PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

Press Release

DEUTSCHE PFANDBRIEFBANK

pbb Deutsche Pfandbriefbank makes a good start to the 2013 financial year

- First-quarter pre-tax profit of € 29 million
- Strong year-on-year increase in new business volume, to € 1.6 billion
- High funding volume of € 3.1 billion

Munich, 14 May 2013 – pbb Deutsche Pfandbriefbank enjoyed a successful start to the 2013 financial year. With a pre-tax profit of € 29 million (in accordance with IFRS), the specialist lender for real estate finance and public investment finance markedly outperformed its results for the previous quarter (Q4 2012: € 24 million). The bank also boosted its new business significantly year-on-year, doubling to € 1.6 billion (Q1 2012: € 0.8 billion). pbb was also very successful on the capital markets, raising long-term funds of some € 3.1 billion during the first quarter.

Manuela Better, CEO of pbb Deutsche Pfandbriefbank, commented: "We had a successful start to the new financial year, which underscores our expectations for the year as a whole. We maintained our new business momentum shown during recent months; the good start to the year in terms of new issues demonstrates clearly the trust that investors place in pbb."

New business of € 1.6 billion (including extensions beyond one year) during the first quarter of 2013 was almost completely accounted for by commercial real estate finance. 43% of new business was originated in pbb's home market of Germany, followed by France (28%) and Central and Eastern Europe (14%). Average gross margins remained at a high level, whilst average loan-to-value ratios (LTV) on new real estate finance exposures increased slightly – at 61% (full year 2012: 56%), however, LTV ratios are still relatively low.

Aggregate new long-term **funding volume** amounted to approximately € 3.1 billion. Of the aggregate amount, Pfandbrief issues (with an average maturity of 4.8 years) accounted for € 1.6 billion, with another € 1.5 billion placed in promissory notes and bearer bonds (with an average maturity of 4.5 years). Specifically, pbb publicly placed two € 500 million benchmark Mortgage Pfandbrief issues, as well as a € 500 million senior unsecured benchmark bond, subsequently increased by an additional € 360 million. On top of this, pbb sold sizeable Pfandbrief issues via private placements, also in foreign currency.

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Income statement (according to IFRS, unaudited)

pbb's core business is lending, with income reported predominantly in **net interest income**: the figure increased slightly compared to the previous quarter, to € 79 million (Q4 2012: € 74 million). Given a lower volume of interest-bearing assets, net interest income reflects inter alia the higher margin levels achieved.

Thanks to the improved financial circumstances of individual exposures, pbb was able to release a net € 4 million in **provisions for losses on loans and advances** (Q4 2012: release of € 6 million).

General administrative expenses of € 76 million were € 12 million lower than in the previous quarter (Q4 2012: € 88 million). As expected, the decrease reflected lower IT expenses, following the successful conclusion of a multi-year consolidation project in 2012, as well as lower expenses for professional services.

The **balance of other operating income and expenses** increased slightly, to € 32 million (Q4 2012: € 30 million). This net figure includes approximately € 22 million in income from the servicing for FMS Wertmanagement – which, however, is offset by general administrative expenses of virtually the same amount. Moreover, the net figure includes € 9 million in income from IT services provided to the affiliated DEPFA Group, as well as € 3 million for the bank levy.

Net trading income of € -12 million (Q4 2012: € 11 million) reflects effects from the valuation of derivatives: within the scope of the so-called bilateral credit value adjustment (CVA), such measurement takes the default risk of derivatives counterparties – as well as the bank's own default risk – into account. Accordingly, the narrowing of the bank's own credit spreads (reflecting enhanced credit quality) leads to an expense.

Total assets

Consolidated total assets (IFRS) of the pbb Group amounted to € 89 billion as at 31 March 2013, and were thus € 8 billion lower than the corresponding figure as at 31 December 2012 (€ 97 billion). As expected, total assets declined due to a lower level of liquidity investments (also in connection with the full repayment of the ECB repo transaction), as well as to maturities of non-strategic securities holdings. pbb has almost completely reversed the effects which occurred in relation to the transfer of positions to FMS Wertmanagement, and which had increased pbb's total assets in recent quarters. At the end of the first quarter, these effects amounted to a modest € 0.8 billion.

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Consolidated Income Statement (IFRS, unaudited) of the Deutsche Pfandbriefbank (€ million)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012	Q1 2013
Operating revenues	103	120	130	114	**467**	101
Net interest income and similar income	76	74	72	74	**296**	79
Net fee and commission income	3	3	14	3	**23**	1
Net trading income	0	-2	1	11	**10**	-12
Net income from financial investments	-4	9	6	2	**13**	1
Net income from hedge relationships	-2	-1	3	-6	**-6**	0
Balance of other operating income/expenses	30	37	34	30	**131**	32
Provisions for losses on loans and advances	-4	-5	7	6	**4**	4
General administrative expenses	-78	-86	-89	-88	**-341**	-76
Balance of other income/expenses	0	1	1	-8	**-6**	0
Pre-tax profit/loss	21	30	49	24	**124**	29