

## Press Release



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### **pbb Deutsche Pfandbriefbank AG maintains its positive performance during the second quarter of 2011**

- Pre-tax profit of € 68 million
- Fourth consecutive profitable quarter
- New business (including extensions) on schedule, at € 4.1 billion for the first half of 2011

**Munich, 11 August 2011** – The positive development of pbb Deutsche Pfandbriefbank continues. For the second quarter of 2011 the sub-group posted a pre-tax profit of € 68 million (Q2/2010: € -175 million) according to IFRS, making Q2 2011 the fourth profitable quarter in a row.

The positive trend was also evident in strong origination figures for the bank: pbb originated new business to the amount of € 1.9 billion for the second quarter of 2011, and € 4.1 billion for the first half of the year in total (both figures including extensions with a term of more than 12 months). Of the aggregate amount, € 2.9 billion was accounted for by Real Estate Finance (with gross margins in excess of 190 basis points), and € 1.2 billion by Public Sector Finance (where gross margins were above 100 basis points).

**Manuela Better**, CEO of pbb Deutsche Pfandbriefbank, commented: "With four consecutive profitable quarters, pbb Deutsche Pfandbriefbank is right on track. Having successfully concluded the EU state aid proceedings, we will now be able to fully focus on the market and on our clients."

The **income statement** shows a clearly positive development compared with the same period of the previous year, thanks to the bank's realignment, and particularly due to the portfolio restructuring from 1 October 2010.

- **Operating revenues** increased strongly to € 162 million (Q2/2010: € 99million). Even though *net interest income* declined to € 95 million (Q2/2010: € 164 million), reflecting the significant reduction in portfolio size, *net commission income* was no longer burdened by any fees payable for liquidity guarantee facilities provided by SoFFin (in Q2/2010, these amounted to € 22 million). Also, *net trading income* improved to € 8 million (Q2/2010: € -36 million), predominantly due to lower default risks related to interest rate hedges for clients. Additionally, the *balance of other operating income /expenses* rose to € 66 million (Q2/2010: € -2 million). The net figure now also includes income from servicing FMS Wertmanagement (€ 36 million), which is however also offset by a corresponding administrative expense item.
- Net **provisions for losses on loans and advances** amounted to € 1 million (Q2/2010: € 175 million). The net figure included €8 million in additions to individual loan-loss provisions, which were almost offset by € -4 million in releases of portfolio-based provisions and € -2 million in other provisions.
- **General administrative expenses** declined slightly, to € 93 million (Q2/2010: € 98 million), despite additional expenses incurred in connection with the servicing for FMS Wertmanagement.



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**Total assets** of the pbb Deutsche Pfandbriefbank sub-group declined to € 126 billion as at 30 June 2011 (31 March 2011: € 155 billion). The decline was primarily due to the continued reduction in counter-effects, which occurred in relation to the transfer of assets to FMS Wertmanagement in October 2010, and which had led to an increase in total assets. Adjusted for these effects, total assets were down to € 94 billion (31 March 2011: € 102 billion), reflecting repayments in excess of new business, as well as market-induced effects which led to a reduction in total assets.

### **HRE Group and DEPFA sub-group**

The results for the **HRE Group**, which includes the DEPFA sub-group in addition to pbb Deutsche Pfandbriefbank and its subsidiaries, also reflected the realignment of the Group, and the considerably improved portfolio structure. The Group posted a pre-tax profit of € 53 million for the second quarter (Q2/2010: € -395 million), the third profitable quarter in a row. HRE Group's consolidated total assets as at 30 June 2011 amounted to € 234 billion according to IFRS (€ 267 billion as at 31 March 2011). Likewise, the decrease was primarily attributable to the phasing out of effects having increased total assets in relation to the transfer of positions to FMS Wertmanagement.

The **DEPFA sub-group** posted € 19 million in pre-tax profit for the second quarter of 2011 (Q2/2010: € -228 million).

### **Note to editors:**

We have included tables providing information on the income statement according to IFRS of the pbb Deutsche Pfandbriefbank sub-group, and on the consolidated income statement of HRE Group.

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### **About pbb Deutsche Pfandbriefbank**

pbb Deutsche Pfandbriefbank is a leading European specialist lender for Real Estate and Public Investment Finance. pbb Deutsche Pfandbriefbank is active in Germany and other European countries.

In Real Estate Finance, the bank offers funding solutions for professional national and international real estate clients. This includes real estate companies, institutional investors and real estate funds. In Germany, the bank also targets medium-sized and regionally-orientated clients.

As an established financing partner, the bank has many years of experience in Public Investment Finance. Its focus is on local authorities below the topmost governmental level that only have limited direct access to the capital market.

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**Table 1:**  
**Consolidated Income Statement of the pbb Deutsche Pfandbriefbank sub-group (€ million)**

pbb Deutsche Pfandbriefbank sub-group	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Operating revenues	99	241	191	131	162
Net interest and similar income	164	161	109	97	95
Net commission income	-1	-12	10	14	5
Net trading income	-36	110	15	-8	8
Net income from financial investments	-4	-1	1	-1	0
Net income from hedge relationships	-22	-2	-4	-15	-12
Balance of other operating income/expenses	-2	-15	60	44	66
Provisions for losses on loans and advances	175	17	25	-2	1
General administrative expenses	98	105	76	81	93
Balance of other income/expenses	-1	-	8	-	0
Pre-tax profit/loss	-175	119	98	52	68

**Table 2:**  
**Consolidated Income Statement of HRE Group (€ million)**

Hypo Real Estate Group	Q2 2010*	Q3 2010	Q4 2010*	Q1 2011	Q2 2011
Operating revenues	-66	-244	348	260	177
Net interest and similar income	235	197	90	218	141
Net commission income	-98	-125	4	8	-
Net trading income	-173	-153	67	-7	12
Net income from financial investments	22	18	12	-20	-15
Net income from hedge relationships	-44	1	7	-4	-17
Balance of other operating income/expenses	-8	-182	168	65	56
Provisions for losses on loans and advances	194	-2	-7	-9	-11
General administrative expenses	137	167	97	106	136
Balance of other income/expenses	2	1	10	-	1
Pre-tax profit/loss	-395	-408	268	163	53

\* Incl. P&L effects from reclassification of securities from 'Loans and advances to other banks/customers' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR