



I. Workshop: Covered-Bond-Strukturen in Europa (in rechtlicher Hinsicht)

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BaFin, Bonn – 18. Juni 2007



**VERBAND DEUTSCHER
PFANDBRIEFBANKEN**

| Immobilien- | Staats- | Schiffsfinanzierung |



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on the Basis of the
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A. Covered Bond Structures in Europe

- Market shares
- Structures

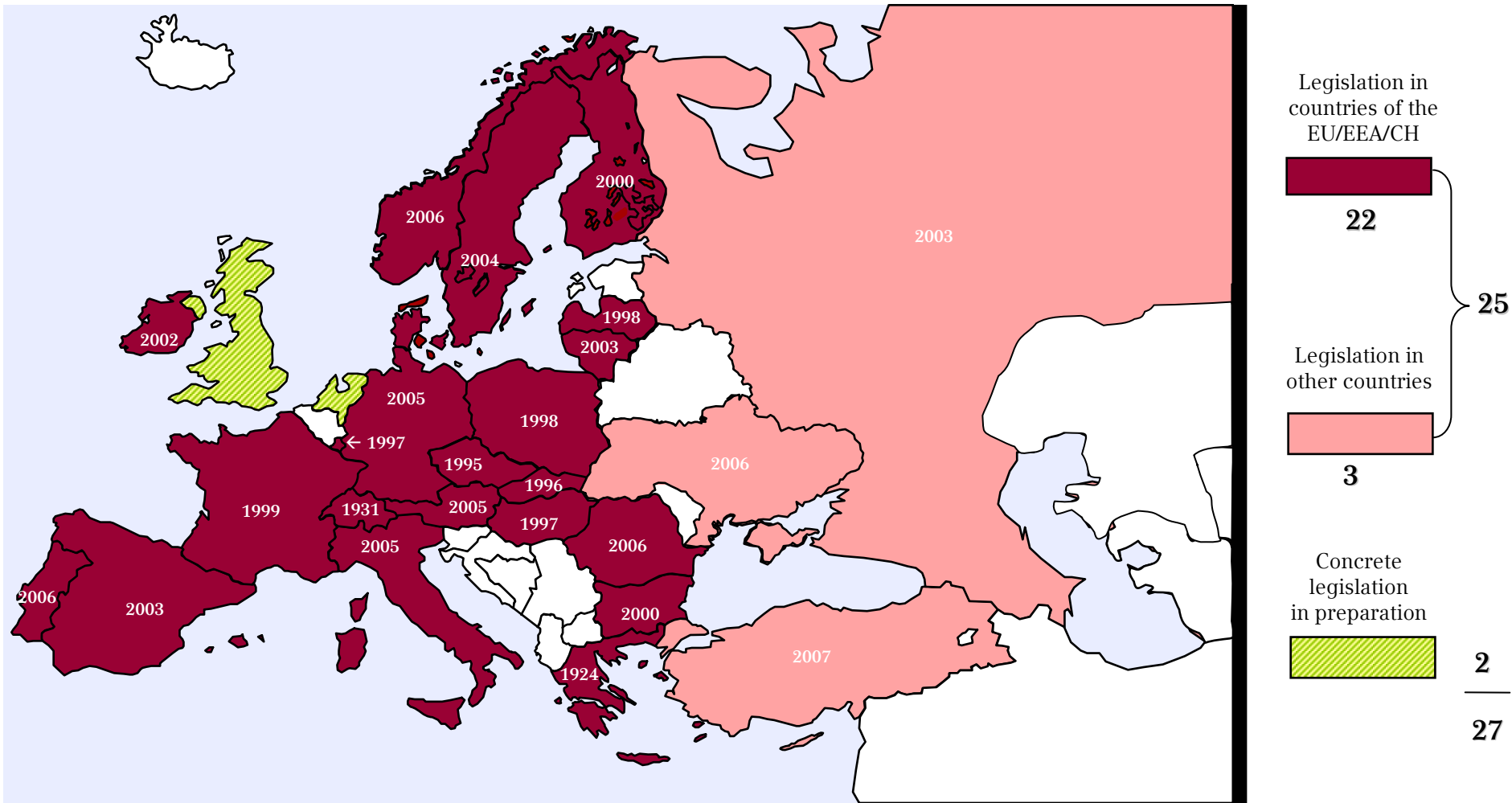


A. Covered Bond Structures in Europe



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Geographical Overview - Covered Bond Legislation in Europe - (as of June 2007)



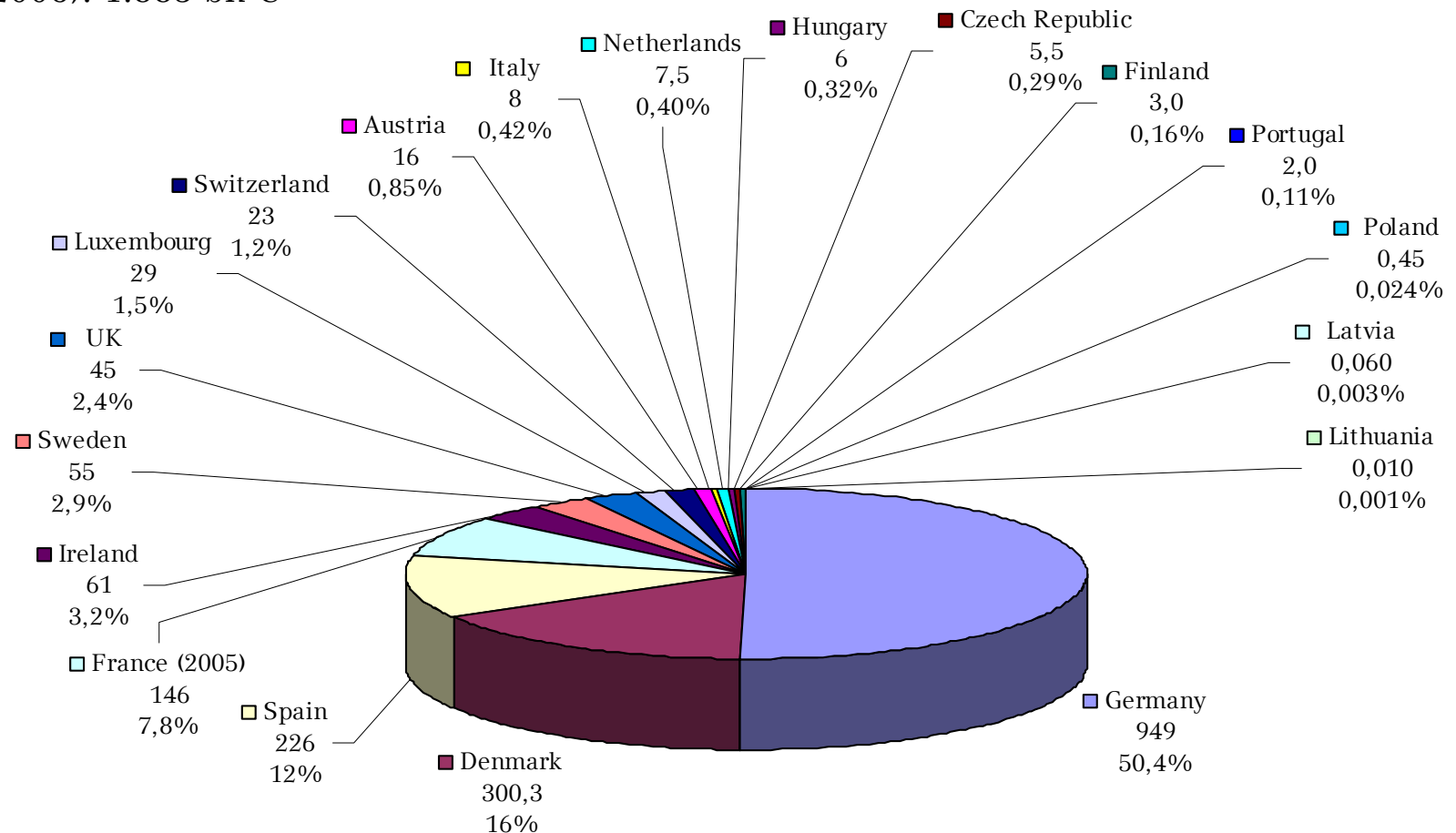


A. Covered Bond Structures in Europe Market Shares



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Market Share of the European Covered Bond Countries in the European Covered Bond Market
(end of 2006): 1.883 bn €



For Austria the figures are tentative.

(source: EMF/vdp – 13.6.2007)

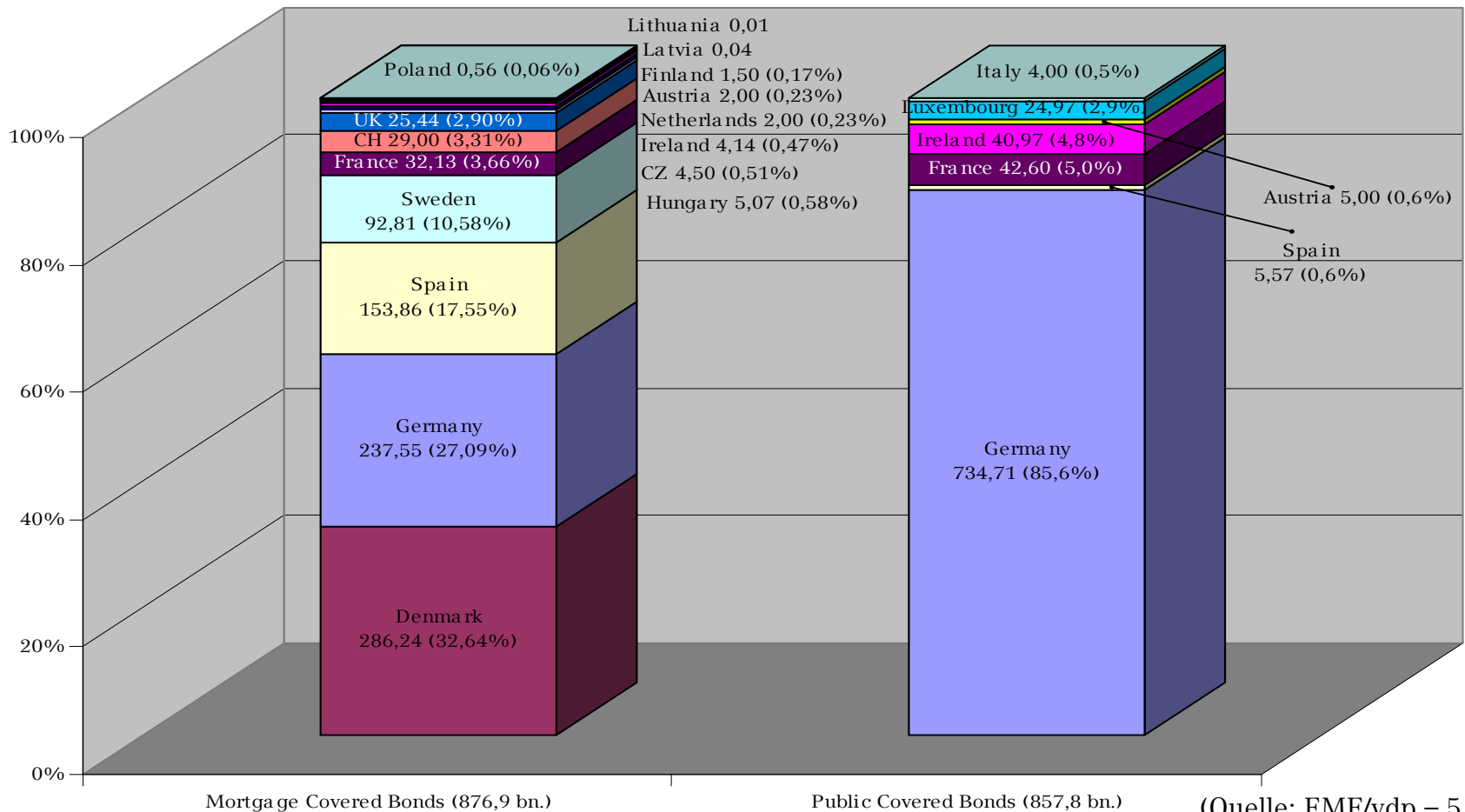


A. Covered Bond Structures in Europe Market Shares



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Public Covered Bonds in the EU compared with
Mortgage Covered Bonds (end of 2005, in bn. EUR)





A. Covered Bond Structures in Europe



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Me too!

