

The Pfandbrief bond holder value first

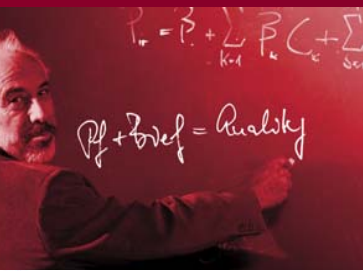


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Association of German Pfandbrief Banks

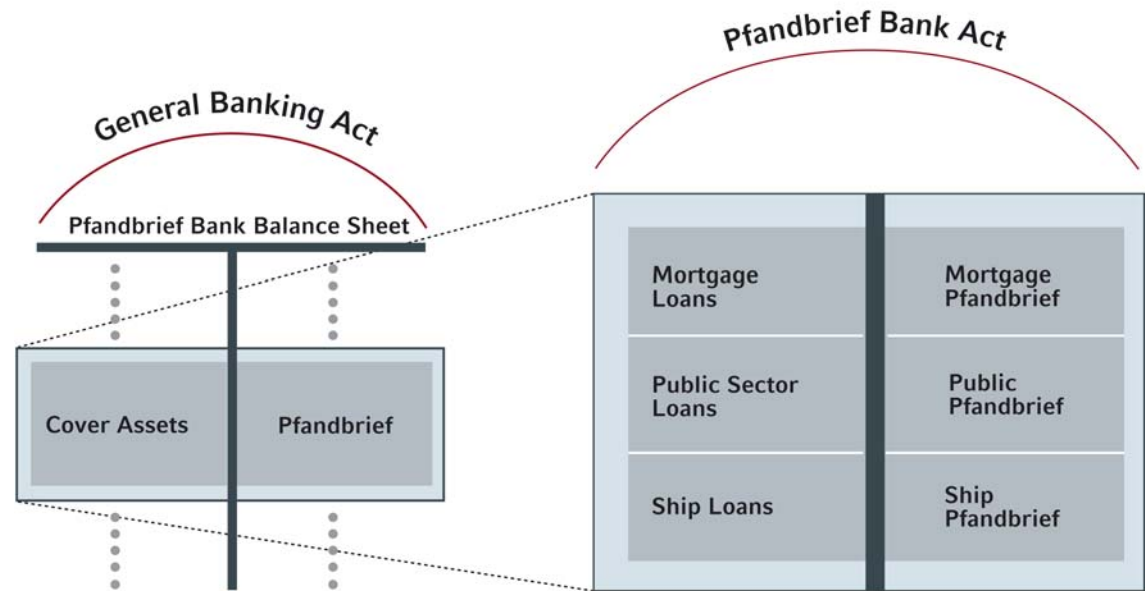
Dr. Louis Hagen
Executive Managing Director
Association of German Pfandbrief Banks

Grand Hyatt Tokyo
27 January 2009

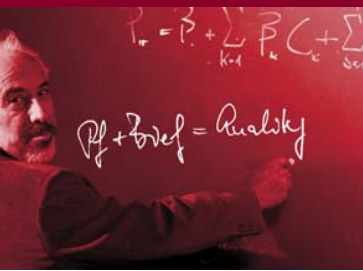
Responsibility of issuers for cover assets and Pfandbrief



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- Pfandbrief is a bank debenture
- Cover assets remain on balance
- Pfandbrief is collateralized by cover assets subject to strict quality requirements:
 - regional restrictions
 - conservative loan appraisal in property and ship lending
 - only senior loan tranches up to 60% of mortgage lending value eligible for cover
 - loans to public sector subject to public guarantee
- Upon deterioration of cover asset quality: credit check and potential revision or substitution



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**Pfandbrief Act
(PBA) protects
Pfandbrief
investors**

Pfandbrief Act

Special public supervision

- Pfandbrief license requires sustained issuance and special expertise
- Ongoing supervision and cover audits by supervisory authority (BaFin)
- Permanent monitoring of high quality standards of cover assets by cover pool monitor

Cover principle

- Cover and mandatory overcollateralization of outstanding Pfandbrief on net present value basis
- Strict stress testing scenarios

Transparency

- Regular disclosure of key data related to Pfandbrief outstanding and cover assets

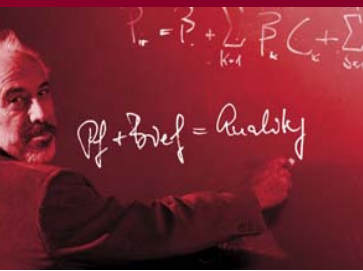
Insolvency remoteness of Pfandbrief

- Segregation of cover pools and Pfandbrief outstanding from the insolvent estate

