respect of the Notes. Reference in these terms and conditions of the Notes to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts (as defined in § 7) payable pursuant to § 7.

(7) *Deposit of Principal and Interest*. The Issuer may deposit with the local court (*Amtsgericht*) in Munich principal or interest not claimed by Holders within twelve months after the due date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5
Redemption; Write-downs

(1) *No Scheduled Maturity*. The Notes have no scheduled maturity date.

(2) *Redemption for Regulatory Reasons*. If the Issuer determines that it may not treat the full aggregate principal amount of the Notes as Additional Tier 1 capital for the purposes of its own funds in accordance with the CRR, the Notes may be redeemed, in whole but not in part, at any time at the option of the Issuer, subject to the prior permission of the competent supervisory authority, upon not less than 30 and not more than 60 calendar days' prior

festgesetzten Tag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin die Schuldverschreibungen nicht vollständig für Zwecke der Eigenmittelausstattung als zusätzliches Kernkapital (Additional Tier 1) nach Maßgabe der CRR anrechnen darf. Wenn die Emittentin gemäß Satz 1 die Kündigung erklärt hat, ist die Emittentin vorbehaltlich § 5 (5) verpflichtet, die Schuldverschreibungen an dem für die Rückzahlung festgesetzten Tag zu ihrem Rückzahlungsbetrag (wie in § 5 (6) definiert) zurückzuzahlen.

notice of redemption at their Redemption Amount (as defined below) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the date fixed for redemption. If the Issuer exercises its call right in accordance with sentence 1, the Issuer will, subject to § 5 (5), redeem the Notes at their Redemption Amount (as defined in § 5 (6) on the date fixed for redemption.

(3) *Rückzahlung aus steuerlichen Gründen*. Die Schuldverschreibungen können jederzeit insgesamt jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Kalendertagen gekündigt und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückgezahlt werden, falls sich die steuerliche Behandlung der Schuldverschreibungen in Folge einer nach dem Verzinsungsbeginn eingetretenen Rechtsänderung, einschließlich einer Änderung von steuerrechtlichen oder aufsichtsrechtlichen Gesetzen, Regelungen oder Verfahrensweisen, ändert (insbesondere, jedoch nicht ausschließlich, im Hinblick auf die steuerliche Abzugsfähigkeit der unter den Schuldverschreibungen zu zahlenden Zinsen oder die Verpflichtung zur Zahlung von zusätzlichen Beträgen (wie in § 7 definiert)) und diese Änderung für die Emittentin nach eigener Einschätzung wesentlich nachteilig ist. Eine Änderung der steuerlichen Behandlung der Schuldverschreibungen, die zu einem Einbehalt oder Abzug von Steuern auf die auf die Schuldverschreibungen zu zahlenden Beträge führt, die jedoch keine Verpflichtung der Emittentin zur Zahlung von zusätzlichen Beträgen (wie in § 7 definiert) begründet, stellt keinen Kündigungsgrund gemäß diesem § 5 (3) dar. Wenn

(3) *Redemption for Reasons of Taxation*. If the tax treatment of the Notes, due to a change in applicable legislation, including a change in any fiscal or regulatory legislation, rules or practices, which takes effect after the Interest Commencement Date, changes (including but not limited to the tax deductibility of interest payable on the Notes or the obligation to pay Additional Amounts (as defined in § 7)) and the Issuer determines, in its own discretion, that such change has a material adverse effect on the Issuer, the Notes may be redeemed, in whole but not in part, at any time at the option of the Issuer, subject to the prior permission of the competent supervisory authority, upon not less than 30 and not more than 60 calendar days' prior notice of redemption at their Redemption Amount (as defined below) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the date fixed for redemption. Any changes in the tax treatment of the Notes resulting in a withholding or deduction of taxes on amounts payable in respect of the Notes which, however, do not create an obligation of the Issuer to pay Additional Amounts (as defined in § 7), will not constitute a reason to call the Notes for redemption pursuant to this § 5 (3). If the Issuer exercises its call right in accordance with sentence 1, the Issuer will, subject to § 5 (5), redeem the Notes at their Redemption Amount (as defined in § 5 (6) on the date fixed for redemption.

die Emittentin gemäß Satz 1 die Kündigung erklärt hat, ist die Emittentin vorbehaltlich § 5 (5) verpflichtet, die Schuldverschreibungen an dem für die Rückzahlung festgesetzten Tag zu ihrem Rückzahlungsbetrag (wie in § 5 (6) definiert) zurückzuzahlen.

(4) *Rückzahlung nach Wahl der Emittentin*. Die Emittentin kann die Schuldverschreibungen insgesamt jedoch nicht teilweise, vorbehaltlich der vorherigen Zustimmung der zuständigen Aufsichtsbehörde unter Einhaltung einer Kündigungsfrist von nicht weniger als 30 Kalendertagen zum 28. April 2023 und danach zu jedem Zinsanpassungstag (jeweils der ***Rückzahlungstag***) kündigen und zu ihrem Rückzahlungsbetrag (wie nachstehend definiert und unter Berücksichtigung einer etwaigen Herabschreibung nach § 5 (8)) zuzüglich bis zum Rückzahlungstag (ausschließlich) (vorbehaltlich § 3 (8)) aufgelaufener Zinsen zurückzahlen. Wenn die Emittentin gemäß Satz 1 die Kündigung erklärt hat, ist die Emittentin vorbehaltlich § 5 (5) verpflichtet, die Schuldverschreibungen an dem für die Rückzahlung festgesetzten Tag zu ihrem Rückzahlungsbetrag (wie in § 5 (6) definiert) zurückzuzahlen.

(4) *Redemption at the Option of the Issuer*. The Issuer may redeem the Notes, in whole but not in part, at any time, subject to the prior permission of the competent supervisory authority, upon not less than 30 calendar days' notice of redemption with effect as of 28 April 2023 and, thereafter, with effect as of each Reset Date (each the ***Redemption Date***) at their Redemption Amount (as defined below and taking into account any write-down pursuant to § 5 (8), if applicable) together with interest (if any) accrued (subject to § 3 (8)) to (but excluding) the Redemption Date. If the Issuer exercises its call right in accordance with sentence 1, the Issuer will, subject to § 5 (5), redeem the Notes at their Redemption Amount (as defined in § 5 (6) on the date fixed for redemption.

(5) *Bedingungen*. Eine Kündigung nach § 5 (2), (3) oder (4) unterliegt den folgenden Bedingungen:

(5) *Conditions*. Any redemption of the Notes pursuant to § 5 (2), (3) or (4) is subject to the following:

(a) Die Emittentin holt die vorherige Zustimmung der zuständigen Aufsichtsbehörde gemäß Artikel 78 CRR (oder einer Nachfolgebestimmung) ein. Zum Zeitpunkt der Begebung der Schuldverschreibungen, setzt eine Zustimmung gemäß Artikel 78 CRR voraus, dass entweder

(a) The Issuer obtaining prior permission of the competent supervisory authority in accordance with Article 78 CRR (or any successor provision). At the time of the issuance of the Notes, permission pursuant to Article 78 CRR requires that either

(i) die Emittentin die Schuldverschreibungen vor oder gleichzeitig mit der Rückzahlung durch Eigenmittelinstrumente zumindest gleicher Qualität zu Bedingungen ersetzt, die im Hinblick auf die Ertragsmöglichkeiten der Emittentin nachhaltig sind; oder

(i) the Issuer has replaced the Notes with own fund instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the redemption; or

(ii) die Emittentin der zuständigen Aufsichtsbehörde hinreichend nachgewiesen hat, dass ihre Eigenmittel nach einer solchen Rückzahlung die Anforderungen nach Artikel 92 (1) CRR und die kombinierte Kapitalpufferanforderung im Sinne des § 10i KWG, welcher Artikel 128 Nr. 6 CRD IV umsetzt, um eine Spanne übertreffen, welche die zuständige Aufsichtsbehörde auf der Grundlage des § 10 Absatz 4 KWG, welcher Artikel 104 Absatz 3 CRD IV umsetzt, gegebenenfalls für erforderlich hält.

(ii) the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the own funds of the Issuer would — following such redemption — exceed the requirements laid down in Article 92 (1) CRR and the combined buffer requirement as defined in § 10i KWG transposing point (6) of Article 128 CRD IV by a margin that the competent supervisory authority considers necessary on the basis of § 10 para. 4 KWG transposing Article 104 (3) CRD IV;

(b) Zusätzlich zu (a) gilt bei einer Rückzahlung vor dem fünften Jahrestag des Tags der Begebung der Schuldverschreibungen, falls und soweit nach Artikel 78 (4) CRR (oder einer Nachfolgebestimmung) erforderlich:

(b) In addition to (a), in respect of a redemption prior to the fifth anniversary of the issue date of the Notes, if and to the extent required under Article 78 (4) CRR (or any successor provision):

(i) Im Fall einer Rückzahlung aus steuerlichen Gründen gemäß § 5 (3) weist die Emittentin der zuständigen Aufsichtsbehörde hinreichend nach, dass diese Änderung der steuerlichen Behandlung der Schuldverschreibungen wesentlich ist und zum Zeitpunkt der Emission der Schuldverschreibungen nicht vorherzusehen war; oder

(i) In the case of redemption for reasons of taxation pursuant to § 5 (3), the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the date of issuance of the Notes; or

(ii) Im Fall einer Rückzahlung aus regulatorischen Gründen gemäß § 5 (2) weist die Emittentin der zuständigen Aufsichtsbehörde hinreichend nach, dass die Änderung der aufsichtsrechtlichen Einstufung der Schuldverschreibungen zum Zeitpunkt der Emission der Schuldverschreibungen nicht vorherzusehen war.

(ii) In the case of redemption for regulatory reasons pursuant to § 5 (2), the Issuer has demonstrated to the satisfaction of the competent supervisory authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

Zur Klarstellung: Falls die zuständige Aufsichtsbehörde die Erlaubnis gemäß Artikel 78 CRR ablehnt, begründet dies keine Pflichtverletzung der Emittentin.

For the avoidance of doubt, any refusal of the competent supervisory authority to grant permission in accordance with Article 78 CRR shall not constitute a default of the Issuer.

Eine Kündigung nach § 5 (2), (3) und (4) hat gemäß § 11 zu erfolgen. Sie muss den für die Rückzahlung festgelegten Termin und im Falle einer Kündigung nach § 5 (2) oder (3) den Grund für die Kündigung nennen. Falls zwischen dem Zeitpunkt, zu dem die Ausübung des Kündigungsrechts mitgeteilt wird, und dem für die Rückzahlung festgelegten Termin ein

Notice pursuant to § 5 (2), (3) and (4) shall be given in accordance with § 11. Such notice shall state the date fixed for redemption and, in the case of a notice pursuant to § 5 (2) or (3), the reason for the redemption. If a Trigger Event occurs in the period between the date on which notice to exercise the redemption right is given and the date fixed for redemption, the Notes shall not be redeemed on the

Auslöseereignis eintritt, werden die Schuldverschreibungen nicht an dem für die Rückzahlung festgelegten Termin zurückgezahlt und es gelten die Rechte und Pflichten der Emittentin aus den Schuldverschreibungen unverändert fort.

date fixed for redemption and the rights and obligations of the Issuer in respect of the Notes shall remain unchanged.

(6) *Kündigung nach erfolgter Hochschreibung; Rückzahlungsbetrag*. Die Emittentin kann ihr Kündigungsrecht nach § 5 (4) nur ausüben, wenn etwaige Herabschreibungen nach § 5 (8) wieder vollständig aufgeholt worden sind, es sei denn, die Gläubiger stimmen einer Kündigung in diesem Fall nach Maßgabe von § 9 zu. Die Emittentin ist außerdem nach Eintritt eines Auslöseereignisses nicht zur Ausübung ihrer Kündigungsrechte nach § 5 (2), (3) und (4) berechtigt bis eine Herabschreibung nach § 5 (8) vorgenommen wurde.

(6) *Redemption after Write-Up; Redemption Amount*. The Issuer may exercise its redemption right pursuant to § 5 (4) only if any write-downs pursuant to § 5 (8) have been fully written up, unless the Holders agree to a redemption in such case in accordance with the terms of § 9. In addition, upon the occurrence of a Trigger Event the Issuer is not entitled to exercise its redemption rights pursuant to § 5 (2), (3) and (4) until the write-down pursuant to § 5 (8) has been effected.

Der ***Rückzahlungsbetrag*** einer Schuldverschreibung entspricht, vorbehaltlich des nachstehenden Satzes, ihrem ursprünglichen Nennbetrag, soweit nicht zuvor zurückgezahlt oder angekauft und entwertet. Im Falle, dass die Emittentin (i) nach § 5 (2), (ii) nach § 5 (3) oder (iii) mit Zustimmung der Gläubiger trotz erfolgter Herabschreibung nach § 5 (8) und noch nicht wieder erfolgter Hochschreibung nach § 5 (4) kündigt, entspricht der ***Rückzahlungsbetrag*** einer Schuldverschreibung ihrem um Herabschreibungen verminderten (soweit nicht durch Hochschreibung(en) kompensiert) aktuellen Nennbetrag, soweit nicht zuvor bereits zurückgezahlt oder angekauft und entwertet.

The ***Redemption Amount*** of each Note, unless previously redeemed or repurchased and cancelled and subject to the following sentence, shall be the initial principal amount of such Note. In the event that the Issuer redeems the Notes (i) pursuant to § 5 (2), (ii) pursuant to § 5 (3) or (iii) pursuant to § 5 (4) with the consent of the Holders despite of the fact that a write-down had occurred pursuant to § 5 (8) which has not been written up, the ***Redemption Amount*** of each Note, unless previously redeemed or repurchased and cancelled, shall be the then current principal amount of such Note as reduced by any write-downs (to the extent not made up for by write-up(s)).

(7) *Kein Kündigungsrecht der Gläubiger*. Die Gläubiger sind zur Kündigung der Schuldverschreibungen nicht berechtigt.

(7) *No Call Right of the Holders*. The Holders have no right to call the Notes for redemption.

(8) *Herabschreibung*.

(8) *Write-down*.

(a) Bei Eintritt eines Auslöseereignisses sind der Rückzahlungsbetrag und der Nennbetrag jeder Schuldverschreibung um den Betrag der betreffenden Herabschreibung zu reduzieren.

(a) Upon the occurrence of a Trigger Event, the Redemption Amount and the principal amount of each Note shall be reduced by the amount of the relevant write-down.

Ein ***Auslöseereignis*** tritt ein, wenn zu irgendeinem Zeitpunkt die in Artikel 92 Absatz 1 Buchstabe a CRR bzw. einer Nachfolgeregelung genannte harte Kernkapitalquote (die ***Harte Kernkapitalquote***) (i) bezogen auf die Institutsgruppe der Emittentin oder (ii) bezogen auf die Emittentin unter 7,00% (die ***Mindest-CET1-Quote***) fällt, wobei ein Auslöseereignis wegen Unterschreitens der Mindest-CET1 Quote bezogen auf die Institutsgruppe der Emittentin zu jeder Zeit eintreten kann, während ein Auslöseereignis wegen Unterschreitens der Mindest-CET1 Quote bezogen auf die Emittentin nur eintreten kann, solange die Emittentin gesetzlich oder aufgrund behördlicher Anordnung verpflichtet ist, die Harte Kernkapitalquote bezogen auf die Emittentin (Einzelbankebene) zu ermitteln. Ob zu irgendeinem Zeitpunkt ein Auslöseereignis eingetreten ist, wird von der Emittentin, der zuständigen Aufsichtsbehörde oder einer anderen von der zuständigen Aufsichtsbehörde für diesen Zweck ernannten Stelle bestimmt, und diese Bestimmung ist für die Gläubiger bindend.

A **Trigger Event** occurs if at any time the Common Equity Tier 1 capital ratio pursuant to Article 92 (1) (a) CRR or a successor provision (the **Common Equity Tier 1 Capital Ratio**), determined on (i) a consolidated basis or (ii) a solo basis falls below 7.00% (the ***Minimum CET1 Ratio***), with a Trigger Event based on the Minimum CET1 Ratio determined on a consolidated basis being applicable at any time, whereas a Trigger Event based on the Minimum CET1 Ratio determined on a solo basis only being applicable for as long as the Issuer is obliged by law or administrative order to determine the Common Equity Tier 1 Capital Ratio on a solo basis. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the competent supervisory authority or any agent appointed for such purpose by the competent supervisory authority and such determination shall be binding on the Holders.