2003	 DEPFA ACS	 BCL	 Sabadell	 TdA
	 HBOS	 Kommunalkredit	 WestLB CBB	
2004	 IM Cédulas	 BAWAG	 Northern Rock	 Bradford & Bingley
	 Bank of Ireland	 WestImmo	 HBOS Social Housing (no Jumbo)	
2005	 Nationwide	 Banco Popular	 ABN AMRO	 Sampo
	 Abbey National	 CDP	 Banco Pastor	
2006	 Aareal	 Caixa Catalunya	 Allied Irish Banks	 Sant. Cons. Fin.
	 WestLB	 Washington Mut.	 Nordea	 SCBC
	 Yorkshire BS	 HSBC	 Dt. Kreditbank	 Caixa Geral
	 Stadshypotek	 BNP Paribas		
2007 ytd	 Caixa Galicia	 HSH Nordbank	 Achmea Hyp	 Bank of America

Source: Dresdner Kleinwort Debt research

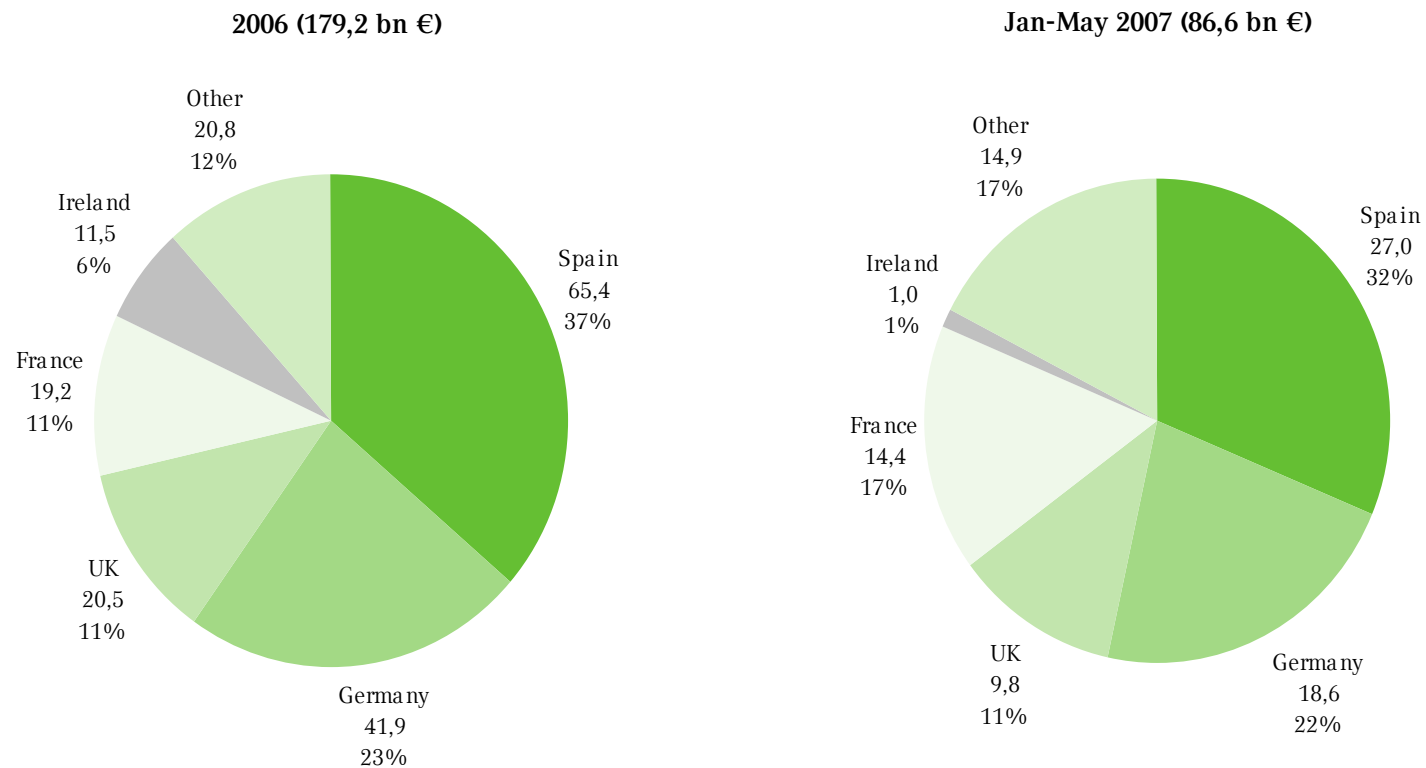


A. Covered Bond Structures in Europe Market Shares



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€-Jumbo Covered Bond Issuance



source: DKwR

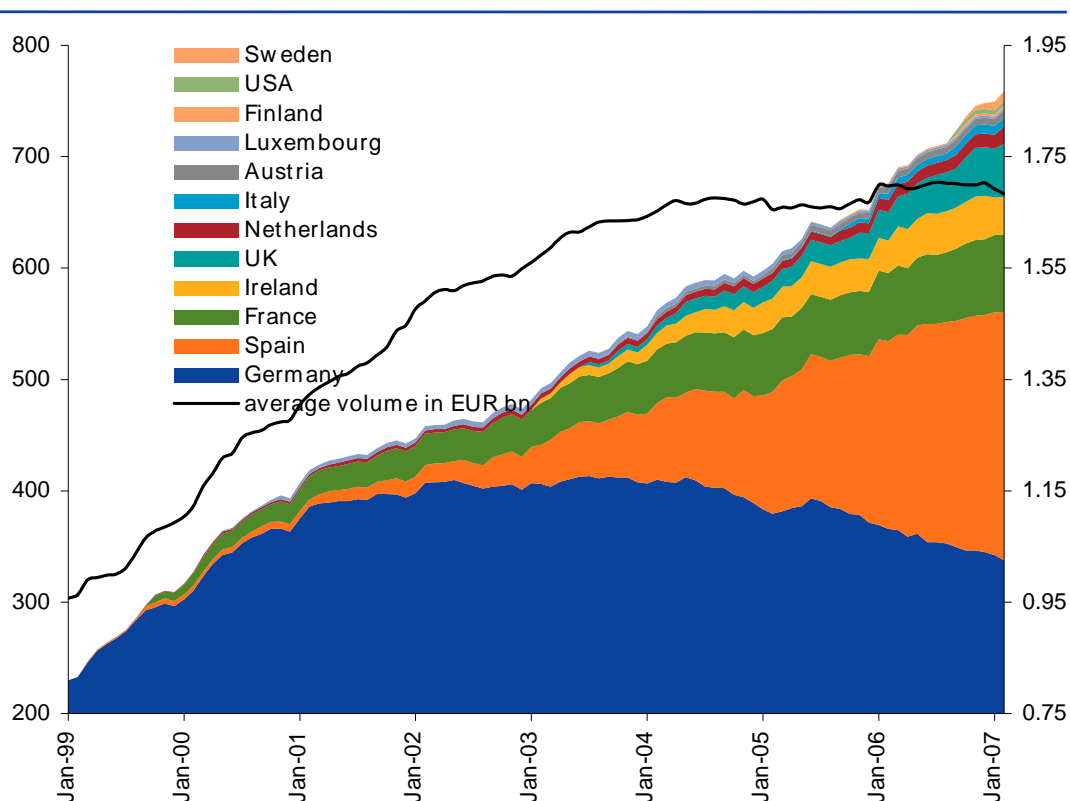


A. Covered Bond Structures in Europe Market Shares



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Ongoing Increase in Outstanding Volume of Jumbo Covered Bonds (EURbn)



Source: DB Global Markets Research



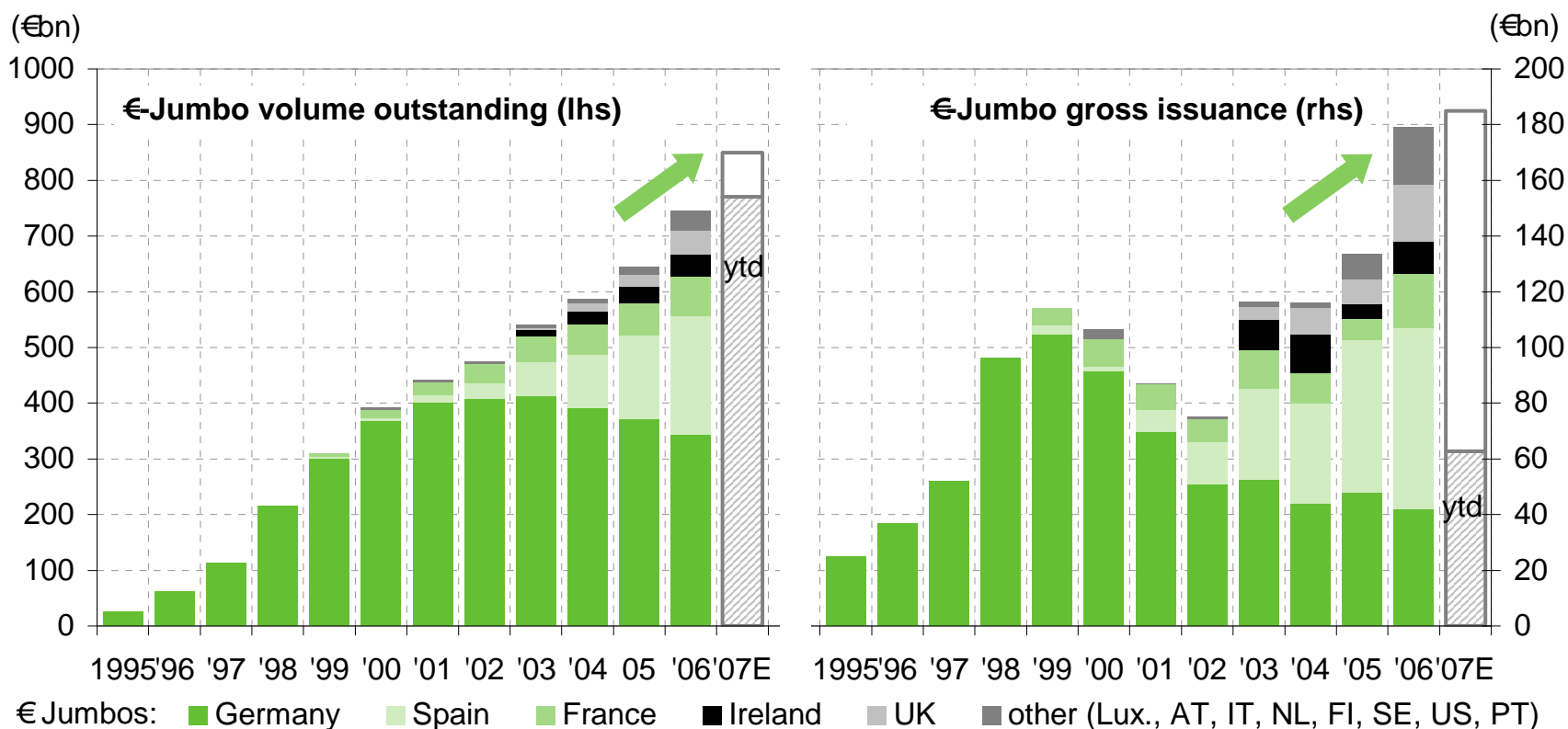
A. Covered Bond Structures in Europe Market Shares



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The rise and rise of Covered Bonds (2006)

