



Facts and Figures 2013



**VERBAND DEUTSCHER
PFANDBRIEFBANKEN**
Association of German Pfandbrief Banks

Member Banks of the vdp



Aareal Bank



Bayern LB

Berlin Hyp

BREMER
LANDESBANK

COMMERZBANK

COREALCREDIT

„DekaBank

deutsche apotheker-
und ärztebank



DEUTSCHE/HYPO
Ein Unternehmen der NORD/LB

DG
HYP

DKB Deutsche
Kreditbank AG

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE
pbb
DEUTSCHE
PFANDBRIEFBANK

DEKA
KOMMUNALBANK
DEUTSCHLAND DKB

Düsseldorfer
Hypothesenbank

DVB

Haspa[®]
Hamburger Sparkasse

Helaba |
Landesbank
Hessen-Thüringen

HSH
NORDBANK

HypoVereinsbank
UniCredit Group

ING DiBa
Die Bank und Du

Kreissparkasse
Köln

LB BW
Landesbank Baden-Württemberg

LBB LandesBank
Berlin

M.M. Warburg & CO. Hypothekenbank

MünchenerHyp

NATIXIS
PFANDBRIEFBANK AG

NORD/LB

Postbank

saar LB

Santander
CONSUMER BANK

SEB

Sparkasse
KölnBonn

VALOVIS
BANK
PFANDBRIEFBANK

WestImmo

WL BANK

wüstenrot
Partner der Württembergischen

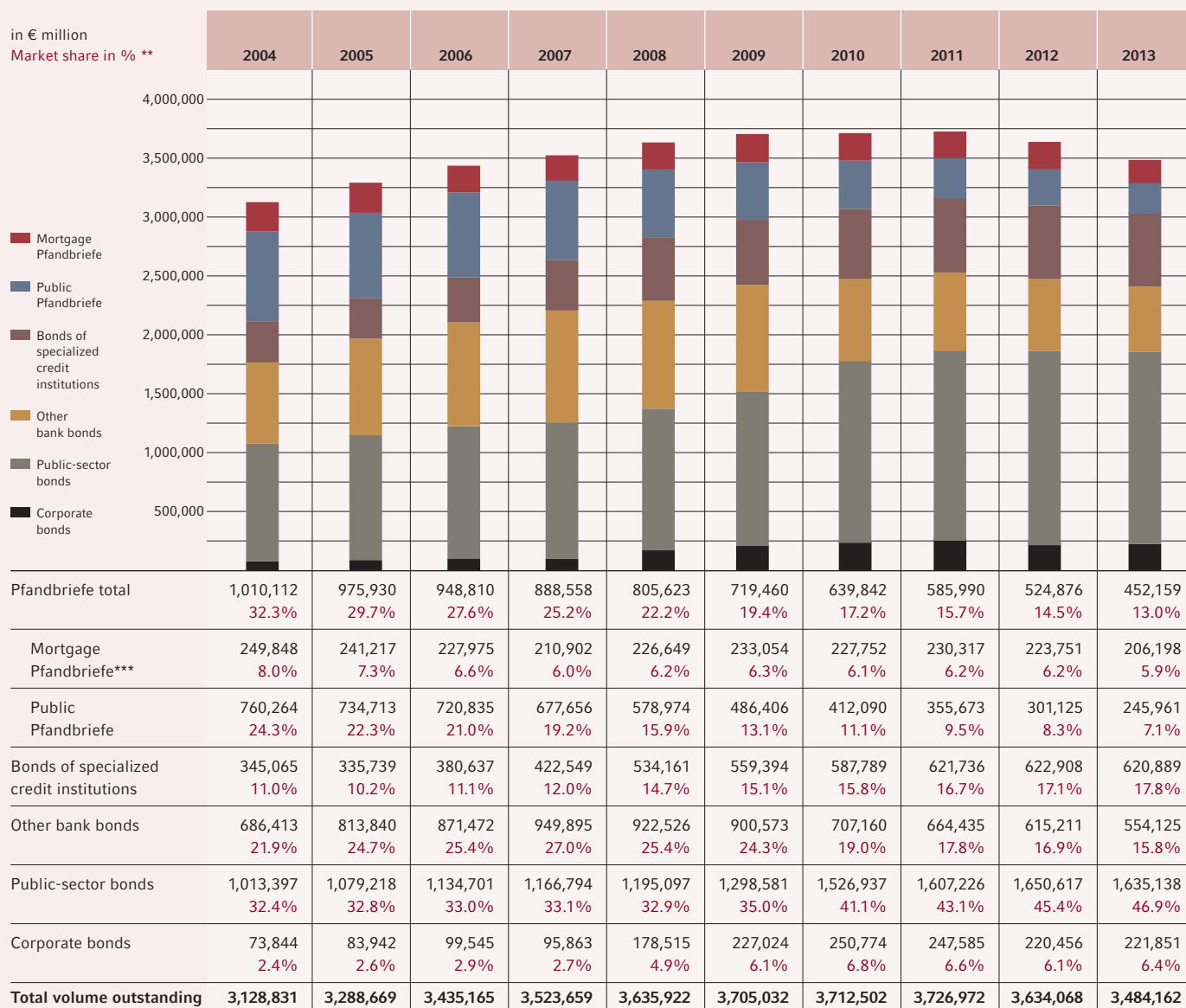
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Funding Activities of the Pfandbrief Banks

In the fifth year since the insolvency of Lehman Brothers the financial markets showed themselves, for the most part, to be in a robust condition in 2013. Developments in the financial markets were driven by monetary policy in particular. Notwithstanding political uncertainties in the Eurozone, a renewed escalation of the sovereign debt crisis did not materialize. The European Central Bank (ECB) cut its key interest rates twice and left the existing fixed-rate tender procedure with full allotment in place to supply banks with ample liquidity. The reduction in the demand for funding through Pfandbriefe led to a further shortage of supply. Spreads in the Eurozone periphery countries came close to pre-crisis levels. The US Federal Reserve Bank (Fed) caused intermittent confusion in the financial markets: after signaling in May that it would be exiting its securities purchase program (“tapering”) in the autumn, in September of the year under review it postponed doing so. This announcement added to the volatility in the interest rate markets and – from historically low yield levels – initially led to an acceleration in the rise in yields which did not slow down again until autumn 2013. These developments did not leave the Pfandbrief unscathed either. However, the low spread levels continue to testify to the quality and safety that the Pfandbrief offers investors