Im Falle eines Auslöseereignisses ist eine Herabschreibung *pro rata* mit sämtlichen anderen Instrumenten des zusätzlichen Kernkapitals, die eine Herabschreibung (gleichviel ob permanent oder temporär) (bzw. eine Umwandlung in Instrumente des harten Kernkapitals) bei Eintritt des Auslöseereignisses vorsehen, vorzunehmen. Der *pro rata* zu verteilende Gesamtbetrag der Herabschreibungen (bzw. der Umwandlung in Instrumente des harten Kernkapitals) entspricht dabei dem Betrag, der zur vollständigen Wiederherstellung der Harten Kernkapitalquote der Emittentin bis zur Mindest-CET1-Quote erforderlich ist, höchstens jedoch der Summe der im Zeitpunkt des Eintritts des Auslöseereignisses ausstehenden Kapitalbeträge dieser Instrumente. Die Vornahme von Herabschreibungen in Bezug auf die Schuldverschreibungen hängen nicht von der Wirksamkeit einer Herabschreibung oder Wandlung anderer Instrumente ab.

Upon the occurrence of a Trigger Event, a write-down shall be effected *pro rata* with all other Additional Tier 1 Instruments, the terms of which provide for a write-down (whether permanent or temporary) (or a conversion into Common Equity Tier 1 capital) upon the occurrence of the Trigger Event. For such purpose, the total amount of the write-downs (or conversion into Common Equity Tier 1 capital) to be allocated *pro rata* shall be equal to the amount required to restore fully the Common Equity Tier 1 Capital Ratio of the Issuer to the Minimum CET1 Ratio but shall not exceed the sum of the principal amounts of the relevant instruments outstanding at the time of occurrence of the Trigger Event. The performance of any write-downs in respect of the Notes is not dependent on the effectiveness of a write-down or conversion of other instruments.

Wenn im Falle eines Auslöseereignisses auch andere Instrumente des zusätzlichen Kernkapitals herabzuschreiben oder in Instrumente des harten Kernkapitals zu wandeln sind, die nach ihren jeweiligen Bedingungen als Auslöseereignis das Unterschreiten einer Harten Kernkapitalquote vorsehen, die von der Mindest-CET1-Quote abweicht, richtet sich das Verhältnis bzw. die Reihenfolge, in welcher für die jeweils herabzuschreibenden oder in Instrumente des harten Kernkapitals zu wandelnden Instrumente eine Herabschreibung oder Umwandlung vorzunehmen ist, nach den gesetzlichen oder aufsichtsrechtlichen Verpflichtungen der Emittentin. Wird dieses Verhältnis bzw. eine Reihenfolge nicht durch gesetzliche oder aufsichtsrechtliche Verpflichtungen der Emittentin vorgegeben, so gilt, sofern bereits übernommene vertragliche Verpflichtungen der Emittentin nicht entgegenstehen, Folgendes:

If upon the occurrence of a Trigger Event, other Additional Tier 1 Instruments which provide for a Common Equity Tier 1 Capital Ratio different from the Minimum CET1 Ratio as a trigger need to be written down or converted into Common Equity Tier 1 capital in accordance with their terms, any such write-down or conversion will occur in such order of application or ratio as required in accordance with legal or regulatory requirements applicable to the Issuer. If no such order or ratio is required by applicable law or regulations, subject to any previous contractual obligations of the Issuer to the contrary, the following applies:

Eine Herabschreibung gemäß diesem § 5 (8) erfolgt, vorbehaltlich der Regelung des nachstehenden Satzes, *pro rata* mit sämtlichen anderen Instrumenten des zusätzlichen Kernkapitals, die eine Herabschreibung (gleichviel ob permanent oder temporär) (bzw. eine Umwandlung in Instrumente des harten Kernkapitals) bei Eintritt eines Auslöseereignisses nach ihren jeweiligen Bedingungen vorsehen. Dabei werden die Schuldverschreibungen und sämtliche anderen Instrumente des zusätzlichen Kernkapitals jeweils nur insoweit an einer Herabschreibung (bzw. einer Umwandlung in Instrumente des harten Kernkapitals) beteiligt, wie dies erforderlich ist, damit die Harte Kernkapitalquote der Emittentin diejenige Quote wieder erreicht, die in deren jeweiligen Bedingungen als Quote für das die Herabschreibung (bzw. die Umwandlung in Instrumente des harten Kernkapitals) auslösende Ereignis festgelegt ist.

Any write-down pursuant to this § 5 (8) shall, subject to the provision set out in the following sentence, be effected *pro rata* with all other Additional Tier 1 Instruments, the terms of which provide for a write-down (whether permanent or temporary) (or a conversion into Common Equity Tier 1 capital) upon the occurrence of a trigger event. Each of the Notes and all other Additional Tier 1 Instruments will only participate in a write-down (or a conversion into Common Equity Tier 1 capital) to the extent required for the Common Equity Tier 1 Capital Ratio of the Issuer to again meet the ratio provided for in their respective terms as ratio triggering the event resulting in such write-down (or conversion into Common Equity Tier 1 capital).

Jedes Verlusttragende Instrument, das insgesamt jedoch nicht teilweise herabgeschrieben oder in Eigenkapital gewandelt werden kann, soll so

Any Loss Absorbing Instrument that may be written down or converted to equity in full but not in part shall be treated as if its terms permitted partial write-

behandelt werden als ob seine Bedingungen eine teilweise Herabschreibung oder Wandlung in Eigenkapital vorsehen würden, jedoch nur für Zwecke der Bestimmung eines relevanten *pro rata* Betrags im Zusammenhang mit der Umsetzung einer Herabschreibung und der Berechnung des Betrags der Herabschreibung.

down or conversion into equity, only for the purposes of determining the relevant *pro rata* amounts in the operation of write-down and calculation of the write-down amount.

Verlusttragendes Instrument bedeutet zu jeder Zeit jedes AT1 Instrument (abgesehen von den Schuldverschreibungen) der Emittentin, deren Nennbetrag herabgeschrieben (egal ob dauerhaft oder vorübergehend) oder gewandelt werden kann (jeweils in Übereinstimmung mit deren Bedingungen oder auf sonstige Weise), wenn die CET1 Quote der Emittentin ein bestimmtes Auslöselevel erreicht oder darunter fällt.

Loss Absorbing Instrument refers to, at any time, any AT1 instrument (other than the Notes) of the Issuer that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted (in each case, in accordance with its conditions or otherwise) on the occurrence or as a result of the Issuer's CET1 ratio falling below a certain trigger level.

Soweit die Herabschreibung (bzw. eine Umwandlung in Instrumente des harten Kernkapitals) im Hinblick auf eines oder mehrere der anderen Instrumente des zusätzlichen Kernkapitals der Emittentin aus irgendeinem Grund nicht wirksam ist, (i) hat die Unwirksamkeit einer solchen Herabschreibung oder Umwandlung keine Auswirkung auf das Erfordernis, eine Herabschreibung der Schuldverschreibungen gemäß diesem § 5 (8) vorzunehmen, und (ii) wird die Herabschreibung oder Umwandlung eines anderen Instruments des zusätzlichen Kernkapitals der Emittentin, die unwirksam ist, bei der Bestimmung des Betrags der Herabschreibung der Schuldverschreibungen nicht berücksichtigt.

To the extent that the write-down (or a conversion into Common Equity Tier 1 capital) of one or more of the other Additional Tier 1 Instruments of the Issuer is not effective for any reason, (i) the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to effect a write-down of the Notes pursuant to this § 5 (8) and (ii) the write-down or conversion of any other Additional Tier 1 Instruments of the Issuer that is not effective shall not be taken into account in determining the write-down amount of the Notes.

Die Summe der in Bezug auf die Schuldverschreibungen vorzunehmenden Herabschreibungen ist auf den ausstehenden Gesamtnennbetrag der Schuldverschreibungen zum Zeitpunkt des Eintritts des jeweiligen Auslöseereignisses beschränkt.

The sum of the write-downs to be effected with respect to the Notes shall be limited to the outstanding aggregate principal amount of the Notes at the time of occurrence of the relevant Trigger Event.

Im Falle des Eintritts eines Auslöseereignisses wird die Emittentin:

Upon the occurrence of a Trigger Event, the Issuer shall:

(aa) unverzüglich die für sie zuständige Aufsichtsbehörde sowie gemäß § 11 die Gläubiger der Schuldverschreibungen von dem Eintritt dieses

(aa) inform the competent supervisory authority of the Issuer and, in accordance with § 11, the Holders of the Notes without undue delay about the

Auslöseereignisses sowie des Umstandes, dass eine Herabschreibung vorzunehmen ist, unterrichten, und

(bb) unverzüglich, spätestens jedoch innerhalb eines Monats (soweit die für sie zuständige Aufsichtsbehörde diese Frist nicht verkürzt) die vorzunehmende Herabschreibung feststellen und den Betrag der Herabschreibung sowie den Zeitpunkt der Feststellung der Herabschreibung (i) der zuständigen Aufsichtsbehörde, (ii) den Gläubigern der Schuldverschreibungen gemäß § 11, (iii) der Berechnungsstelle und der Zahlstelle sowie (iv) jeder Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, mitteilen.

Die Herabschreibung tritt im Zeitpunkt der Feststellung der vorzunehmenden Herabschreibung und unabhängig von der Abgabe einer Mitteilung nach (bb)(ii) ein und der jeweilige Nennbetrag der Schuldverschreibungen (einschließlich Rückzahlungsbetrag) nach Maßgabe der festgelegten Stückelung gilt als zu diesem Zeitpunkt um diesen Betrag reduziert. Eine nicht erfolgte Mitteilung ist unverzüglich nachzuholen.

Eine solche Herabschreibung stellt keine Pflichtverletzung der Emittentin unter diesen Anleihebedingungen dar.

(b) Nach der Vornahme einer Herabschreibung können der Nennbetrag sowie der Rückzahlungsbetrag jeder Schuldverschreibung in jedem der Reduzierung nachfolgenden Geschäftsjahre der Emittentin bis zur vollständigen Höhe des ursprünglichen Nennbetrags (soweit nicht zuvor zurückgezahlt oder angekauft und entwertet) nach Maßgabe der folgenden Regelungen dieses § 5 (8) (b) wieder hochgeschrieben werden, soweit ein entsprechender Jahresüberschuss zur Verfügung steht und mithin hierdurch kein Jahresfehlbetrag entsteht oder erhöht würde. Ein solcher Jahresüberschuss ist bezogen auf den Jahresabschluss der Emittentin zu ermitteln oder

occurrence of such Trigger Event and the fact that a write-down will have to be effected, and

(bb) determine the write-down to be effected without undue delay, but not later than within one month (unless the competent supervisory authority of the Issuer shortens such period), and notify the amount and the date on which such write-down was determined (i) to the competent supervisory authority, (ii) to the Holders of the Notes in accordance with § 11, (iii) to the Calculation Agent and the Paying Agent and (iv), if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange.

The write-down becomes effective upon the determination of the write-down to be effected irrespective of whether the notice pursuant to (bb)(ii) is given and the principal amount of each Note (including the Redemption Amount) in the Specified Denomination shall be deemed to be reduced at such time by the amount of such write-down. A notice which has not been given shall be given without undue delay.

Such write-down will not constitute a default of the Issuer under these terms and conditions.

(b) After a write-down has been effected, the principal amount and the Redemption Amount of each Note, unless previously redeemed or repurchased and cancelled, may be written up in accordance with the following provisions of § 5 (8) (b) in each of the financial years of the Issuer subsequent to such write-down until the full initial principal amount has been reached, to the extent that a corresponding annual profit (*Jahresüberschuss*) is recorded and the write-up will not give rise to or increase an annual net loss (*Jahresfehlbetrag*). Such annual net income shall be determined on the basis of the unconsolidated annual financial statements (*Jahresabschluss*) of the Issuer or on the basis of the

bezogen auf den Konzernabschluss der Emittentin zu ermitteln, wenn dieser niedriger ist als der im Jahresabschluss der Emittentin ausgewiesene Jahresüberschuss.

consolidated financial statements of the Issuer if it is lower than the annual net income recorded in the annual financial statements of the Issuer.

Die Hochschreibung erfolgt gleichrangig mit der Hochschreibung anderer Instrumente des zusätzlichen Kernkapitals, es sei denn die Emittentin verstieße mit einem solchen Vorgehen gegen bereits übernommene vertragliche bzw. gesetzliche oder aufsichtsrechtliche Verpflichtungen.

The write-up shall be effected *pari passu* with write-ups of other Additional Tier 1 Instruments, unless this would cause the Issuer to be in breach with any contractual obligations that have been assumed by the Issuer or with any statutory or regulatory obligations.

Die Vornahme einer Hochschreibung steht vorbehaltlich der nachfolgenden Vorgaben (i) bis (v) im Ermessen der Emittentin. Insbesondere kann die Emittentin auch dann ganz oder teilweise von einer Hochschreibung absehen, wenn ein entsprechender Jahresüberschuss zur Verfügung steht und die Vorgaben (i) bis (v) erfüllt wären.

Subject to the conditions (i) to (v) below, it shall be at the discretion of the Issuer to effect a write-up. In particular, the Issuer may effect a write-up only in part or effect no write-up at all even if a corresponding annual profit (*Jahresüberschuss*) is recorded and the conditions (i) to (v) are fulfilled.

(i) Soweit der festgestellte bzw. festzustellende Jahresüberschuss für die Hochschreibung der Schuldverschreibungen (mithin jeweils von Nennbetrag und Rückzahlungsbetrag) und anderer, mit einem vergleichbaren Auslöseereignisses (ggf. mit einer abweichenden harten Kernkapitalquote als Auslöser) ausgestatteter Instrumente des zusätzlichen Kernkapitals (insgesamt – einschließlich der Schuldverschreibungen – die ***AT1 Instrumente***) verwendet werden soll und nach Maßgabe von (ii) und (iii) zur Verfügung steht, erfolgt die Hochschreibung *pro rata* nach Maßgabe der ursprünglichen Nennbeträge der Instrumente.

(i) To the extent that the annual profit determined or to be determined is to be used for a write-up of the Notes (i.e. a write-up of the principal amount and of the Redemption Amount) and of other Additional Tier 1 Instruments, the terms of which provide for a similar Trigger Event (also if such terms provide for a different common equity tier 1 capital ratio as trigger) (together with the Notes the ***AT1 Instruments***), and is available in accordance with (ii) and (iii) below, such write-up shall be effected *pro rata* in proportion to the initial principal amounts of the instruments.

(ii) Der Höchstbetrag, der insgesamt für die Hochschreibung der Schuldverschreibungen und anderer, herabgeschriebener AT1 Instrumente sowie die Zahlung von Zinsen und anderen Ausschüttungen auf herabgeschriebene AT1 Instrumente verwendet werden kann, errechnet sich nach den jeweils geltenden gesetzlichen Anforderungen und technischen Regulierungsstandards im Zeitpunkt der Vornahme der Hochschreibung. Zum Zeitpunkt der Begebung der Schuldverschreibungen gilt für die Berechnung nach Art. 21 der Delegierten Verordnung (EU)

(ii) The maximum total amount that may be used for a write-up of the Notes and of other AT1 Instruments that have been written down and for the payment of interest and other Distributions on AT1 Instruments that have been written down shall be calculated in accordance with the statutory requirements and regulatory technical standards applicable at the time when the write-up is effected. At the time of issuance of the Notes, pursuant to Art. 21 of Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 the following

Nr. 241/2014 der Kommission vom 7. Januar 2014 folgende Formel:

H = **J** x **S**/**T1**

H bezeichnet den für die Hochschreibung der AT1 Instrumente und Ausschüttungen auf herabgeschriebene AT1 Instrumente zur Verfügung stehenden Höchstbetrag;

J bezeichnet den festgestellten bzw. festzustellenden Jahresüberschuss des Vorjahres aus dem nicht konsolidierten Jahresabschluss der Emittentin oder, falls niedriger, aus dem konsolidierten Jahresabschluss der Emittentin;

S bezeichnet die Summe der ursprünglichen Nennbeträge der AT1 Instrumente, die herabgeschrieben wurden (d.h. vor Vornahme von Herabschreibungen infolge eines Auslöseereignisses oder eines vergleichbaren Ereignisses);

T1 bezeichnet den Betrag des Kernkapitals der Emittentin unmittelbar vor Vornahme der Hochschreibung.

Die Bestimmung des Höchstbetrags **H** hat sich jeweils nach den geltenden gesetzlichen Anforderungen und technischen Regulierungsstandards zu richten. Der Höchstbetrag **H** ist von der Emittentin jeweils im Einklang mit den zum Zeitpunkt der Bestimmung geltenden Anforderungen zu bestimmen und der so bestimmte Betrag der Hochschreibung zugrunde zu legen, ohne dass es einer Änderung dieses Absatzes (ii) bedürfte.