€Jumbo volumes on the rise



Source: Dresdner Kleinwort Debt research



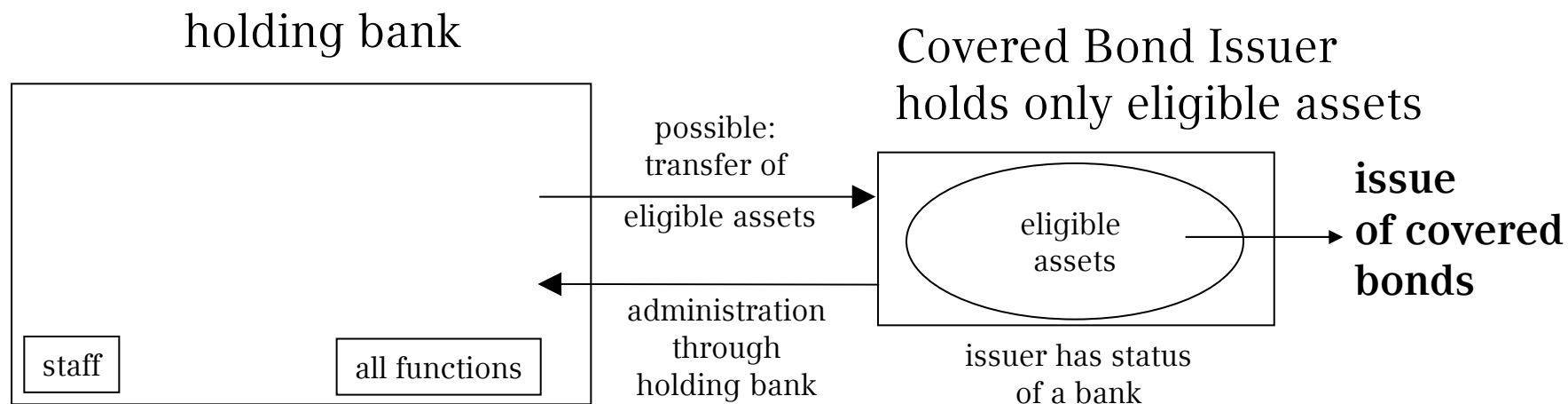
A. Covered Bond Structures in Europe Structures



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(1) French Model: covered bond issuer = totally specialised funding vehicle

Finland, France, Norway, partially Sweden, Portugal



- outsourcing limits ?
- consolidated insolvency ?

as of 11.6.2007



A. Covered Bond Structures in Europe Structures

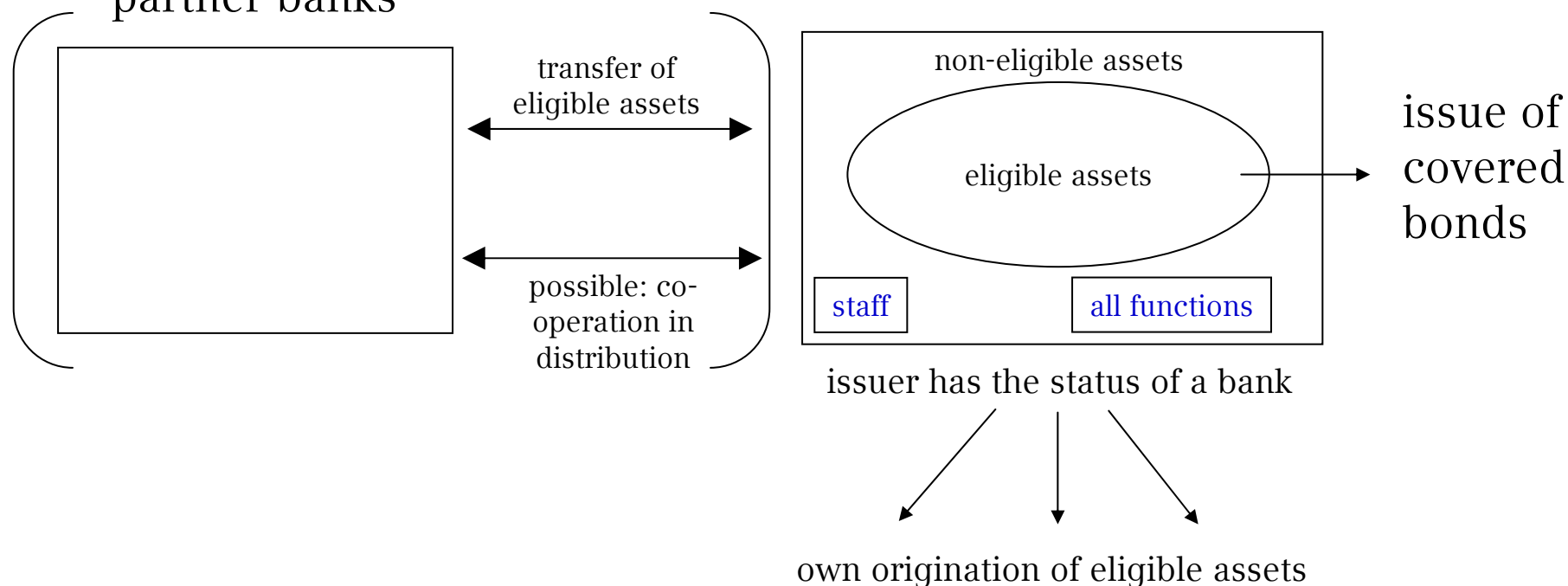


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(2) Specialised banks without/with non-eligible business

Denmark, Hungary, Ireland, Luxemburg, Poland, partially Sweden

possibly holding bank /
partner banks



as of 12.4.2006



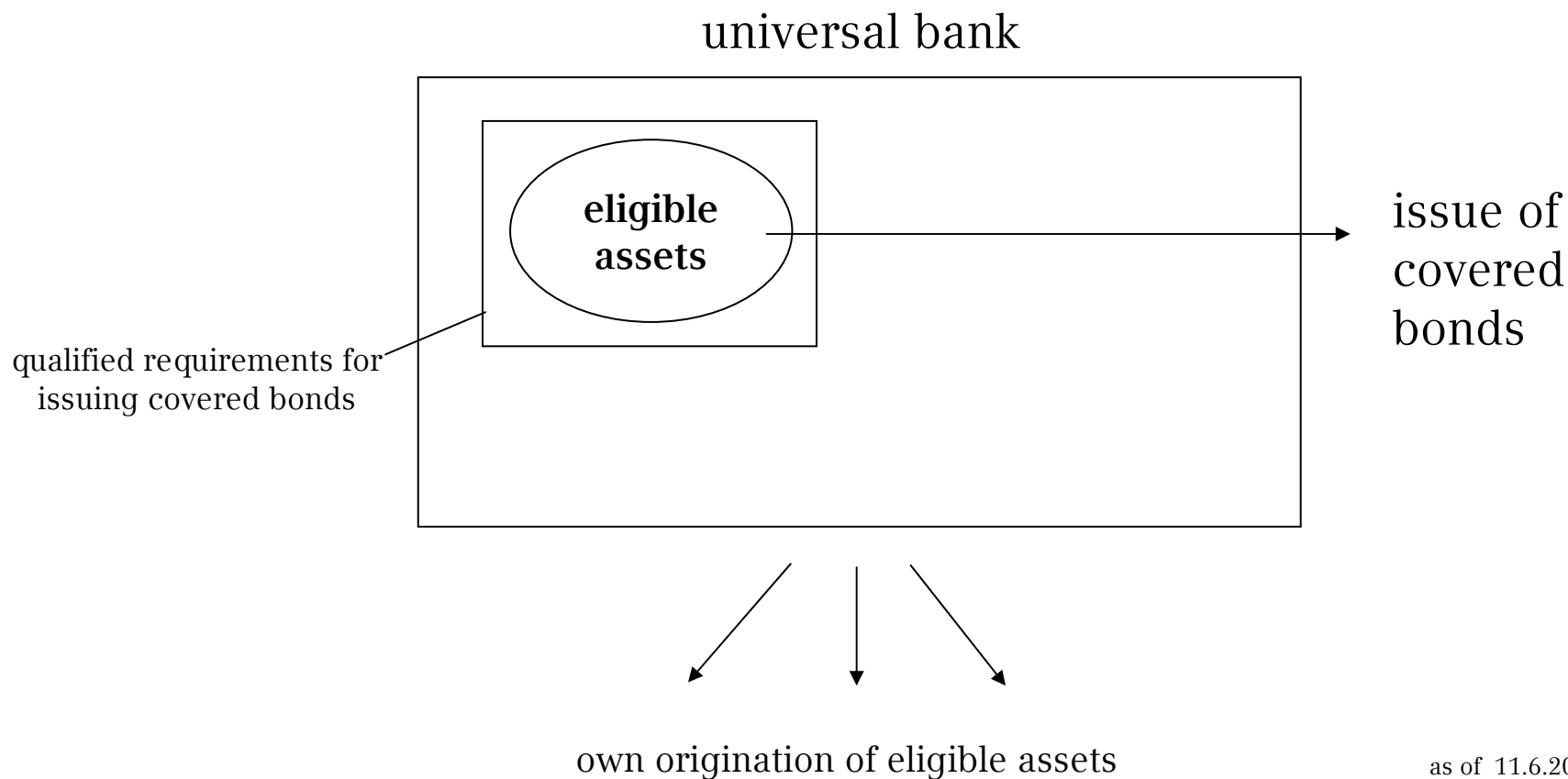
A. Covered Bond Structures in Europe Structures



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(3) Universal bank with qualified covered bond license

Denmark, Germany, Latvia, Russia



as of 11.6.2007



A. Covered Bond Structures in Europe Structures

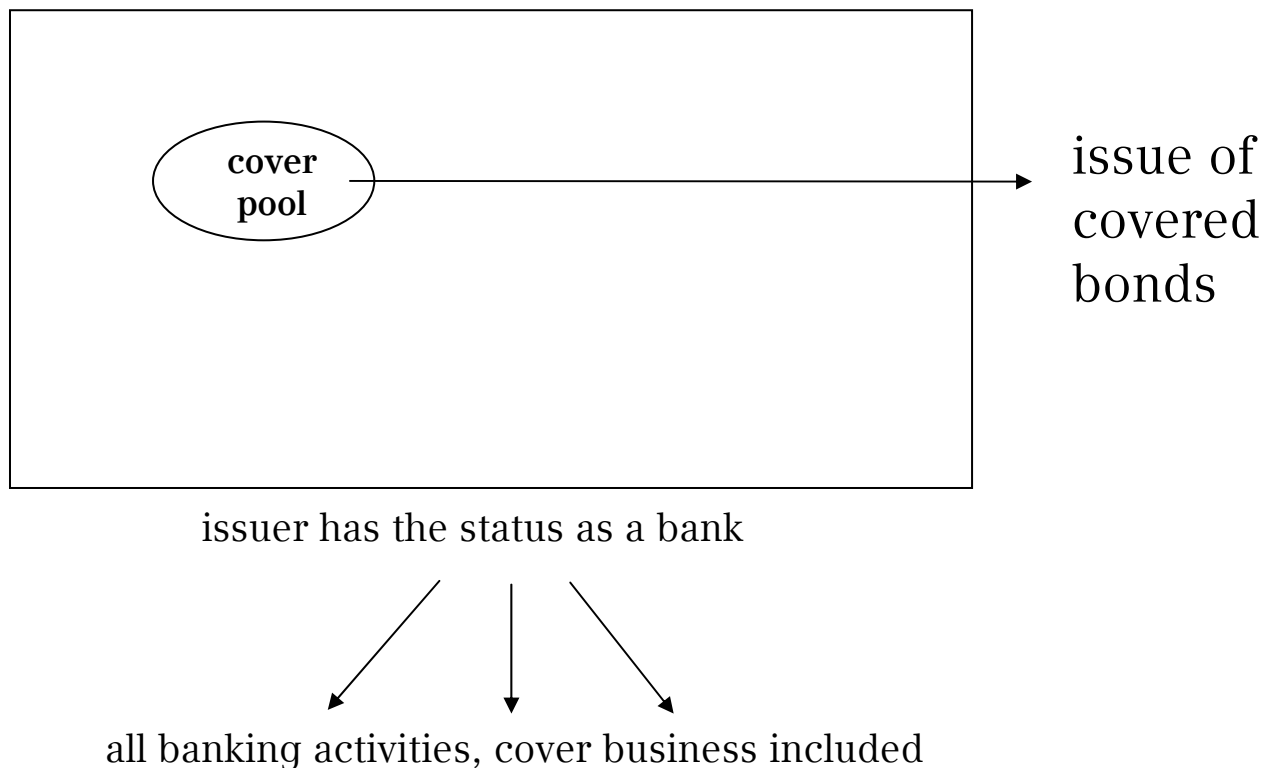


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(4) Right to issue covered bonds for all banks without specific covered bond license (or with mandatory license, but without requirements to obtain the license)

