

Pfandbrief

THE PFANDBRIEF – QUALITY MADE IN GERMANY

vdp VERBAND DEUTSCHER
PFANDBRIEFBANKEN
Association of German Pfandbrief Banks

The Pfandbrief market 2010/2011

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Spokesman of the Management Board, Münchener
Hypothekenbank

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Pfandbrief banks and the Pfandbrief market

Pfandbrief banks' portfolio (bn Euro)

	Sep 10	2009	2008
real estate finance loans	622	627	628
of which			
<i>residential</i>	305	311	319
<i>commercial</i>	317	316	309
public sector loans	687	715	710
ship loans	72*	72	73
aircraft loans	30*	30	29
total	1.411	1.444	1.439
Mortgage Pfandbrief	223	225	217
Public Pfandbrief	433	486	579
Ship Pfandbrief	8*	8	9
total	664	719	805

*) estimate

sources: Deutsche Bundesbank, vdp



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Market shares vdp member banks 2009

- ▶ Property finance Germany
 - 34% (451bn Euro) of 1,345bn Euro total, of which
 - commercial loans 153bn Euro (61%) of 250bn Euro;
 - residential loans 298bn Euro (27%) of 1,095bn Euro

- ▶ Loans to domestic public sector
 - 48% (161bn Euro) of 335bn Euro total

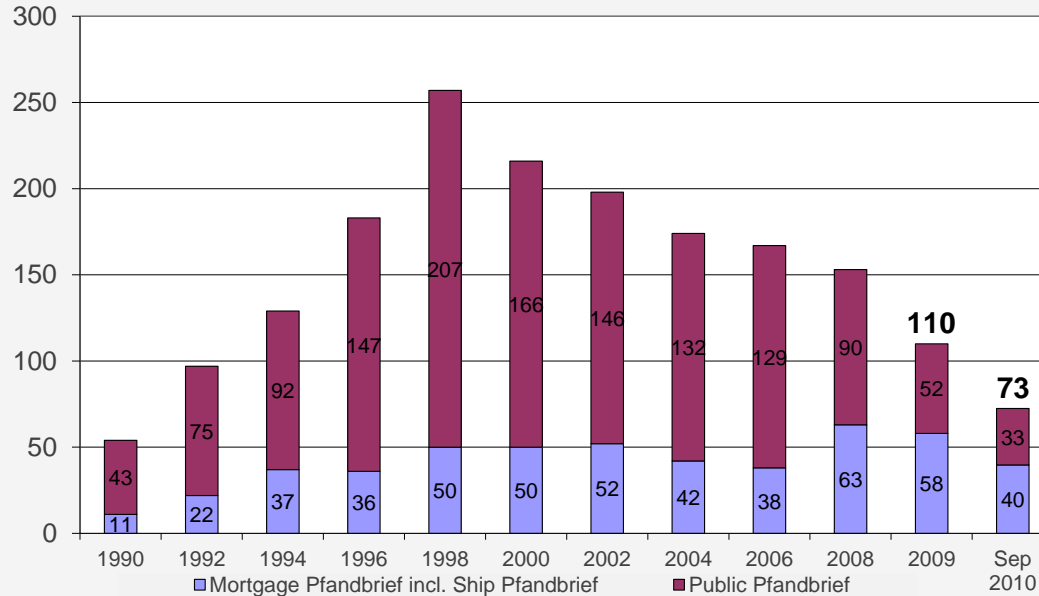
source: Deutsche Bundesbank



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Gross sales Pfandbrief 1990 – Sep 2010 (bn Euro)



