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Press Release

DEUTSCHE PFANDBRIEFBANK

pbb posts another good result for the third quarter, with notably strong new business

- Pre-tax profit for the first nine months (IFRS) rises year-on-year, to € 127 million
- Net interest income up 31%, to € 303 million in the first nine months
- Strategic portfolios growing
- Strong new business: € 2.7 billion during the third quarter, giving an aggregate € 7 billion during the first nine months

Munich, 14 November 2014 – pbb Deutsche Pfandbriefbank once again strongly boosted its new business during the third quarter of 2014, to € 2.7 billion, including extensions beyond one year (Q3/2013: € 2.1 billion). The bank thus underlined its role as one of the most important European providers of commercial real estate finance and public investment finance. Driven by higher income from the lending business, pre-tax profit for the third quarter (IFRS) amounted to € 44 million (Q3 2013: € 62 million); the previous year's quarter reflected a stronger impact from one-off effects. Pre-tax profit for the first nine months of the 2014 financial year rose by 4%, to € 127 million (9m 2013: € 122 million). The results for the first nine months support the full-year forecast of at least € 140 million in pre-tax profit.

Andreas Arndt, Co-CEO and CFO of pbb Deutsche Pfandbriefbank, said: "Our strong new business again demonstrates our European, client-focused approach and our origination strength. At the same time, the operative profitability is growing while we maintain our conservative risk policy. This solid growth in our core business segments will sustainably support pbb's development."

Adhering to its strict risk policy, pbb grew **new business** (including extensions beyond one year) during the first nine months, by 26% year-on-year, to € 7.0 billion (9m 2013: € 5.5 billion). Real Estate Finance accounted for € 6.1 billion and Public Investment Finance for € 0.9 billion. During the first nine months of the year, the bank's strategic portfolio in Real Estate Finance and Public Investment Finance each rose by 8%, to an exposure at default of € 23.9 billion and € 9.1 billion respectively. Once again, in its Real Estate Finance Business pbb clearly demonstrated its origination strength on its German home market, where it originated 46% of its aggregate new business, followed by France (20%), the United Kingdom (13%) and Central and Eastern Europe (9%). The focus of pbb's Public Investment Finance business was also on the German market (50%), followed by France (34%) and the Nordic countries (10%).

The bank adjusted funding activities to its comfortable liquidity position: the total volume of **long-term funding** raised during the first nine months of 2014 amounted to € 5.6 billion (9m 2013: € 7.0 billion). Of the total figure, Pfandbriefe accounted for € 3.9 billion. With an aggregate € 37 billion in outstanding Pfandbrief issues, pbb is the biggest issuer of German Pfandbriefe. The remaining € 1.6 billion was raised in unsecured funding. Long-term funding raised during the third quarter totalled € 2.5 billion (Q3 2013: € 2.0 billion).

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Income statement (in accordance with IFRS)

pbb's **income statement** consists of the following major items:

Income from the lending business is mainly recognised in **net interest income**, which showed a marked increase during the third quarter of 2014, from € 79 million to € 108 million. This development has been driven by the growing strategic portfolios, as well as by replacing existing portfolio with higher-margin new business. Third-quarter results also include a positive one-off effect of € 15 million from the termination of a derivatives transaction, in connection with the payback of a liability. Net interest income for the period ending on 30 September 2014 totalled € 303 million, up 31% year-on-year (9m 2013: € 232 million). Adjusted for prepayment fees and other special items, net interest income rose by 25% over the first nine months of the previous year.

The bank released € 1 million in **loan loss provisions** in the third quarter of 2014 (Q3 2013: net € 9 million recognised). The bank's particular expertise in managing risk is also evident in the figures for the first nine months of the year: net additions to loan loss provisions recognised for the period only amounted to € 1 million, compared to € 8 million for the same period of the previous year. New additions recognised related to only a few individual cases.

Markedly lower **general and administrative expenses** of € 64 million (Q3 2013: € 84 million) reflect the bank's strict cost discipline, the effects from the termination of the servicing function for FMS Wertmanagement, as well as lower expenses for IT and advisory services. Looking at the nine-month period, general and administrative expenses were down 22%, to € 188 million (9m 2013: € 240 million).

Net other operating income/expenses of € -16 million, which had benfited from fee income from FMS Wertmanagement servicing in the third quarter of last year (Q3 2013: € 24 million), included negative one-off effects from IT write-offs, additions to provisions and FX effects. For the first nine months of this year, net other operating income/expenses amounted to € 15 million compared to € 80 million in the same period of last year.

Net trading result of € -3 million for the third quarter of 2014 showed a marked improvement on the same quarter of the previous year (Q3 2013: € -51 million). The previous year's figure was dominated by one-off effects of € -55 million from adjustments to the measurement of derivatives.

Net income from financial investments amounted to € 22 million in the third quarter of 2014 (Q3 2013: € 97 million). The net figure was predominantly influenced by € 21 million in one-off gain from the early repayment of a subordinated liability; the result for the third quarter of the previous year included € 92 million in income from the sale of a restructured property. Nine-month net income from financial investments totalled € 23 million (9m 2013: € 98 million).

Based on a strong operative business pbb achieved a **pre-tax profit** of € 44 million for the third quarter 2014 with offsetting positive and negative one-off effects.

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Total assets (IFRS)

pbb Group's consolidated total assets as at 30 September 2014 amounted to € 76.1 billion, after € 74.6 billion as at 31 December 2013. Factors which contributed to this increase included market-induced effects and the development of the strategic portfolio. The bank's balance sheet structure remains solid, with a maturity profile that continues to be well-balanced.

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

	Q3 2013*	9m 2013*	Q4 2013*	FY 2013**	Q1 2014*	Q2 2014*	Q3 2014*	9m 2014*
Operating income	155	369	113	482	89	114	**112**	**315**
Net interest and similar income	79	232	87	319	89	106	**108**	**303**
Net fee and commission income	3	5	4	9	0	0	**0**	**0**
Net trading income	-51	-53	2	-51	-9	-9	**-3**	**-21**
Net income from financial investments	97	98	-2	96	-1	2	**22**	**23**
Net income from hedging relationships	3	7	2	9	-3	-3	**1**	**-5**
Net other operating income/expenses	24	80	20	100	13	18	**-16**	**15**
Loan loss provisions	-9	-8	0	-8	5	-7	**1**	**-1**
General and administrative expenses	-84	-240	-72	-312	-62	-62	**-64**	**-188**
Net miscellaneous income/expenses	0	1	2	3	6	0	**-5**	**1**
Pre-tax profit	62	122	43	165	38	45	**44**	**127**

* unaudited
** audited