

Press Release



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PFANDBRIEFBANK

pbb with strong first quarter - pre-tax profit rises 31%, to € 38 million

- Adjusted net interest income up 26%, to € 87 million
- General administrative expenses down 18%, to € 62 million
- New business of € 1.6 billion stable and in line with the previous year

Munich, 2 June 2014 – pbb Deutsche Pfandbriefbank enjoyed a successful start to the 2014 financial year. Pre-tax profit (unaudited figures in accordance with IFRS) was up 31% year-on-year in the first quarter, to € 38 million (Q1 2013: € 29 million). This was mainly due to a marked increase in net interest income (up 13% to € 89 million vs. € 79 million in Q1 2013, adjusted net interest income up 26% from € 69 million to € 87 million) as well as lower general administrative expenses (down 18% to € 62 million vs. € 76 million in Q1 2013). New business of € 1.6 billion was in line with the same quarter of the previous year. pbb raised € 2.2 billion long-term funds on the capital markets. The bank is on schedule to meet its forecasts for the year 2014.

Manuela Better, CEO of pbb Deutsche Pfandbriefbank, commented on the figures: “The results for Q1 2014 show that pbb is right on track for reaching its goal of re-privatisation: our strategic portfolio is growing and net interest income has increased, with one of the main factors being the higher profitability of our portfolio. We were able to cut costs further. All in all, we achieved a good pre-tax profit of € 38 million.”

Of the **new business** (including extensions beyond one year) in the amount of € 1.6 billion, which pbb achieved with a solid risk/return profile, despite a more competitive market environment, € 1.3 billion was attributable to Real Estate Finance (Q1 2013: € 1.6 billion) and € 0.3 billion was originated in Public Investment Finance (Q1 2013: € 33 million). In Real Estate Finance, Germany accounted for almost half of pbb's new business, followed by Central and Eastern Europe (17%), France (14%) and the Nordic countries (14%). The average loan-to-value ratio for new exposures rose slightly, to 63% (full year 2013: 61%), while the share of newly-originated loans increased to 97% (total year 2013: 76%). In Public Investment Finance, 80% of new business originated was accounted for in Germany, and 20% in France. pbb's strategic real estate finance portfolio grew by 3%, to € 22.8 billion (31 Dec 2013: € 22.2 billion); the strategic public investment finance portfolio increased by 2%, to € 8.6 billion (31 Dec 2013: € 8.4 billion).

The bank's successful funding activities provide a solid basis for future new business. New **long-term funding** totalled € 2.2 billion (Q1 2013: € 3.1 billion). Of the aggregate amount, Pfandbrief issues (with an average maturity of 8.2 years) accounted for € 1.8 billion (Q1 2013: 1.6 billion). The remainder of € 0.5 billion was funded through private placements of unsecured issues (promissory notes and bearer bonds) with an average maturity of 4.8 years (Q1 2013: € 0.6 billion). Deposit volumes at pbb direkt, pbb's online offer for overnight and time deposits for private investors reached the threshold of € 1.0 billion at the beginning of March – one year after its launch. By the end of May 2014, the volume has risen further, to approx. € 1.4 billion.

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PFANDBRIEFBANK**Income statement (unaudited; in accordance with IFRS) for Q1 2014**

Net interest income increased 13% year-on-year in the first quarter, to € 89 million (Q1 2013: € 79 million). Adjusted by one-off effects, the increase was even higher (up 26%, from € 69 million to € 87 million). As expected, the increased portfolio profitability was a contributor, whereby margins earned on newly-originated exposures exceeded the average figure for the existing portfolio.

Once again, pbb Deutsche Pfandbriefbank demonstrated its high risk awareness and special risk management expertise during the first quarter of 2014. In total, the bank was able to release € 5 million in **provisions for losses on loans and advances** (Q1 2013: release of € 4 million).

General administrative expenses amounted to € 62 million in the first quarter, considerably less than in Q1 2013 (€ 76 million). This was mainly due to the termination of servicing for FMS Wertmanagement and – in this context – the transfer of staff to FMS Wertmanagement's service company, implemented with effect from the fourth quarter of 2013, as well as to lower expenses for professional services and IT and the overall strict cost discipline within the Group.

The **balance of other operating income/expenses** decreased to € 13 million (Q1 2013: € 32 million). The decline was mainly attributable to the termination of servicing for FMS Wertmanagement at the end of September 2013: in the same period of the previous year, pbb generated income in the amount of € 22 million. At present, the balance of other operating income mainly comprises income from IT services provided to the affiliated company DEPFA.

Net trading income of € -9 million (Q1 2013: € -12 million) primarily reflects negative effects from the valuation of derivatives due to the continued decrease of long-term interest rates. **Net income from financial investments** amounted to € -1 million for the first quarter (Q1 2013: € 1 million), including portfolio-based allowances on bonds in the amount of € 2 million. Hedge accounting, included in **net income from hedge relationships**, resulted in a minor expense of € 3 million (Q1 2013: nil).

Total assets (IFRS)

Consolidated total assets of the pbb Group (in accordance with IFRS) increased slightly from € 74.6 billion as at 31 December 2013 to € 75.3 billion as at 31 March 2014. pbb benefits from a sound balance sheet structure, with a balanced maturity profile.

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PFANDBRIEFBANK**Consolidated Income Statement of Deutsche Pfandbriefbank Group (IFRS, € million)**

	FY 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2013	Q1 2014
Operating revenues ¹	467	101	113	155	113	482	89
Net interest income and similar income	296	79	74	79	87	319	89
Net fee and commission income	23	1	1	3	4	9	0
Net trading income	10	-12	10	-51	2	-51	-9
Net income from financial investments	13	1	0	97	-2	96	-1
Net income from hedge relationships	-6	0	4	3	2	9	-3
Balance of other operating income/expenses	131	32	24	24	20	100	13
Provisions for losses on loans and advances	4	4	-3	-9	0	-8	5
General administrative expenses	-341	-76	-80	-84	-72	-312	-62
Balance of other income/expenses	-6	0	1	0	2	3	6
Pre-tax profit/loss	124	29	31	62	43	165	38

- 1) Since Q4 2013 no fee income from FMS Wertmanagement Servicing (shown as Balance of other operating income/expenses)