(iii) Insgesamt darf die Summe der Beträge der Hochschreibungen auf AT1 Instrumente zusammen mit etwaigen Dividenden und anderen Ausschüttungen in Bezug auf Anteile am Stammkapital und andere Instrumente des harten Kernkapitals der Emittentin (einschließlich der Zinszahlungen und anderen Ausschüttungen auf herabgeschriebene AT1 Instrumente) in Bezug auf das betreffende Geschäftsjahr den in Artikel 141 Absatz 2 CRD IV bzw. einer Nachfolgeregelung

formula applies:

H = **J** x **S**/**T1**

H means the maximum amount available for the write-up of the AT1 Instruments and Distributions on AT1 Instruments that have been written down;

J means the annual profit determined or to be determined for the previous year on the basis of the unconsolidated annual financial statements of the Issuer or, if lower, the consolidated annual financial statements of the Issuer;

S means the sum of the initial principal amounts of the AT1 Instruments which have been written down (i.e. before write-downs due to a Trigger Event or other comparable event are effected);

T1 means the amount of the Tier 1 capital of the Issuer immediately before the write-up is effected.

The maximum amount **H** shall be determined in accordance with the statutory requirements and regulatory technical standards as applicable from time to time. The maximum amount **H** shall be determined by the Issuer in accordance with the requirements applicable at the time of determination, and the write-up shall be based on the amount so determined without requiring any amendment to this subparagraph (ii).

(iii) In total, the sum of the amounts of the write-ups of AT1 Instruments together with the amounts of any dividend payments and other Distributions on participations in the capital stock and other Common Equity Tier 1 instruments of the Issuer (including payment of interests and other Distributions on AT1 Instruments that have been written down) for the relevant financial year must not exceed the maximum distributable amount within the meaning of Article 141 (2) CRD IV or any successor

bezeichneten ausschüttungsfähigen Höchstbetrag (*Maximum Distributable Amount* oder *MDA*), wie in das nationale Recht umgesetzt, zum Zeitpunkt der Begebung der Schuldverschreibungen insbesondere in § 10i KWG in Verbindung mit § 37 Solvabilitätsverordnung, nicht überschreiten.

provision (*Maximum Distributable Amount* or *MDA*) as transposed into national law, at the time of the issuance of the Notes in particular in § 10i KWG in conjunction with § 37 of the German Solvency Ordinance.

(iv) Hochschreibungen der Schuldverschreibungen gehen Dividenden und anderen Ausschüttungen in Bezug auf Anteile am Stammkapital und andere Instrumente des harten Kernkapitals der Emittentin nicht vor, d.h. diese können auch dann vorgenommen werden, solange keine vollständige Hochschreibung erfolgt ist.

(iv) Write-ups of the Notes do not have priority over dividend payments and other Distributions on participations in the capital stock and other Common Equity Tier 1 instruments of the Issuer, i.e. such payments and Distributions are permitted even if no full write-up has been effected.

(v) Zum Zeitpunkt einer Hochschreibung darf kein Auslöseereignis fortbestehen. Eine Hochschreibung ist zudem ausgeschlossen, soweit diese zu dem Eintritt eines Auslöseereignisses führen würde.

(v) At the time of a write-up, there must not exist any Trigger Event that is continuing. A write-up is also excluded if such write-up would give rise to the occurrence of a Trigger Event.

Wenn sich die Emittentin für die Vornahme einer Hochschreibung nach den Bestimmungen dieses § 5 (8) (b) entscheidet, wird sie unverzüglich gemäß § 11 die Gläubiger der Schuldverschreibungen, die Berechnungsstelle, die Zahlstelle sowie jede Börse, an der die betreffenden Schuldverschreibungen auf Veranlassung der Emittentin zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, von der Vornahme der Hochschreibung (einschließlich des Hochschreibungsbetrags als Prozentsatz des ursprünglichen Nennbetrags der Schuldverschreibungen und des Tags, an dem die Hochschreibung bewirkt werden soll (jeweils ein ***Hochschreibungstag***)) unterrichten. Die Hochschreibung gilt als bei Abgabe der Mitteilung an die Gläubiger gemäß § 11 vorgenommen und der jeweilige Nennbetrag der Schuldverschreibungen (einschließlich Rückzahlungsbetrag) nach Maßgabe der festgelegten Stückelung um den in der Mitteilung angegebenen Betrag zum Zeitpunkt des Hochschreibungstags erhöht.

If the Issuer elects to effect a write-up in accordance with the provisions of this § 5 (8) (b), it shall notify the write-up (including the amount of the write-up as a percentage of the initial principal amount of the Notes and the effective date of the write-up (in each case a ***Write-up Date***)) without undue delay to the Holders of the Notes in accordance with § 11, to the Calculation Agent, to the Paying Agent and, if required by the rules of any stock exchange on which the Notes are listed from time to time at the request of the Issuer, to such stock exchange. The write-up shall be deemed to be effected at the time when the notice to the Holders is given in accordance with § 11 and the principal amount of each Note in the Specified Denomination (including the Redemption Amount) shall be deemed to be increased by the amount specified in the notice with effect as of the Write-up Date.

(c) *Fremdwährungen*. Sofern Beträge für ein Instrument (einschließlich dieser

(c) *Other Currencies*. If any amounts with respect to any instrument (including the Notes) are not

Schuldverschreibungen) nicht in der funktionalen Währung der Emittentin ausgedrückt sind, erfolgt im Rahmen der Anwendung dieses § 5 (8) eine Umrechnung in diese funktionale Währung zu dem zum jeweiligen Berechnungszeitpunkt geltenden vorherrschenden und durch die Emittentin nach billigem Ermessen festgestellten Wechselkurs oder gemäß einem anderen Verfahren, das in den jeweiligen Eigenkapitalvorschriften vorgesehen ist.

expressed in the functional currency of the Issuer, for the application of this § 5 (8) such amounts will be converted into such functional currency at the exchange rate prevailing at the relevant time of calculation, as determined by the Issuer in its reasonable discretion, or such other procedure as provided by applicable capital regulations.

§ 6
Die Zahlstelle und die Berechnungsstelle

(1) *Bestellung; bezeichnete Geschäftsstelle*. Die anfänglich bestellte Zahlstelle und deren anfänglich bezeichnete Geschäftsstelle lautet wie folgt:

Zahlstelle: Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
Vereinigtes Königreich

Die Berechnungsstelle und ihre anfänglich bezeichnete Geschäftsstelle lautet wie folgt:

Berechnungsstelle: Deutsche Pfandbriefbank AG
Freisinger Str. 5
85716 Unterschleißheim
Deutschland

(2) *Änderung der Bestellung oder Abberufung*. Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden oder zusätzliche oder andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt eine Zahlstelle unterhalten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 11 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Kalendertagen informiert wurden.

§ 6
Paying Agent and Calculation Agent

(1) *Appointment; Specified Office*. The initial Paying Agent and its initial specified office shall be:

Paying Agent: Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

The Calculation Agent and its initial specified office shall be:

Calculation Agent: Deutsche Pfandbriefbank AG
Freisinger Str. 5
85716 Unterschleißheim
Germany

(2) *Variation or Termination of Appointment*. The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent or to appoint additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain a Paying Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 calendar days' prior notice thereof shall have been given to the Holders in accordance with § 11.

(3) *Beauftragte der Emittentin*. Die Zahlstelle und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern, und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

(3) *Agents of the Issuer*. The Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7
Steuern

(1) *Quellensteuern und Zusätzliche Beträge.* Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland oder von den Vereinigten Staaten auferlegt oder erhoben werden, es sei denn, dieser Einbehalt oder Abzug ist gesetzlich oder durch einen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten abgeschlossenen Vertrag vorgeschrieben. Soweit ein solcher Einbehalt oder Abzug im Hinblick auf die Zahlung von Zinsen auf die Schuldverschreibungen zu erfolgen hat und vorbehaltlich § 3 (8)(b) und soweit dies nicht die Ausschüttungsfähigen Posten übersteigen würde, wird die Emittentin diejenigen zusätzlichen Beträge (die ***zusätzlichen Beträge***) zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlichen Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

(a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von

§ 7
Taxation

(1) *Withholding Taxes and Additional Amounts.* All amounts payable in respect of the Notes shall be paid without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or in or for the account of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax or by the United States unless such withholding or deduction is required by law or by an agreement between the Federal Republic of Germany and the United States. To the extent such withholding or deduction is required to be made from interest payments in respect of the Notes and subject to § 3 (8)(b) and to the extent this would not exceed Available Distributable Items, the Issuer shall pay such additional amounts (***Additional Amounts***) as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction, shall equal the respective amounts which would otherwise have been receivable by the Holders in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from

ihr zu leistenden Zahlungen einen Abzug oder Einbehalt vornimmt; oder

payments made by it; or

(b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder

(b) are payable by reason of the Holder having, or having had, some personal or business connection with Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, Germany; or

(c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Europäische Union und/oder Deutschland beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the European Union and/or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(d) von einer Zahlstelle einbehalten oder abgezogen werden, wenn die Zahlung von einer anderen Zahlstelle ohne den Einbehalt oder Abzug hätte vorgenommen werden können; oder

(d) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or

(e) wegen einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zu zahlen sind, welche später als 30 Kalendertage nach Fälligkeit der betreffenden Zahlung oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 11 wirksam wird; oder

(e) are payable by reason of a change in a law or administrative practice that becomes effective more than 30 calendar days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 11, whichever occurs later; or

(f) durch die Erfüllung von gesetzlichen Anforderungen oder durch die Vorlage einer Nichtansässigkeitserklärung oder durch die sonstige Geltendmachung eines Anspruchs auf Befreiung gegenüber der betreffenden Steuerbehörde vermeidbar sind oder gewesen wären; oder

(f) are avoidable or would have been avoidable through fulfilment of statutory requirements or through the submission of a declaration of non-residence or by otherwise enforcing a claim for exemption vis à vis the relevant tax authority; or

(g) abgezogen oder einbehalten werden, weil der wirtschaftliche Eigentümer der Schuldverschreibungen nicht selbst rechtlicher Eigentümer (Gläubiger) der Schuldverschreibungen ist und der Abzug oder Einbehalt bei Zahlungen an den

(g) are deducted or withheld because the beneficial owner of the Notes is not himself the legal owner (Holder) of the Notes and the deduction or withholding in respect of payments to the beneficial owner would not have been made or the payment of

wirtschaftlichen Eigentümer nicht erfolgt wäre oder eine Zahlung zusätzlicher Beträge bei einer Zahlung an den wirtschaftlichen Eigentümer nach Maßgabe der vorstehenden Regelungen hätte vermieden werden können, wenn dieser zugleich rechtlicher Eigentümer (Gläubiger) der Schuldverschreibungen gewesen wäre; oder

Additional Amounts in respect of a payment to the beneficial owner in accordance with the above provisions could have been avoided if the latter had also been the legal owner (Holder) of the Notes; or

(h) gemäß Abschnitt 1471 bis 1474 des U.S. Internal Revenue Code von 1986 in der jeweils geänderten Fassung oder aufgrund eines zwischen der Emittentin bzw. dem Land, in dem die Emittentin ihren Sitz hat und den Vereinigten Staaten oder der US-amerikanischen Finanzverwaltung abgeschlossenen Vertrages, erhoben wurden.

(h) are levied pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 as amended or pursuant to an agreement entered into between the Issuer or, as the case may be, the the country, where the Issuer's registered office is located and the United States.

§ 8
Vorlegungsfrist

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 8
Presentation Period

The presentation period provided in § 801 (1) sentence 1 of the German Civil Code (*BGB*) is reduced to ten years for the Notes.

§ 9
Änderung der Anleihebedingungen, Gemeinsamer Vertreter

(1) *Änderung der Anleihebedingungen.* Die Gläubiger können vorbehaltlich der Einhaltung der aufsichtsrechtlichen Voraussetzungen für die Anerkennung der Schuldverschreibungen als zusätzliches Kernkapital entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – ***SchVG***) durch einen Beschluss mit der in § 9 (2) bestimmten Mehrheit über einen im SchVG zugelassenen Gegenstand eine Änderung der Anleihebedingungen mit der Emittentin vereinbaren und über eine Zustimmung gemäß § 5 (6) entscheiden. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn, die benachteiligten Gläubiger stimmen ihrer

§ 9
Amendments to the Terms and Conditions of the Notes, Holders' Representative

(1) *Amendments to the terms and conditions of the Notes*. In accordance with the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – ***SchVG***), the Holders may, subject to compliance with the requirements of regulatory law for the recognition of the Notes as Additional Tier 1 capital, agree with the Issuer on amendments to the terms and conditions of the Notes with regard to matters permitted by the SchVG and agree on a consent pursuant to § 5 (6) by resolution with the majority specified in § 9 (2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse.* Die Gläubiger entscheiden mit einer Mehrheit von 75% der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand des § 5 Absatz 3, Nr. 1 bis Nr. 9 SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(2) *Majority.* Resolutions shall be passed by a majority of not less than 75% of the votes cast. Resolutions relating to amendments to the terms and conditions of the Notes which are not material and which do not relate to the matters listed in § 5 (3) nos. 1 to 9 SchVG require a simple majority of the votes cast.

(3) *Beschlussfassung.* Alle Beschlüsse können in einer Gläubigerversammlung oder im Wege der Abstimmung ohne Versammlung gefasst werden.

(3) *Resolutions*. All resolutions may be passed in a meeting of Holders or by vote taken without a meeting.

(4) *Gläubigerversammlung*. Falls Beschlüsse der Gläubiger in einer Gläubigerversammlung gefasst werden, enthält die Bekanntmachung der Einberufung nähere Angaben zu den Beschlüssen und zu den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Bekanntmachung der Einberufung bekannt gemacht. Die Teilnahme an der Gläubigerversammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der Gläubigerversammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 12 (3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Gläubigerversammlung (einschließlich) nicht übertragbar sind, nachweisen.

(4) *Holders' meeting.* If resolutions of the Holders shall be made by means of a meeting the convening notice will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the convening notice. Attendance at the meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 12 (3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) *Abstimmung ohne Versammlung*. Falls Beschlüsse der Gläubiger im Wege einer Abstimmung ohne Versammlung gefasst werden, enthält die Aufforderung zur Stimmabgabe nähere Angaben zu den Beschlüssen und zu den

(5) *Vote without a meeting.* If resolutions of the Holders shall be made by means of a vote without a meeting the request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as

Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 12 (3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum letzten Tag des Abstimmungszeitraums (einschließlich) nicht übertragbar sind, nachweisen.

well as the proposed resolutions shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 12 (3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

(6) *Zweite Versammlung.* Wird für die Gläubigerversammlung gemäß § 9 (4) oder die Abstimmung ohne Versammlung gemäß § 9 (5) die mangelnde Beschlussfähigkeit festgestellt, kann – im Fall der Gläubigerversammlung – der Vorsitzende eine zweite Versammlung im Sinne von § 15 Absatz 3 Satz 2 SchVG und – im Fall der Abstimmung ohne Versammlung – der Abstimmungsleiter eine zweite Versammlung im Sinne von § 15 Absatz 3 Satz 3 SchVG einberufen. Die Teilnahme an der zweiten Versammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Versammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis einer Depotbank gemäß § 12 (3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht

(6) *Second meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 9 (4) or the vote without a meeting pursuant to § 9 (5), in case of a meeting the chairman may convene a second meeting in accordance with § 15 paragraph 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer may convene a second meeting within the meaning of § 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of a Custodian in accordance with § 12 (3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

übertragbar sind, nachweisen.

(7) *Gemeinsamer Vertreter*. Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter für alle Gläubiger bestellen.

Der gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Er hat die Weisungen der Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn, der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der gemeinsame Vertreter den Gläubigern zu berichten. Für die Abberufung und die sonstigen Rechte und Pflichten des gemeinsamen Vertreters gelten die Vorschriften des SchVG.

(7) *Holders' Representative.* The Holders may by majority resolution appoint a common representative to exercise the Holders' rights on behalf of each Holder.

The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.