source: Deutsche Bundesbank, vdp



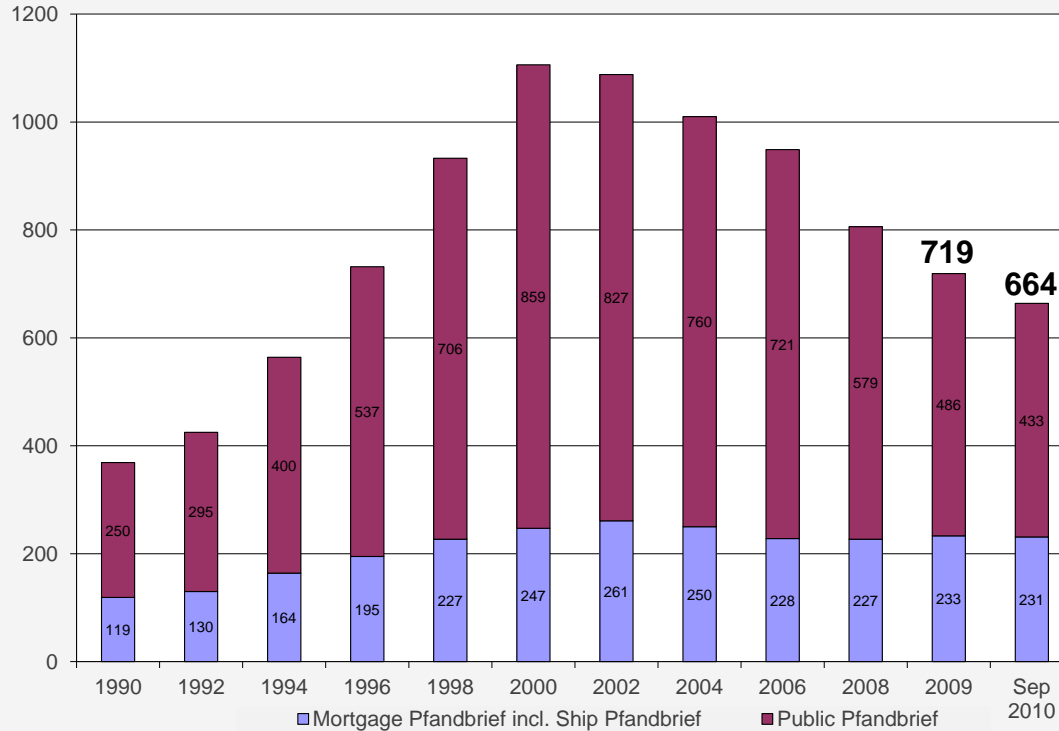
- Total new issues Sep 2010: 73 bn € 2009: 110 bn € 2008: 153 bn €
- Public Pfandbrief Sep 2010: 33 bn € 2009: 52 bn € 2008: 90 bn €
- Mortgage Pfandbrief Sep 2010: 38 bn € 2009: 57 bn € 2008: 57 bn €
- Ship Pfandbrief Sep 2010: 2 bn € 2009: 1bn € 2008: 6 bn €



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Pfandbrief outstanding 1990 – Sep 2010 (bn €)



sources: Deutsche Bundesbank, vdp



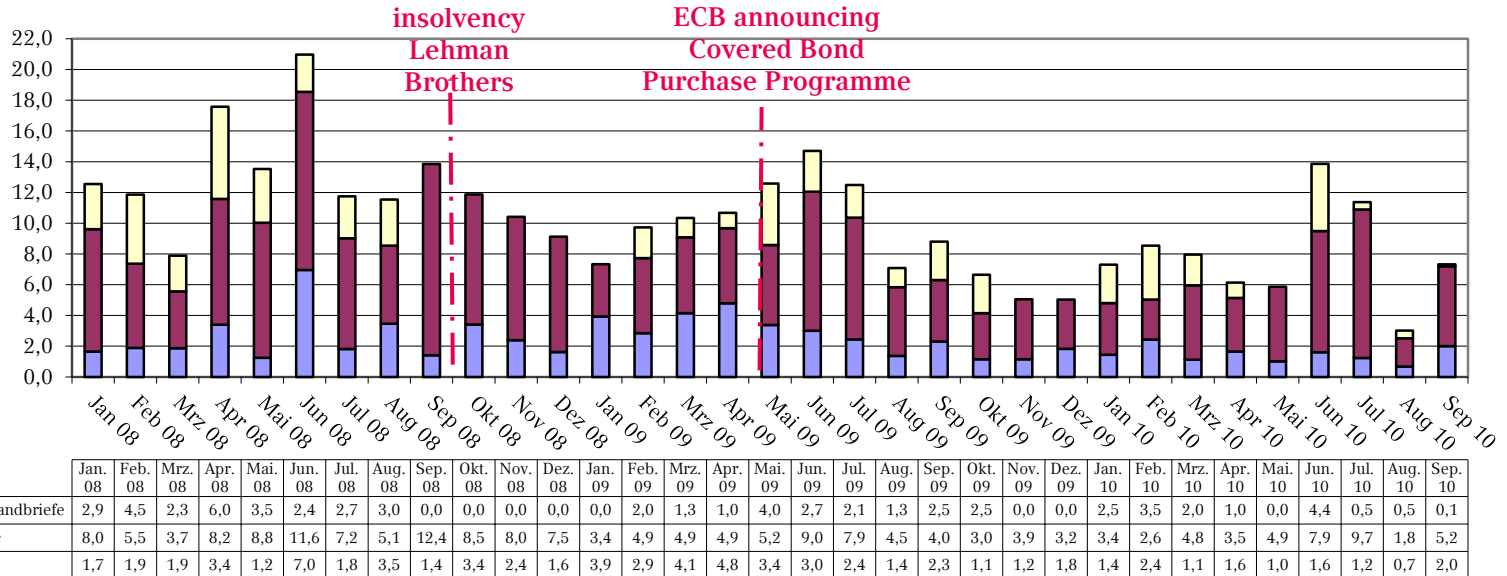
- Outstanding volume continues to decrease
- Mortgage Pfandbrief cannot compensate for consolidation of Public Pfandbrief