Fixed-Income Securities Outstanding*



* incl. registered bonds

** differences due to rounding

*** incl. Ship Pfandbriefe and Aircraft Pfandbriefe

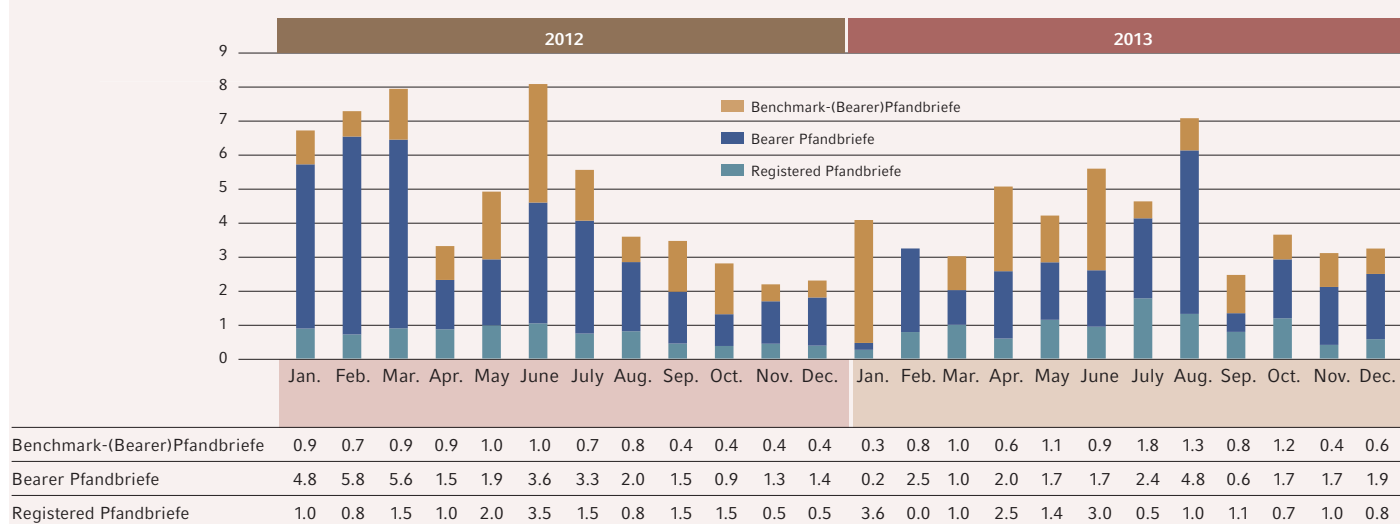
Sources: Deutsche Bundesbank and vdp

Developments in the Pfandbrief Market

PRIMARY MARKET

The year 2013 was characterized by liquidity-driven excess demand which was reflected in – in some cases, considerably – over-subscribed benchmark issues. Given the low-interest-rate environment and the availability of central bank liquidity, banks had several low-cost funding options at their disposal. Against this backdrop, Pfandbrief spreads contracted continuously. Depending on the particular names, it was again possible to bring more and more issues at below par. Generally speaking, Pfandbriefe benefited from their safe haven status within the covered bond market and from the loyalty of their domestic investor base, who attach great importance to the quality and the safety of the Pfandbrief.

Issuance Volumes by Pfandbrief Segment on a Monthly Basis

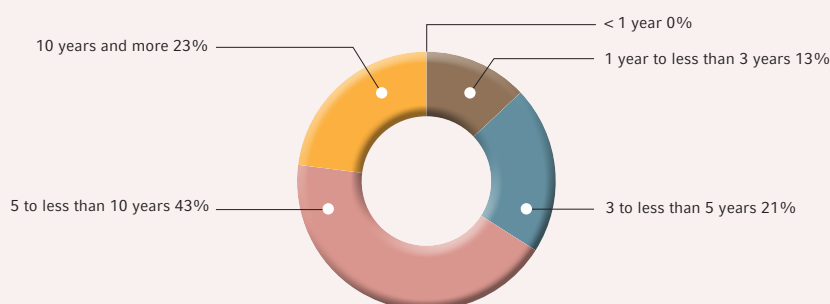


Sources: Deutsche Bundesbank and vdp

Benchmark issues (from € 500 million upwards) continued to grow in importance. One reason for this trend is that they make liquidity management easier for the issuers. In the year under review, total sales of just under € 15 billion again meant a year-on-year increase (2012: € 11 billion). On the other hand, Jumbo Pfandbrief sales dropped to € 2 billion. With 24 issues all told, the German Pfandbrief market proved to be the most active among covered bond markets in the benchmark segment.

Whereas in 2012 the average maturity of benchmark and Jumbo Pfandbrief issues was 6.5 years, it rose to 6.9 years in the year under review. Moreover, two-thirds of all Pfandbriefe were issued with a maturity of 5 years or more. In 2012, the corresponding share was just over 50 %.

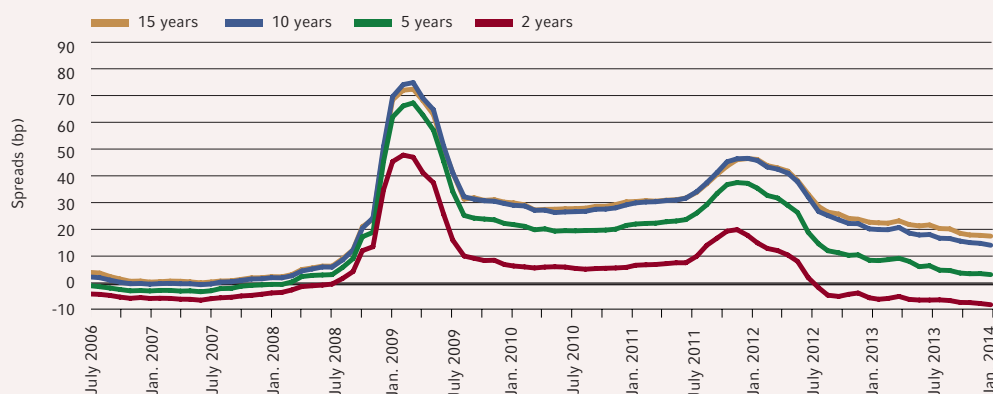
Breakdown of Maturities of all Pfandbriefe issued in 2013



Source: vdp

The excess demand resulted in a continued narrowing of spreads, although not on the large scale seen in the previous year. Viewed over the course of 2013, spreads contracted by 4 to 6 basis points across all maturity bands. In the previous year, spreads had narrowed by as much as 22 basis points. The gap separating the spreads of two-year and ten-year paper decreased only slightly from 24 basis points at first to 22 basis points as at the end of 2013.

