

Press release

HRE starts tender process, initiating the next phase in the privatisation of pbb

- pbb originated more than € 10 billion of new business in 2014, strong pre-tax profit
- A potential IPO is being prepared as an alternative to the tender process

Munich, 17 February 2015 – On Tuesday, Hypo Real Estate Holding AG ("HRE") initiated the [tender process](#) for its Deutsche Pfandbriefbank AG (pbb) subsidiary, taking the next important step for the re-privatisation of pbb. HRE is looking to sell up to 100 per cent of its stake in pbb, thus fulfilling a condition imposed by the European Commission in the summer of 2011. Preparation for an initial public offering – as an alternative option for re-privatisation – is ongoing in parallel. HRE has mandated Citigroup and Deutsche Bank as Financial Advisors for the sales process.

pbb is one of the leading European finance providers for commercial real estate and public-sector investments. It is the largest issuer of Pfandbriefe (German covered bonds) with regard to outstanding volume, and ranks amongst the top five covered bond issuers in Europe (issuance volume in 2013). In its European core markets, pbb has a strong local presence, with professionals on the ground covering all functions of the financing process, including credit risk management. Combined with structuring expertise and a network of partners, this enables the bank to structure more complex and cross-border financings for its clients. Therefore, pbb enjoys an outstanding position in the growing European real estate finance market. Thanks to its conservative approach to risk management, pbb has a high-quality credit portfolio. The bank has a solid capitalization.

Andreas Arndt, pbb's co-CEO and Chief Financial Officer, said: "We are embarking upon re-privatisation, against the background of a very positive performance over recent years, solid results for 2014, and an outstanding position on the credit and capital markets."

Dr Günther Bräunig, Chairman of the Supervisory Board of HRE, said: "Over the last years pbb has consistently laid the foundations allowing to pursue the re-privatisation. We are confident that the project will be successfully concluded during the course of this year."

pbb's results for 2014 clearly exceed expectations

pbb published preliminary results for the year 2014 in the context of the impending re-privatisation. New business volumes originated in the bank's two segments of Real Estate Finance and Public Investment Finance reached a new record in 2014. With a total of € 10.2 billion (including extensions of more than one year), pbb exceeded the previous year's figure by 24%. Accordingly, pbb's strategic loan portfolio continued to grow at good margins.

Co-CEO **Thomas Köntgen** commented: "Once again, strong new business is evidence of an excellent position in our European core markets. We have generated attractive margins in a highly competitive environment, maintaining or even boosting our market share whilst consistently adhering to our conservative approach to risk."

The bank expects consolidated pre-tax profit of more than € 170 million for the financial year 2014 (in accordance with IFRS – based on preliminary and unaudited results, and subject to any new findings affecting measurement during the period from the end of the reporting period until preparation of the financial statements) – a figure that would exceed its forecast for the full year of at least € 140 million by more than 20%. Further improvement was seen in the bank's capital ratios – which already exceeded regulatory requirements.

Net interest income, which is pbb's single most important source of income, rose markedly stronger in 2014 than other income components. Loan loss provisions remained at a low level, thanks to the bank's continued strict risk management. Thanks to systematic cost-reduction measures, both personnel and non-personnel costs declined.

Note to editors:

Publication of pbb Deutsche Pfandbriefbank's preliminary results for 2014 is scheduled for 9 March 2015; the annual report is expected to be published at the end of March 2015.

For more detailed information on the Company, please visit www.pfandbriefbank.de.

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