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Pfandbrief issuance Jan 2008 – Sep 2010 (bn €)



sources: Deutsche Bundesbank, HVB, vdp



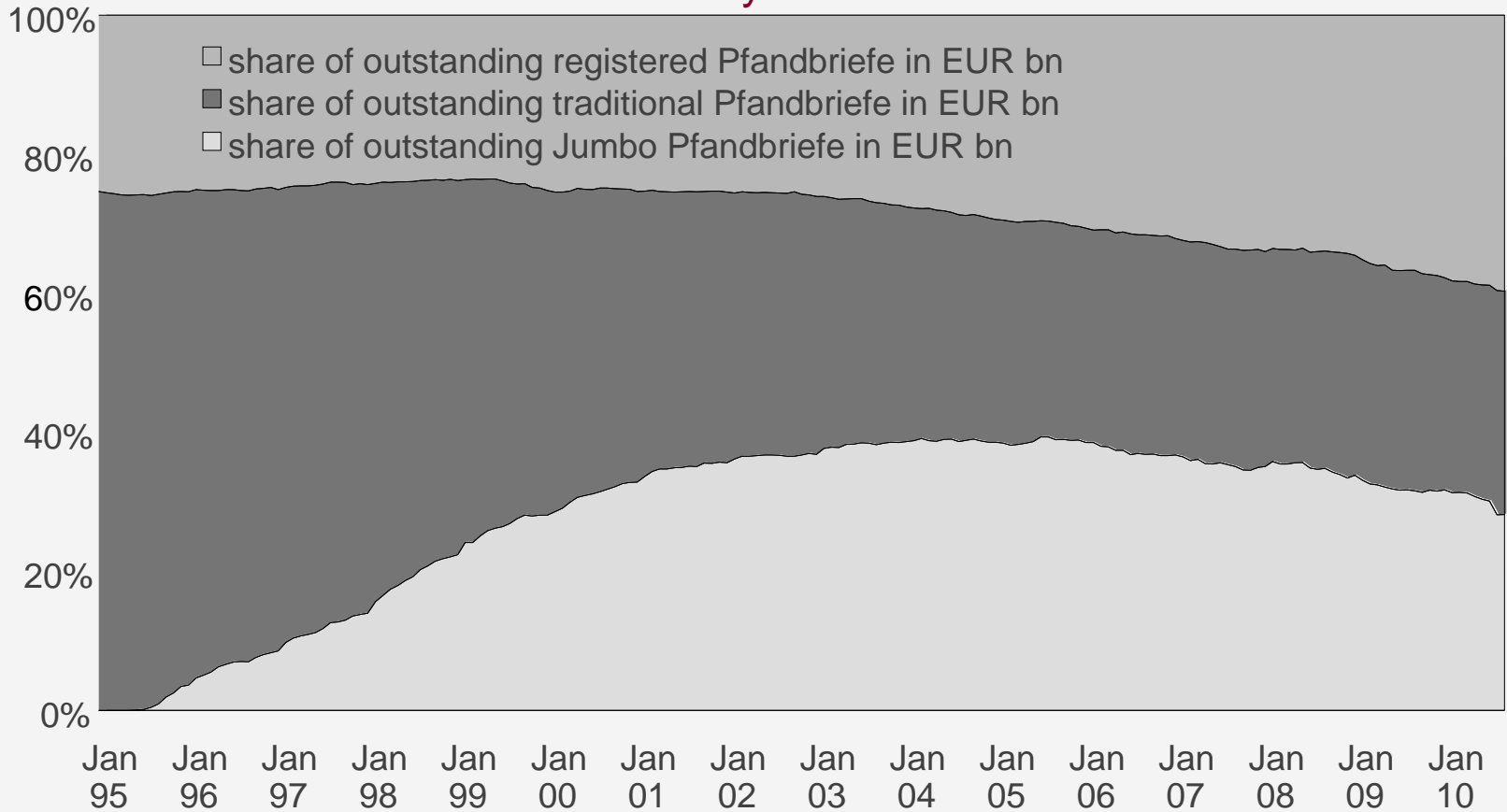
- Throughout the crisis Pfandbrief has offered reliable funding and continuous supply
- Pfandbrief has proven its crisis resilience