Detailed emergency plan in crisis of issuer

- Appointment of cover pool administrator by court

Insolvency remoteness of Pfandbrief

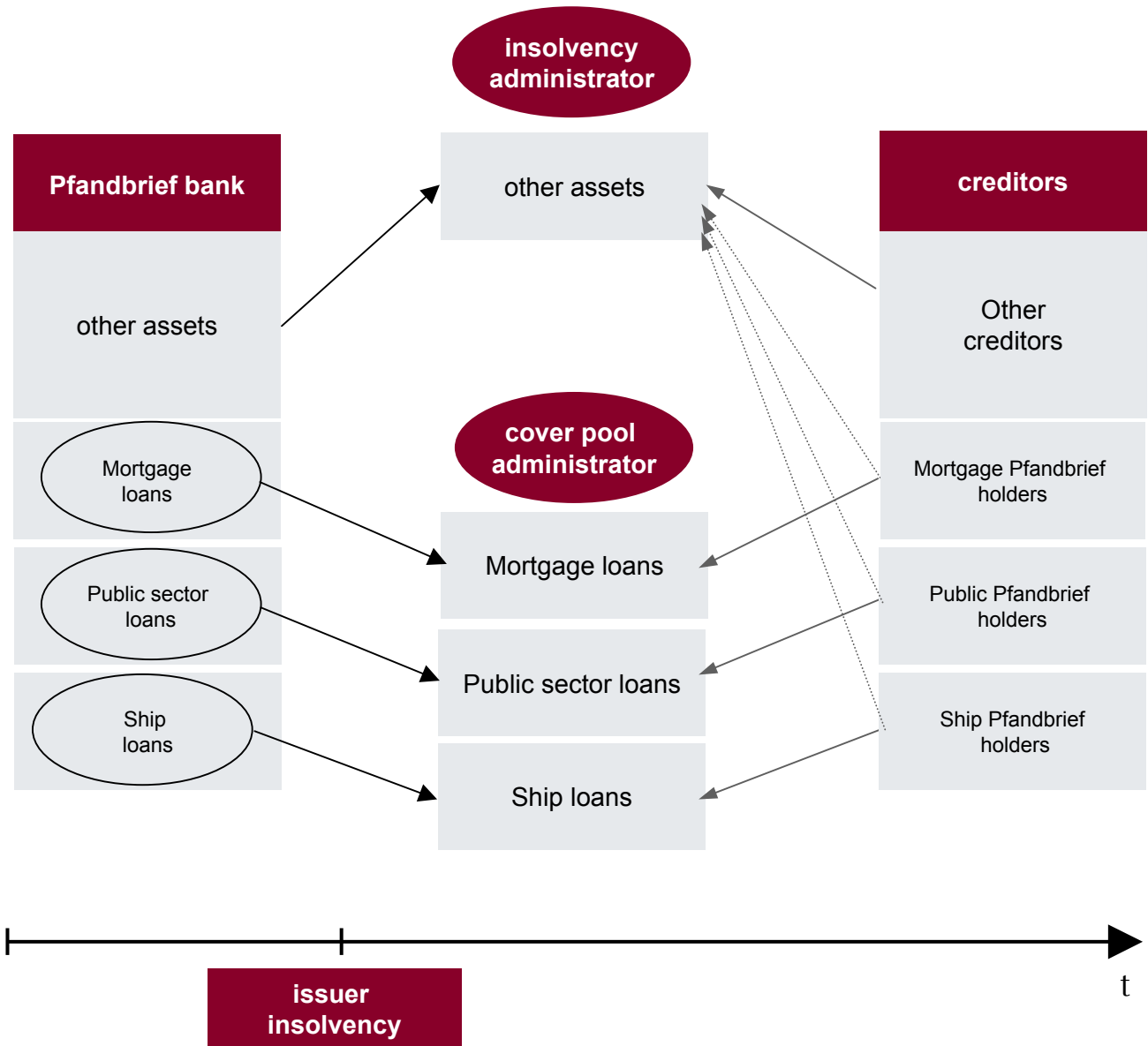


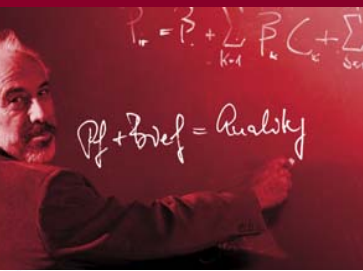
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No acceleration
of Pfandbrief

Segregation
of cover pools

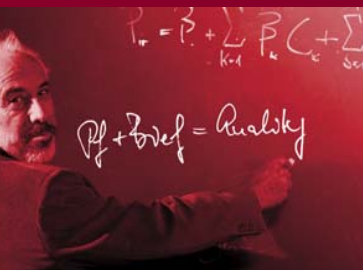
Insolvency
privilege of
Pfandbrief
holders