Spreads vdp Curve (Mortgage Pfandbrief) vs. Swaps

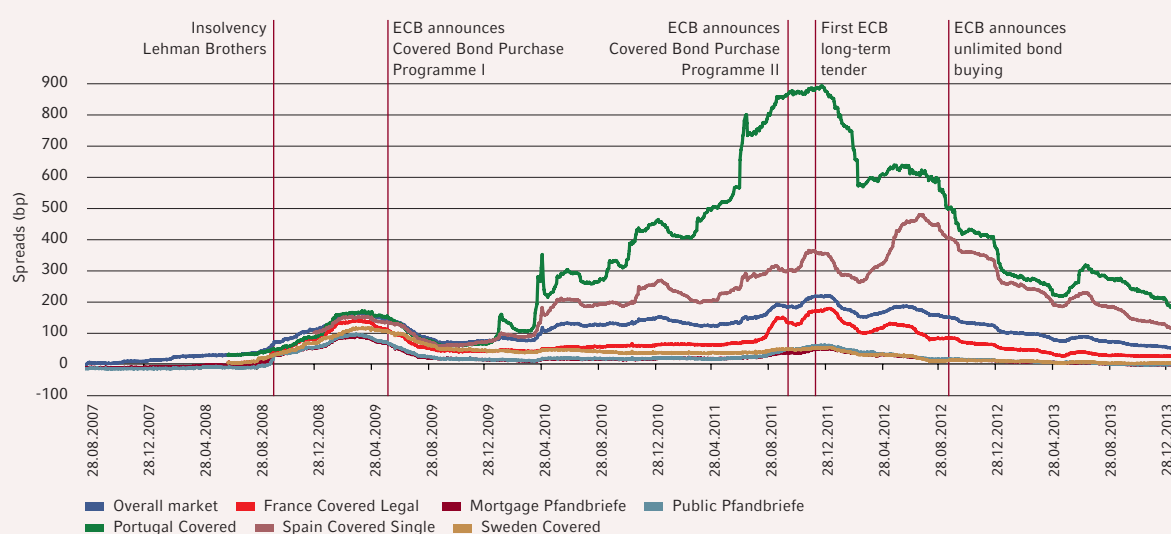


Source: vdp

SECONDARY MARKET

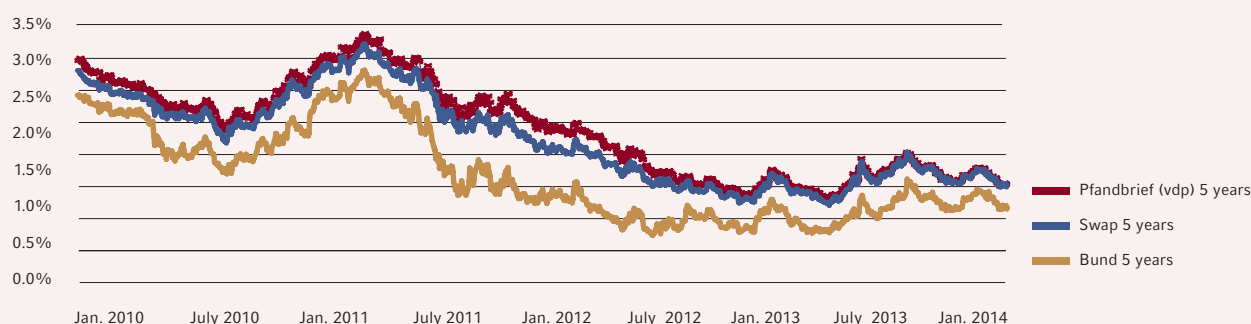
The excess demand that resulted from the weak issuance activity in the primary market had a knock-on effect on the secondary market as well. The narrowing of the covered bond spreads of the Eurozone periphery countries in particular, which had begun in 2012, continued. During the course of the year under review, covered bond spreads proved to be highly resilient in the face of the persistent political and economic uncertainties affecting Europe.

Swap Spreads of Pfandbriefe and other Covered Bonds



Sources: iBoxx, LBBW

Development of Yields in the Five-Year Category of Pfandbriefe, Bunds and the Swap Curve



Sources: vdp, Bloomberg, Dekabank

The trend in German Pfandbrief yields had already come close to the swap curve at the end of 2012, and remained so throughout the year under review. Thus, it was again demonstrated that market participants continue to hold the stability of this asset class in high esteem, for which Pfandbriefe are rewarded with the lowest risk premiums anywhere in Europe. Nevertheless, during the course of 2013, investors were for a time able to secure a yield pick-up vis-à-vis Bunds in the five-year maturity segment, for instance, of up to 65 basis points.

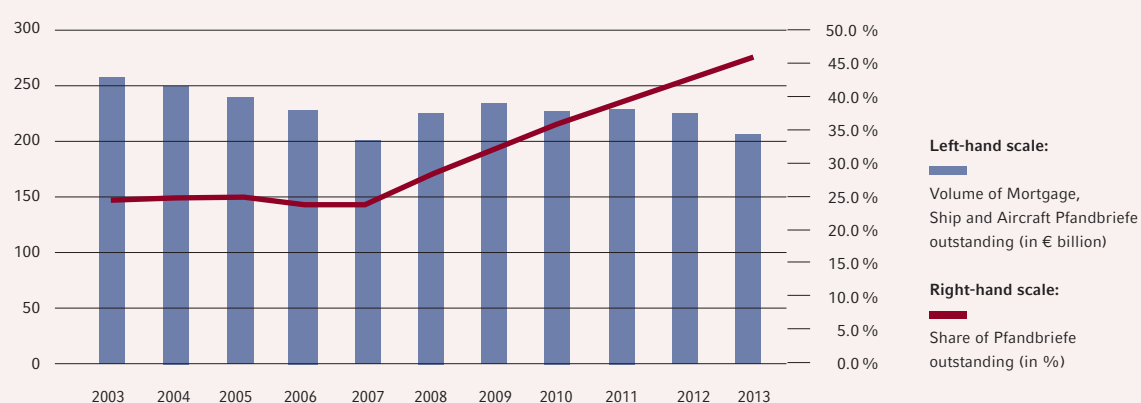
Development of the Volume of Pfandbriefe Outstanding

The volume of Pfandbriefe outstanding receded by 13.9 % to € 452 billion (previous year: € 525 billion). Once again, this development was due to the extensive volume of net redemptions of Public Pfandbriefe, which at € 55 billion was on a par with the previous year's level. The volume of Mortgage Pfandbriefe outstanding fell by € 15.7 billion or 7.3 % to € 200 billion.

| | Volume outstanding | | Net sales | |
|-------------------------------|--------------------|----------|-----------|--------|
| | end-2013 | end-2012 | | |
| Pfandbriefe total | 452.2 | 524.9 | -72.7 | -13.9% |
| of which Public Pfandbriefe | 246.0 | 301.1 | -55.2 | -18.3% |
| of which Mortgage Pfandbriefe | 200.3 | 216.0 | -15.7 | -7.3% |
| of which Ship Pfandbriefe | 5.4 | 7.3 | -1.7 | -23.7% |
| of which Aircraft Pfandbriefe | 0.5 | 0.5 | 0.0 | – |

Sources: Deutsche Bundesbank and vdp

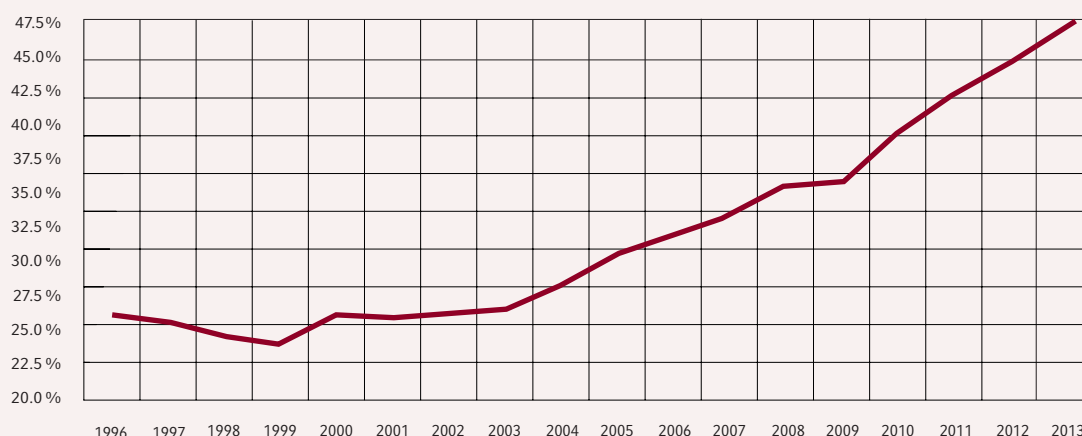
While the share of the total volume of Pfandbriefe outstanding accounted for by Mortgage, Ship and Aircraft Pfandbriefe was more or less constant at roughly 25 % before the financial crisis, this share has since risen steadily to reach 45.6 % in the meantime (2012: 42.6 %).