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Pfandbrief issuance styles



Source: UniCredit Research

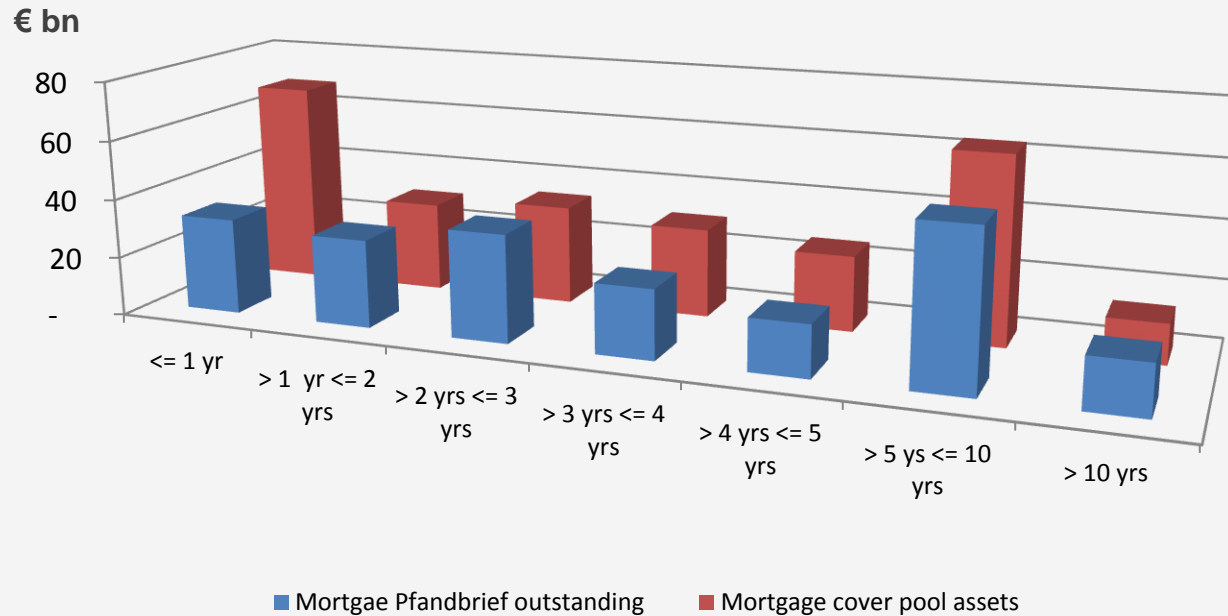
- Market share of registered Pfandbrief has increased from 25 to about 35%
- Jumbo Pfandbrief has lost some shares from about 35 to 30 %