§ 10
Begebung weiterer Schuldverschreibungen, Ankauf und Entwertung

(1) *Begebung weiterer Schuldverschreibungen*. Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabekurses) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf*. Die Emittentin ist mit vorheriger Zustimmung der für die Emittentin zuständigen Aufsichtsbehörde (i) bei Vorliegen der Bedingungen des Artikels 29 der Delegierten Verordnung (EU) Nr. 241/2014 der Kommission vom 7. Januar 2014 (oder einer Nachfolgebestimmung) oder (ii) nach dem fünften Jahrestag des Begebungstags berechtigt, Schuldverschreibungen im regulierten Markt oder anderweitig zu jedem beliebigen Kurs zu kaufen. Die von der Emittentin erworbenen

§ 10
Further Issues, Purchases and Cancellation

(1) *Further Issues*. The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases*. The Issuer may, subject to the prior permission of the competent supervisory authority of the Issuer, (i) where the conditions set out in Article 29 of Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 (or any successor provision) are met or (ii) after the fifth anniversary of the issue date, purchase Notes in a regulated market or otherwise at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung eingereicht werden.

(3) *Entwertung*. Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 11
Mitteilungen

(1) *Bekanntmachungen*. Alle die Schuldverschreibungen betreffenden Mitteilungen, außer den in § 9 vorgesehenen Bekanntmachungen, die ausschließlich gemäß den Bestimmungen des SchVG erfolgen, sind im Bundesanzeiger zu veröffentlichen. Jede derartige Mitteilung gilt am dritten Kalendertag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am dritten Kalendertag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Zusätzliche Bekanntmachungen.* Zusätzlich erfolgen alle die Schuldverschreibungen betreffenden Mitteilungen durch elektronische Publikation auf der Website der Luxemburger Börse (*www.bourse.lu*). Solange Schuldverschreibungen in der offiziellen Liste der Luxemburger Börse notiert sind, findet dieser Absatz (2) Anwendung. Soweit die Mitteilung den Zinssatz betrifft oder die Regeln der Luxemburger Börse dies sonst zulassen, kann die Emittentin eine Veröffentlichung nach diesem Absatz (2) durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Kalendertag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 11
Notices

(1) *Publication*. All notices concerning the Notes, other than any notices stipulated in § 9 which shall be made exclusively pursuant to the provisions of the SchVG, shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).

(2) *Additional Publication*. In addition, all notices concerning the Notes will be made by means of electronic publication on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, this subparagraph (2) shall apply. In the case of notices regarding the Rate of Interest or, if the rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders in lieu of publication as set forth in this subparagraph (2); any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the day on which the said notice was given to the Clearing System.

§ 12
Anwendbares Recht und Gerichtsstand

(1) *Anwendbares Recht*. Form und Inhalt der Schuldverschreibungen sowie die Rechte und

§ 12
Applicable Law and Place of Jurisdiction

(1) *Applicable Law*. The Notes, as to form and content, and all rights and obligations of the Holders

Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

and the Issuer shall be governed by German law.

(2) *Gerichtsstand*. Vorbehaltlich eines zwingenden Gerichtsstandes für besondere Rechtsstreitigkeiten im Zusammenhang mit dem SchVG, ist das Landgericht München I, Bundesrepublik Deutschland nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren (***Rechtsstreitigkeiten***).

(2) *Place of Jurisdiction*. Subject to any mandatory jurisdiction for specific proceedings under the SchVG, the regional court (*Landgericht*) Munich I, Federal Republic of Germany, shall have non-exclusive jurisdiction for any action or other legal proceedings (***Proceedings***) arising out of or in connection with the Notes.

(3) *Gerichtliche Geltendmachung*. Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) indem er eine Bescheinigung der Depotbank (wie nachfolgend definiert) beibringt, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) indem er eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vorlegt, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet ***Depotbank*** jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft

(3) *Enforcement*. Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian (as defined below) with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing such Notes certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing such Notes. For purposes of the foregoing, ***Custodian*** means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder of Notes may, without prejudice to the foregoing, protect or enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.

zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 13
Sprache

Diese Anleihebedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

§ 13
Language

These terms and conditions of the Notes are written in the German language. An English language translation is provided for. The German text shall be controlling and binding. The English language translation is provided for convenience only.

5. INTEREST PAYMENTS AND AVAILABLE DISTRIBUTABLE ITEMS OF THE ISSUER; POTENTIAL WRITE-DOWN AND COMMON EQUITY TIER 1 CAPITAL RATIO OF THE ISSUER; REGULATORY CAPITAL STRUCTURE OF THE ISSUER AND PBB GROUP

5.1 Interest Payments and Available Distributable Items of the Issuer

Pursuant to the terms and conditions of the Notes, Interest Payments in respect of the Notes are entirely discretionary (i.e. Interest Payments will not accrue if the Issuer has elected, at its sole discretion, to cancel payment of interest (non-cumulative), in whole or in part, on any Interest Payment Date) and subject to the fulfilment of certain conditions.

In particular, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date if and to the extent that the competent supervisory authority orders that all or part of the relevant payment of interest be cancelled or another prohibition of Distributions is imposed by law or an authority. In this context, investors are advised to read "*1. Risk Factors – 1.3 Risk factors relating to the Notes – 1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.*" as well as the information contained below under "*— 5.2 Potential Write-down and Common Equity Tier 1 Capital Ratio of the Issuer*".

Further, pursuant to § 3 (8)(b)(i) of the terms and conditions of the Notes, Interest Payments will not accrue, in whole or in part, on any Interest Payment Date

> *"to the extent that such payment of interest together with any additional Distributions (as defined in § 3 (9)) that are simultaneously planned or made or that have been made by the Issuer on the other Tier 1 Instruments (as defined in § 3 (9)) as well as potential write-ups in the then current financial year of the Issuer would exceed the Available Distributable Items (as defined in § 3 (9)), provided that, for such purpose, the Available Distributable Items shall be increased by an amount equal to what has been accounted for as deduction for Distributions on Tier 1 Instruments (including payments of interest on the Notes) in the calculation of the profit (Gewinn) on which the Available Distributable Items are based".*

In order to determine whether the Issuer will be permitted, pursuant to the preceding sentence, to make an Interest Payment on the Notes on any Interest Payment Date, the Issuer will first determine the Available Distributable Items in accordance with the terms and conditions of the Notes by determining:

- the profit (*Gewinn*)[5] as of the end of the financial year of the Issuer immediately preceding the relevant Interest Payment Date on the basis of the relevant unconsolidated financial statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date for which audited annual financial statements are available
- plus, as applicable, any profits brought forward (*vorgetragene Gewinne*)[6] and distributable reserves (*ausschüttungsfähige Rücklagen*) on the basis of the unconsolidated financial statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date for which audited annual financial statements are available
- minus, as applicable, any losses carried forward and any profits which are non-distributable pursuant to applicable law or the Articles of Association of the Issuer and any amounts allocated to the non-distributable reserves, each as determined on the basis of the unconsolidated financial

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[5] The term "profit (*Gewinn*)" is being used in the CRR and has therefore also been used in the terms and conditions of the Notes. The corresponding line item from the Issuer's unconsolidated financial statements is "net income (*Jahresüberschuss*)".

[6] The term "profits brought forward *(vorgetragene Gewinne)"* is being used in the CRR and has therefore also been used in the terms and conditions of the Notes. The corresponding line item from the Issuer's unconsolidated financial statements is "earnings brought forward (*Gewinnvortrag aus dem Vorjahr*)".

statements of the Issuer for the financial year of the Issuer immediately preceding the relevant Interest Payment Date for which audited annual financial statements are available.

The table below sets forth, for the fiscal years ended 31 December 2017 and 2016, the items derived from the Issuer's audited unconsolidated financial statements for the fiscal years 2017 and 2016 (unless marked with an *; figures marked with an * are unaudited figures for information purposes only) that affect the calculation of the Issuer's Available Distributable Items. Investors should be aware that the figures set out in the following table cannot be used as an indication for the future development of the Available Distributable Items of the Issuer.

	Fiscal Year ended 31 December 2017	Fiscal Year ended 31 December 2016
	in EUR million	
Distributable Profit (*Bilanzgewinn*)	144	141
Net income (*Jahresüberschuss*)	237	252
Profit carried forward from the previous year (*Gewinnvortrag aus dem Vorjahr*)	141	58
Dividend distribution for prior year (*Ausschüttung für das Vorjahr*)	-141	-58
Attribution to retained earnings (*Einstellung in Gewinnrücklagen des Berichtsjahres*)	-97	-97
Attribution to profit participation rights (*Umbuchungen Genüsse*)	4	-14
other retained earnings excl. legal non-accessible reserve funds (*andere Gewinnrücklagen ohne gesetzliche Rücklage*)	434	341
other retained earnings after attribution from net income (*andere Gewinnrücklagen nach Dotierung*)	460	363
./. Legal non accessible reserve funds acc. to section 253 (6) German Commercial Code (*Ausschüttungsgesperrte Beträge gemäß HGB § 253 Abs. 6*)	-26	-22
= available capital reserve funds according to § 272 (2), no. 4 of German Commercial Code (*freie Kapitalrücklage nach HGB § 272 Abs. 2 Nr. 4*)	1.613	1.613
= Available Distributable Items*	2.191	2.095
Increased by aggregated amount of interest expenses relating to distributions on Tier 1 instruments (*Erhöhung um Ausschüttungen für Tier 1 Instrumente*)*	9	21
= Amount referred to in § 3 (8)(b)(i) of the terms	2.200	2.116

and conditions of the Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments*		
Additional information: Fund for general banking risks accoording to section 340g German Commercial Code (nachrichtlich: Fonds für allgemeine Bankrisiken nach HGB § 340g)	47	47

* Unaudited figures for information purposes only.

After determining the amount of Available Distributable Items, the Issuer will increase such amount by an amount equal to what has been accounted for as deduction for Distributions in respect of Tier 1 Instruments (i.e. capital instruments which, according to CRR, qualify as Common Equity Tier 1 capital or Additional Tier 1 capital, which will include the Notes).

It will then, in a sequential order, count against such sum every gross payment on the other Tier 1 Instruments in order to determine, whether by the time the Issuer intends to make an Interest Payment in respect of the Notes, such Interest Payment is covered by the then remaining amount.

5.2 Potential write-down and Common Equity Tier 1 Capital Ratio of the Issuer

Pursuant to the terms and conditions of the Notes, upon the occurrence of a Trigger Event, the Redemption Amount and the principal amount of the Notes shall be automatically reduced by the amount of the relevant write-down. If and as long as the principal amount of the Notes is below their initial principal amount, any repayment upon redemption of the Notes will be at the reduced principal amount of the Notes and, with effect from the beginning of the interest period in which such write-down occurs, any Interest Payment will be calculated on the basis of the reduced principal amount of the Notes.

A Trigger Event will have occurred if at any time the Common Equity Tier 1 capital ratio determined on (i) a consolidated basis or (ii) a solo basis falls below 7.00 per cent. (the ***Minimum CET1 Ratio***), with a Trigger Event based on the Minimum CET1 Ratio determined on a consolidated basis being applicable at any time, whereas a Trigger Event based on the Minimum CET1 Ratio determined on a solo basis only being applicable for as long as the Issuer is obliged by law or administrative order to determine the Common Equity Tier 1 Capital Ratio on a solo basis.

As of 31 December 2017, the Common Equity Tier 1 Capital Ratio determined on a consolidated basis amounted to 17.7 per cent. (17.6 per cent. fully loaded). The total regulatory capital ratio as of 31 December 2017 on a consolidated basis amounted to 22.3 per cent. (22.2 per cent. fully loaded).

Subject to regulatory changes and restrictions, the pbb Group is targeting a mid-term CET 1 ratio (fully phased-in) of more than 12.5%, a Tier 1 capital ratio (fully phased-in) of more than 16%, a total capital ratio (fully phased-in) of between 16% and 18%, and a leverage ratio (fully phased-in) of more than 3.5%.

According to the CRD IV/CRR-Package, banks are obliged to report their leverage ratio to the competent supervisory authorities and, as of January 2015, disclose it to the public; such ratio may apply from 1 January 2018 in the form of a binding minimum requirement. pbb's leverage ratios as of 31 December 2017 are as follows: For the pbb Group the leverage ratio is 4.6 per cent. on a transitional basis and 4.5 per cent. fully loaded.

The difference between the fully loaded and transitional ratios is due to deductible items which are fully loaded directly deducted from the Issuer's Common Equity Tier 1 capital.

5.3 Regulatory requirements concerning minimum capital

With the approval of the ECB granted in December 2016, the Issuer uses the waiver rule pursuant to Article 7 (3) CRR. The Issuer is thus exempt from determining capital requirements at a single-entity level. Accordingly, in accordance with the CRR, pbb must, at Group level, comply with legally prescribed minimum equity ratios for the supervisory capital ratios Common Equity Tier 1 capital, Tier 1 capital and own funds and have a gradually increasing capital buffer until 2019, whereby the numerator is the relevant equity ratio and the denominator is the relevant total risk exposure amount according to Art. 92 para. 3 CRR. In the fiscal year ended 31 December 2017, the minimum equity ratios pursuant to the CRR were as follows: Common Equity Tier 1 capital 4.5 per cent., Tier 1 capital 6.0 per cent. and own funds 8.0 per cent.

In addition to these statutory minimum equity ratios, the European Central Bank (ECB) as the supervisory authority responsible for pbb at Group level, required that for the period from 1 January 2017 to 31 December 2017 an individual minimum equity ratio of 9.00 per cent. be maintained in respect of Common Equity Tier 1 in accordance with the CRR methodology, taking into account the transitional provisions. This capital requirement is based on the transitional rules under German law and comprises a Pillar 1 minimum capital requirement (4.50 per cent.), a Pillar 2 capital requirement (3.25 per cent.) and the capital conservation buffer (1.25 per cent. phase-in for 2017). The minimum, fully phased-in CET1 ratio (valid from 2019 onwards, following expiration of transitional provisions) will be 10.25 per cent., assuming a constant Pillar 2 capital requirement and excluding the countercyclical capital buffer. The CET1 minimum capital requirement that applies for 2017 also represents the threshold for mandatory calculation of a so-called maximum distributable amount (MDA), which is the basis for distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional Tier 1 capital and may thus limit such distributions and interest payments. Under the newly-introduced own funds requirement, introduced with effect from 1 January 2017, pbb Group has been required to maintain an own funds ratio of 12.50 per cent. (excluding the countercyclical capital buffer). It is based on the transitional rules under German law and comprises a Pillar 1 minimum own funds requirement (8.00 per cent.), a Pillar 2 capital requirement (3.25 per cent.) and the capital conservation buffer (1.25 per cent. phase-in for 2017).

From 1 January 2018 on the Issuer (on a consolidated basis) is required to maintain a Common Equity Tier 1 capital ratio of 9.125 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20 per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)). This requirement comprises: (i) a Pillar 1 minimum requirement pursuant to the CRR for Common Equity Tier 1 capital of 4.50 per cent. of risk-weighted assets; (ii) a Pillar 2 requirement for Common Equity Tier 1 capital of 2.75 per cent. of risk-weighted assets; and (iii) a capital conservation buffer of Common Equity Tier 1 capital of 1.875 per cent. of risk-weighted assets for 2018. Those capital ratios are calculated in accordance with own funds provisions as applicable from time to time and taking into account any applicable transitional provision (i.e. on a "phase-in basis"). Please note that the SREP-requirement is subject to an annual review and amendment, with the result that the CET 1 requirements could be adjusted. The CET1 minimum capital requirement that applies for 2018 also represents the threshold for mandatory calculation of a so-called maximum distributable amount (MDA), which is the basis for distributions to the CET1 capital, new performance-based remuneration, and interest payments on additional Tier 1 capital and may thus limit such distributions and interest payments. Both capital buffers must be covered from Common Equity Tier 1 capital. This results in a total requirement of 12.625 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20 per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)) of own funds at Group level before any of the aforementioned MDA restrictions apply.

From 1 January 2019 on the Issuer is required to maintain an own funds ratio of 13.25 per cent. (including the capital conservation buffer, but excluding the anticipated countercyclical buffer of 0.20 per cent. as of 31 December 2018 (actual 0.11 per cent. as of 31 December 2017)).

As of 31 December 2017, the Liquidity Coverage Ratio (**LCR**) of pbb Group amounted to more than 150 per cent., while the Net Stable Funding Ratio (***NSFR***) amounted to more than 100 per cent.