Without license: Bulgaria, Czech Republic, Lithuania, Spain, partially Portugal

Mandatory license: Austria (fundierte SV), Slovakia



as of 7.12.2005



A. Covered Bond Structures in Europe Structures

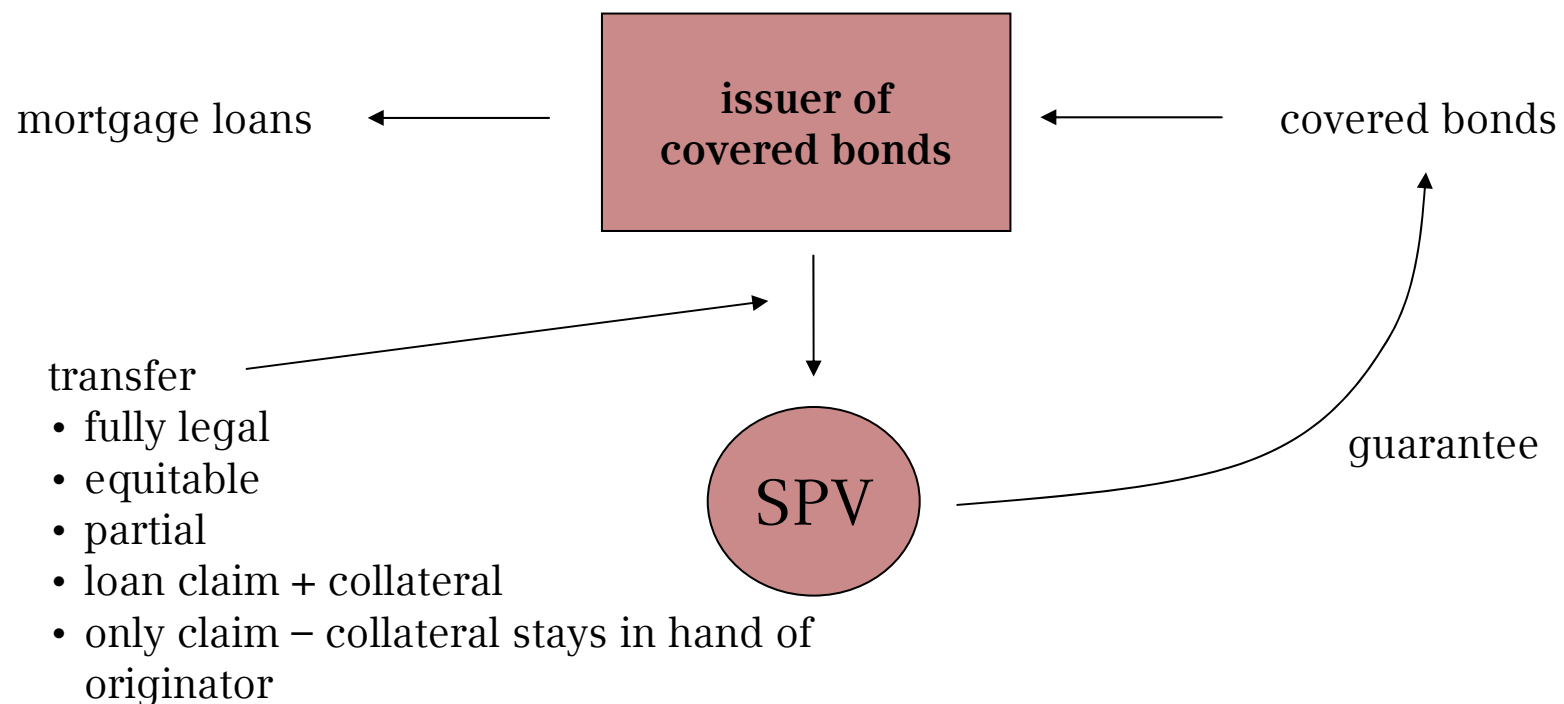


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Structured covered bonds

Contractual: United Kingdom, Netherlands

Regulated by specific law: Italy



as of 11.6.2007



A. Covered Bond Structures in Europe OGAW-Richtlinie



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Kriterien des Art. 22 IV OGAW-Richtlinie (Investmentge- sellschaften/UCITS)

- Es muss sich um Schuldverschreibungen eines Kreditinstituts handeln,
 - ✓ das seinen Sitz in einem EG-Mitgliedsstaat hat und
 - ✓ aufgrund gesetzlicher Vorschriften zum Schutz der Inhaber dieser Schuldverschreibungen
 - ✓ einer besonderen öffentlichen Aufsicht unterliegt.
- Die Erträge aus der Emission dieser Schuldverschreibungen müssen nach den gesetzlichen Vorschriften in Vermögenswerten angelegt werden,
 - ✓ die während der gesamten Laufzeit der Schuldverschreibungen die sich daraus ergebenden Verbindlichkeiten ausreichend decken und
 - ✓ vorrangig für die beim Ausfall des Emittenten fällig werdenden Rückzahlungen des Kapitals und der Zinsen bestimmt sind.



A. Covered Bond Structures in Europe OGAW-Richtlinie



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**Bedeutung des Art. 22 IV OGAW-Richtlinie → Privilegierung des
Pfandbriefes als Anlageinstrument**

**Investment-
fonds**

**Lebens- und
Schadens-
versicherung**

**Großkredit-
grenze**

**Kapital-
adäquanz**

**Einlagen-
sicherung**



A. Covered Bond Structures in Europe CRD



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Covered bonds benefit from privileged credit risk weightings only if they fulfill the following requirements:

1. Compliance with the standards of Article 22(4) of Directive 85/611/EEC (UCITS)
2. The asset pools that back the covered bonds must be constituted only of assets of specifically-defined types and credit quality
3. New quantitative restrictions on certain types of cover assets were established (e.g. max 15% exposure to credit institutions).
4. The issuers of covered bonds backed by mortgage loans must meet certain minimum requirements regarding mortgage property valuation and monitoring



A. Covered Bond Structures in Europe CRD



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Eligibility of cover assets according to CRD

- exposures to public sector entities (0% or 20% risk weighted)
- exposures to banks (limited to 15%)
- loans secured by residential (up to 80% LTV) and commercial (up to 60 % LTV) real estate subject to strict valuation standards
- “AAA”-”AA-” MBS tranches (if 90 % of the loans comply with LTV’s mentioned above) up to 20 % of outstanding covered bonds; until Dec. 2010 no limit for “AAA”-MBS tranches
- loans secured by ships up to 60 % LTV



A. Covered Bond Structures in Europe



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ECBC

Steering Committee

Covered bonds are characterised by the following common essential features that are achieved under both special-law frameworks and general-law based frameworks:

- The bond is issued by – or bondholders otherwise have full recourse to – a credit institution which is subject to public supervision and regulation.
- Bondholders have a claim against a cover pool of financial assets in priority to unsecured creditors of the credit institution.
- The credit institution has the ongoing obligation to maintain sufficient assets in the cover pool to satisfy the claims of covered bondholders at all times.
- The obligations of the credit institution in respect of the cover pool are supervised by public or other independent bodies.



B. Mortgage Covered Bonds in Europe on the Basis of the ECBC Technical Questions Summary Overview



B. Mortgage Covered Bonds in Europe on the Basis of the ECBC Technical Questions Summary Overview



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ECBC Technical Questions – Summary Overview:

- I. Structure of the Issuer
- II. Framework
- III. Cover assets
- IV. Valuation of the Mortgage Cover Pool & LTV Criteria
- V. Asset-Liability Guidelines
- VI. Cover Pool Monitor and Banking Supervision
- VII. Segregation of Assets and Bankruptcy Remoteness
- VIII. Risk Weighting and Compliance with European Legislation

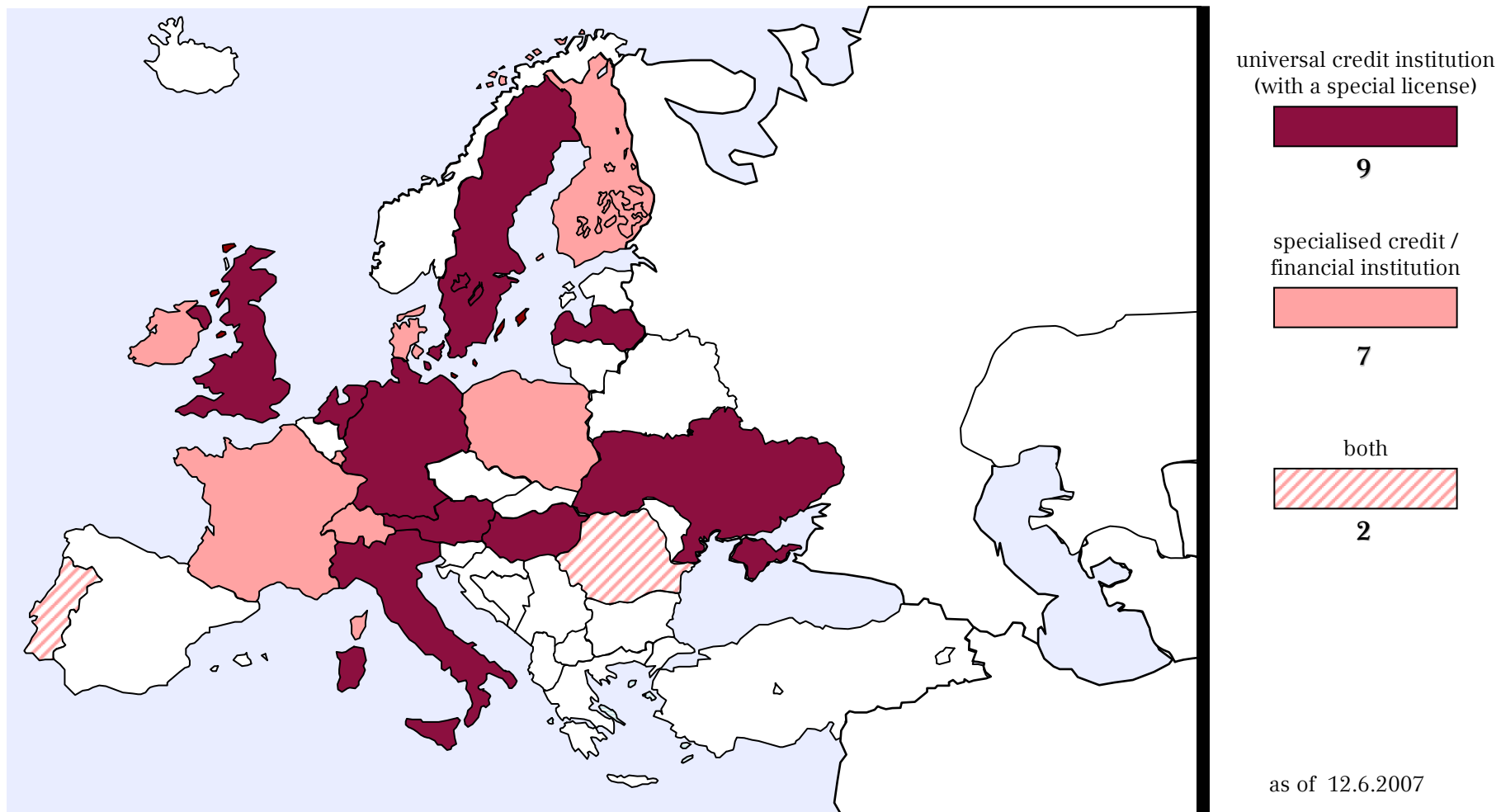


I. Structure of the Issuer



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I.1: Who is the issuer?