Pfandbrief banks and the Pfandbrief market

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Maturities Mortgage Pfandbrief and cover assets (Sep 10)



Source: disclosure according to Art. 28 Pfandbrief Act

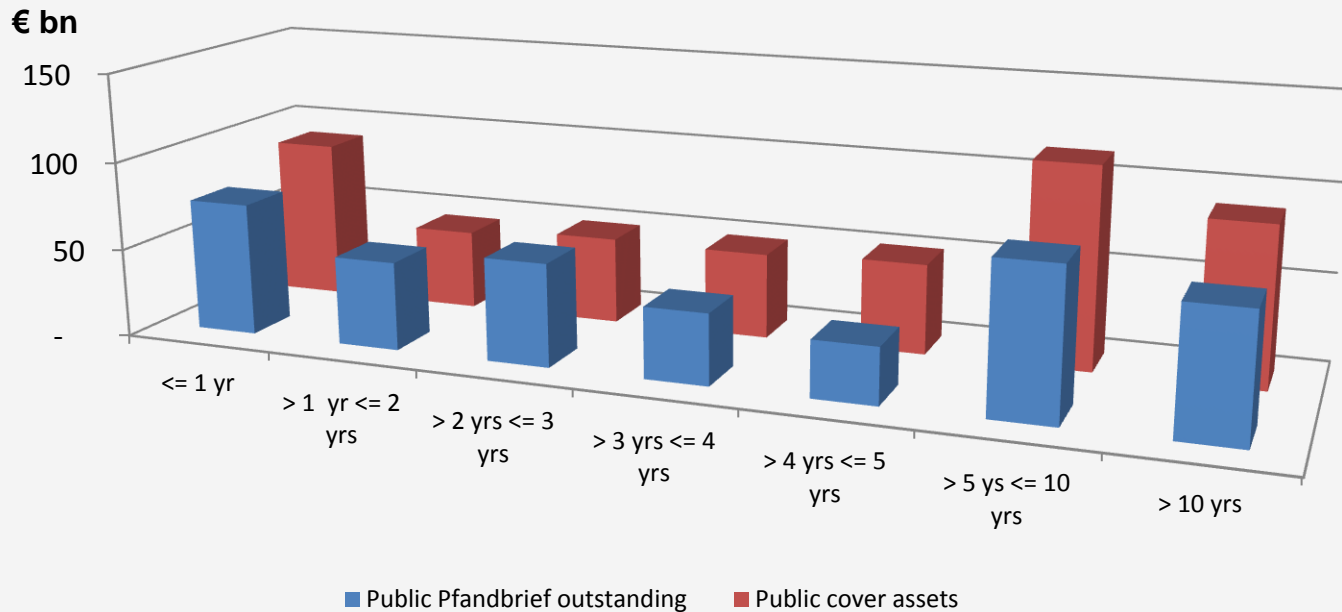
- Mortgage cover assets outweigh liabilities in most maturity buckets, especially in 1 yr
- On issuer level there are deviations from aggregate
- Investors find banks' data updated on quarterly basis on www.pfandbrief.org



Pfandbrief banks and the Pfandbrief market

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Maturities Public Pfandbrief and cover assets (Sep 10)