See "*1. Risk Factors – 1.3 Risk factors relating to the Notes – 1.3.5 Interest Payments may be cancelled for regulatory reasons and thus not be payable.*" and "*1. Risk factors – 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general – 1.2.5 The Issuer is exposed to risks arising from increased regulatory requirements such as additional capital buffers.*"

5.3.1 Regulatory Capital Structure of the pbb Group

The following chart shows the composition of pbb Group's regulatory capital in accordance with Article 25ff. of the CRR as at 31 December 2017:

	Group level
Regulatory Capital (in EUR m)1	3239
Capital instruments and the related share premium accounts	2017
Retained earnings	731
Accumulated other comprehensive income (and other reserves)	-72
Consolidated result from 1 January to 31 December 2017	182
Distribution	-144
Prudential Filters	-32
intangible assets	-36
deferred tax assets to be deducted	-23
expected loss shortfall to be deducted from CET1	-58
Grandfathering on Available-for-sale reserve	4
Common Equity Tier 1 (CET1)2	**2569**
Additional Tier 1 capital3	**0**
Tier 1 capital (T1 = CET1 + AT1)	**2569**
Capital instruments and the related share premium accounts	**969**
amortisation of tier 2 capital instruments according to Article 64 CRR	-294
expected loss shortfall to be deducted from Tier 2 due to Grandfathering	-5
Tier 2 capital (T2)3,4	**670**
Total capital (TC = T1 + T2)	**3239**

[1] Rounding differences may occur.

[2] Consolidated regulatory capital data; calculated in accordance with Art. 26 et seq. of EU-Regulation No. 575/2013 on regulatory requirements for banks and securities firms (CRR).

[3] The instruments Tier 2 capital (T2) are part of the liabilities within the IFRS balance sheet.

[4] Consolidated regulatory capital data; calculated in accordance with Art. 62 et seq. of EU-Regulation No. 575/2013 on regulatory requirements for banks and securities firms (CRR).

6. DESCRIPTION OF DEUTSCHE PFANDBRIEFBANK AG

In June 2009, the Issuer was formed through the merger of DEPFA Deutsche Pfandbriefbank AG (***DEPFA Deutsche Pfandbriefbank***) into Hypo Real Estate Bank Aktiengesellschaft (***Hypo Real Estate Bank***).

6.1 Statutory Auditors

The independent auditors of the Issuer for the fiscal years ended 31 December 2016 and 31 December 2017 were KPMG AG Wirtschaftsprüfungsgesellschaft (***KPMG***), Ganghoferstraße 29, 80339 München, Germany. KPMG is a member of the German certified public accountants association (*Wirtschaftsprüferkammer*).

The consolidated financial statements of the pbb Group for the fiscal year ended 31 December 2017 (the ***Consolidated Financial Statements 2017***) and the management report of pbb and the pbb Group (combined management report – *zusammengefasster Lagebericht*) were audited in accordance with § 317 German Commercial Code (*Handelsgesetzbuch*, the ***HGB***), Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities and repealing Commission Decision 2005/909/EC (***EU Audit Regulation***) and the German generally accepted auditing standards (the ***German GAAS***) by KPMG. KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Consolidated Financial Statements 2017 and the combined management report for the fiscal year ended 31 December 2017.

The consolidated financial statements of the pbb Group for the fiscal year ended 31 December 2016 (the ***Consolidated Financial Statements 2016***) and the group management report (*Konzernlagebericht*) were audited in accordance with § 317 HGB and German GAAS by KPMG. KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Consolidated Financial Statements 2016 and the group management report of the pbb Group for the fiscal year 2016.

The unconsolidated financial statements of Deutsche Pfandbriefbank AG for the fiscal year ended 31 December 2017 (the ***Annual Accounts 2017***) were prepared in accordance with the German generally accepted accounting principles (***German GAAP***) and have been audited in accordance with § 317 HGB and German GAAS by KPMG. KPMG has issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) on the Annual Accounts 2017 for the fiscal year ended 31 December 2017 (and the combined management report which is contained in the Consolidated Financial Statements 2017).

The Consolidated Financial Statements 2017 were prepared in accordance with International Financial Reporting Standards (***IFRS***) as adopted by the EU, the EU Audit Regulation and the additional requirements of German commercial law pursuant to § 315e (1) HGB.

The Consolidated Financial Statements 2016 were prepared in accordance with International Financial Reporting Standards (***IFRS***) as adopted by the EU and the additional requirements of German commercial law pursuant to former § 315a (1) HGB (now § 315e (1) HGB).

6.2 General information relating to the Issuer

The Issuer acts under its legal name "Deutsche Pfandbriefbank AG". Since 2 October 2009, the Issuer has been operating under the commercial name "pbb Deutsche Pfandbriefbank".

The Issuer is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany and is operated under the laws of the Federal Republic of Germany. It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under no. HRB 41054. The Issuer's current Articles of Association (*Satzung*) were approved by resolution of the Shareholders' Meeting

(*Hauptversammlung*) on 10 June 2015 and became effective with registration in the commercial register on 18 June 2015 (the ***Articles of Association***).

The Issuer has its registered office at Freisinger Str. 5, 85716 Unterschleissheim, Germany. Its telephone number is +49 89 2880 0.

The supervisory authorities in charge of pbb are the ECB, Sonnemannstrasse 20, D-60314 Frankfurt am Main, and the BaFin, Graurheindorfer Str. 108, D-53117 Bonn, and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main.

6.3 History

The Issuer has been formed through a series of mergers.

In 2001 Nürnberger Hypothekenbank AG and Süddeutsche Bodencreditbank AG, were merged into Bayerische Handelsbank AG. The merger became effective upon registration in the commercial register of the local court (*Amtsgericht*) of Munich on 3 September 2001 (for accounting purposes with retroactive effect as of 1 January 2001). At this time the legal name of the Issuer was "HVB Real Estate Bank AG". On 30 September 2003, the name was changed to "Hypo Real Estate Bank Aktiengesellschaft". On 3 November 2003, Westfälische Hypothekenbank AG, a former subsidiary of Hypo Real Estate Bank, was merged into Hypo Real Estate Bank (for accounting purposes with retroactive effect as of 1 January 2003).

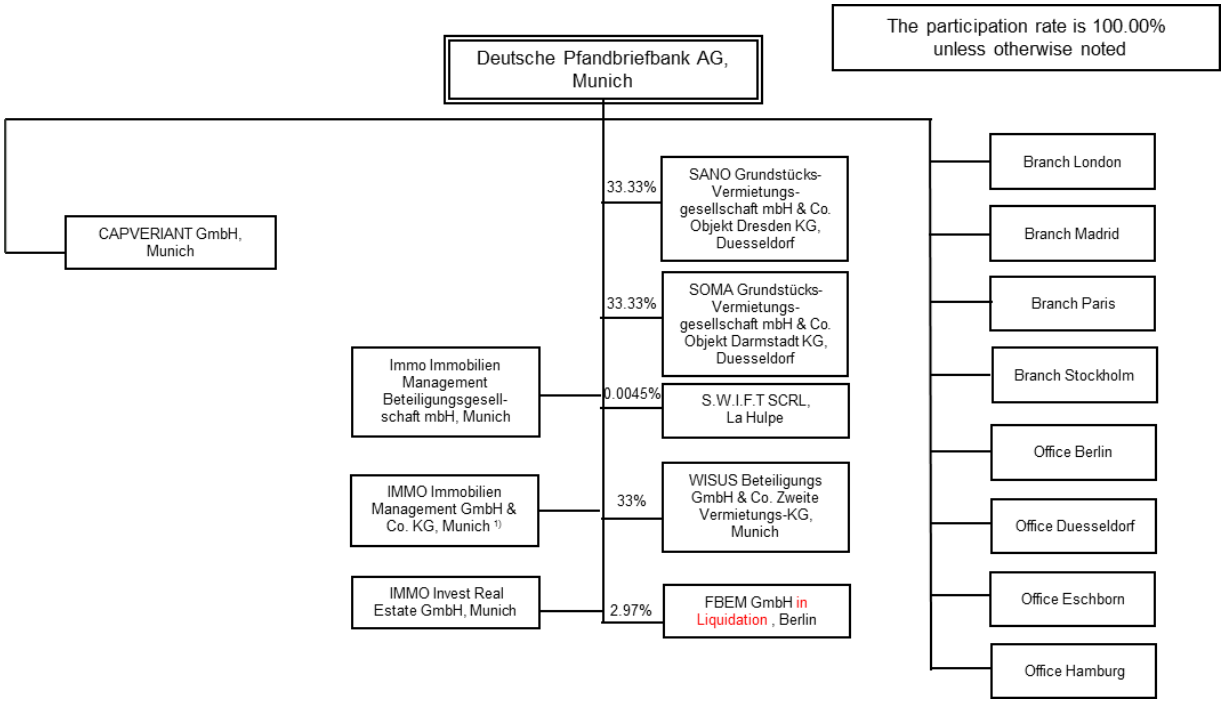
Upon registration in the commercial register of the local court (*Amtsgericht*) of Munich on 27 November 2008, Hypo Real Estate Bank International Aktiengesellschaft ("Hypo Real Estate Bank International"), a former affiliated company, was merged into Hypo Real Estate Bank. For accounting purposes the merger became effective retroactively as of 1 January 2008.

In June 2009, DEPFA Deutsche Pfandbriefbank was merged into Hypo Real Estate Bank. The merger agreement was concluded on 5 June 2009 and the merger became effective upon registration in the commercial register of the local court (*Amtsgericht*) of Munich on 29 June 2009. For accounting purposes the merger became effective retroactively as of 1 January 2009. Following a name change, which was resolved in the context of the merger and which was also entered into the commercial register of the local court (*Amtsgericht*) of Munich on 29 June 2009, the Issuer operates under the legal name "Deutsche Pfandbriefbank AG".

With effect as of 1 October 2010, the Issuer transferred certain assets and liabilities and non-strategic business lines to FMS Wertmanagement, a deconsolidated environment (*Abwicklungsanstalt*) established by the FMSA; please note that FMSA, as such, ceased to exist on 31 December 2017; its recovery and resolution department has been merged into the BaFin and its stabilization department, including its shareholding in the German Financial Markets Stabilization Fund (*Finanzmarktstabilisierungsfonds – FMS*, ***FMS*** or ***SoFFin***), has been merged into Bundesrepublik Deutschland – Finanzagentur GmbH, in each case with effect as of 1 January 2018) pursuant to § 8a of the Financial Market Stabilisation Act (*Finanzmarkstabilisierungsfondsgesetz*, ***FMStFG***). The transfer was effected, inter alia, by way of a split-off under the Transformation Act (*Umwandlungsgesetz*).

6.4 Group structure of the Issuer

As of the date of this Prospectus, the legal structure of the Issuer is as follows:



6.4.1 Privatization of the Issuer and former membership in Hypo Real Estate Group

On 16 July 2015, 107,580,245 shares of the Issuer were allotted to investors and 134,475,308 shares were admitted to trading on the Frankfurt Stock Exchange in the course of the initial public offering (IPO) of the Issuer.

From 2009 to its privatization, the Issuer had formed the strategic core bank of the former Hypo Real Estate Group. On 18 July 2011, the European Commission approved the state aid of the Federal Republic of Germany for Hypo Real Estate Group with its parent company Hypo Real Estate Holding AG (now: Hypo Real Estate Holding GmbH). With its approval, the European Commission had imposed a number of conditions for its approval.

With the redemption of the silent participation (*stille Einlage*) granted by the SoFFin on 6 July 2015 and following the Issuer's privatization, the restrictions on the Issuer imposed by the European Commission do no longer apply to the Issuer.

6.4.2 Relationship with FMS Wertmanagement, DEPFA Bank plc. and Hypo Real Estate Holding GmbH

In connection with the transfer of assets to FMS Wertmanagement in 2010 certain assets are still legally held by the Issuer. Thus, the Issuer could be obliged to implement an upgrade transfer of legal title (*dingliche Rechtsinhaberschaft*) to those assets which have been transferred to FMS Wertmanagement only economically in order to transfer full legal title to FMS Wertmanagement. Until then, the Issuer will forward incoming proceeds pertaining to those assets to FMS Wertmanagement, whereas the latter indemnifies the Issuer for any costs associated with those assets.

The Issuer also entered into agreements with FMS Wertmanagement in October 2013, with DEPFA Bank plc. in August 2014 and Hypo Real Estate Holding GmbH in June 2015 pursuant to which certain after-sales support is provided by either party on a cost-plus basis pertaining to, *inter alia*, compliance issues, the mutual provision of information, support in areas where the party requested to service is the only party able to do so, and to areas where legal and/or regulatory provisions require the interaction of both parties.

6.5 Issuer's ratings and ratings for the debt instruments of Deutsche Pfandbriefbank AG

As of the date of this Prospectus, the following mandated ratings have been assigned to the Issuer and/or the Issuer's debt instruments, as applicable. The ratings were issued by Standard & Poor's Credit Market Services Europe Limited (Zweigniederlassung Deutschland) (***S&P***), DBRS Ratings Limited (***DBRS***) and Moody's Deutschland GmbH (***Moody's***). The current ratings of the Issuer are published on its website https://www.pfandbriefbank.com/en/investors/ratings.html.

S&P

Issuer Rating/Long-Term Senior Unsecured	A-
Short-Term Senior Unsecured	A-2
Senior Subordinated	BBB-
Subordinated Debt	BB+

DBRS

Issuer Rating/Long-Term Senior Unsecured	BBB*
Short-Term Senior Unsecured	R-2 (high)
Subordinated Debt	BB (high)

Moody's

Public Sector Pfandbriefe	Aa1
Mortgage Pfandbriefe	Aa1

*Other than S&P, DBRS does, at present, formally not differentiate between the Issuer's senior preferred and senior non-preferred unsecured debt.

6.5.1 S&P

On 11 October 2017, S&P affirmed the ratings on the Issuer against the background of a change in the economic risk trend for Germany's banking system to stable from negative. The negative outlook on the Issuer's ratings now mainly relates to the assessment of the rating factor "capital & earnings".

On 16 May 2017, S&P extended the timeline for finalizing its Bank Capital Methodology. The publication of the changes to S&P's Bank Capital Methodology on 20 July 2017 did not have a direct impact on the Issuer's ratings.

On 28 March 2017, S&P resolved the credit watches that had been assigned to the issuer's unsecured ratings in December 2016. This rating action had been taken in connection with the envisaged review of certain long-term debt instruments, which will in the case of insolvency and thus in a bail-in scenario on or after 1 January 2017 be satisfied only after other senior debt obligations have been satisfied (for details see "*1. Risk Factors – 1.2 Risk factors relating to regulatory aspects concerning credit institutions in general– 1.2.8 The rights of Holders may be adversely affected by resolution measures (including the Bail-in Tool and the Power to Write-Down and Convert Capital Instruments), the Single Resolution Mechanism, and measures to implement*

the BRRD."). As a result and due to a significantly increased additional loss-absorbing capacity (ALAC) buffer by including senior subordinated debt to the agency's calculation, the long-term issuer credit rating of the Issuer was raised by 2 notches from "BBB" to "A-". At the same time, the long-term issue ratings on the Issuer's instruments that the agency continues to assess as "senior unsecured", were also raised by 2 notches from "BBB" to "A-" in line with the issuer credit rating. The short-term issuer rating, which is also applicable to short-term "senior unsecured" issues, remained at "A-2". Furthermore, the long-term issue ratings on the Issuer's instruments that were reclassified as "senior subordinated" by the agency were lowered by 1 notch from "BBB" to "BBB-". The Issuer's subordinated debt rating remained unchanged at "BB+". The ratings now carry a negative outlook. As a rationale for the negative outlook S&P cited the negative economic risk trend to their assessment of the German banking system and its potential impact and the risk that the issuer may fail to sustain the agencies' currently strong assessment of its "capital & earnings".

6.5.2 DBRS

On 23 June 2017, DBRS confirmed the Issuer's unsecured ratings and the stable rating outlook.

On 9 June 2017, following release of its updated Bank Rating Methodology on 24 May 2017, DBRS concluded the review of subordinated debt ratings. In the case of the Issuer, the subordinated debt rating was downgraded from "BBB (low)" to "BB (high)". The trend is stable.

On 13 January 2017, DBRS placed the Issuer's subordinated debt rating under "Review with Negative Implications". In total 27 European banking groups were affected by this rating action. The rating agency expected a downgrade by one notch given that the likelihood of losses for holders of this debt has increased under BRRD. Against the background of a pending update of the agency's Global Methodology for Rating Banks and Banking Organizations, which incorporates DBRS's approach to rating subordinated debt issues, the completion of the rating action was postponed until the finalization of the methodology.

6.5.3 Moody's

The ratings of the Pfandbriefe assigned by Moody's have remained unchanged since 14 December 2012 (Public Sector Pfandbriefe) and 11 November 2015 (Mortgage Pfandbriefe) respectively.

If above reference is made to the "long-term" rating then this expresses an opinion of the ability of the Issuer to honor long-term senior unsecured financial obligations and contracts; if reference is made to "short-term" ratings then this expresses an opinion of the ability of the Issuer to honor short-term financial obligations.

6.5.4 The ratings of the rating agencies S&P, DBRS and Moody's have the following meaning:

S&P:

A*: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB*: An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitment on the obligation.