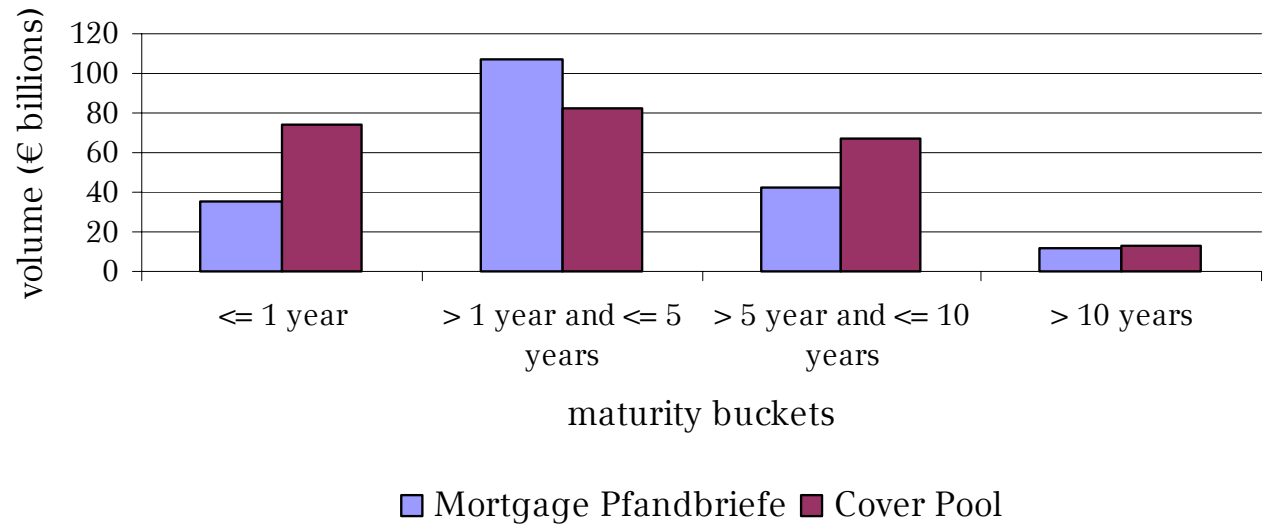
Pfandbrief Act limits maturity mismatch

- Special risk management systems for cover pools (Art. 27 PBA)
- Daily net present value calculation (Art. 4 PBA)
- Weekly stresstesting (Net Present Value Directive)
- Liquidity buffer 180 days (as per PBA amendment)
- Disclosure standards (Art. 28 PBA) enable investors to closely monitor any asset liability mismatches
 - maturity buckets of <1 yr, >1<5 yrs; >5 <10 yrs; >10 yrs
 - annual maturity buckets up to 5 yrs (as per PBA amendments)

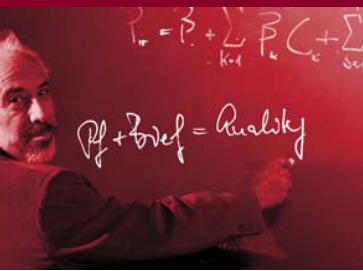


Mortgage Pfandbriefe Maturities of Pfandbriefe and Cover Assets

(30 June 2008)