Source: disclosure according to Art. 28 Pfandbrief Act

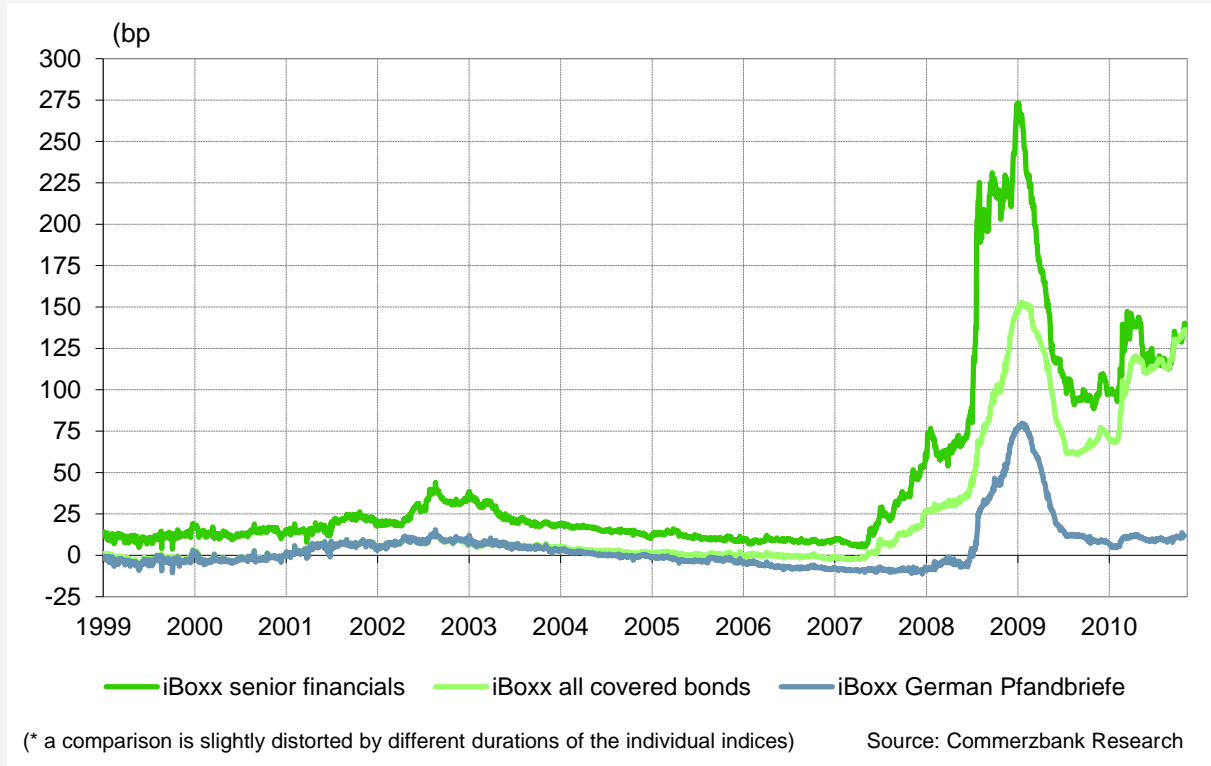
- Public cover assets outweigh liabilities in most maturity buckets
- On issuer level there are deviations from aggregate figures



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Development of swap spreads senior unsecured vs. covered vs. Pfandbrief (bp)*