BB*: An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to

meet its financial commitment on the obligation.

A-2: A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

* Plus (+) or minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

DBRS:

BBB*: Adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

BB*: Speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events.

R-2 (high)**: Upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

* Note: All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

** Note: The R-1 and R-2 rating categories are further denoted by the subcategories "(high)", "(middle)", and "(low)".

Moody's:

Aa*: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

*Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

A rating, solicited or unsolicited, is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. Ratings are based on current information furnished to the rating agencies by the Issuer and information obtained by the rating agencies from other sources. Because ratings may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information at any time, a prospective purchaser should verify the current long-term and short-term ratings of the Issuer, its debt instruments and/or the Notes, as the case may be, before purchasing any instrument issued by the Issuer. Changes to specific rating drivers with regard to the Issuer, its debt instruments and/or the Notes may affect a rating agency's assessment and may hence lead to rating downgrades or changes in rating outlooks. Rating agencies may change their methodology at any time. A change in the rating methodology may have an impact on the rating of the Issuer, its debt instruments and/or the Notes. For the evaluation and usage of ratings, please refer to the rating agencies' pertinent criteria and explanations and the relevant terms of use are to be considered. Ratings cannot serve as a substitute for personal analysis (see "*1. Risk Factors – 1.1 Risks relating to the Issuer – 1.1.10 The Issuer bears the risk of downgrading of the ratings*

assigned to it, its debt instruments and/or the Notes, which may have a negative effect on the Issuer's funding opportunities, on triggers and termination rights within derivatives and other contracts and on access to suitable hedge counterparties and thus on the Issuer's business, liquidity situation and its development in assets, financial position and earnings.").

As at the date of this prospectus, S&P, DBRS and Moody's are established in the European Community and are registered pursuant to Regulation (EC) No. 1060/2009 of the European Parliament and the Council of September 16, 2009 on credit rating agencies as amended (the CRA Regulation) and are included in the list of registered credit rating agencies under the CRA Regulation published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (***ESMA***) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

6.6 Recent events in the business activities of Deutsche Pfandbriefbank AG

Representative Office in New York

The Issuer has received final approval by the competent U.S. regulators to open a representative office in New York. The representative office will be opened in the first half of 2018.

Dividend Distribution

On 1 March 2018, the Management Board and Supervisory Board resolved on a new dividend policy: the current pay-out ratio of between 40 per cent. and 50 per cent. of consolidated profit after taxes in accordance with IFRS was set to be raised to a regular dividend of 50 per cent. plus a special dividend of 25 per cent., until 2019 inclusive. In addition, for 2017 pbb wants to distribute net income (after taxes) over and above its original results guidance, in full. This would equate to a total dividend of EUR 1.07 per share and a pay-out ratio of 79 per cent. of consolidated profit after taxes in accordance with IFRS. The dividend policy is subject to regular review against legal and regulatory requirements, as well as in terms of commercial viability.

6.7 Business overview/Principal activities Responsibilities and Functions

The Issuer distinguishes operating segments. The segment report is prepared and set up in compliance with the regulations set out in IFRS 8. It includes the two strategic business segments of real estate finance (REF) and public investment finance (PIF), as well as the non-strategic segment Value Portfolio (VP). Furthermore, the Issuer reports the consolidation & adjustment segment (C&A), which contains internal consolidation positions as well as certain parts of equity. Assets used for overall bank steering purposes (e.g. the liquidity portfolio) are reflected in this section. The profit contributions out of this segment are reconciled to the main areas of activity as described above.

For the Issuer, the financing volumes contained in sections 6.7.1, 6.7.2 and 6.7.3 below, are a measure that might be considered to be an APM in this Prospectus (and that is not defined or specified by the IFRS Accounting and Reporting Regulations, IFRS or any other legislation applicable to the Issuer). Financing volume

is the notional amount of the drawn parts of granted loans and the securities portfolio (customer business). The financing volume includes loans and advances to other banks, loans and advances to customers as well as financial instruments.

The financing volumes of the strategic segments real estate finance and public investment finance are defined as financial key performance indicators in pbb's internal management system. The pbb Group does not generate new business in the non-strategic value portfolio segment, and the financing volume of this segment declines continuously. The financing volume is a significant factor influencing the future earning power of the pbb Group, since it represents the interest-bearing part of active customer business.

New business volume as well as repayments, are the main drivers for the financing volume. However, new business volume provides only a limited basis from which to draw conclusions regarding financing volume amounts, since the pbb Group's influence on repayments is limited. In addition, financing volumes are subject to foreign exchange rate movements beyond the pbb Group's sphere of influence.

The pbb Group's entire credit portfolio is calculated by using the exposure at default (***EaD***), which is, for most products, equal to the IFRS carrying amount (including accrued interest). Committed, undrawn credit lines are additionally included in EaD with a product-specific credit conversion factor indicating the portion of an undrawn credit line expected to be drawn upon (based on experience) within one year before a potential default. As of 31 December 2017, the Group's credit portfolio had an aggregated EaD of EUR 57.5 billion (as of 31 December 2016: EUR 60.6 billion). As of 31 December 2017, an average of 96.6% of EaD with regard to all segments was attributed to investment grade ratings (as of 31 December 2016, an average of 97.8%) (please note: pbb maps internal rating classes to external rating classes for the purposes of determining the breakdown of EaD by rating class).

6.7.1 Real Estate Finance

In the strategic business segment real estate finance the Issuer targets professional national and international real estate investors (such as real estate companies, institutional investors, real estate funds and, in particular in Germany, regionally oriented smaller and medium-sized enterprises (SME)) with a medium to long term investment orientation. The focus of the Issuer is on the financing of commercial real estate classes, namely office, retail, residential housing (including student accommodation), logistic real estate and hotels as addition to the portfolio. The Issuer does not engage in financing of private residential housing. The Issuer concentrates on cover pool eligible medium to large financing transactions. Regionally, the Issuer offers its customers local expertise for its most important target markets Germany, United Kingdom, France, Scandinavia (especially Sweden and Finland) and other selected countries in Central and Eastern Europe (in particular in Poland). In the other European markets the Issuer focuses on metropolitan areas which cover the biggest part of the respective national market. Additionally to the European markets, the Issuer concludes single business transactions in the U.S. real estate market, whereby the issuer primarily participates in financing operations of strategic partners ("syndication-in"). The Issuer provides for transnational and multijurisdictional know how in this business segment. The Issuer currently moderately expands its engagement also to other countries in the CEE region (Central and Eastern European Countries) and to Benelux (Belgium, the Netherlands, and Luxembourg). The predominant part of the provided financing relates to investment loans, i.e. loans for the acquisition or refinancing of existing properties, which generate cash flow through rental income. Development financing is conducted selectively and forms the smaller part of the overall REF business. The issuer offers investment loans in all real estate markets where it is active, with a focus on the core locations of Germany, France, the United Kingdom and Sweden. It is underwriting loans with the view of selling portions in a syndication and distribution process and sells derivatives to its clients, enabling them to hedge interest rate and currency exchange rate risks.

In 2017, new business of the Issuer in the real estate finance segment amounted to EUR 10.7 billion. This is significantly above the level of new business in 2016 (EUR 9.5 billion). In the fiscal year ended 31

December 2017, the financing volume in the real estate sector amounted to EUR 24.9 billion (compared to EUR 24.1 billion in the fiscal year ended 31 December 2016). The average weighted loan-to-value ratio for new commitments in the REF sector (based on performing investment loans only) was 55% as of 31 December 2017 (56% as of 31 December 2016).

6.7.2 Public Investment Finance

In the segment of public investment finance, the Issuer offers its customers medium- to long-term financing for public investment projects. The focus of the financing activities is on public sector facilities, such as educational, sports and cultural facilities, municipal housing, administrative buildings, facilities of healthcare and care of elderly, energy supply and disposal services and road, rail and air infrastructure. Accordingly, besides the conventional loans the Issuer also offers financing operations in area of state guaranteed export financing, the financing of public-private partnerships (PPP), as well as sale-and-lease back finance for public entities. The financing arrangements are provided to public sector borrowers, companies with a public sector or private legal form as well as special purpose vehicles that benefit from a full or partial guarantee of a public entity (including guarantees issued by export credit agencies).

The regional focus is on European countries with good ratings in which lending operations can be refinanced by way of issuing Pfandbriefe and with an established, functioning and improving infrastructure. At present, the Issuer is focusing particularly on France. In addition, the Issuer also operates in other selected European countries (see also "*1. Risk Factors – 1.1 Risks relating to the Issuer – 1.1.14 The Issuer is exposed to the risk of default in the cover pools for Pfandbriefe, this may in particular be related to unfavorable regional economic conditions that may have a negative impact on the cover pools.*" above).

In 2017, new business of the Issuer in the public investment finance segment amounted to EUR 0.9 billion. This is in line with the level of new business in 2016, which was EUR 1.0 billion. In the fiscal year ended 31 December 2017, the financing volume in public investment finance amounted to EUR 7.0 billion (compared to EUR 7.4 billion as of 31 December 2016).

Derivatives in both, the real estate finance (***REF***) and PIF segment, are primarily offered in context with the loan products offered by the Issuer. In exceptional cases, stand-alone derivatives, paid up-front, may be offered, given that such provision of derivatives does not result in any other risks (in particular caps and floors).

6.7.3 Value Portfolio

The segment value portfolio includes all non-strategic assets and activities of the Issuer and its consolidated subsidiaries, following the European Commission's decision. The value portfolio also includes the public budget financing formerly reflected in the public sector finance segment, which includes low margin loans, bonds and certificates of indebtedness (*Schuldscheine*). The portfolio of public budget financing has been mostly refinanced with Public Sector Pfandbriefe (to a large extent on a matching maturity basis) and to a small amount via repos, and is expected to continue to run down as planned.

The financing volume in the value portfolio amounted to EUR 13.8 billion in the fiscal year ended 31 December 2017 (compared to EUR 15.8 billion in the fiscal year ended 31 December 2016).

6.7.4 Funding

The funding of the Issuer is centered on Pfandbriefe and is supplemented with senior unsecured securities, retail deposits, money market instruments as well as subordinated instruments. All of the financing tools are aimed at matching the maturities and lending activities. The key market for the Issuer´s funding activities is Germany.

Under the German Pfandbrief Act (*Pfandbriefgesetz*), all banks that have a license pursuant to section 2 of the German Pfandbrief Act are allowed to issue special covered bonds, so-called Pfandbriefe. There are two important sources of funding, the Mortgage Pfandbrief (*Hypothekenpfandbrief*) and the Public Pfandbrief (*Öffentlicher Pfandbrief*). Additional sources of funding under the German Pfandbrief Act – not used by the Issuer – are the Ship Pfandbrief (*Schiffspfandbrief*) and the Aircraft Pfandbrief (*Flugzeugpfandbrief*). The principal of and interest on these bonds have to be covered at all times by a pool of assets supervised by an independent cover pool monitor. For this purpose Pfandbrief Banks use independent registers: e.g. Mortgage Pfandbriefe are backed by qualified mortgage loans and Public Pfandbriefe are backed by certain claims against public sector entities. Though the assets are listed in special registers, they remain on the Issuer's balance sheet. The Issuer funds the assets which are not eligible for any of the registers by using senior unsecured bonds or other funding instruments.

As during the last years the low interest rate environment and the Covered Bond Purchase Program of the ECB (***CBPP3***) remain the main factors/major challenges for the capital markets and their participants. In October 2017, the ECB announced the expected extension of its purchase program until at least September 2018. Monthly purchase volumes, however, have been reduced from January 2018 on. Capital markets continue to be caught in the trade-off of excess liquidity in search for investment opportunities and low returns.

On the regulatory side several amendments of the CRD IV, the CRR and the BRRD were adopted by the European institutions in October 2017. The implementation into national law, which will be put into effect during 2018, will result in the introduction of a new class of unsecured liabilities.

In 2017, a new long-term funding volume of EUR 6.6 billion (2016: EUR 5.6 billion) was realized. EUR 3.8 billion (2016: EUR 3.5 billion) was attributable to new benchmark issues as well as increase in funds of existing public transactions. EUR 2.8 billion, was carried out via senior unsecured and unsubordinated issues. Pfandbriefe accounted for more than half of the long-term funding with EUR 3.8 billion. Fixed-income issues dominated. Open interest rate positions are usually hedged by swapping fixed interest rates for floating rates. Overall, securitized liabilities in 2017 amounted to EUR 38.4 billion (31 December 2016: EUR 40.4 billion). In addition to capital market funding, overnight and time deposit investments for private investors are offered to expand the unsecured funding base; the deposit volume of "pbb direkt" amounted to EUR 3.3 billion as of 31 December 2017 (31 December 2016: EUR 3.5 billion). Investors in the debt instruments of the Issuer are mainly banks, funds and insurance companies but also central banks. Up to now, retail investors are of minor importance.

6.7.5 Employees

As at 31 December 2017, the Issuer had 782 employees compared to 791 employees as at 31 December 2016 (in headcounts as calculated pursuant to the German Commercial Code).

6.8 Organisational Structure

A list of the Issuer's consolidated subsidiaries and equity participations in other companies as of 31 December 2017, specifying the name of the subsidiary or other company and the Issuer's equity interest, is contained in the Deutsche Pfandbriefbank Consolidated Financial Statements 2017.

The Deutsche Pfandbriefbank Consolidated Financial Information 2017 (as defined in 6.12.1) are incorporated by reference in this Prospectus (see section "*10. Documents incorporated by reference*").

These subsidiaries and other companies primarily engage in real estate financing and related consultancy services and some of them are used for banking participation models (Bankenbeteiligungs-Modelle), refinancing solutions and other services. These subsidiaries are to a significant extent real estate companies holding real estate property.

6.9 Information on trends

In connection with the EU-wide harmonization of risk models which the ECB is currently carrying out the risk RWA of the Issuer have increased during 2017. As of 31 December 2017 the RWA of the Issuer amounts to EUR 14.5 billion (31 December 2016: EUR 13.1 billion). The increased RWA have led to a reduced common equity tier 1 (CET1) ratio of the Issuer of 17.6 per cent. (31 December 2016: 19.0 per cent.) fully-phased in and have been calculated in consideration of the current net profit less the maximum permissible dividend. As a consequence of the consideration of the current net profits the leverage ratio has increased to 4.5 per cent. fully-phased in as at 31 December 2017 (31 December 2016: 4.2 per cent.). Potential future RWA increases may result from new regulations imposed by the Basel Committee on Banking Supervision at the Bank for International Settlements (Basel IV).

Save as for developments referred to above, there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements (31 December 2017).

6.10 Governing bodies of the Issuer

The governing bodies of the Issuer comprise:

the **Management Board** (*Vorstand*),

the **Supervisory Board** (*Aufsichtsrat*) and

the **Shareholders**' **Meeting** (*Hauptversammlung*)

The Management Board

In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents the Issuer and is responsible for its management.

As at the date of this Prospectus, members of the Management Board of the Issuer are:

Name and position	Appointed until	Other mandates
Andreas Arndt (Chief Executive Officer and Chief Financial Officer)	14 April 2022	None
Thomas Köntgen (Deputy Chief Executive Officer, Treasury and Real Estate Finance (including Credit Markets/Public Finance as of 1 May 2017)	11 May 2021	None
Andreas Schenk (Chief Risk Officer)	14 December 2020	None

Marcus Schulte has been appointed as senior manager (*Generalbevollmächtigter*) with a view to becoming member of Issuer's Management Board, subject to the approval of the ECB and after the customary introduction period pursuant to regulatory requirements, with responsibility for the treasury division.

The business address of the Management Board of the Issuer is Freisinger Str. 5, 85716 Unterschleissheim, Germany.

The Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of nine members of whom six are to be elected by the Shareholders' Meeting and three are to be elected by the employees in accordance with the German One Third-Participation Act (*Drittelbeteiligungsgesetz*). The Supervisory Board shall advise the Management Board and monitor its management.