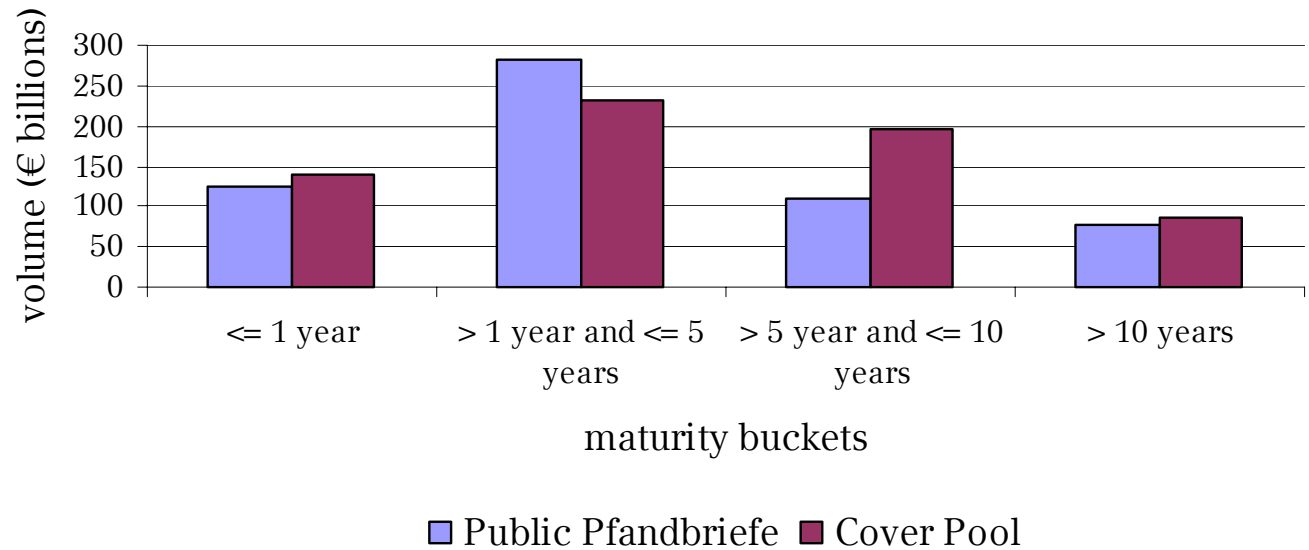


source: vdp
disclosure according to Art 28 PBA

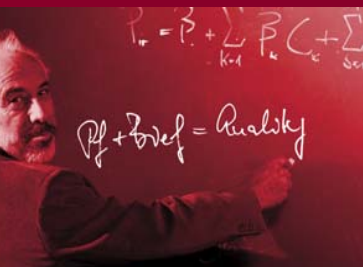


Public Pfandbriefe Maturities of Pfandbriefe and Cover Assets

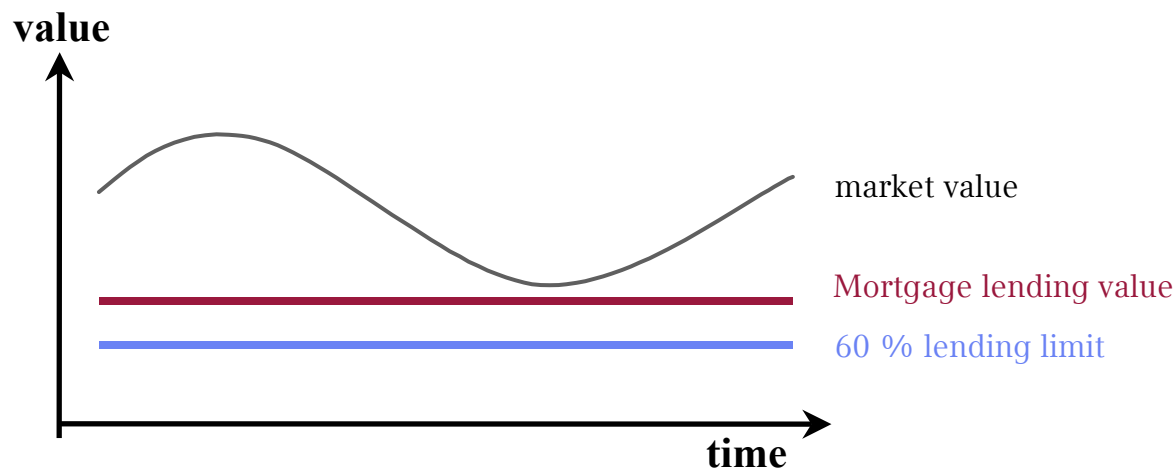
(30 June 2008)



source: vdp -
disclosure according to Art 28 PBA



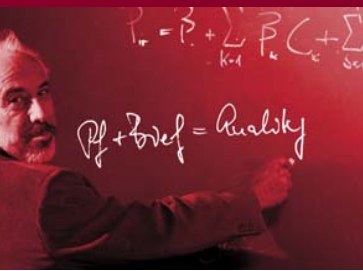
Mortgage lending value vs. market value



conservative property appraisal

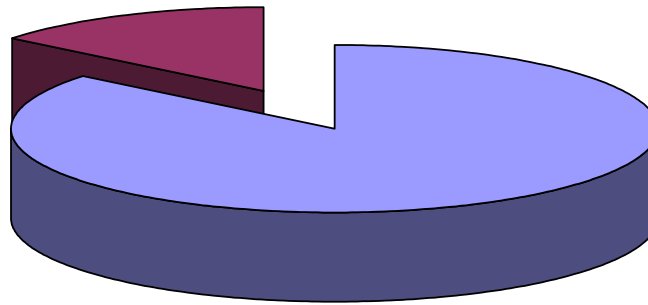
- Appraisal of mortgage lending value according to detailed legal stipulations
- Based on sustained features of mortgaged property
- Market value is upper limit for mortgage lending value
- Revision of appraised value when necessary
- Only senior loan tranches up to 60% of mortgage lending value eligible for cover

Mortgage cover pools



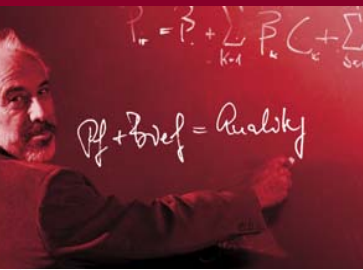
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14 %