Sources: Deutsche Bundesbank and vdp

Given the developments described above, the share of Pfandbriefe outstanding accounted for by registered Pfandbriefe rose further to reach a new high of 47.6 % as at end-2013. Once again, this increase resulted from a large volume of bearer Public Pfandbriefe maturing. The share of newly issued Pfandbriefe made up by registered paper rose compared with the previous year to currently just short of 22 % (2012: 15 %).

Share of Pfandbriefe Outstanding Accounted for by Registered Pfandbriefe



Sources: Deutsche Bundesbank and vdp

First-time Pfandbrief Sales

First-time Pfandbrief sales in 2013 totaled € 49.5 billion, which was € 7 billion or 12.3 % less than in 2012. This decline was primarily attributable to lower sales of Mortgage Pfandbriefe, the issue volume of which fell by 12.9 % compared with 2012 to € 33.6 billion. The downward trend in Public Pfandbriefe, which had persisted for several years, was halted in the year under review. In 2013, Pfandbriefe totaling € 15.6 billion were sold in this segment, which was nearly 9 % more than one year earlier.

| New issues | 2013 | 2012 |
|-------------------------------|------------|------------|
| Pfandbriefe total | € 49,5 bn. | € 56,5 bn. |
| of which Public Pfandbriefe | € 15,6 bn. | € 14,3 bn. |
| of which Mortgage Pfandbriefe | € 33,6 bn. | € 38,5 bn. |
| of which Ship Pfandbriefe | € 0,3 bn. | € 3,2 bn. |
| of which Aircraft Pfandbriefe | € 0,0 bn. | € 0,5 bn. |

Sources: Deutsche Bundesbank and vdp

Outlook for the Pfandbrief Market in 2014

For the current year, the vdp member banks are projecting Pfandbrief sales totaling € 52.5 billion. Newly issued Mortgage Pfandbriefe are expected to account for € 37.8 billion, Public Pfandbriefe for € 13.4 billion, Aircraft Pfandbriefe for € 0.8 billion and Ship Pfandbriefe for € 0.5 billion of this total.

| Maturities 2014 (in € billion) | Mortgage Pfandbriefe | Public Pfandbriefe | Ship Pfandbriefe | Aircraft Pfandbriefe | Total |
|--|---------------------------------|-------------------------------|-----------------------------|---------------------------------|--------------|
| Pfandbriefe total | 30.4 | 43.9 | 1.6 | 0.0 | 75.9 |
| of which Jumbo Pfandbriefe | 6.5 | 4.0 | 0.0 | 0.0 | 10.5 |
| of which benchmark issues of € 500 million and more | 4.8 | 3.5 | 0.0 | 0.0 | 8.3 |
| of which trad. bearer Pfandbriefe | 12.5 | 13.6 | 1.4 | 0.0 | 27.5 |
| of which registered Pfandbriefe | 4.8 | 9.5 | 0.2 | 0.0 | 14.5 |
| Planned new issues 2014 (in € billion) | Mortgage Pfandbriefe | Public Pfandbriefe | Ship Pfandbriefe | Aircraft Pfandbriefe | Total |
| Pfandbriefe total | 37.8 | 13.4 | 0.5 | 0.8 | 52.5 |
| of which Jumbo Pfandbriefe | 0.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| of which benchmark issues of € 500 million and more | 11.3 | 4.0 | 0.0 | 0.5 | 15.8 |
| of which trad. bearer Pfandbriefe | 14.6 | 4.5 | 0.5 | 0.3 | 19.9 |
| of which registered Pfandbriefe | 11.9 | 3.9 | 0.0 | 0.0 | 15.8 |
| Expected net new issues 2014 (in € billion) | Mortgage Pfandbriefe | Public Pfandbriefe | Ship Pfandbriefe | Aircraft Pfandbriefe | Total |
| Pfandbriefe total | 7.4 | -30.5 | -1.1 | 0.8 | -23.4 |
| of which Jumbo Pfandbriefe | -8.3 | -16.3 | 0.0 | 0.0 | -24.6 |
| of which benchmark issues of € 500 million and more | 6.5 | 0.5 | 0.0 | 0.5 | 7.5 |
| of which trad. bearer Pfandbriefe | 2.1 | -9.1 | -0.9 | 0.3 | -7.6 |
| of which registered Pfandbriefe | 7.1 | -5.6 | -0.2 | 0.0 | 1.3 |

Source: vdp

The Pfandbrief Banks' lending business

Pfandbrief Banks within the Association of German Pfandbrief Banks (vdp) concluded new business worth €128 billion in 2013 – an increase of 3.7 % on the previous year. Financing for residential and commercial property grew, but there was a decline in new public sector loans and ship and aircraft financing.

Overview

New loans

New loans totalling € 128bn were placed in 2013.* Real estate financing made up 79.2 % of this amount, with public sector lending accounting for 14.9 %. Ship and aircraft financing made up 3.7 % and 2.2 % of total new business respectively.

All significant sub-segments within real estate financing experienced growth. Growth in financing for residential property, and particularly for construction of apartments, was very strong. Investment in commercial property grew considerably, thanks to the stable overall economic situation in Germany in the year under review. This also had a positive impact on the demand for financing. Overall, new business in the real estate segment grew by 9.2 % in comparison with the previous year.

New loans by Pfandbrief Banks during 2012 and 2013

| | 2012 € million | 2013 € million | Change in % |
|--|-------------------|-------------------|----------------|
| Real estate financing | 92,751 | 101,318 | 9.2 |
| of which Residential property financing | 44,622 | 48,208 | 8.0 |
| Commercial property financing | 48,129 | 53,110 | 10.3 |
| Public sector lending | 21,699 | 19,067 | -12.1 |
| of which to domestic public sector authorities | 11,800 | 8,539 | -27.6 |
| to public sector credit institutions | 3,797 | 3,379 | -11.0 |
| Ship financing | 4,941 | 4,722 | -4.4 |
| Aircraft financing | 4,031 | 2,859 | -29.1 |
| Total new loans | 123,422 | 127,966 | 3.7 |

Source: vdp statistics

Changes in the business policies of the member banks had a major impact on public sector lending, which declined once again in 2013 (-12.1 %). The prospect that a leverage ratio might be introduced made this segment less attractive for many banks.

* In order to be able to compare 2013 figures with those for the previous year, these and all other statistics on business volume in 2012 and 2013 refer to the member banks of the vdp as at 31 December 2013.

Outstanding loan amounts

Outstanding real estate, public sector, ship and aircraft loans held by vdp member banks stood at € 1,269.3 billion at the end of 2013. This represents a decline of 8.6 % compared to the previous year. Residential property financing was the only segment where outstanding loan amounts remained virtually unchanged; there were significant falls in all other segments.