As at the date of this Prospectus, members of the Supervisory Board of the Issuer are:

Name and position	**First appointed in**	**Other mandates**
Dr. Günther Bräunig (Chairman of the Supervisory Board) (Chief Executive Officer of KfW)	2009	- KfW, Frankfurt am Main, Germany, Chief Executive Officer - True Sale International GmbH, Frankfurt/Main, Germany, Chairman of the Advisory Council
Dagmar P. Kollmann (Deputy Chairperson of the Supervisory Board) (Entrepreneur)	2009	- Bank Gutmann Aktiengesellschaft, Vienna, Austria, Member of the Supervisory Board - KfW IPEX-Bank GmbH, Frankfurt/Main, Germany, Member of the Supervisory Board - Deutsche Telekom AG, Bonn, Germany, Member of the Supervisory Board - Unibail-Rodamco SE, Paris, France, Member of the Supervisory Board
Dr. Thomas Duhnkrack (Entrepreneur)	2015	- Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt/Main, Germany, Member of the Supervisory Board
Joachim Plesser (Consultant)	2014	- Commerz Real Investmentgesellschaft mbH, Wiesbaden, Germany, Member of the Supervisory Board - Deutsche Immobilien Chancen Beteiligungs-AG, Frankfurt/Main, Germany, Member of the Supervisory Board - Pandion AG, Cologne, Germany, Chairman of the Supervisory Board - GEG German Estate Group AG, Frankfurt/Main, Germany, Member of the Supervisory Board
Oliver Puhl (Entrepreneur)	2016	None
Dr. Hedda von Wedel (President Bundesrechnungshof (retired))**)	2009	None
Dr. Christian Gebauer-Rochholz (Employee Representative)*	2012	None

Name and position	First appointed in	Other mandates
Georg Kordick (Employee Representative)*	1990	None
Heike Theißing (Employee Representative)*	2011	None

* Employee representative according to the One-Third Employee Participation Act (Drittelbeteiligungsgesetz).

**) Dr. Hedda von Wedel´s term of office will end upon the close of the Annual General Meeting on 21 June 2018, which resolves on the formal approval for the financial year 2017.

The business address of the Supervisory Board of the Issuer is Freisinger Str. 5, 85716 Unterschleissheim, Germany.

The Shareholders' Meeting (Hauptversammlung)

The Shareholders' Meeting is called by the Management Board or, as provided by law, by the Supervisory Board or by the shareholders (provided that a quorum of at least 5 per cent. of the share capital or a quorum of shares equivalent to at least EUR 500,000 of the Company's share capital, i.e. at least 176,767 shares, is met). The annual general Shareholders' Meeting has to be held within the first eight months of every financial year of the Issuer. The voting right of each common bearer share entitles the holder to one vote.

Conflicts of interests

The members of the Management Board and the members of the Supervisory Board of the Issuer have additional positions as described above which may potentially result in conflicts of interest between their duties towards the Issuer and their private and other duties.

The Issuer has established comprehensive mechanisms and regulatory procedures in order to ensure that conflicts of interest are avoided or mitigated.

6.11 Major shareholders

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires investors in publicly-traded corporations whose direct or indirect investments in shares or options to acquire shares reach certain thresholds to notify both the corporation and the BaFin of such change immediately, however at the latest within four trading days. The minimum disclosure threshold is 3 per cent. of the corporation's issued voting share capital.

As of the date of this Prospectus, there are to the Issuer's knowledge and pursuant to the notifications the Issuer has received three shareholders holding, directly or indirectly, more than 3 per cent. and less than 5 per cent., two shareholders holding, directly or indirectly, more than 5 per cent. and less than 10 per cent. and one shareholder, being the Federal Republic of Germany via SoFFin and Hypo Real Estate Holding GmbH, holding indirectly, more than 20 per cent. (i.e. 20 per cent plus one share) of the Issuer's voting rights (in each case counting direct or indirect holdings in shares according to §§ 33, 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), and/or instruments according to § 38 sec. 1 No. 1 and 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), i.e. including options to acquire shares).

The Issuer publishes the notifications pertaining to voting rights it received from investors on its website under *www.pfandbriefbank.com* in the "Investors" section; the information may also be found, *inter alia*, on *www.dgap.de*.

6.12 Financial information on the asset, financial and earnings position

6.12.1 Historical financial information

For the fiscal year ended 31 December 2017, the Issuer has published consolidated financial information including the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, the notes and the independent auditor's report (together the ***pbb Consolidated Financial Information 2017***). The pbb Consolidated Financial Information 2017 is incorporated by reference (see section "*10. Documents incorporated by reference*").

For the fiscal year ended 31 December 2016, the Issuer has published consolidated financial information including the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, the notes and the auditor's report (together the ***pbb Consolidated Financial Information 2016***). The pbb Consolidated Financial Information 2016 is incorporated by reference (see section "*10. Documents incorporated by reference*").

For the fiscal year ended 31 December 2017, the Issuer has published unconsolidated financial information including the income statement, the balance sheet, the notes and the auditor's report (together the ***pbb Unconsolidated Financial Information 2017***). The pbb Unconsolidated Financial Information 2017 is incorporated by reference (see section "*10. Documents incorporated by reference*").

The financial information contained in this Prospectus provides a true and fair view of the financial position of pbb Group in accordance with the applicable accounting policies.

The pbb Consolidated Financial Information 2017 was prepared in accordance with IFRS, as adopted by the EU, the EU Audit Regulation and the additional requirements of German commercial law pursuant to § 315e (1) HGB. The pbb Consolidated Financial Information 2016 was prepared in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to former § 315a (1) HGB (now § 315e (1) HGB). The pbb Unconsolidated Financial Information 2017 was prepared in accordance with German GAAP.

6.12.2 Auditing of Historical Financial Information

The statutory auditors of the Issuer (see section "*6. Description of Deutsche Pfandbriefbank AG – 6.1 Statutory Auditors*") have audited the pbb Consolidated Financial Statememts 2017, the pbb Consolidated Financial Statements 2016 and the pbb Unconsolidated Financial Statements 2017 and have issued an unqualified opinion (*uneingeschränkter Bestätigungsvermerk*) in each case.

The auditor's report (*Bestätigungsvermerk*) with respect to the pbb Consolidated Financial Statements 2017 was issued in accordance with § 322 HGB on the audited consolidated financial statements and the combined management report (*zusammengefasster Konzernlagebericht*). The management report of pbb and the management report of the pbb Group were combined in accordance with § 315 para. 5 HGB in conjunction with § 298 para. 2 HGB. The combined management report (*zusammengefasster Konzernlagebericht*) for the fiscal year 2017 is neither included nor incorporated by reference in this Prospectus.

The auditor's report (*Bestätigungsvermerk*) with respect to the pbb Consolidated Financial Statements 2016 was issued in accordance with § 322 HGB on the audited consolidated financial statements and the group management report (*Konzernlagebericht*) as a whole. The group management report *(Konzernlagebericht)* for the fiscal year 2016 is neither included nor incorporated by reference in this Prospectus.

The auditor's report (*Bestätigungsvermerk*) with respect to the pbb Unconsolidated Financial Statements 2017 was issued in accordance with § 322 HGB on the unconsolidated financial statements. The management report (*Lagebericht*) of pbb and the management report of the pbb Group were combined in accordance with § 315 para. 5 HGB in conjunction with § 298 para. 2 HGB and were published in the annual report of the pbb Group. The combined management report (*zusammengefasster Lagebericht*) for the fiscal year 2017 is neither included nor incorporated by reference in this Prospectus.

6.13 Legal and arbitration proceedings

Legal disputes in which the Issuer or its subsidiaries have been involved during the last twelve months involve the following:

The profit participation certificates issued by the pbb's predecessor institutions participated in significant losses due to the net losses respectively the Issuer's unappropriated retained losses since 2008. The redemption amounts have reduced and interest payment has been suspended. Individual investors therefore initiated legal proceedings, contesting in particular various individual clauses relating to loss participation and replenishment following loss participation. The key questions in this context are which balance sheet items must be taken into account to calculate loss participation and whether replenishment is required if the Issuer records a net income, unappropriated retained earnings or any other income. Courts have decided against the legal view of the Issuer especially in view of the individual decisions regarding profit participation certificates. Some of the court decisions are legally binding; some are still subject to appeals lodged by the Issuer. Claims in an amount of approx. EUR 22 million along with interest payments are, as at the date of this Prospectus, subject to pending litigation. These proceedings may result in a partial or comprehensive increase in redemption claims, in the subsequent distribution of cancelled coupon payments and interest payment claims. Furthermore, profit-participation certificate holders with a two-digit million nominal value have extra-judicially asserted their rights of partial or full replenishment, subsequent distribution of cancelled coupon payments as well as interest payments. Additional claims might follow. While the Issuer endeavours to settle legal disputes out of court, it exploits the legal remedies at its disposal when needed.

In February 2014, the Issuer applied to the Federal Central Tax Office (*Bundeszentralamt für Steuern*) for the initiation of a mutual agreement procedure in accordance with the regulations set out in EU Arbitration Convention for the years 2006 to 2012. The subject matter of this mutual agreement procedure is the attribution of tax income to the branch office in Paris, France. This application was made as an agreement regarding the allocation of taxable profit could not be reached between the German and French fiscal authorities in the context of negotiations regarding an "Advanced Pricing Agreement" and as a result, the issuer actually incurred double taxation. Depending on the outcome of the mutual agreement procedure, this could result in an additional tax expense or in a tax refund for the Issuer.

On 13 December 2016, the Issuer disseminated an ad hoc announcement with respect to the initiation of an expert procedure concerning a credit default hedge under a synthetic securitization transaction. In the event of the loss allocation being fully or partially unjustified, the Issuer would have to bear the losses to the respective extent, i.e. fully or partially. Besides, there are regulatory proceedings with a risk of a material loss.

On 4 July 2017, the German Federal Court of Justice (*Bundesgerichtshof*) determined the inadmissibility of processing fees for corporate loans agreed upon by way of a standard form. The Issuer still believes that the financing parameters used for complex financing structures in the lending business are generally subject to individual negotiations. The Issuer recognised sufficient provisions for all doubtful cases at the level of the group.

6.14 Significant changes in the financial position

There has been no significant change in the financial position of the Issuer and its consolidated subsidiaries since the end of the last financial period for which financial information has been published (31 December 2017).

6.15 Material contracts

Agreements relating to FMS Wertmanagement, DEPFA Group and Hypo Real Estate Holding GmbH

On 24 August 2010, a framework agreement (*Rahmenvertrag*) between Hypo Real Estate Holding GmbH, the Issuer and the SoFFin relating to the capitalisation measures granted by the SoFFin and, on 30 September 2010, a framework agreement (*Rahmenvertrag*) between Hypo Real Estate Holding GmbH, the Issuer, FMSA, FMS Wertmanagement and the SoFFin relating to the establishment of the deconsolidated environment (*Abwicklungsanstalt*) have been entered into. Both framework agreements referred to the obligations of Hypo Real Estate Holding GmbH and of the Issuer in relation to the granted stabilization measures, in particular as regards business policy, the European Union state aid proceedings, the compensation policy as well as penalties and possible compensation claims for damages in connection with the establishment of the deconsolidated environment (*Abwicklungsanstalt*).

The SoFFin, the FMSA and the Issuer entered into a new framework agreement which has become effective following the Issuer's privatization, i.e. on July 20, 2015, and which replaces the framework agreements dated 24 August 2010 and 30 September 2010 between the Issuer on one side and the FMSA and SoFFin on the other side (the ***New Framework Agreement***). The New Framework Agreement governs solely the future relationship between the Issuer, the FMSA and SoFFin, i.e. vis-á-vis the FMS Wertmanagement the framework agreement dated 30 September 2010 remains in place. The New Framework Agreement is not the basis for granting new state aid measures but instead, the parties thereto agreed on the general conditions and requirements for the continued utilization of the capitalization measures already granted and not repaid prior to the offering of the shares.

In connection with the transfer of assets to FMS Wertmanagement in 2010, certain assets are still legally held by the Issuer and, thus, may be "upgraded" in order to transfer full legal title to FMS Wertmanagement. Until then, the Issuer will forward incoming proceeds pertaining to those assets to FMS Wertmanagement, whereas the latter indemnifies the Issuer for any costs associated with those assets. The Issuer also entered into an agreement with FMS Wertmanagement pursuant to which certain after-sales support is provided by either party on a cost-plus basis pertaining to, inter alia, compliance issues, the mutual provision of information, support in areas where the party requested to service is the only party able to do so, and to areas where legal and/or regulatory provisions require the interaction of both parties.

In connection with the transfer of DEPFA from Hypo Real Estate Holding GmbH to FMS Wertmanagement in August 2014, the Issuer entered into an agreement with DEPFA pursuant to which certain after-sales support is provided by either party on a cost-plus basis in October 2014. In connection with its privatization, Hypo Real Estate Holding GmbH and the Issuer entered into an agreement pursuant to which certain after sales support is provided by either party on a cost-plus basis in June 2015.

Material Outsourcing Agreements

As of the date of this Prospectus, the Issuer and its consolidated subsidiaries has stand-alone operations and has outsourced selected functions to third-party providers, of which five outsourcing arrangements are assessed to be material according to the requirements laid down in BaFin's MaRisk circular. The outsourcing arrangements have been setup and are also managed in compliance with legal and MaRisk requirements (including § 25b of the German Banking Act (*Kreditwesengesetz*) and Section 9, General Part, of MaRisk as well as data protection considerations) and are subject to regular audits.

7. TAXATION

The following is a general description of certain tax considerations relating to the Notes in Germany. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This description is based on the laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE CONSEQUENCES, UNDER THE TAX LAWS OF THE COUNTRY IN WHICH THEY ARE RESIDENT FOR TAX PURPOSES AND UNDER THE TAX LAWS OF GERMANY OF ACQUIRING, HOLDING **AND DISPOSING OF NOTES AND RECEIVING PAYMENTS OF PRINCIPAL, INTEREST AND OTHER AMOUNTS UNDER THE NOTES. THE INFORMATION CONTAINED WITHIN THIS SECTION IS LIMITED TO TAXATION ISSUES, AND PROSPECTIVE INVESTORS SHOULD NOT APPLY ANY INFORMATION SET OUT BELOW TO OTHER AREAS; INCLUDING (BUT NOT LIMITED TO) THE LEGALITY OF TRANSACTIONS INVOLVING THE NOTES.**

7.1 Taxation in Germany

7.1.1 Withholding Tax

For German tax residents (e.g. persons whose residence, habitual abode, statutory seat or place of management is located in Germany), Interest Payments on the Notes are generally subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such Interest Payments (the ***Disbursing Agent***). Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax). For individuals subject to church tax, the German Disbursing Agent has to collect the church tax by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the Holder has to include the savings income in the tax return and will then be assessed to church tax.

The withholding tax regime should also apply to capital gains from the disposition or redemption of Notes realised by Holders holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposition or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. If similar Notes kept or administered in the same custodial account have been acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purpose of determining the capital gains. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and/or the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to taxation. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately. Where custody has changed since the acquisition and the acquisition data is not proved or is not allowed to be proven to the Disbursing Agent in the form required by law, the tax at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30 per cent. of the proceeds from the sale or redemption of the Notes.

Accrued interest (*Stückzinsen*) received by the Holder upon disposal of the Notes between two interest payment dates is considered as part of the sales proceeds thus increasing a capital gain or reducing a capital loss from the Notes. Accrued interest paid by the Holder upon an acquisition of the Notes after the issue date

qualifies as negative investment income either to be deducted from positive investment income generated in the same assessment period or to be carried forward to future assessment periods.

According to a decree of the German Federal Ministry of Finance (*Bundesfinanzministerium*) losses resulting from a sale where the sale proceeds do not exceed the transaction costs are treated as non-deductible for German tax purposes. The same applies where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount. Further, losses suffered by the Holders resulting from a bad debt loss (*Forderungsausfall*) or a waiver of a receivable (*Forderungsverzicht*) in relation to the Notes are not tax-deductible. Based on the treatment of bad debt losses, losses incurred by the Holders from a Write-down of the book value of the Notes may not be tax-deductible. Notwithstanding, the German Federal Fiscal Court (*Bundesfinanzhof*) has recently ruled that a definite bad debt loss of a private Holder is tax-deductible, but the German Federal Ministry of Finance did not yet update the aforementioned tax decree which has to applied by the Disbursing Agent.

German withholding tax should generally not be levied if the Holder filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, but only to the extent the annual aggregate investment income does not exceed the maximum lump sum deduction amount (*Sparer-Pauschbetrag*) shown on the withholding tax exemption certificate. Currently, the maximum lump sum deduction amount is EUR 801 (EUR 1,602 for jointly assessed married couples and registered partners) for all investment income received in a given calendar year. Similarly, no withholding tax should be levied if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German resident corporate Holders and, subject to further requirements, other German resident business Holders should not be subject to the withholding tax on capital gains from the disposition, sale or redemption of the Notes (i.e. for these Holders only interest payments, but not capital gains from the sale or redemption of the Notes are subject to the withholding tax regime).

The Issuer does not assume any responsibility for the deduction of German withholding tax at the source (including solidarity surcharge and, where applicable, church tax thereon).