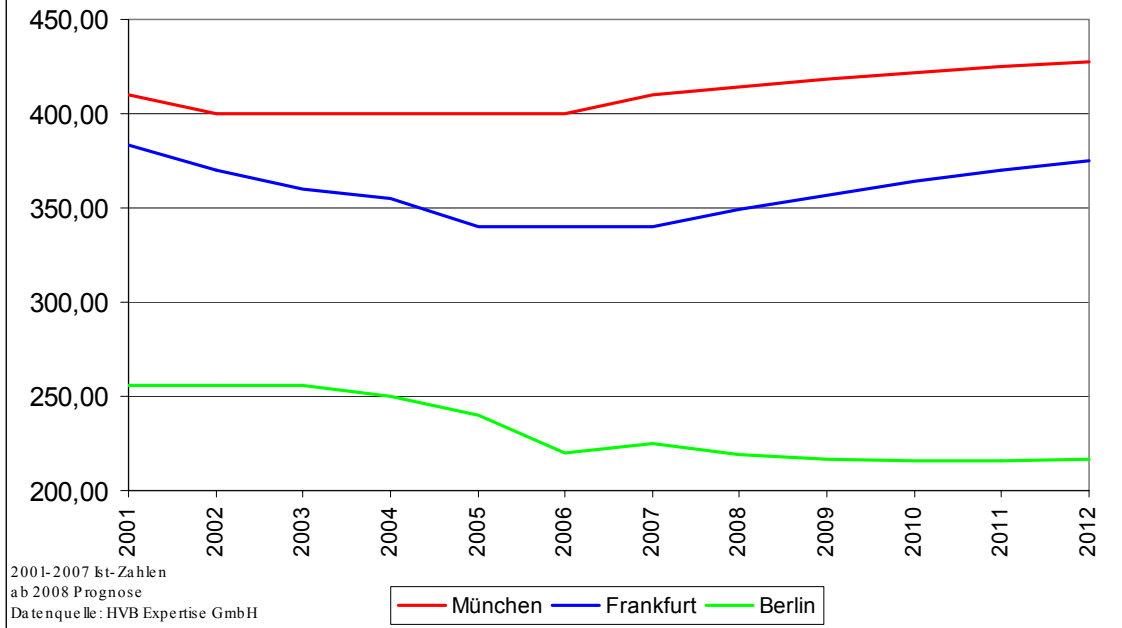
■ domestic cover assets
■ cross border cover assets

**Total mortgage
cover assets 217 bn €
thereof cross border 31bn €**



Price development of single family houses (thousand EUR)

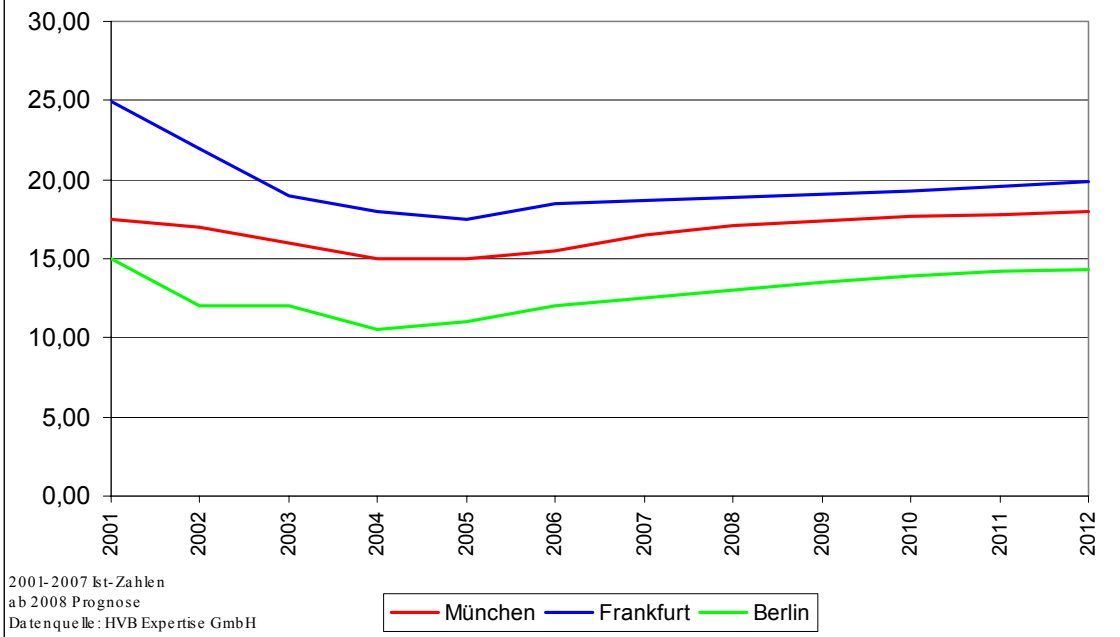
Abbildung 1: EFH-Kaufpreise (T€)