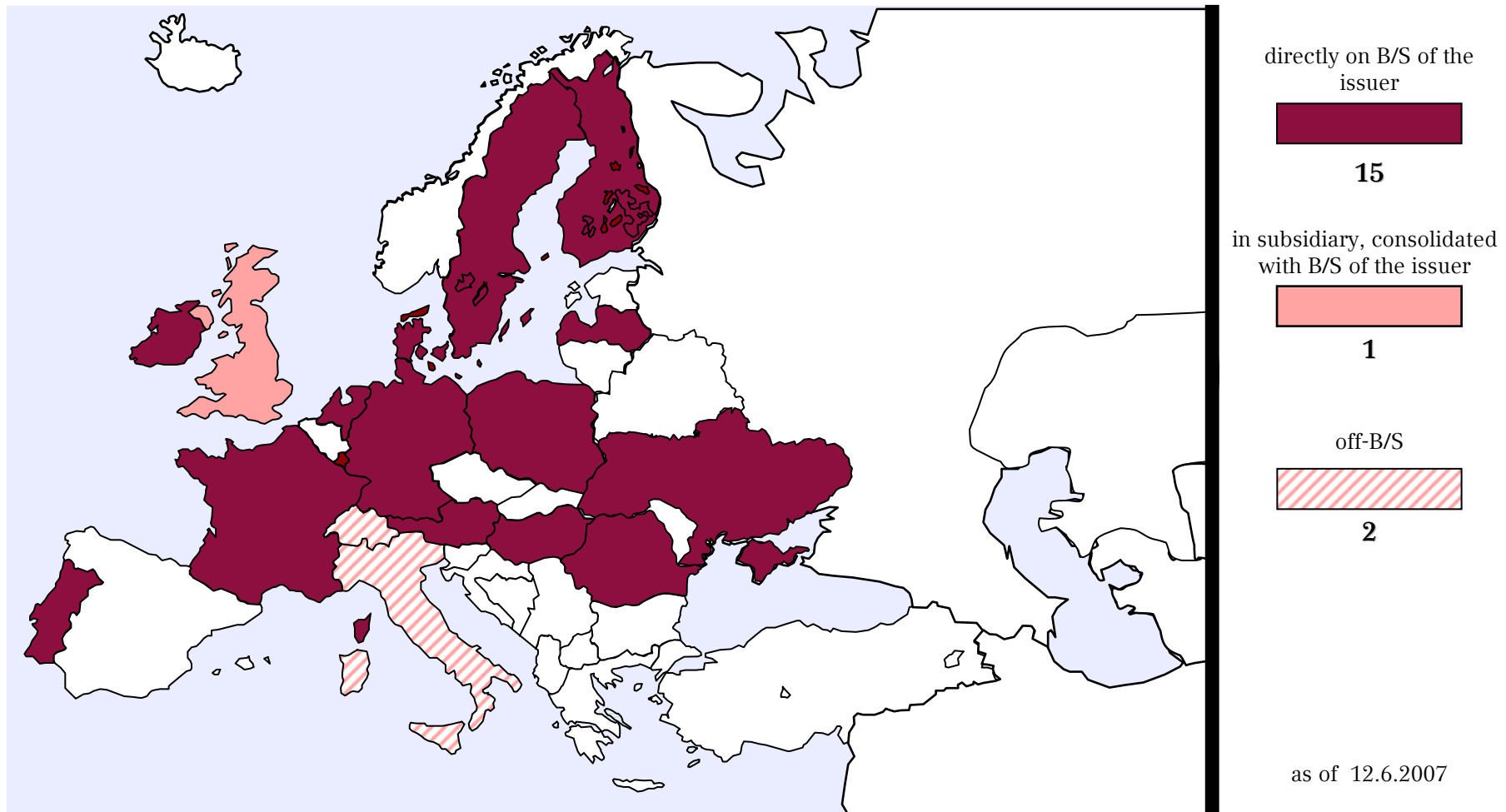


I. Structure of the Issuer



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I.2: Where are the cover assets located? (accounting treatment)



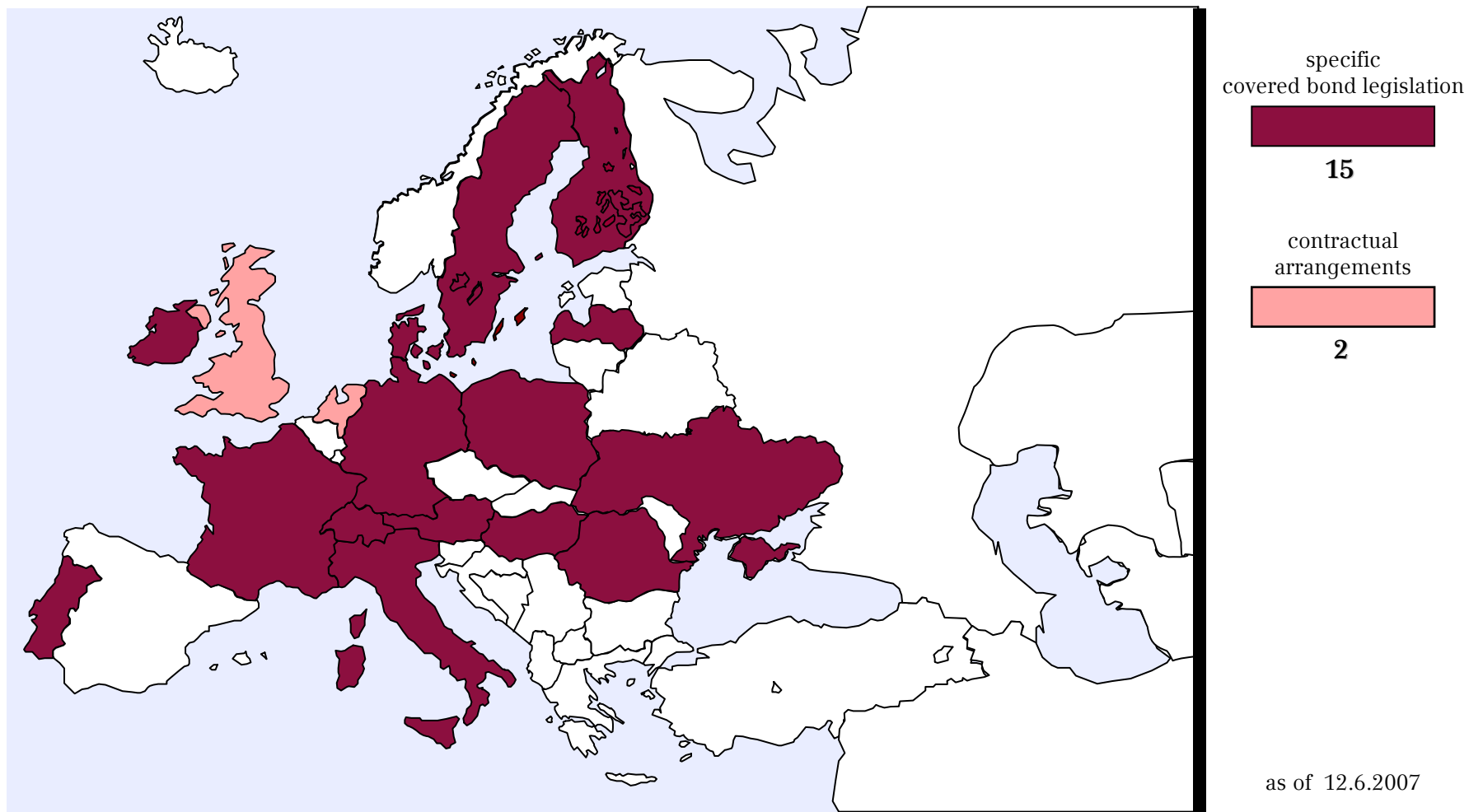


II. Framework



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II.1: What governs covered bond issuance?



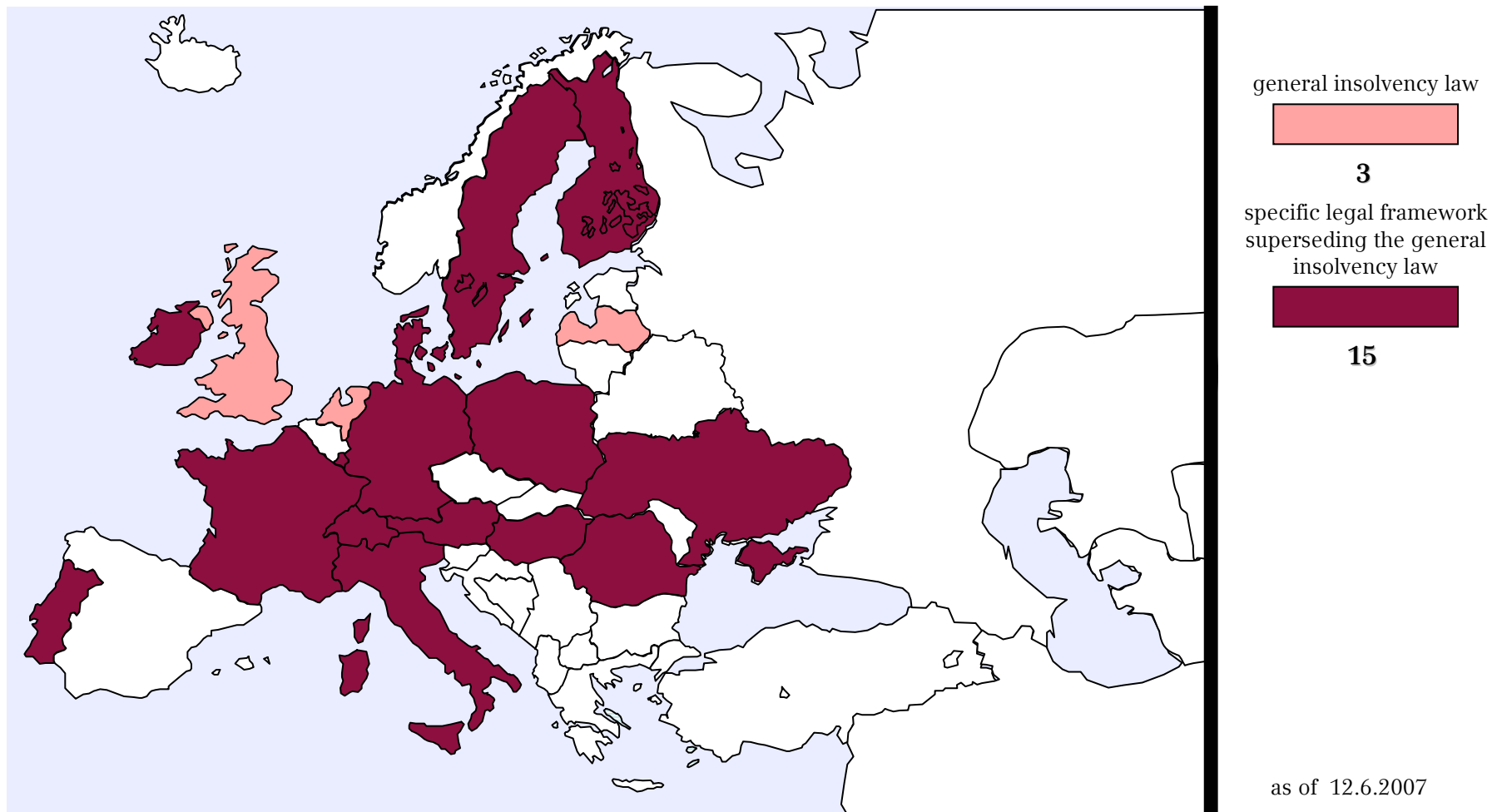


II. Framework



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II.2: What is the legal framework for bankruptcy of the issuer for covered bonds?