Outstanding amounts under loans granted by Pfandbrief Banks in 2012 and 2013

| | 2012 € million | 2013 € million | Change in % |
|---|-------------------|-------------------|----------------|
| Real estate financing | 672,857 | 632,289 | -6.0 |
| of which Residential property financing | 373,304 | 370,956 | -0.6 |
| Commercial property financing | 299,553 | 261,333 | -12.8 |
| Public sector lending | 599,352 | 537,294 | -10.4 |
| Ship financing | 84,717 | 73,943 | -12.7 |
| Aircraft financing | 31,149 | 25,727 | -17.4 |
| Total loans | 1,388,075 | 1,269,253 | -8.6 |

Source: vdp statistics

Cover business

Out of the total mortgage loan portfolio of € 632.3 billion, € 230.2 billion (36.4 %) was used as cover for Mortgage Pfandbriefe.* The share of loans used as cover was roughly the same in Germany and abroad. There was significant variation in the proportion of assets included in cover among some member banks. It was considerably higher for specialised Pfandbrief Banks, whose refinancing primarily comes from Pfandbriefe, than in other institutions which have only begun to issue Pfandbriefe more recently.

Real estate financing

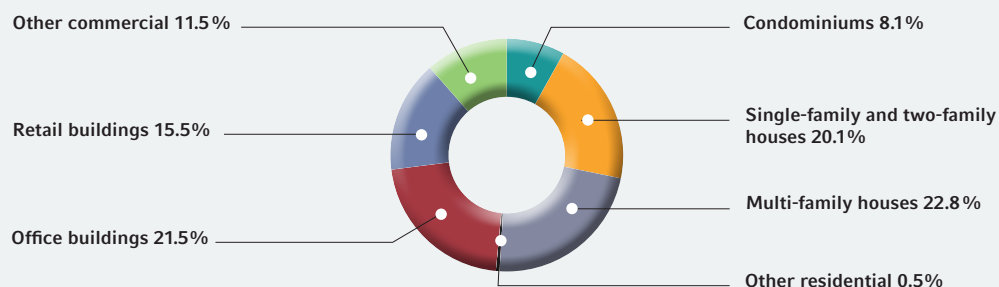
| | Mortgage loans € billion | Cover assets € billion | Included in cover in % |
|-------------------------------------|-----------------------------|---------------------------|---------------------------|
| Total | 632.3 | 230.2 | 36.4 |
| Germany | 508.8 | 183.5 | 36.1 |
| Outside Germany | 123.5 | 46.7 | 37.8 |
| <i>(share outside Germany in %)</i> | <i>(19.5)</i> | <i>(20.3)</i> | |

Source: vdp statistics

In terms of property type, 51.5 % of cover assets relate to residential property (owner-occupied homes, owner-occupied apartments and multi-family houses) and 48.5 % to commercial property, consisting mainly of office and retail premises.

* This figure does not include substitute cover and does not take subsidiaries into account.

Distribution of mortgage loan cover assets by property type



Source: vdp statistics

Around a fifth of mortgage loan cover assets are secured by real estate in Germany. Mortgage loans outside Germany used as Pfandbrief cover are spread across a wide range of countries. Major international markets for Pfandbrief Banks were France, the United Kingdom, the Netherlands, the USA, Spain, Poland, Switzerland and Italy. The share of total mortgage loan cover assets in these countries ranged from 1.1 % in Italy to 4.3 % in France.

Mortgage lending – cover assets by country 2013

| | Cover assets € billion | Share of total in % |
|-----------------|---------------------------|------------------------|
| Germany | 183.5 | 79.7 |
| France | 9.9 | 4.3 |
| United Kingdom | 7.5 | 3.3 |
| Netherlands | 4.6 | 2.0 |
| USA | 4.2 | 1.8 |
| Spain | 3.4 | 1.5 |
| Poland | 3.1 | 1.3 |
| Switzerland | 2.8 | 1.2 |
| Italy | 2.6 | 1.1 |
| other countries | 6.4 | 2.8 |
| Total | 230.2 | 100.0 |

Source: vdp statistics

Around 55 % of the public sector loan portfolio of € 537.3 billion served as cover for Public Pfandbriefe.* Loans used as cover represented a higher proportion of the total portfolio in Germany (58.8 %) than for business outside Germany (44.0 %). A little under a fifth of cover assets related to business outside Germany.

* This figure does not include substitute cover and does not take subsidiaries into account.

Public sector lending – cover assets and outstanding loan amounts in 2013

| | Public sector loans € billion | Cover assets € billion | Included in cover in % |
|-------------------------------------|----------------------------------|---------------------------|---------------------------|
| Total | 537.3 | 297.7 | 55.4 |
| Germany | 415.6 | 244.2 | 58.8 |
| Outside Germany | 121.7 | 53.5 | 44.0 |
| <i>(share outside Germany in %)</i> | <i>(22.7)</i> | <i>(18.0)</i> | |

Source: vdp statistics

As with Mortgage Pfandbriefe, the portion of asset cover for Public Pfandbriefe associated with international lending was broadly diversified across borrowers in different countries. By far the largest share related to Austria (4.3 %), with Spain, Italy, Switzerland, Belgium, the United Kingdom and France also accounting for significant portions.

Public sector lending – cover assets by country 2013

| | Cover assets € billion | Share of total in % |
|-----------------|---------------------------|------------------------|
| Germany | 244.2 | 82.0 |
| Austria | 12.8 | 4.3 |
| Spain | 6.5 | 2.2 |
| Italy | 6.3 | 2.1 |
| Switzerland | 3.4 | 1.1 |
| Belgium | 3.0 | 1.0 |
| United Kingdom | 3.0 | 1.0 |
| France | 2.9 | 1.0 |
| other countries | 15.6 | 5.2 |
| Total | 297.7 | 100.0 |

Source: vdp statistics

Of total outstanding ship loans totalling € 73.9 billion, € 7.3 billion, or 9.9 %, served as cover for ship Pfandbriefe. Of the total aircraft financing portfolio (€ 25.7 billion), € 2.1 billion, or 8.1 % was used as cover for aircraft Pfandbriefe.

Real estate financing by vdp member banks

Residential property financing

The demand for residential property remained high in 2013, in view of the robust labour market and the fact that financing terms continued to be favourable. This is also reflected in a considerable rise in loans granted. In total, new residential property financing came to € 48.2 billion, 8.0 % higher than in the previous year. As a result of the high level of demand for residential property, particularly in urban areas, new financing business for owner-occupied apartments grew by 7.8 %. In contrast, financing for single and two-family homes grew by only a small amount (2.2 %). The fact that institutional investors are increasingly focusing on urban residential property markets was also reflected in the level of new loans granted by Pfandbrief Banks, with new loans for multi-family houses increasing by 17.9 %. Financing for existing properties (including loans for renovations and upgrades) accounted for 58 % of new loans. Loans for new construction and refinancing of loans from other lenders each accounted for 21 % of new business.

Despite subdued economic growth – real GDP increased by only 0.4 % in 2013 – circumstances were still favourable to the demand for residential property financing. The labour market, and hence the outlook for household income, remained broadly stable. The situation was also helped by the ongoing exceptional financing terms. Fixed interest rates (five to ten years) for residential construction loans ranged from 2.7 % to 2.9% during the year under review.