7.1.2 Notes Held by Tax Residents as Private Assets

For German tax resident private Holders the withholding tax is – without prejudice to certain exceptions – definitive under a special flat tax regime (*Abgeltungsteuer*). Under the flat tax regime, expenses actually incurred in connection with the investment into the Notes are not tax-deductible. Private Holders can apply to have their income from the investment into the Notes assessed in accordance with the general rules on determining an individual's tax bracket if this results in a lower tax burden. An assessment is mandatory for income from the investment into the Notes where the Notes are not held with a Disbursing Agent but instead held in custody outside of Germany. Losses resulting from the sale or redemption of the Notes can only be off-set against other investment income. In the event that, absent sufficient positive investment income, a set-off is not possible in the assessment period in which the losses have been realised, such losses can be carried forward in order to be set off against any positive investment income generated in future assessment periods.

7.1.3 Notes Held by Tax Residents as Business Assets

Interest payments and capital gains from the disposition or redemption of the Notes held as business assets by German tax resident business Holders are generally subject to German income tax or corporate income tax (plus 5.5 per cent. solidarity surcharge thereon and, if applicable in the case of an individual holding the Notes as business assets, church tax). Any withholding tax deducted from interest payments is – as a general rule and subject to certain requirements – creditable against the German (corporate) income tax liability, or, to the extent exceeding the (corporate) income tax liability, refundable. The interest payments and capital gains are also

subject to trade tax, if the Notes are attributable to a trade or business. The effective trade tax rate depends on the applicable tax factor (*Gewerbesteuer-Hebesatz*) of the relevant municipality where the business is located. If the Notes are held by an individual, either directly or through a partnership, the trade tax may be partially or fully creditable against its personal income tax depending on the applicable trade tax factor and the individual's particular circumstances.

7.1.4 Notes Held by Foreign Tax Residents

According to the German fiscal authorities, a Holder not tax resident in Germany should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes, and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German Disbursing Agent. Exceptions may apply, e.g., if (i) the Notes form part of the business property of a permanent establishment (*Betriebsstätte*) in Germany, or (ii) of a business for which a permanent representative (*ständiger Vertreter*) in Germany has been appointed, or (iii) if the income from the Notes qualifies for other reasons as taxable German source income.

7.1.5 Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder of Notes nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or for which a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

7.1.6 Other taxes

At present, the purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may opt for a liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

7.1.7 Proposed tax law changes on the 2018-2021 agenda of the Grand Coalition

In the negotiations about the formation of a new government the Grand Coalition (*Große Koalition*) of the Christian Democratic Union (*CDU*), the Christian Social Union (*CSU*) and the Social Democratic Party (*SPD*) reached agreement about a reform agenda, also including a number of tax reform measures, for the current legislative period. According to the coalition agreement dated 7 February 2018, the Grand Coalition, inter alia, intends to abolish the separate tax rate of 26.375 per cent. and the definitive effect of the tax withheld as set out in 7.1.2 above for interest income (*Zinserträge*), as soon as the automatic information exchange on tax matters (*Automatischer Informationsaustausch in Steuerfragen*) is established. Instead, the interest income shall be taxed within the assessment procedure and the investor shall be assessed on the basis of its personal tax rate.

In the coalition agreement the Grand Coalition also restated the aim towards the introduction of a substantial FTT within the EU (for further details, please refer to section 7.2 below).

7.2 The proposed financial transactions tax (*FTT*)

On 14 February 2013, the European Commission published a proposal (the ***Commission Proposal***) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the ***Participating Member States***). However, Estonia has since stated that it will not participate. The Commission Proposal remains under review and a revised proposal has not been published yet.

The Commission Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including by transacting with a person established in a Participating Member State or where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or Participating Member States may decide to discard the Commission Proposal.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

8. SUBSCRIPTION AND SALE OF THE NOTES

8.1 General

The Issuer will agree in an agreement to be signed prior to the Issue Date (the ***Subscription Agreement***) to sell to Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom (***Goldman Sachs)***, J.P. Morgan Securities plc, 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom (***J.P. Morgan***) and UBS Limited, 5 Broadgate, London EC2M 2QS, United Kingdom (***UBS Investment Bank***) (Goldman Sachs, J.P. Morgan and UBS Investment Bank, together the ***Joint Lead Managers***) and the Joint Lead Managers will agree, subject to certain customary closing conditions, to purchase the Notes on the Issue Date.

The Joint Lead Managers are entitled, under certain circumstances, to terminate the agreement reached with the Issuer. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

The Joint Lead Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Joint Lead Managers or their affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Other than that, there are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones, that are material to the issue.

8.1.1 Total number of Notes

The total number of Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange is 1,500, representing an aggregate principal amount of EUR 300,000,000.

8.1.2 Charges and costs relating to the purchase of Notes

The Issuer will not charge any costs, expenses or taxes directly to any investor. Investors must inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

8.1.3 No public offering

No action has been or will be taken in any country or jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons who have access to this Prospectus are required by the Issuer and the Joint Lead Managers to comply with all applicable

laws and regulations in each country or jurisdictions in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribution such offering material, in all cases at their own expense.

8.2 Selling Restrictions

8.2.1 General

The Joint Lead Managers have acknowledged that other than explicitly mentioned in the Prospectus, no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials), in any country or jurisdiction where action for that purpose is required.

The Joint Lead Managers have represented and agreed that they will comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver Notes or have in their possession or distribute the Prospectus (in preliminary, proof or final form) or any such other material, in all cases at their own expense.

8.2.2 United States of America (the United States)

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold into or within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (***Regulation S***).

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Joint Lead Managers have agreed that, except as permitted by the Subscription Agreement, they will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each Joint Lead Manager to which they sell Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition:

(i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the ***D Rules***), the Joint Lead Managers (i) have represented that they have not offered or sold, and have agreed that during a 40 day restricted period they will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) have represented that they have not delivered and have agreed that they will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;

(ii) the Joint Lead Managers have represented that they have and have agreed that throughout the restricted period they will have in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if it is a United States person, the Joint Lead Managers have represented that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) and;

(iv) with respect to each affiliate that acquires from them Notes for the purpose of offering or selling such Notes during the restricted period, the Joint Lead Managers either (a) repeat and confirm the representations and agreements contained in paragraphs (i), (ii) and (iii) on their behalf or (b) agree that they will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

8.2.3 Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed, and each further manager appointed will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, ***MiFID II***); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the ***Insurance Mediation Directive***), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the ***Prospectus Directive***); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

8.2.4 Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) (***Qualified Investors***), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the ***Italian Financial Services Act***) and Article 34-*ter*, paragraph 1, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (***Regulation 11971/1999***); or

(b) in other circumstances which are exempted from the rules on offers of securities to be made to the public pursuant to Article 100 of the Italian Financial Services Act and Article 34-*ter*, paragraph 1, of Regulation 11971/1999; or

(c) if a Non-exempt Offer may be made in the Italian Republic, provided that a prospectus has been approved in another Relevant Member State and notified to CONSOB in accordance with the Prospectus Directive, the Italian Financial Service Act and Regulation 11971/1999.

Any offer, sale or delivery of the Notes in the Republic of Italy or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy under (a), (b) and (c) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended, and Legislative Decree No. 385 of 1 September 1993, as amended (***Italian Banking Act***); and in compliance with any other applicable laws and regulations;

(ii) to the extent applicable, comply with Article 129 of the Italian Banking Act and the relevant implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request post-offering information on the offering or issue of securities in the Republic of Italy or by Italian persons outside the Republic of Italy; and

(iii) comply with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or notifications requirements which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy or any other Italian authority.

Provision relating to the secondary market in the Republic of Italy

In accordance with Article 100-bis of the Italian Financial Services Act, where no exemption from the rules of the public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the rules on offers of securities to be made to the public provided under the Italian Financial Services Act and the Regulation 11971/1999. Failure to comply with such rules may result, *inter alia*, in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the Notes for any damages suffered by the investors.

8.2.5 Selling Restrictions Addressing United Kingdom Securities Laws

The Joint Lead Managers have represented, warranted and agreed that:

(a) *Financial Promotion*: they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) *General Compliance*: they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to any Notes in, from or otherwise involving the United Kingdom.

8.2.6 Ireland

Each Joint Lead Manager represents, warrants and agrees that, and each further manager appointed will be required to represent, warrant and agree that, it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

(a) the Prospectus Directive and any Central Bank of Ireland (***Regulations 2005 (as amended)***) rules issued and/or in force pursuant to Section 1363 of the Companies Act 2014 (the ***Companies Act***);

(b) the Companies Act;

(c) the European Union (Markets in Financial Instruments) Regulations 2017 and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank;

(d) the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2004 on market abuse Regulations 2016 (as amended) and any Central Bank rules issued and/or in force pursuant to Section 1370 of the Companies Act 2014 and will assist the Issuer in complying with its obligations thereunder;

(e) Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs); and

(f) the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989.

8.2.7 Austria

Each Joint Lead Manager has represented, warranted and agreed that it has not and will not offer any Notes to the public in Austria, except that an offer of the Notes may be made to the public in Austria

(a) in the period beginning one bank working day following:

(i) the date of publication of the Prospectus including any supplements, in relation to those Notes issued by the Issuer, which has been approved by *Finanzmarktaufsichtsbehörde* in Austria (the ***FMA***) or, where appropriate, approved in another Member State and notified to the FMA, all in accordance with the Prospectus Directive;

(ii) or being the date of publication and of communication to FMA of the relevant Final Terms for the Notes issued by the Issuer; and

(iii) the date of filing of a notification with *Oesterreichische Kontrollbank*, all as prescribed by the Capital Market Act 1991, as amended (***CMA***: *Kapitalmarktgesetz 1991*), or

(b) otherwise in compliance with the CMA.

For the purposes of this provision, the expression "an offer of the Notes to the public" means the communication to the public in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes issued by the Issuer.

8.2.8 Norway

Norwegian kroner denominated Notes may not be offered or sold within Norway, except for Notes registered in Verdipapirsentralen ASA (VPS), registered address Fred. Olsens gate 1, 0120, Oslo, Norway in accordance with applicable laws and regulations.

8.2.9 Japan

Each Joint Lead Manager acknowledges and understands that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the ***Financial Instruments and Exchange Law***) and disclosure under the Financial Instruments and Exchange Law has not been made with respect to the Notes. Each Joint Lead Manager has represented and agreed and each further manager appointed will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used in this paragraph means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except only pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and governmental guidelines of Japan promulgated by the relevant Japanese governmental and regulatory authorities and which are in effect at the relevant time.

9. GENERAL INFORMATION

9.1 Subject of this Prospectus

The subject of this Prospectus is the issue of the Notes with a nominal amount of EUR 200,000 per Note, all of which are interest-bearing debt obligations of pbb.

9.2 Authorization and Issue Date

The creation and issue of the Notes has been authorised by the resolutions of the Issuer's Management Board dated 12 March 2018 and 5 April 2018 with consent of the Issuer's Supervisory Board dated 23 March 2018 and 5 April 2018 and a resolution of the Shareholders' Meeting dated 10 June 2015. The Issue Date of the Notes is 19 April 2018.

9.3 Clearing and Settlement

The Notes have been accepted for clearing by Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg, and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

The Notes have been assigned the following securities codes:

ISIN XS1808862657

Common Code 1808862657

WKN A2GSLH

9.4 Listing and Admission to Trading Information

Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market "*Bourse* de *Luxembourg*" of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the MIFID II.

9.5 Expenses Related to the Admission to Trading

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately EUR 12,000.

9.6 Yield to Maturity

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate.

9.7 Ratings

The Notes are expected to be rated BB- by S&P. The Issuer's ratings and ratings for other debt instruments of the Issuer are set out in "6. *Description of Deutsche Pfandbriefbank AG – 6.5 Issuer's ratings and ratings for the debt instruments of Deutsche Pfandbriefbank AG*".

9.8 Paying Agent and Calculation Agent

The Paying Agent is Citibank, N.A., London Branch. The Calculation Agent is pbb.

9.9 Third party information

The information relating to ratings and ratings definitions contained in this Prospectus has been sourced from third parties. The Issuer confirms that this information has been accurately reproduced and that – as far as the Issuer is aware and is able to ascertain from information published by that third party – no facts have been omitted which would render the reproduced information inaccurate or misleading. Apart from this no further information or statements contained in this Prospectus have been sourced from a third party.

9.10 Notices

All notices concerning the Notes, except for notices under the SchVG which shall be made exclusively pursuant to the provisions of the SchVG, shall be published in the Federal Gazette (*Bundesanzeiger*). Any notice will be deemed to have been validly given on the third calendar day following the date of such publication (or, if published more than once, on the third calendar day following the date of the first such publication).

In addition, as long as any Notes are listed on the official list of the Luxembourg Stock Exchange, all notices concerning the Notes will be made by means of electronic publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of notices regarding the Rate of Interest or, if the rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders in lieu of publication on the website of the Luxembourg Stock Exchange; any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the day on which the said notice was given to the Clearing System.

9.11 Documents on Display

For the time of the validity of the Prospectus, copies of the following documents may be inspected during normal business hours at the registered office of the Issuer, the specified office of the Paying Agent and as long as the Notes are listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange the documents set out under (b) and (c) below will be available on the website of the Luxembourg Stock Exchange (www.bourse.lu):

(a) the Articles of Association (Satzung) of Deutsche Pfandbriefbank AG as last amended on 10 June 2015;

(b) the Prospectus; and

(c) the documents incorporated by reference set out below.

The Articles of Association (*Satzung*) of pbb, the pbb Consolidated Financial Statements 2017, the pbb Consolidated Financial Statements 2016, the pbb Unconsolidated Financial Statements 2017 are available on request in printed form at the above mentioned address or in electronic form on http://www.pfandbriefbank.com.

10. DOCUMENTS INCORPORATED BY REFERENCE

The following documents (together, the ***Documents***) are incorporated by reference into and form part of this Prospectus. Only the following mentioned parts of each of the Documents shall be incorporated into, and form part of, this Prospectus. The other parts within the respective Document are expressly not incorporated into, and do not form part of, this Prospectus. The non-incorporated parts are either not relevant for the investor or are covered elsewhere in the Prospectus.

The audited consolidated financial statements as of and for the fiscal year ended 31 December 2017 of the pbb Group prepared in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB, as contained in the annual report (*Geschäftsbericht*) of the pbb Group for the fiscal year 2017, to which the page numbers refer:

Consolidated Income Statement	p. 122
Consolidated Statement of Comprehensive Income	p. 123
Consolidated Statement of Financial Position	p. 124
Consolidated Statement of Changes in Equity	p. 125
Consolidated Statement of Cash Flows	p. 126
Notes to the Consolidated Financial Statements	pp. 127 - 207
Independent Auditors' Report	pp. 209 - 216

The audited consolidated financial statements as of and for the fiscal year ended 31 December 2016 of pbb Group prepared in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to former § 315a (1) HGB (now § 315e (1) HGB), as contained in the annual report (*Geschäftsbericht*) of pbb Group for the fiscal year 2016, to which the page numbers refer:

Consolidated Income Statement	p. 120
Consolidated Statement of Comprehensive Income	p. 121
Consolidated Statement of Financial Position	p. 122
Consolidated Statement of Changes in Equity	p. 123
Consolidated Statement of Cash Flows	p. 124
Notes to the Consolidated Financial Statements	pp. 125 - 203
Auditors' Report	p. 204

The audited unconsolidated financial statements as of and for the fiscal year ended 31 December 2017 of the Issuer prepared in accordance with German GAAP contained in the annual report (*Geschäftsbericht*) of Deutsche Pfandbriefbank AG for the fiscal year 2017, to which the page numbers refer:

Income Statement	p. 4
Balance Sheet	pp. 5 - 7
Notes to the company accounts	pp. 8 - 47
Auditors Opinion	p. 49 - 55

As long as any Notes are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the regulated market of the Luxembourg Stock Exchange and any applicable laws so require the documents incorporated by reference are available on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and may be inspected and are available free of charge during normal business hours at the office of the Issuer, at Freisinger Str. 5, 85716 Unterschleissheim, Germany.

11. NAMES AND ADDRESSES

ISSUER

Deutsche Pfandbriefbank AG
Freisinger Str. 5
85716 Unterschleißheim
Germany

STRUCTURING ADVISER

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

JOINT LEAD MANAGERS

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

PAYING AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

CALCULATION AGENT

Deutsche Pfandbriefbank AG
Freisinger Str. 5
85716 Unterschleißheim
Germany

LEGAL ADVISERS TO THE ISSUER

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60322 Frankfurt am Main
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LEGAL ADVISER TO THE JOINT LEAD MANAGERS

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AUDITORS TO THE ISSUER

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