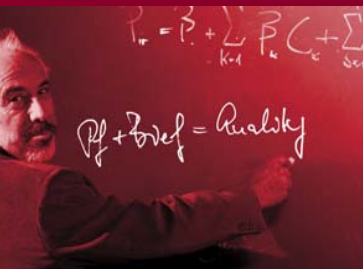




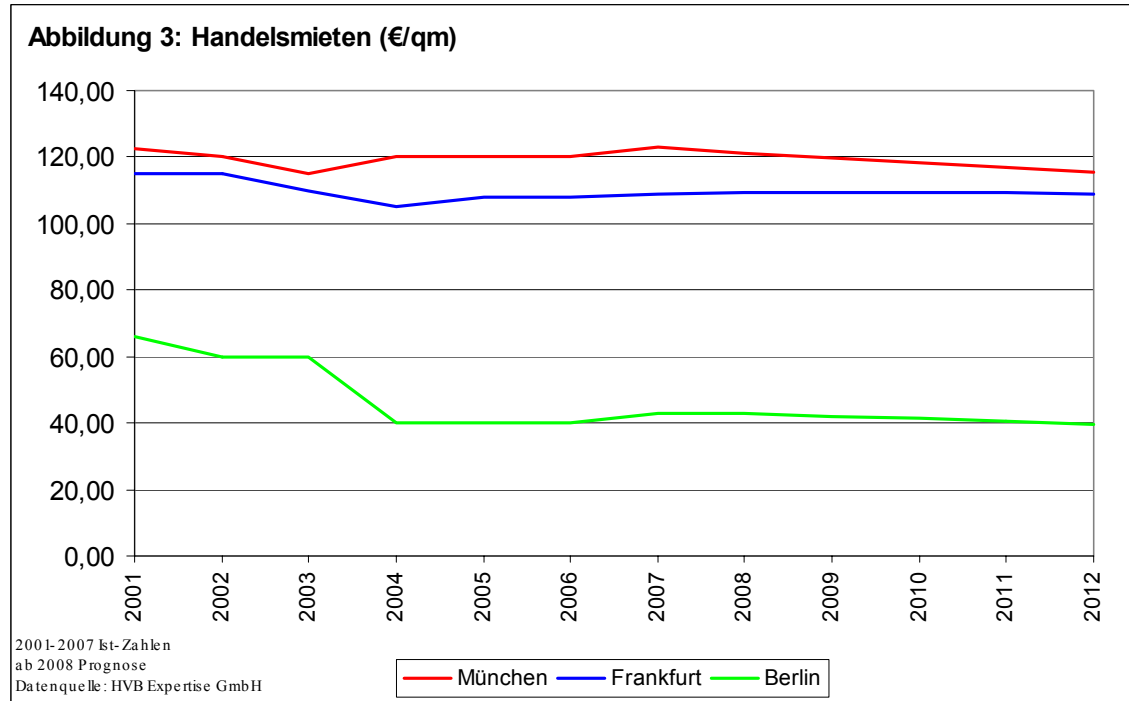
Development of office rents (EUR/sqm)

Abbildung 2: Büromieten (€/qm)





Development of retail rents (EUR/sqm)



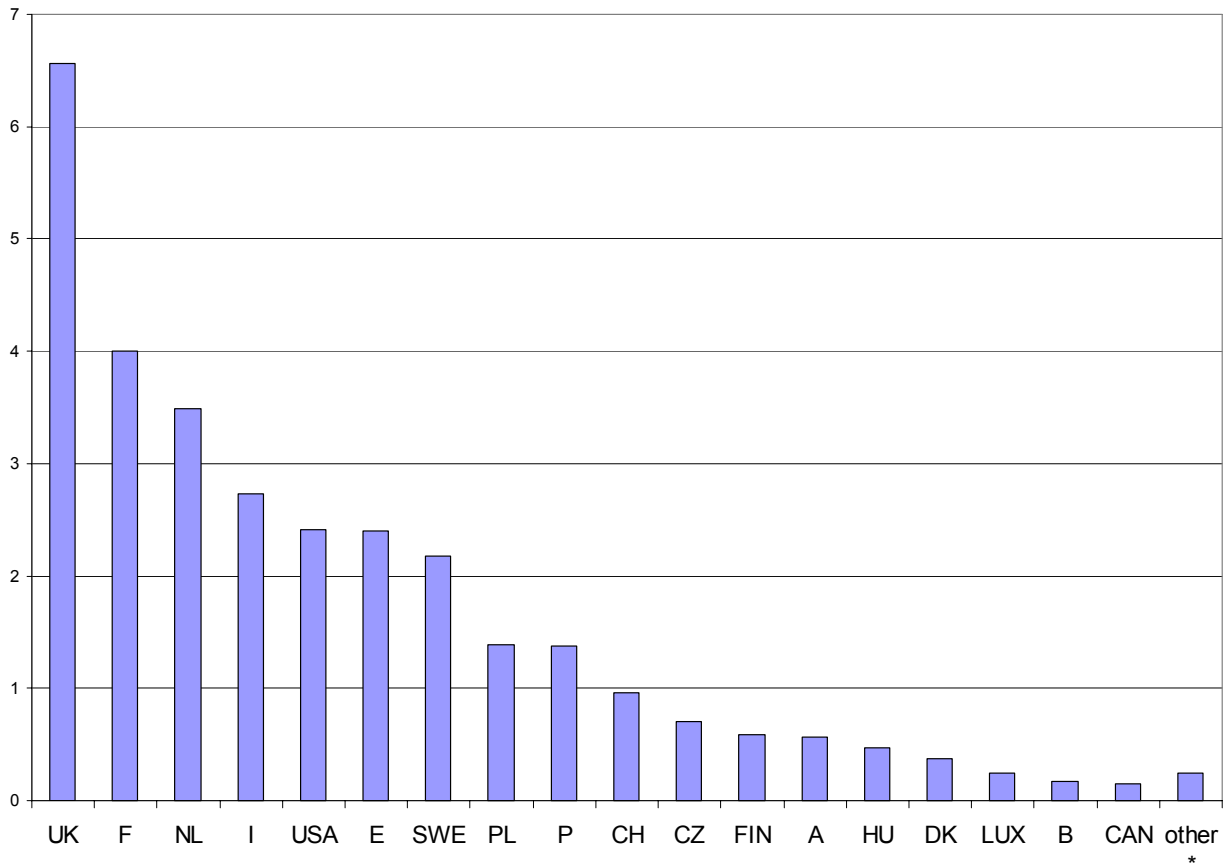
Mortgage Pfandbrief cross border cover assets