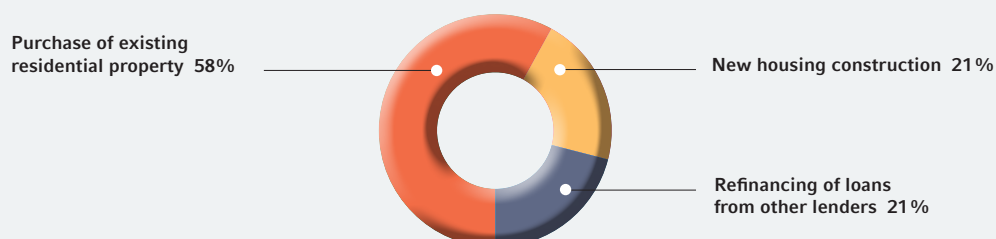
New residential property financing in 2012 and 2013

| | 2012 € million | 2013 € million | Change in % |
|---------------------------------------|-------------------|-------------------|----------------|
| Residential property financing | 44,622 | 48,208 | 8.0 |
| of which | | | |
| Single-family and two-family houses | 22,070 | 22,549 | 2.2 |
| Owner-occupied apartments | 8,164 | 8,801 | 7.8 |
| Multi-family houses | 13,438 | 15,850 | 17.9 |
| Other residential properties | 950 | 1,008 | 6.1 |
| of which | | | |
| Outside Germany | 1,240 | 1,383 | 11.5 |

Source: vdp statistics

For a number of years demand for residential property, particularly in Germany's large cities, has been rising sharply, while levels of construction, though increasing, have remained quite low from a long-term perspective. Low interest rates and the absence of alternative investment opportunities have resulted in a spike in demand. Although residential property prices have risen considerably in recent years, the amount of debt held by those acquiring residential property is at a historically low level, thanks to the favourable terms available for financing. As long as the labour market, and hence household incomes, remains stable, we anticipate that demand for residential property in large cities will remain steady in 2014.

Distribution of new loans by financing purpose in 2013



Source: vdp statistics

Pfandbrief Banks' market share in residential property financing

Outstanding residential property loans to domestic borrowers totalled € 1,159 billion at year-end, representing an increase of 2 % compared with the previous year. Of this amount, 31.2 % was attributable to Pfandbrief Banks that are members of the vdp

Outstanding residential property loans by banking sub-sector 2013

| Banking sub-sector | € million | Share in % |
|--|------------------|--------------|
| Regional and other commercial banks | 164,936 | 14.3 |
| Branches of foreign banks | 1,075 | 0.1 |
| Major banks | 118,169 | 10.2 |
| Landesbanken (German regional state banks) | 45,373 | 3.9 |
| Savings banks | 350,768 | 30.3 |
| Central institutions for credit cooperatives | 250 | 0.0 |
| Credit cooperatives | 241,185 | 20.8 |
| Mortgage banks | 66,551 | 5.7 |
| Building and loan associations | 114,007 | 9.8 |
| Special-purpose banks | 57,023 | 4.9 |
| All banking sub-sectors | 1,159,337 | 100.0 |
| of which vdp member banks | 362,205 | 31.2 |

Source: Deutsche Bundesbank and vdp statistics

Commercial property financing

New commercial property financing amounted to € 53.1 billion in 2013, an increase of 10.3 % on the previous year. Lending within Germany increased by 14.2 % and hence represented a particularly large proportion of this growth, while business outside Germany also grew by 4.4 %.

Financing for retail properties and hotels substantially contributed to this rise, while the most significant market segment in terms of volume – office properties – also experienced growth. As well as being helped by the stable economic environment, commercial property financing also benefited from increased demand among investors, both in Germany and abroad. While the more modest lending levels seen in recent years were due in large part to preparations for forthcoming regulatory requirements, banks are now prepared for the regulatory changes. They have also developed solutions that allow them to grant large loans, in spite of the pressure to reduce their balance sheets. This involves working with financial intermediaries and making greater use of syndicated loans.

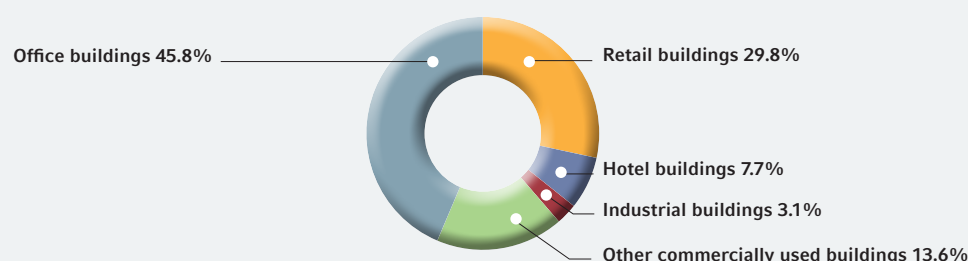
New commercial property loans by property type in 2012 and 2013

| | 2012 € million | 2013 € million | Change in % |
|--|-------------------|-------------------|----------------|
| Total commercial property loans | 48,129 | 53,110 | 10.3 |
| of which | | | |
| Office buildings | 23,359 | 24,326 | 4.1 |
| Retail buildings | 13,530 | 15,824 | 17.0 |
| Hotel buildings | 2,891 | 4,078 | 41.1 |
| Industrial buildings | 1,657 | 1,635 | -1.3 |
| Other commercial properties | 6,692 | 7,247 | 8.3 |
| of which | | | |
| Outside Germany | 18,934 | 19,766 | 4.4 |

Source: vdp statistics

The prospects for commercial property financing in 2014 appear encouraging. Demand on the commercial property market is likely to remain stable in 2014, providing potential opportunities for investment and the associated financing.

Distribution of new loans by property type during 2013



Source: vdp statistics

Pfandbrief Banks dominate German commercial property financing market

The vdp member banks are by far the largest providers of commercial property financing in Germany. They held outstanding loans of € 261.3 billion at the end of 2013, of which € 146.6 billion were within the German market. According to figures published by Deutsche Bundesbank, total outstanding commercial property loans in Germany stood at € 244.1 billion at year-end, meaning that the vdp member banks had a market share of 60.1 %.

Outstanding commercial property loans by banking sub-sector 2013

| Banking sub-sector | 2013 € million | 2013 Share in % |
|--|-------------------|--------------------|
| Regional and other commercial banks | 11,071 | 4.5 |
| Branches of foreign banks | 1,004 | 0.4 |
| Major banks | 22,874 | 9.4 |
| Landesbanken (German regional state banks) | 43,727 | 17.9 |
| Savings banks | 59,446 | 24.4 |
| Credit cooperatives | 65,504 | 26.8 |
| Mortgage banks | 38,497 | 15.8 |
| Special-purpose banks (incl. building and loan associations) | 1,984 | 0.8 |
| All banking sub-sectors | 244,107 | 100.0 |
| of which vdp member banks | 146,607 | 60.1 |

Source: Deutsche Bundesbank and vdp statistics

Commercial property financing outside Germany by Pfandbrief Banks

Roughly two thirds of all business outside Germany was transacted in just three countries. At € 5.4 billion, or 27 %, the largest proportion of this related to the United Kingdom, with the USA (€ 4.3 billion, or 21.8 %) and France (€ 3.6 billion, or 18.2 %) also being important markets for vdp member banks.

