DEUTSCHE PFANDBRIEFBANK

Press release

pbb Deutsche Pfandbriefbank maintains its positive performance

- Second-quarter pre-tax profit rises to € 31 million
- New business of € 1.8 billion in the second quarter – aggregate new business volume for the first six months more than doubled year-on-year
- Funding volume of € 5 billion during the first half of the year demonstrates sustained investor interest

Munich, 13 August 2013 – pbb Deutsche Pfandbriefbank further boosted earnings and new business volume during the second quarter of the current financial year. Pre-tax profit (in accordance with IFRS) rose to € 31 million in the second quarter (Q1 2013: € 29 million). The bank's pre-tax profit of € 60 million for the first half of 2013 represents a year-on-year increase of almost 20% (H1 2012: € 51 million). New business also showed a marked increase: With € 1.8 billion originated during the second quarter (Q1 2013: € 1.6 billion), total new business for the first half of 2013 of € 3.4 billion more than doubled compared to the first six months of 2012 (€ 1.5 billion). pbb was also very successful on the capital markets, raising long-term funds of some € 5 billion during the first half of the year (H1 2012: € 3.7 billion).

Manuela Better, CEO of pbb Deutsche Pfandbriefbank, said: "We maintained the momentum seen during the second half of 2012 throughout the first six months of the current year. pbb has been profitable for three years now, having generated pre-tax profits of around € 590 million. We remain well on track for achieving our business targets for 2013 as a whole."

Real Estate Finance accounted for € 2.8 billion of aggregate **new business** during the first half-year; € 0.6 billion was originated in Public Investment Finance. The bank plays an important role in supplying credit to the real estate industry, particularly in its German home market, where 47% of total new business was originated, followed by pbb's other core markets of France (18%), Central and Eastern Europe (14%) and the United Kingdom (11%). At 53%, Germany also accounted for the lion's share of new business in Public Investment Finance, followed by France (25%). During the current financial year, pbb expanded its franchise in Public Investment Finance to the Nordic countries, closing initial transactions in Finland with an aggregate volume of € 125 million.

Pfandbrief issues accounted for around 60% of the bank's aggregate long-term funding of € 5 billion during the first half of 2013 – making Pfandbriefe pbb's predominant **funding instrument**, in line with the bank's strategy. pbb showed a marked increase in unsecured refinancing, having issued an aggregate € 2 billion in promissory notes and bearer bonds, where average maturities developed very favourably to 4.7 years (H1 2012: 3.1 years). Overall, the bank successfully placed five benchmark issues during the first half of 2013: two Euro Mortgage Pfandbrief issues, one Mortgage Pfandbrief in Pound Sterling, one senior unsecured bond, and – for the first time since 2003 – a 15-year Public-Sector Pfandbrief.

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Income statement (IFRS)

pbb's core business is lending, with income reported predominantly in **net interest income**: the figure declined slightly compared to the previous quarter, to € 74 million (Q1 2013: € 79 million). Adjusted for one-off effects such as prepayment fees, net interest income remained stable, and has been constant over recent quarters.

At € 3 million, net **provisions for losses on loans and advances** remained at a low level (Q1 2013: release of € 4 million).

General administrative expenses of € 80 million were up slightly from the previous quarter (Q1 2013: € 76 million), which was characterised by lower IT expenses following conclusion of a consolidation project as well as lower expenses for external advisors. The bank's strict cost management is evident when comparing the figure for the first half of 2013 (€ 156 million) to the first six months of the previous year (H1 2012: € 164 million).

The **balance of other operating income and expenses** decreased to € 24 million (Q1 2013: € 32 million); the net figure includes income from servicing for FMS Wertmanagement, which decreased to € 20 million (Q1 2013: € 22 million). Given the continued decline of the portfolio transferred to FMS Wertmanagement, the volume of services required in this context was also lower. This income item is offset by administrative expenses of virtually the same amount.

Net trading income of € 10 million for the second quarter (Q1 2013: € -12 million) showed positive effects from the valuation of derivatives, reflecting prevailing market conditions: within the scope of the so-called bilateral credit value adjustment (CVA), such valuation takes the default risk of derivatives counterparties - as well as the bank's own credit spreads - into account.

Total assets

Consolidated total assets (IFRS) of the pbb Group amounted to € 83.8 billion as at 30 June 2013 (31 March 2013: € 89 billion). The decline was due in particular to a reduction in the non-strategic portfolio (largely budget finance exposures), in line with the bank's strategy, and due to market-induced effects. The nominal volume of the strategic portfolio in Real Estate Finance and Public Investment Finance remained virtually constant: strong new business almost fully offset loan repayments.

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PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

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

	Q2 2012	H1 2012	FY 2012	Q1 2013	**Q2 2013**	**H1 2013**
Operating revenues	120	223	467	101	**113**	**214**
Net interest income and similar income	74	150	296	79	**74**	**153**
Net fee and commission income	3	6	23	1	**1**	**2**
Net trading income	-2	-2	10	-12	**10**	**-2**
Net income from financial investments	9	5	13	1	**0**	**1**
Net income from hedge relationships	-1	-3	-6	0	**4**	**4**
Balance of other operating income/expenses	37	67	131	32	**24**	**56**
Provisions for losses on loans and advances	-5	-9	4	4	**-3**	**1**
General administrative expenses	-86	-164	-341	-76	**-80**	**-156**
Balance of other income/expenses	1	1	-6	0	**1**	**1**
Pre-tax profit/loss	30	51	124	29	**31**	**60**