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as of 30 Jun 2008, bn €



total 217

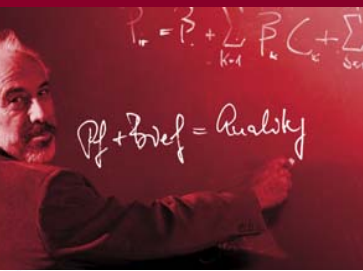
thereof 31 cross border bn €

* Iceland, Slovakia, Lithuania, Ireland

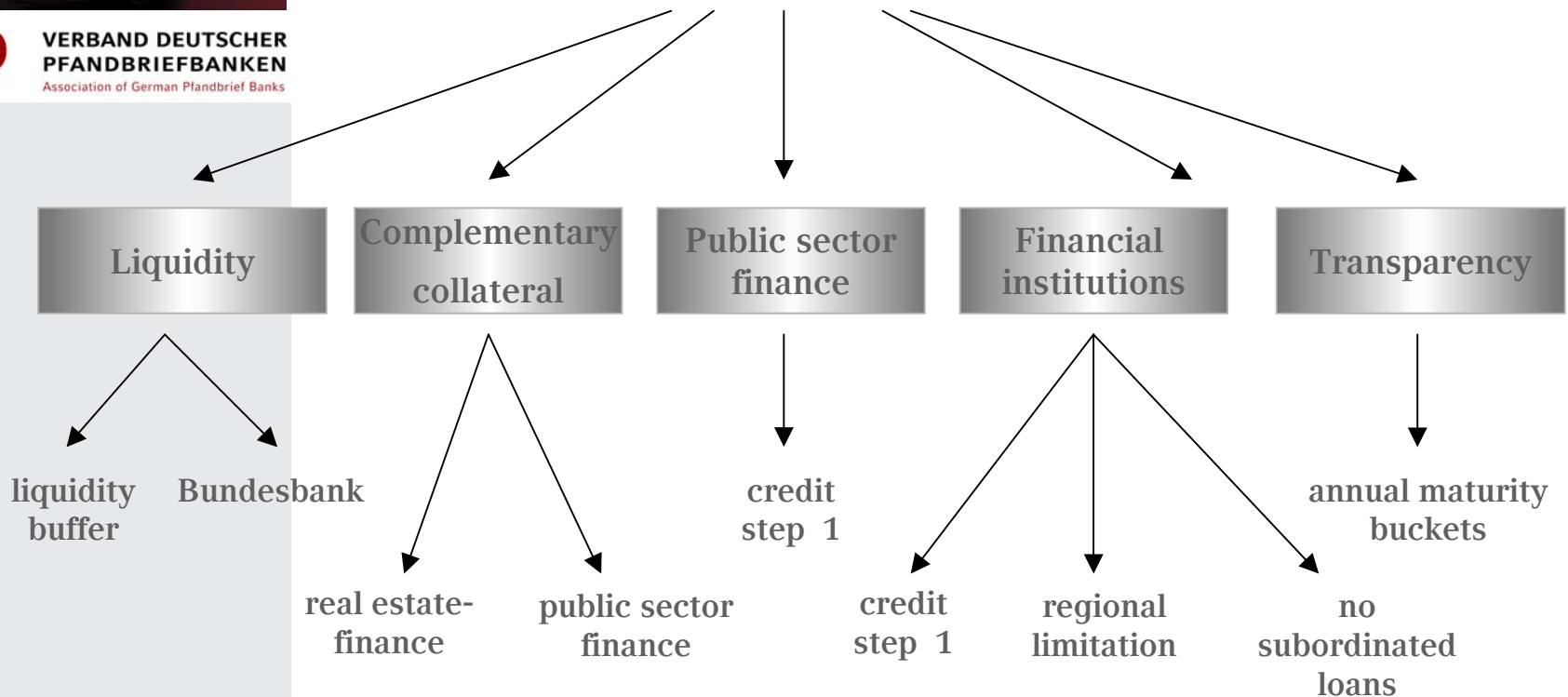


...in cross-border business, too

- in Germany mortgage lending values on average are about 85% of market values
 - outside Germany mortgage lending values are closer to 70% or less of market values due to conservatively discounted cash-flows
 - lending limit of 60% of mortgage lending value applies to cross-border mortgage cover loans, too
- while theoretically the cover eligible senior tranche of a loan may fall into trouble this can be ruled out with a view to the average of mortgage cover assets



Improvement of Pfandbrief quality

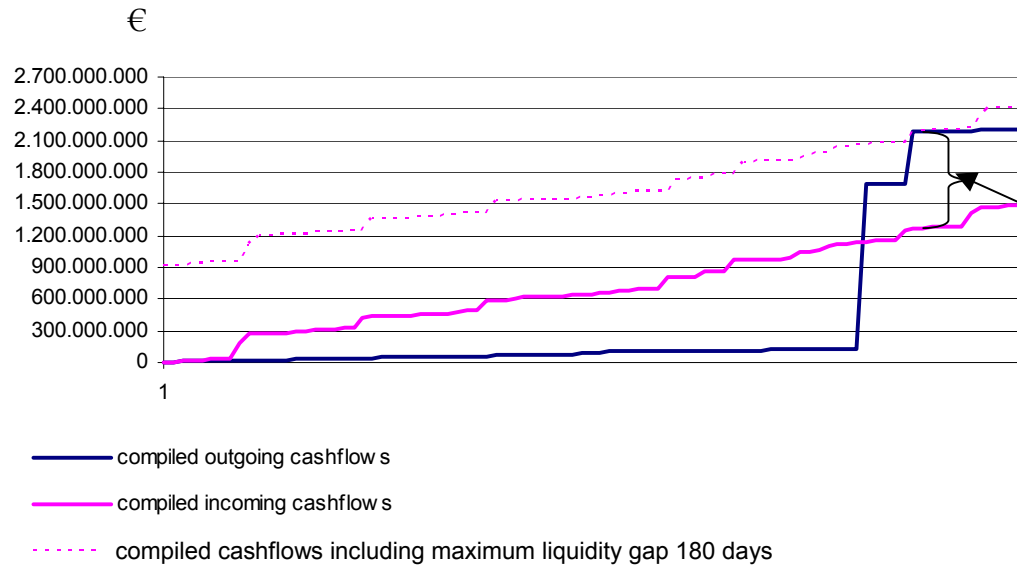




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additional
liquidity for
cover pools










180 days liquidity



maximum
liquidity
gap
180 days
=
liquidity to
be held
925 mn €

source: vdp