Commercial property financing outside Germany in 2013

| | New loans 2013 | | Outstanding loans at year-end 2013 | |
|---------------------|----------------|--------------|------------------------------------|--------------|
| | € million | Share in % | € million | Share in % |
| Austria | 263 | 1.3 | 1,225 | 1.1 |
| Belgium | 318 | 1.6 | 1,761 | 1.5 |
| Cyprus | 0 | 0.0 | 65 | 0.1 |
| Czech Republic | 450 | 2.3 | 1,718 | 1.5 |
| Denmark | 24 | 0.1 | 843 | 0.7 |
| Estonia | 0 | 0.0 | 95 | 0.1 |
| Finland | 173 | 0.9 | 2,117 | 1.8 |
| France | 3,599 | 18.2 | 22,093 | 19.3 |
| Greece | 0 | 0.0 | 170 | 0.1 |
| Hungary | 33 | 0.2 | 987 | 0.9 |
| Ireland | 0 | 0.0 | 120 | 0.1 |
| Italy | 160 | 0.8 | 4,810 | 4.2 |
| Lithuania | 0 | 0.0 | 6 | 0.0 |
| Luxembourg | 88 | 0.4 | 1,230 | 1.1 |
| Netherlands | 1,571 | 7.9 | 8,426 | 7.3 |
| Poland | 1,568 | 7.9 | 6,285 | 5.5 |
| Portugal | 1 | 0.0 | 1,971 | 1.7 |
| Romania | 64 | 0.3 | 760 | 0.7 |
| Slovakia | 70 | 0.4 | 164 | 0.1 |
| Slovenia | 69 | 0.3 | 128 | 0.1 |
| Spain | 206 | 1.0 | 8,883 | 7.7 |
| Sweden | 1,047 | 5.3 | 3,704 | 3.2 |
| United Kingdom | 5,364 | 27.1 | 22,610 | 19.7 |
| EU total | 15,068 | 76.2 | 90,171 | 78.6 |
| Canada | 55 | 0.3 | 923 | 0.8 |
| Iceland | 1 | 0.0 | 279 | 0.2 |
| Japan | 30 | 0.2 | 595 | 0.5 |
| Norway | 0 | 0.0 | 26 | 0.0 |
| other countries | 283 | 1.4 | 3,564 | 3.1 |
| Switzerland | 18 | 0.1 | 1,167 | 1.0 |
| USA | 4,311 | 21.8 | 18,001 | 15.7 |
| Non-EU total | 4,698 | 23.8 | 24,555 | 21.4 |
| Grand total | 19,766 | 100.0 | 114,726 | 100.0 |

Source: vdp statistics

Outstanding commercial property financing outside Germany stood at € 114.7 billion at the end of 2013, representing 43.9 % of all outstanding commercial property loans. At € 22.6 billion, or 19.7 %, the United Kingdom was the most significant international market for Pfandbrief Banks, followed by France with € 22.1 billion (19.3 %) and the USA with € 18.0 billion (15.7 %).

Public sector lending

Developments in the public sector loan business

The consolidation that has been underway for a number of years in public sector lending continued. Between January and December 2013, new public sector loans totalling € 19.1 billion were granted to German and international borrowers, 12.1 % lower than in 2012. At the end of 2013, outstanding loans stood at € 537.3 billion, representing a decline of 10.4 %.

Domestic public sector lending by Pfandbrief Banks

Having stood at € 19.1 billion in 2012, the volume of new domestic loans came in at € 15.7 billion in 2013. Local authorities made up the most significant group of domestic borrowers, with € 4.6 billion of new lending, followed by federal states and public sector credit institutions, which each accounted for € 3.4 billion.

Public sector lending during 2012 and 2013¹⁾

| | New loans | | | Outstanding loans at year-end | | |
|--|-------------------|-------------------|----------------|-------------------------------|-------------------|----------------|
| | 2012 € million | 2013 € million | Change in % | 2012 € million | 2013 € million | Change in % |
| Total | 21,699 | 19,067 | -12.1 | 599,352 | 537,294 | -10.4 |
| of which | | | | | | |
| Due from domestic public sector authorities | 11,800 | 8,539 | -27.6 | 263,135 | 245,477 | -6.7 |
| of which | | | | | | |
| Federal government ²⁾ | 554 | 510 | -7.9 | | | |
| Federal states (Länder) | 6,559 | 3,408 | -48.0 | | | |
| Local authorities | 4,687 | 4,621 | -1.4 | | | |
| Due from public sector credit institutions | 3,797 | 3,379 | -11.0 | 148,066 | 117,588 | -20.6 |
| Domestic loans guaranteed by the public sector | 1,963 | 1,997 | 1.7 | 31,242 | 29,783 | -4.7 |
| Other public sector lending: | | | | | | |
| Germany ³⁾ | 1,515 | 1,750 | 15.5 | 21,508 | 22,751 | 5.8 |
| outside Germany ⁴⁾ | 2,624 | 3,402 | 29.6 | 135,401 | 121,695 | -10.1 |

¹⁾ including securities

Source: vdp statistics

²⁾ including special funds (Sondervermögen)

³⁾ inter alia, domestic government-owned corporate entities, including special-purpose associations

⁴⁾ includes public sector exposure arising from purchased debt securities

As at 31 December 2013, outstanding loans by vdp member banks to German public sector authorities (excluding securities) stood at € 178.7 billion. According to figures published by Deutsche Bundesbank, loans to German public sector authorities (excluding securities) totalled € 339.2 billion at the end of 2013, meaning that the vdp member banks' share of this market was 52.7 %

Loans to domestic public sector authorities in 2012 and 2013¹⁾

| | Outstanding loans at year-end | |
|--|-------------------------------|-------------------|
| | 2012 € million | 2013 € million |
| Loans to domestic public sector authorities | 175,129 | 178,720 |

¹⁾Public sector lending and promissory notes, excluding securities

Source: vdp statistics

Public sector lending by Pfandbrief Banks outside Germany

As in previous years, lending by Pfandbrief Banks to public sector borrowers outside Germany was largely driven by credit quality in 2013, resulting in wide variations between countries, particularly within Europe.

New loans

The volume of new loans to public sector borrowers (central governments and sub-sovereign entities) outside Germany stood at € 3.4 billion, having reached € 2.6 billion in 2012. Of these new loans, 65.9 % went to EU states. At 27 %, the largest proportion of loans was granted to France, followed by Belgium (10.2 %) and Finland (8.6 %). These figures clearly show that vdp member banks have largely withdrawn from doing business with states whose economies are currently weak.

Outstanding loan amounts

Public sector lending outside Germany totalled € 121.7 billion at the end of 2013, with the largest amounts due from Italy (20.3 %), Austria (17.3 %) and Spain (12.1 %).