benefit of Pfandbrief vs. unsecured funding attractive

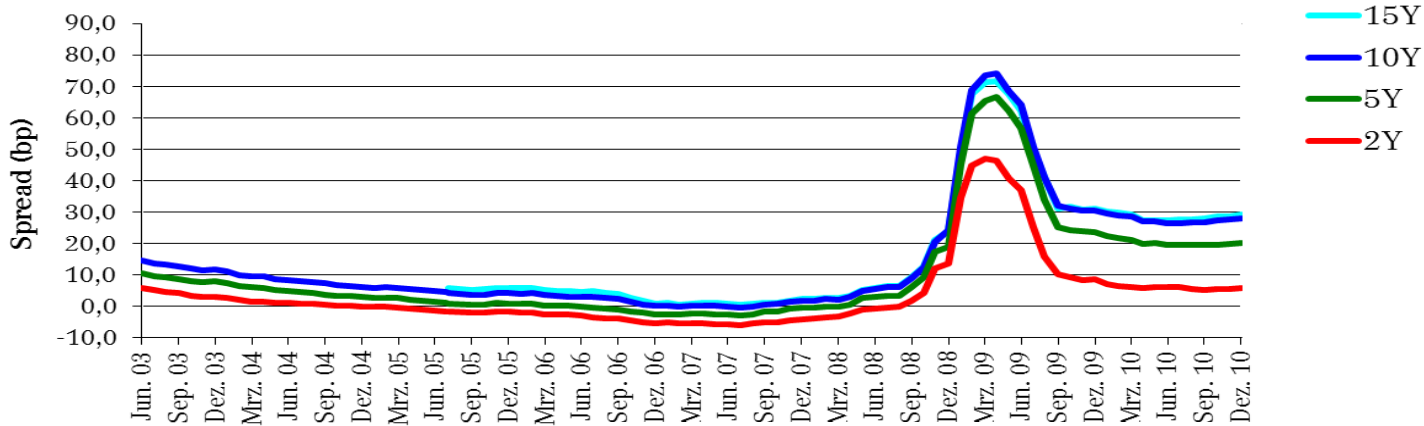


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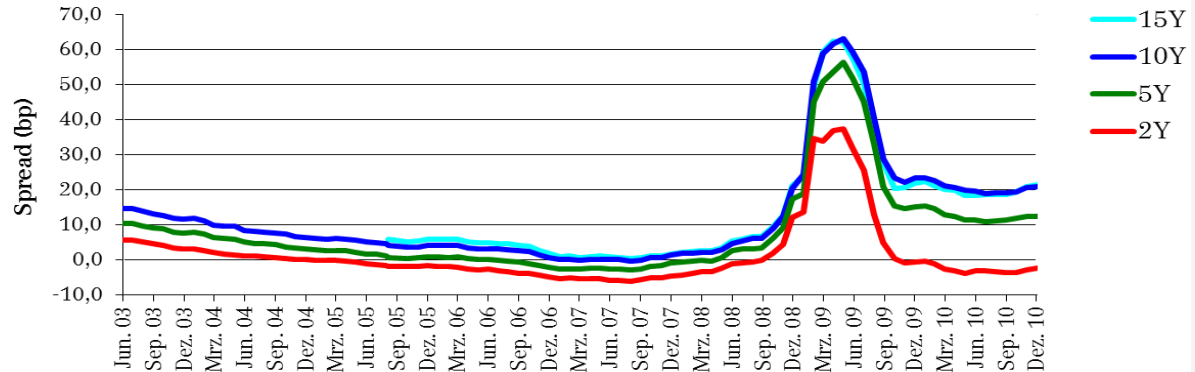
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Spread-development in primary Pfandbrief ...

Spreads vdp-Curve (Mortgage Pfandbrief)* (vs. Swap)



Spreads vdp-Curve (Public Pfandbrief)* (vs. Swap)



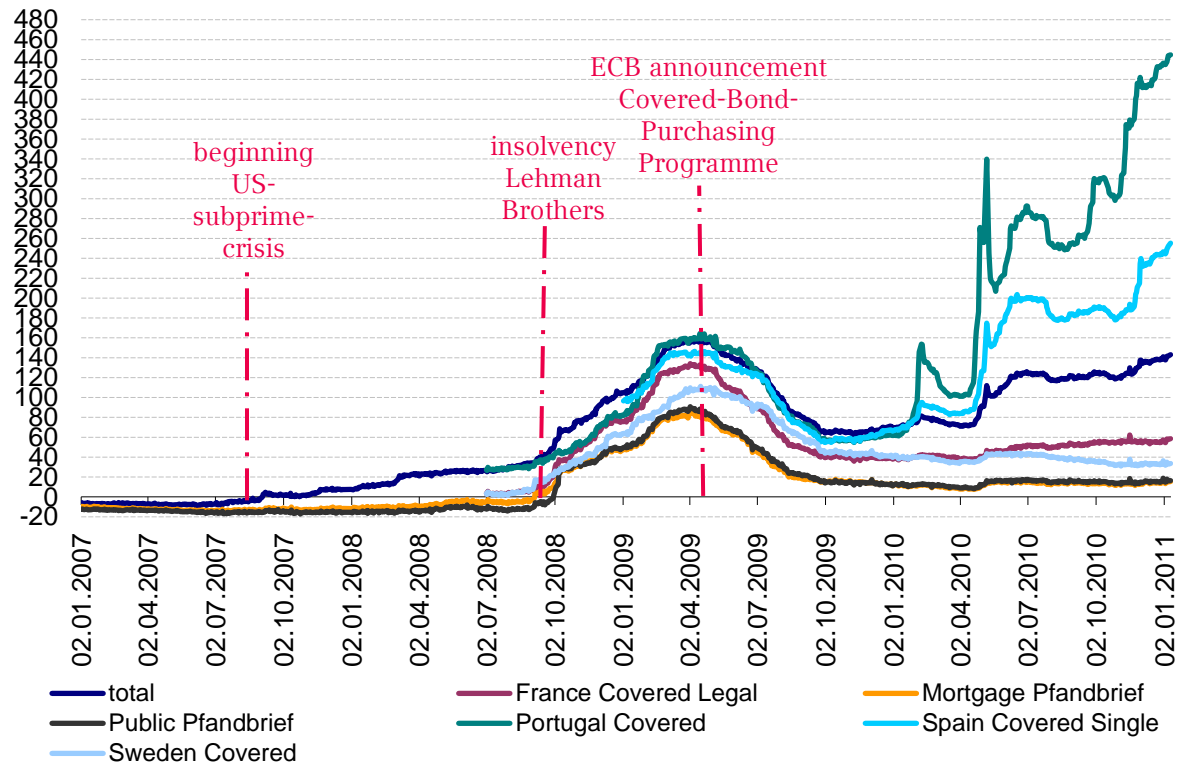
*) From April 2003 until January 2009 Mortgage and Public Pfandbrief together formed the vdp-Pfandbrief Curve. Since February 2009 different curves for each Pfandbrief are available.



