

Press Release



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pbb doubles pre-tax profit in the third quarter of 2013

- Pre-tax profit rises from € 31 million (Q2 2013) to € 62 million
- Third-quarter new business grows to € 2.1 billion, up 50% year-on-year
- After the first nine months, pre-tax profit and new business volume already at full-year level 2012

Munich, 12 November 2013 – pbb Deutsche Pfandbriefbank significantly boosted results and new business in the third quarter, maintaining its positive business performance. Pre-tax profit (in accordance with IFRSs) doubled to € 62 million (Q2 2013: € 31 million). Meanwhile, at € 122 million, pre-tax profit for the first nine months of the year has already reached the full year level 2012 (FY 2012: € 124 million). Expected negative effects incurred during the third quarter, as a result of adjusting the valuation of derivatives to changed market conventions, and higher expenditure related to the termination of servicing for FMS Wertmanagement were more than compensated for by a gain from the sale of a restructured property. New business was up 50% year-on-year, to € 2.1 billion in the third quarter (Q3 2012: € 1.4 billion). Having originated aggregate new business of € 5.5 billion in the first nine months, pbb exceeded the volumes posted during the same period of the previous year by 90% and also already reached 2012's full-year level of € 5.6 billion. The bank affirmed its full year target, which it had raised to a minimum of € 150 million in early October.

Manuela Better, CEO of pbb Deutsche Pfandbriefbank, said: "pbb Deutsche Pfandbriefbank continues to progress well. We also anticipate strong new business in the fourth quarter. Having discontinued the servicing function for the FMS Wertmanagement portfolio - which we serviced successfully for the last three years -, we now focus exclusively on our core business as a specialist lender for real estate finance and public investment finance."

Real Estate Finance accounted for € 4.6 billion of the total € 5.5 billion **new business** during the first nine months (including extensions beyond one year); € 0.9 billion was originated in Public Investment Finance. pbb underscored its special role for real estate financing in its German home market, which accounted for 53% of aggregate new business – followed by pbb's other core markets in Central and Eastern Europe (15%), and in France and the UK (12% each). In Public Investment Finance, the bank originated new business in the amount of € 466 million (49%) in France, followed by Germany (€ 359 million or 38%) and Finland (€ 125 million or 13%).

During the first nine months of the year, the bank raised long-term **funding** of € 7 billion, compared to € 5.7 billion during the same period of the previous year. The average term of newly-raised funds was more than 6 years, whereby especially the average terms of unsecured funding continued to develop favourably (9m 2013: 4.9 years; 9m 2012: 3.5 years).

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Income statement (IFRS)

pbb's core business is lending, with income reported predominantly in **net interest income**, which rose to € 79 million in the third quarter, up from € 74 million in the previous quarter. This shows that the bank continuously replaces existing low-margin exposures with more profitable new business.

At € 9 million, (Q2 2013: € 3 million), net **provisions for losses on loans and advances** remained at a low level. New provisions recognised related to only a few individual cases.

General administrative expenses were up slightly from the previous quarter, at € 84 million (Q2 2013: € 80 million). The increase reflected higher expenses incurred in connection with the termination of servicing for FMS Wertmanagement, effective 30 September 2013, and the transfer of this function to FMS Wertmanagement's own service entity. The bank's strict cost management regime is evident when comparing the figure for the first nine months of 2013: general administrative expenses of € 240 million were down 5% year-on-year (9m 2012: € 253 million).

The **balance of other operating income/expenses** was € 24 million (Q2 2013: € 24 million), and was mainly attributable to income from servicing for FMS Wertmanagement.

Net trading income of € -51 million in the third quarter was significantly burdened by effects from the valuation of derivatives: specifically, the changeover from using 3-month/6-month Euribor curves to value derivatives to date, to a daily overnight index swap curve – in line with changed market conventions – had a negative effect, as had the termination of a derivatives contract. These effects led to an aggregate burden of € 55 million.

A gain of € 92 million from the sale of a restructured property was the main item within **net income from financial investments**, which totalled € 97 million (Q2 2013: nil).

Total assets

Consolidated total assets of the pbb Group (in accordance with IFRS) amounted to € 74.9 billion as at 30 September 2013 (30 June 2013: € 83.8 billion). Within the framework of the transfer of assets to FMS Wertmanagement in October 2010, real estate loans included in pbb's Pfandbrief cover assets pools were transferred synthetically. This sub-participation, which was necessary to comply with the rules governing the cover assets pool, was terminated in August 2013, in connection with the separation of pbb and FMS Wertmanagement, leading to a € 6.4 billion reduction in total assets. Total assets also declined due to market-induced effects.

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Consolidated Income Statement (IFRS) of the Deutsche Pfandbriefbank AG Group
(€ million)

	Q3 2012	9m 2012	FY 2012	Q1 2013	Q2 2013	Q3 2013	9m 2013
Operating revenues	130	353	467	101	113	155	369
Net interest income and similar income	72	222	296	79	74	79	232
Net fee and commission income	14	20	23	1	1	3	5
Net trading income	1	-1	10	-12	10	-51	-53
Net income from financial investments	6	11	13	1	0	97	98
Net income from hedge relationships	3	0	-6	0	4	3	7
Balance of other operating income/expenses	34	101	131	32	24	24	80
Provisions for losses on loans and advances	7	-2	4	4	-3	-9	-8
General administrative expenses	-89	-253	-341	-76	-80	-84	-240
Balance of other income/expenses	1	2	-6	0	1	0	1
Pre-tax profit/loss	49	100	124	29	31	62	122