III. Cover Assets



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III.1: What types of assets may be included in the cover pool?



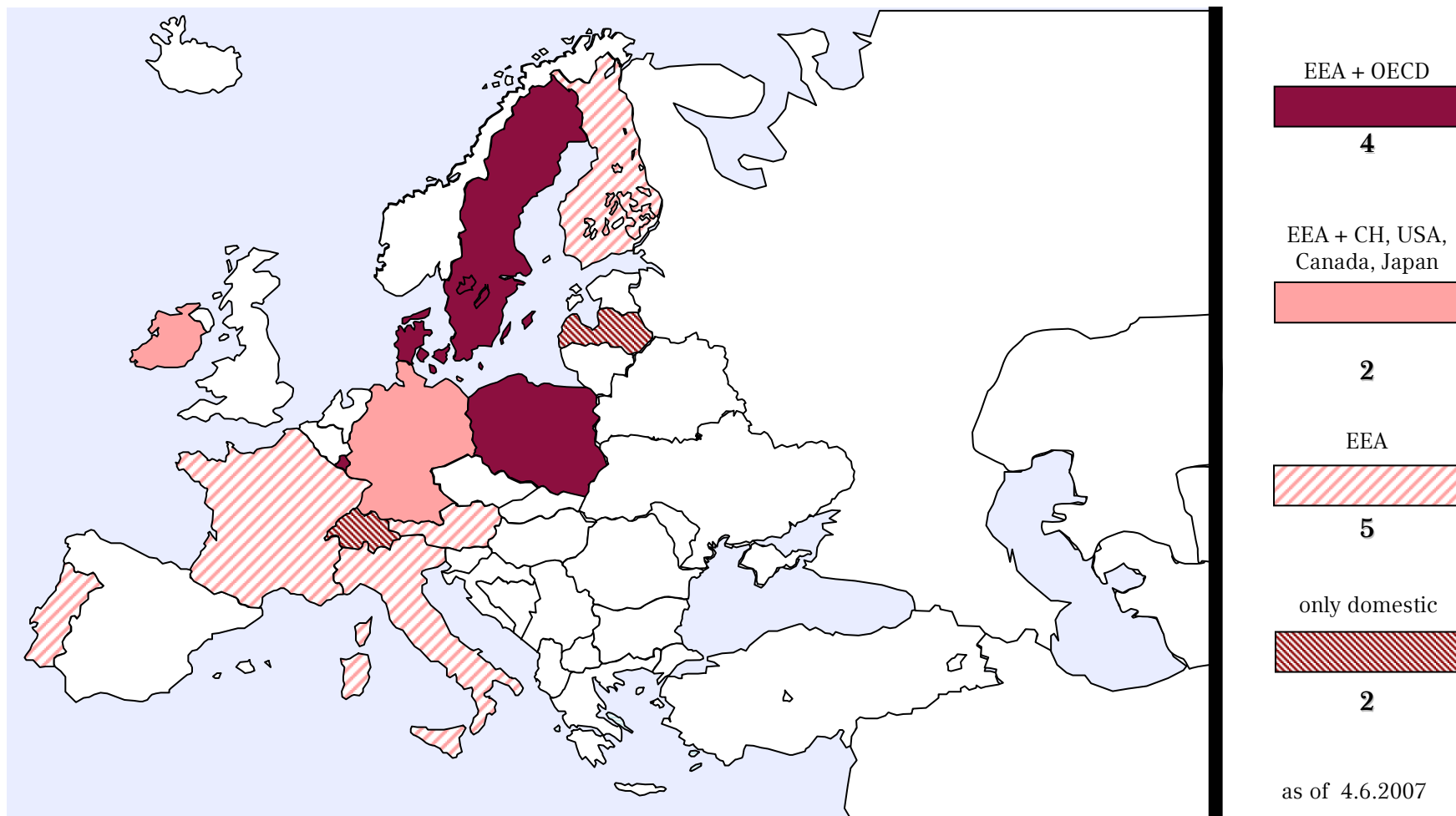


III. Cover Assets



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III.2: What is the geographical scope for public sector assets?



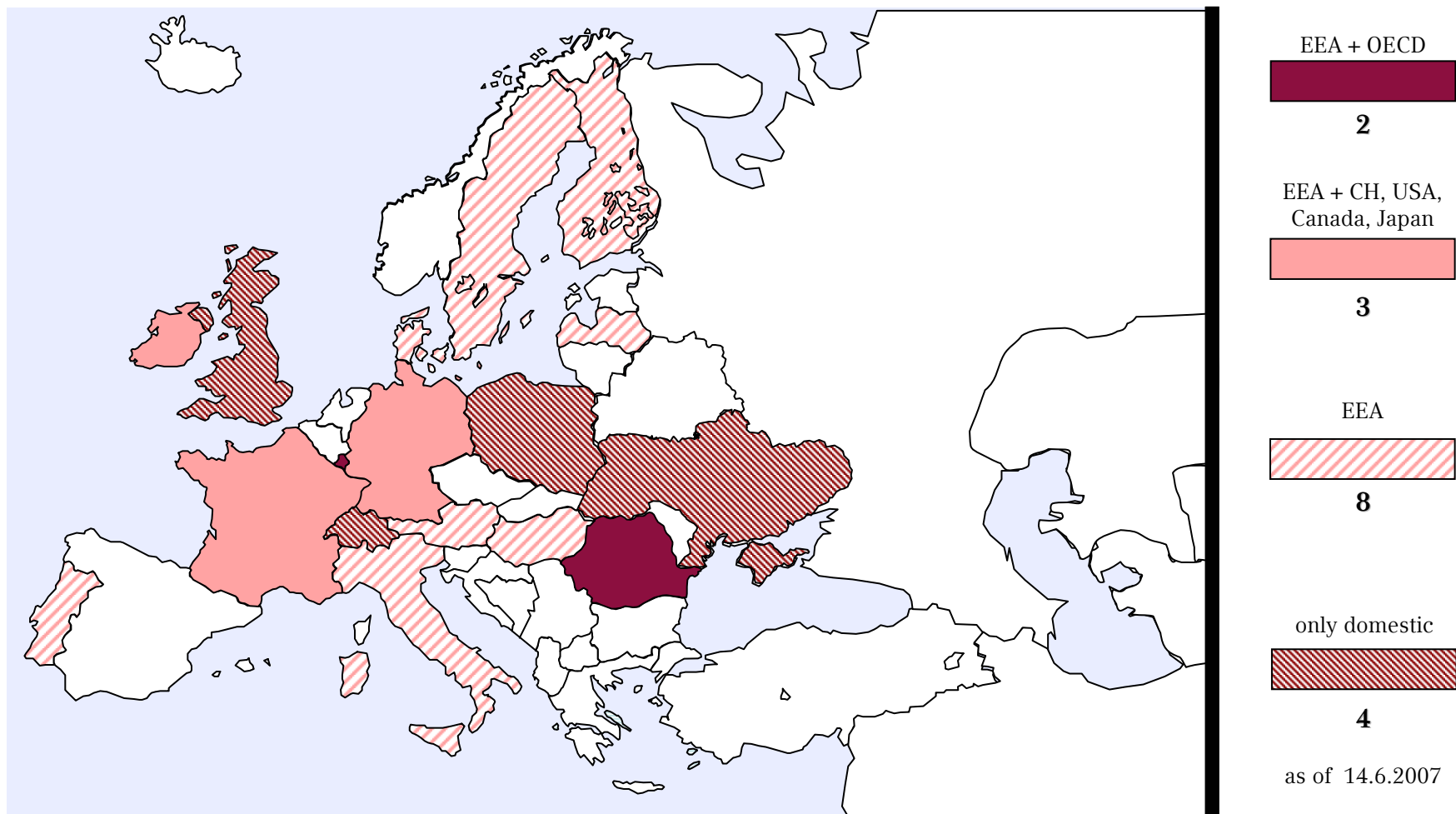


III. Cover Assets



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III.3: What is the geographical scope for mortgage assets?



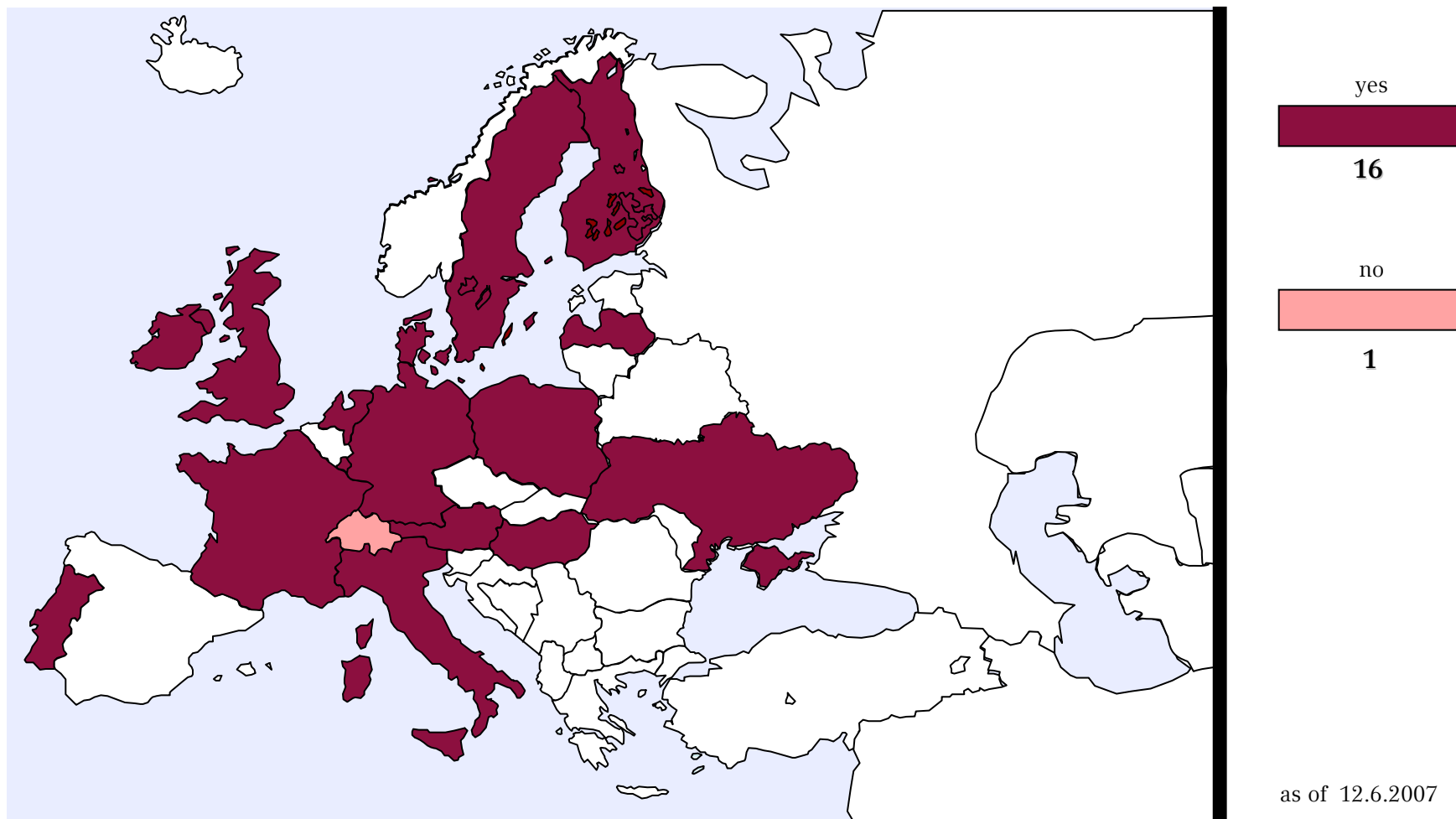


III. Cover Assets



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III.4: Is the use of derivatives permitted in the cover pool?