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... and in secondary covered bond markets



source: LBBW



- Covered bond spread universe has become more diverse in 2010
- Spreads are biased by volatile sovereign debt spreads
- Differentiation has come to stay



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Expectations for 2011

- Planned new issues comprise roughly 90bn Euro of which
 - 42bn € Mortgage Pfandbrief
 - 44bn € Public Pfandbrief and
 - 3bn € Ship Pfandbrief
- Roughly 100 bn Euro maturities 2011 of which
 - 32bn € Mortgage Pfandbrief
 - 72bn € Public Pfandbrief and
 - 2bn € Ship Pfandbrief
- Continued consolidation in Public Pfandbrief (large volumes without roll-over upon maturity)
- Mortgage Pfandbrief with fundamentally sound perspectives
- Jumbo Pfandbrief will maintain a key role for issuers though smaller benchmark issuance will continue to play a role
- Pfandbrief outstanding expected
 - to decrease to approximately 650bn € by **year end 2011**
 - in **2012** non-negative supply and stabilization
- Spread diversification within Pfandbrief market likely to persist
- Overall Pfandbrief spreads expected to remain tight



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vdp - the lobbying body of Germany's Pfandbrief banks

- **36 member banks** represent almost 100% of new issuance volume and more than 98% of outstanding Pfandbrief
- Analysis and continuous refinement of Pfandbrief system in more than 20 expert committees
- Think tank for any issues related to Pfandbrief
- International Pfandbrief marketing activities
- www.pfandbrief.org

Member Institutions of the Association of German Pfandbrief Banks

Aareal Bank	Bayern LB	Berlin Hyp	BREMER LANDESBANK	COMMERZBANK	COREALCREDIT
DekaBank	deutsche Pfandbriefbank AG	Deutsche Genossenschaftliche Hypothekendarbank	DEUTSCHE/HYPO Ein Unternehmen der NORD/LB	DKB	pbb DEUTSCHE PFANDBRIEFBANK
Deutsche Schiffsbank	DEXIA Kreditbank	Düsseldorfer Hypothekendarbank	DVB	EURO HYPO	Haspa Hanseatische Pfandbriefbank
Helaba Landesbank Hessen-Thüringen	HSH NORDBANK	HypoVereinsbank in der Stadt Leipzig	IKB Etrazische Industriebank	Kreissparkasse Köln	LB BW Landesbank Baden-Württemberg
LBB LandesBank Berlin	M.M. WARBURG & CO. HYPOTHEKENBANK	Münchener Hypothekendarbank eG	NORD/LB	Postbank	SEB
Sparkasse KölnGann	VALOVIS BANK Pfandbriefbank	WestImmo	WestLB	WL BANK	wüstenrot Partner der Wirtschaftsgüterer