Member Institutions of the Association of German Pfandbrief Banks

 Aareal Bank	 Bayern LB	 Berlin Hyp	COMMERZBANK 	 COREALCREDIT	.DekaBank
DEUTSCHE HYPO <small>Deutsche Hypothekbank (Aalen-Gesellschaft)</small>	 deutsche apotheker- und ärztebank	Deutsche Genossenschafts- Hypothekbank 	DKB Deutsche Kreditbank AG	 Deutsche Schiffsbank	 DEXIA <small>Kommunalbank Deutschland</small>
 Düsseldorfer Hypothekbank			Haspa ⁺ <small>Hamburger Sparkasse</small>	Helaba  <small>Landesbank Hessen-Thüringen</small>	 HSH NORDBANK
Hypo Real Estate <small>BANK</small>	Hypo Real Estate <small>HOLDING</small>	 HypoVereinsbank <small>Landesbank Group</small>	IKB  <small>Deutsche Industriebank</small>	 Kreissparkasse Köln	LB BW <small>Landesbank Baden-Württemberg</small>
 M. M. WARBURG & CO HYPOTHEKENBANK	 Münchener Hypothekbank eG	NORD/LB	 Postbank	 Postbank <small>FIRMENKUNDEN</small>	SEB
 Sparkasse KölnBonn	VALOVIS BANK <small>PFANDBRIEFBANK</small>	 Westdeutsche ImmobilienBank	 WestLB	 WL BANK	 wüstenrot <small>Partner der Württembergischen</small>