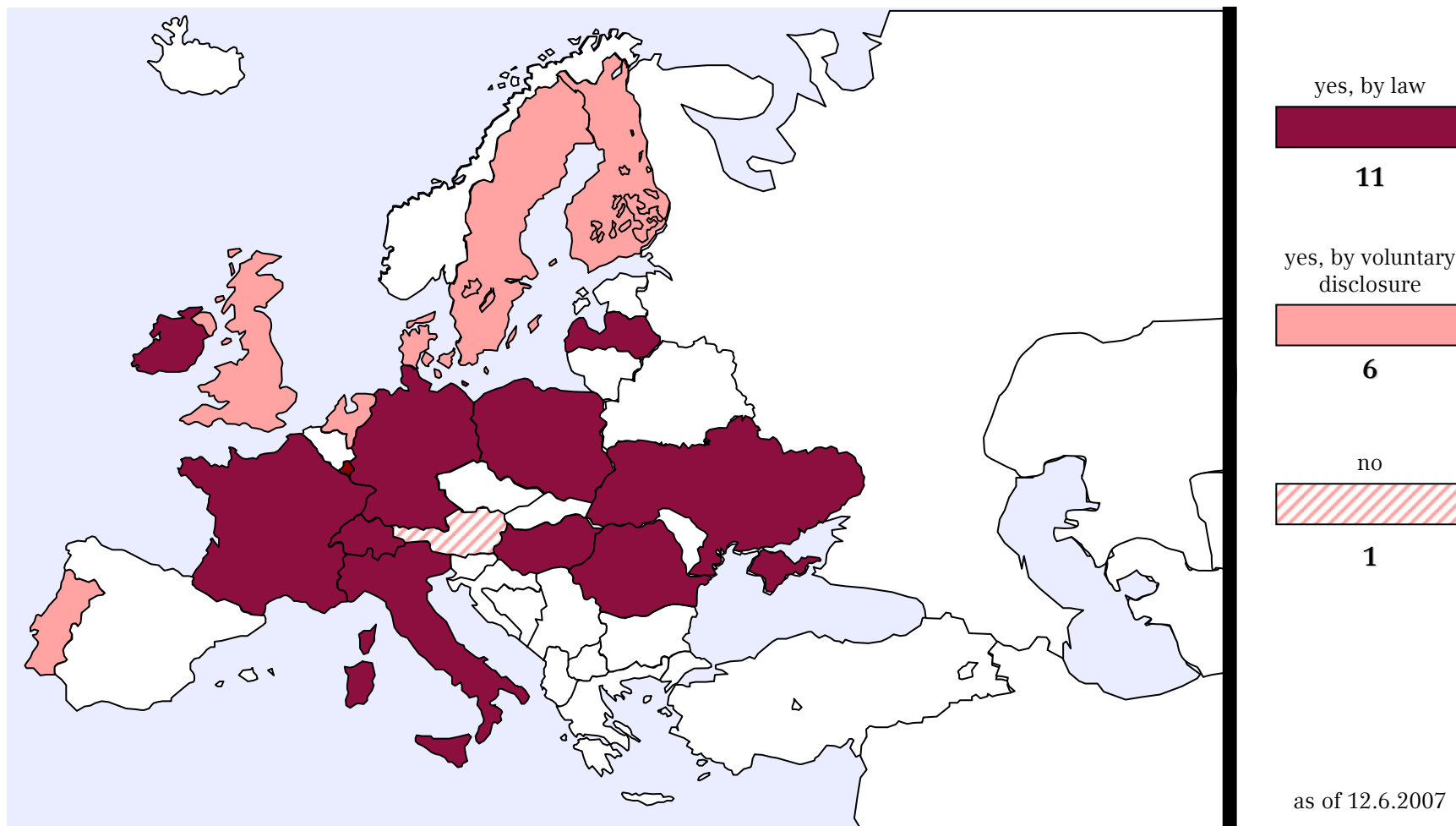


III. Cover Assets



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III.5: Are there regular covered bond specific disclosure requirements to the public?



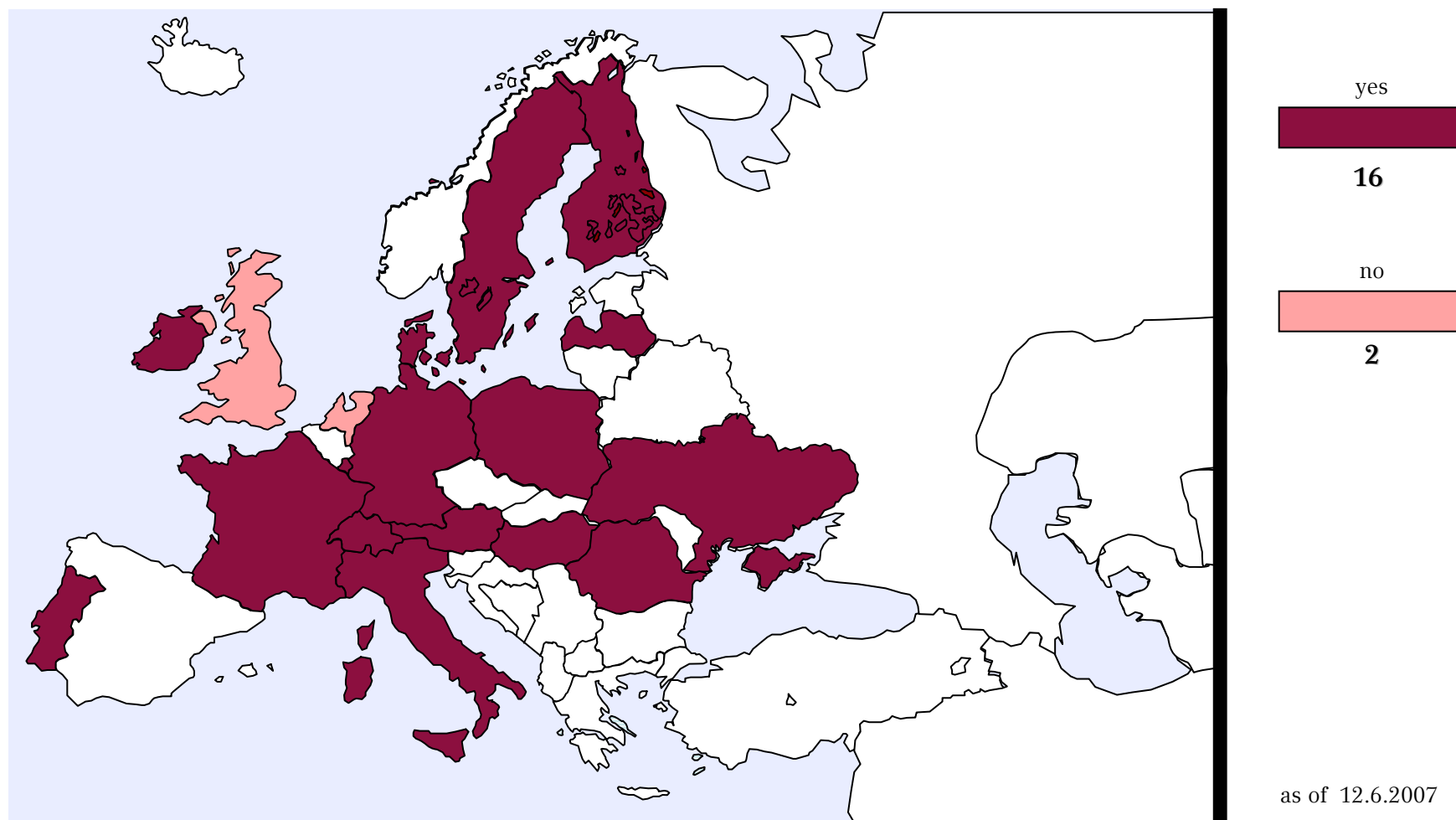


IV. Valuation of the mortgage cover pool & LTV criteria



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IV.1: Are there legal provisions for property valuation?



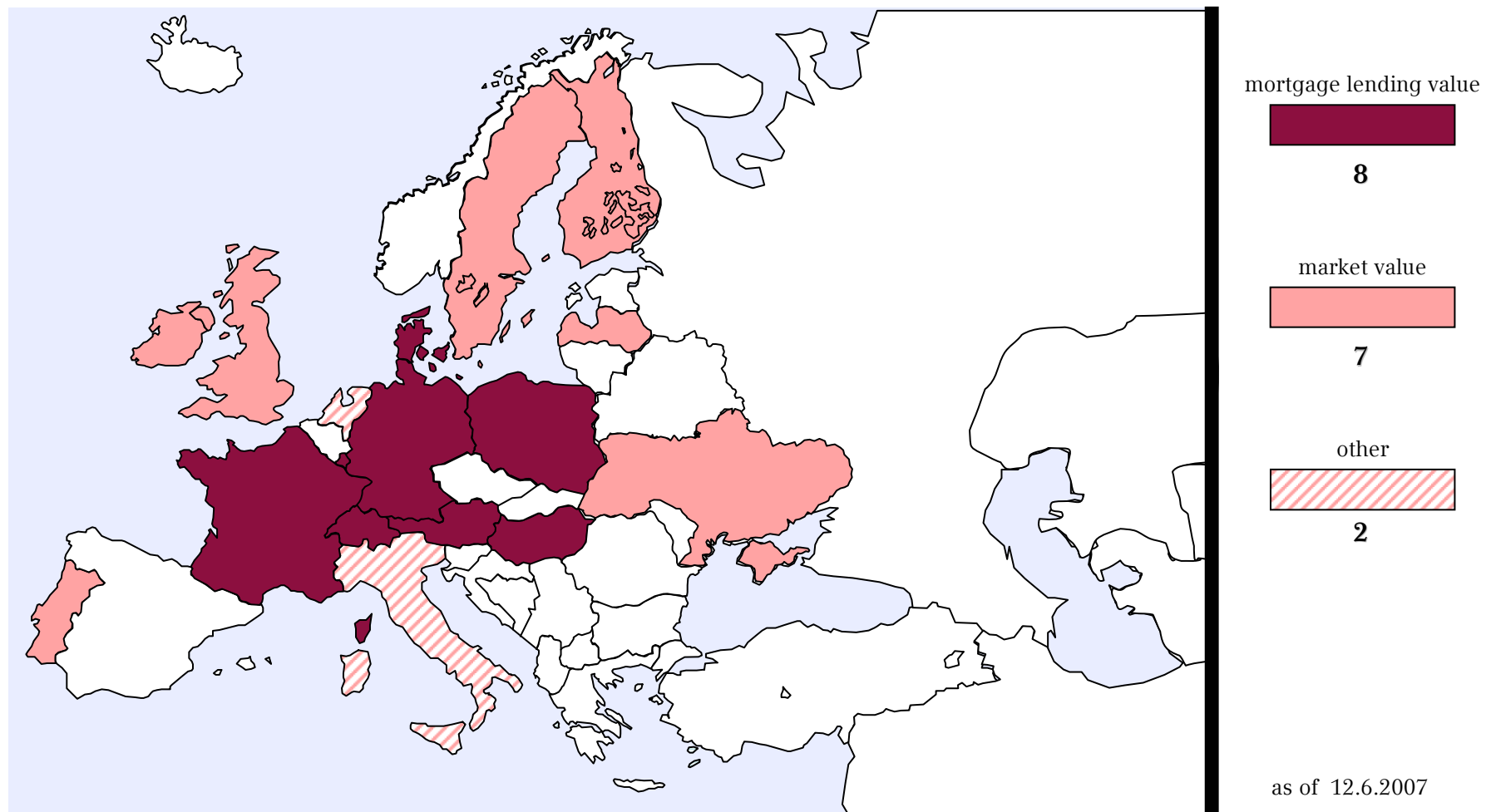


IV. Valuation of the mortgage cover pool & LTV criteria



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IV.2: What is the basis for property valuation?