Public sector lending outside Germany during 2013

| | New loans 2013 | | Outstanding loans at year-end 2013 | |
|------------------------|----------------|--------------|------------------------------------|--------------|
| | € million | Share in % | € million | Share in % |
| Austria | 122 | 3.6 | 21,050 | 17.3 |
| Belgium | 347 | 10.2 | 6,019 | 4.9 |
| Bulgaria | 0 | 0.0 | 8 | 0.0 |
| Cyprus | 0 | 0.0 | 7 | 0.0 |
| Czech Republic | 0 | 0.0 | 755 | 0.6 |
| Denmark | 99 | 2.9 | 256 | 0.2 |
| Estonia | 0 | 0.0 | 11 | 0.0 |
| Finland | 292 | 8.6 | 953 | 0.8 |
| France | 919 | 27.0 | 10,435 | 8.6 |
| Greece | 0 | 0.0 | 4 | 0.0 |
| Hungary | 0 | 0.0 | 1,360 | 1.1 |
| Ireland | 113 | 3.3 | 1,032 | 0.8 |
| Italy | 75 | 2.2 | 24,714 | 20.3 |
| Latvia | 0 | 0.0 | 377 | 0.3 |
| Lithuania | 0 | 0.0 | 182 | 0.1 |
| Luxembourg | 87 | 2.6 | 1,438 | 1.2 |
| Netherlands | 95 | 2.8 | 2,962 | 2.4 |
| Poland | 16 | 0.5 | 2,670 | 2.2 |
| Portugal | 0 | 0.0 | 4,162 | 3.4 |
| Romania | 0 | 0.0 | 103 | 0.1 |
| Slovakia | 0 | 0.0 | 772 | 0.6 |
| Slovenia | 0 | 0.0 | 892 | 0.7 |
| Spain | 1 | 0.0 | 14,770 | 12.1 |
| Sweden | 75 | 2.2 | 506 | 0.4 |
| United Kingdom | 0 | 0.0 | 3,608 | 3.0 |
| EU total | 2,241 | 65.9 | 99,046 | 81.4 |
| | | | | |
| Canada | 0 | 0.0 | 1,895 | 1.6 |
| Iceland | 0 | 0.0 | 277 | 0.2 |
| Japan | 0 | 0.0 | 2,103 | 1.7 |
| Norway | 0 | 0.0 | 145 | 0.1 |
| other countries | 76 | 2.2 | 2,004 | 1.6 |
| Switzerland | 92 | 2.7 | 3,773 | 3.1 |
| USA | 0 | 0.0 | 4,888 | 4.0 |
| Non-EU total | 168 | 4.9 | 15,085 | 12.4 |
| | | | | |
| EU institutions | 993 | 29.2 | 7,564 | 6.2 |
| | | | | |
| Grand total | 3,402 | 100.0 | 121,695 | 100.0 |

Source: vdp statistics

Ship and aircraft financing

Ship financing

Low freight and charter rates continued to have a negative impact on the maritime economy during the year under review. The nascent economic recovery (the International Monetary Fund forecasts global economic growth of 3.7 % for the current year, with the upturn in world trade resulting from this expansion estimated at 4.5 %) has so far gone only some way to relieving the pressure on the ship market. The sector is attempting to deal with the price pressure caused by factors such as high fuel costs and overcapacity by improving efficiency (retrofitting), consolidating, and scrapping an increasing number of older vessels. For Germany's numerous small and medium-sized shipping companies in particular, obtaining liquidity at a reasonable price continues to be a key issue.

Ship finance institutions within the vdp have a tradition of working in this sector, sometimes going back very many years. This and their outstanding expertise are just some of the reasons why they are among the world leaders in this market. Nonetheless, their lending volume in 2013 fell short of the high levels seen in previous years. In line with market expectations, the ship loan portfolio declined by 12.7 % in 2013, reaching approximately € 74 billion (2012: just under € 85 billion). A breakdown of this lending into the three primary commercial shipping segments reveals that financing for container ships made up the largest share (€ 25.6 billion, or 34.5 %), followed by tankers (€ 14.7 billion, or 19.8 %) and bulk carriers or "bulkers" (€ 12.3 billion, or 16.7 %). The share of loans granted in the "offshore" segment was calculated for the first time in 2013. Member banks provided € 3.3 billion of financing for special ships, which were primarily involved in the oil, gas and wind power sectors.

New ship lending activity remained highly selective, while new financing opportunities in the market for second-hand tonnage were also limited. Similarly, other lending opportunities were passed over because they were deemed to be "non-strategic". Once again, the difficult market conditions particularly affected the smaller tramp shipping companies involved in container and bulk shipping in 2013. One factor that caused problems for such companies was the fact that charter times have become shorter and more flexible. Freight liner operators are increasingly using ships from their own fleet, meaning continuing price pressure and a drive towards consolidation, in spite of a rise in transport volumes.

Shipping remains the most important mode of transport for international trade flows in the long term. An increased tendency to scrap older, less energy-efficient ships is helping to reduce the current problems caused by excess capacity. The relentless advance of globalisation and the potential growth in the global economy that it brings also mean that there is an ongoing need for new, innovative and environmentally friendly ships. Financing these ships is at the heart of the vdp ship financing institutions' business. They will continue to use their expertise to work with and support ship-owners and shipyards in the future.

Aircraft financing

The positive trend in the international air transportation market continued in 2013. Passenger traffic grew by 5.3 % (RPK), in line with long-term forecasts. This, along with increased capacity discipline, meant that aircraft were more fully utilised around the world. The International Air Transport Association (IATA) anticipates that airline profits for 2013 will reach USD 12.9 billion.

The market for aircraft experienced another boom during the year under review. Manufacturers Airbus and Boeing alone reported 1,274 deliveries of new aircraft (Airbus: 626, Boeing: 648) and 2,858 new orders (net). The vast majority of orders were for next generation single-aisle aircraft, a segment which includes the Airbus A320neo and Boeing 737 MAX families.

For credit institutions involved in aircraft financing, the high numbers of deliveries due in the coming years and the sharp increase in financing requirements represent a significant potential market. These factors are also a challenge, since tighter regulatory requirements in relation to the capital that banks must hold have significantly reduced their capacity to lend in this segment too.

At the end of 2013, aircraft loans granted by vdp member banks stood at roughly € 25.7 billion – for the first time considerably lower than the levels seen in previous years (2012: € 31.1 billion). This was partly due to high repayment levels, but also because major lenders, including vdp member banks, have pulled out of aircraft financing in recent years. Of the outstanding loans to aircraft manufacturers, € 22.7 billion (88 %) related to Airbus (47 %) and Boeing (41 %). The total volume of new loans in 2013 was € 2.9 billion.

Once again, export credit agencies (ECAs) played a major role in transactions involving aircraft during the year under review, although their share of global aircraft financing shrank overall as a consequence of changing funding terms. At approximately € 3.7 billion, ECA-backed transactions accounted for roughly 14.5 % of the outstanding aircraft loans held by market participants represented in the vdp in 2013.

Forecasts for the aviation industry and hence the outlook for providers of aircraft financing remain positive. Annual growth of 5-6 % in air traffic over the next 15 years, coupled with strong demand for modern and fuel-efficient aircraft will continue to drive the market forward. Long-term studies carried out by Airbus and Boeing predict that up to 35,280 new commercial aircraft will be required around the world by 2032, with a value of 4.8 trillion US dollars.

Loans from banks are a major source of finance for the sector, accounting for roughly a third of worldwide aircraft financing. The providers of aircraft financing within the vdp are among the most significant commercial lenders in the aircraft market. With their in-depth knowledge and years of experience, they will continue to be trusted partners and provide support for manufacturers, leasing companies and airlines in future.

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