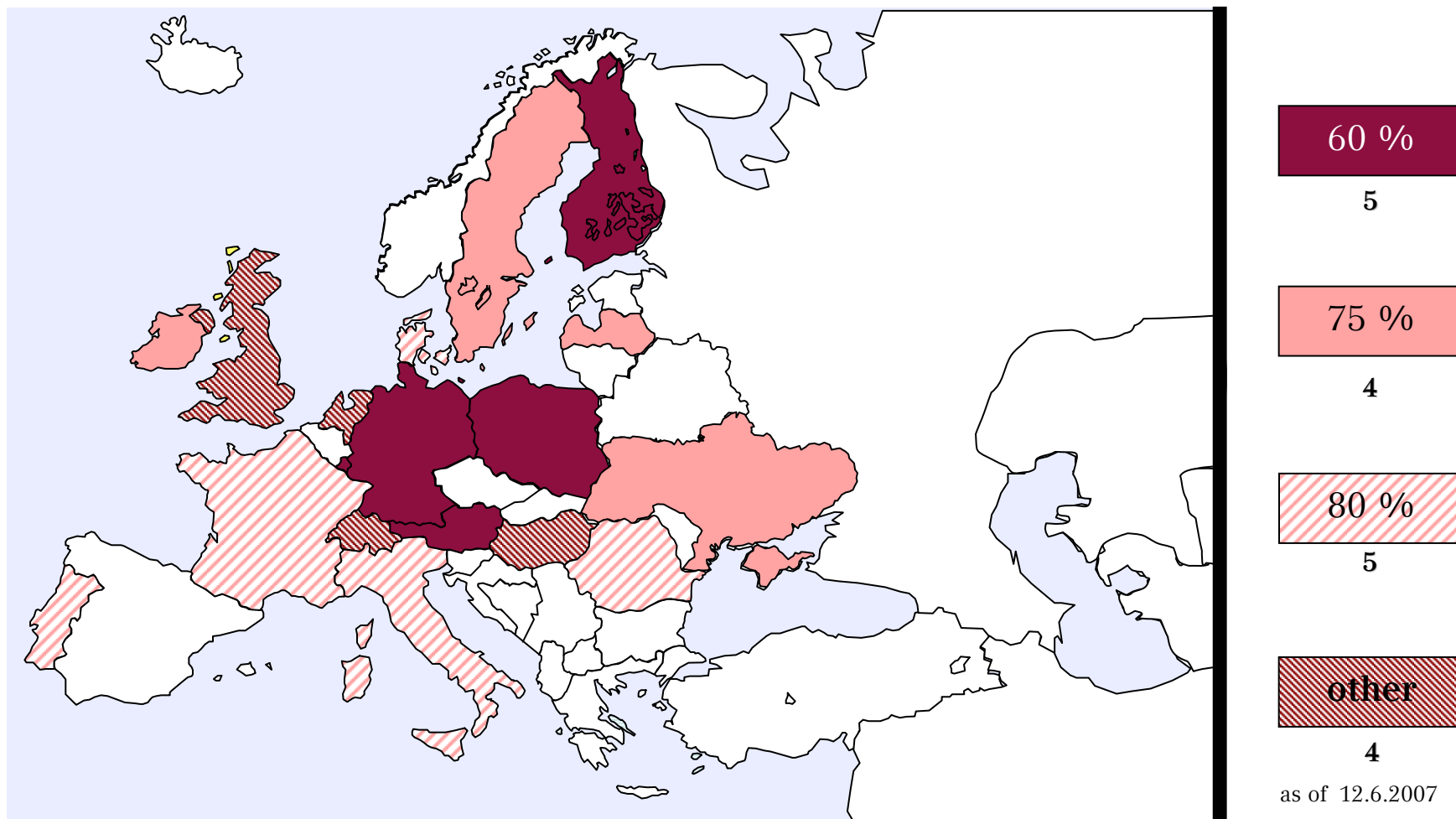
IV. Valuation of the mortgage cover pool & LTV criteria



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IV.3: What are the LTV limits (single asset based)?

RESIDENTIAL





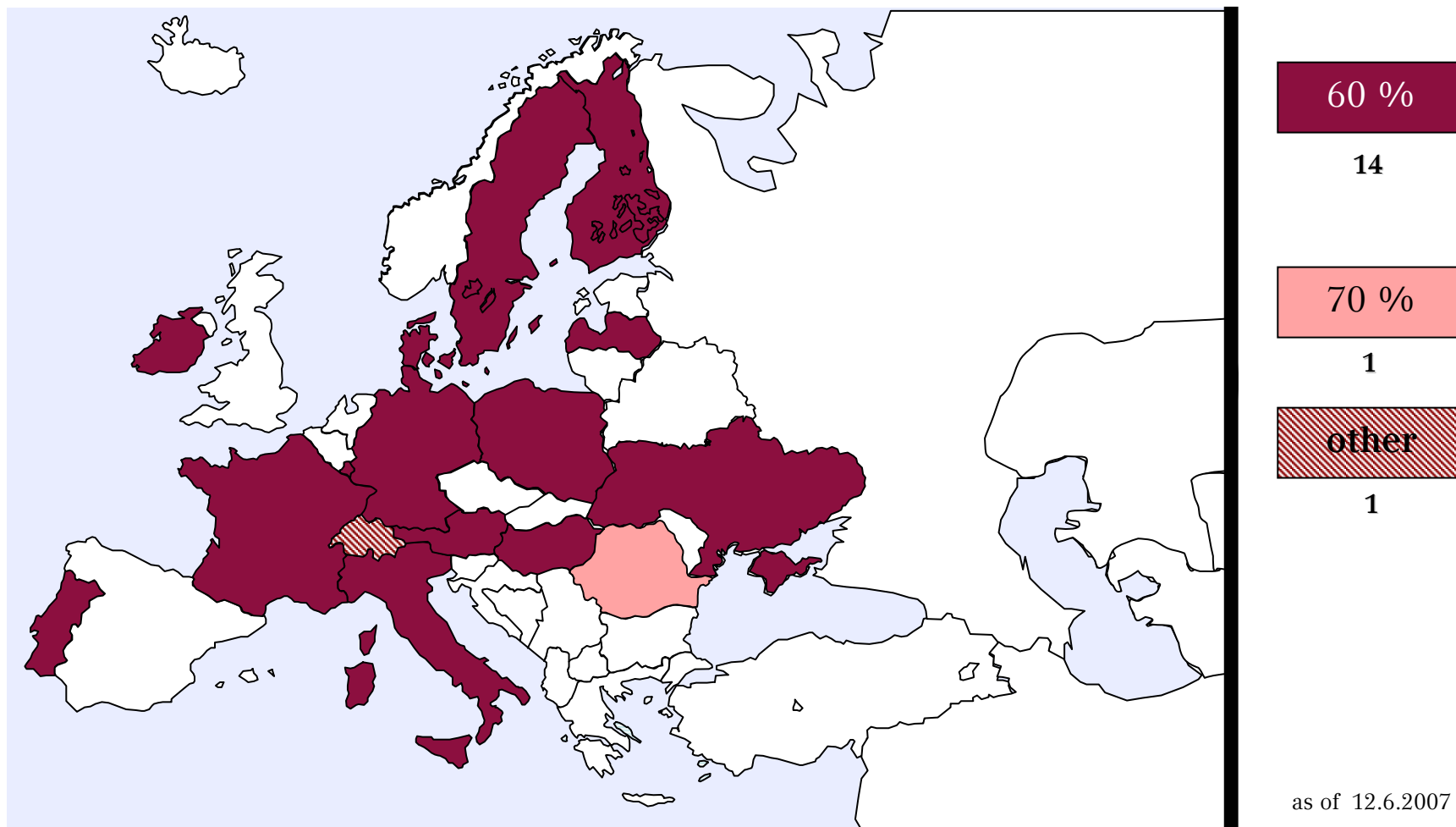
IV. Valuation of the mortgage cover pool & LTV criteria



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IV.3: What are the LTV limits (single asset based)?

COMMERCIAL



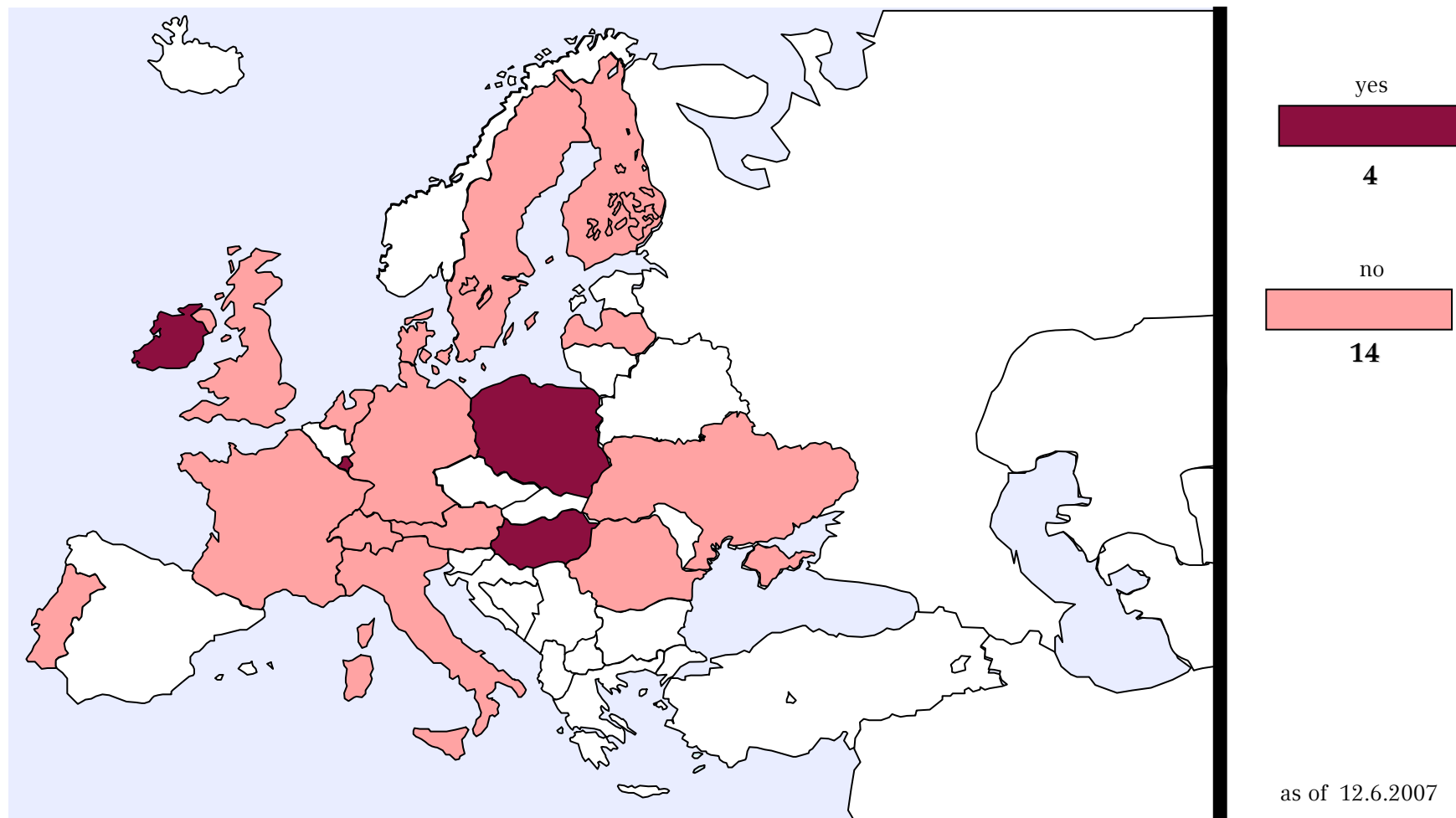


IV. Valuation of the mortgage cover pool & LTV criteria



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IV.4: Is there any additional LTV limit on a portfolio basis?



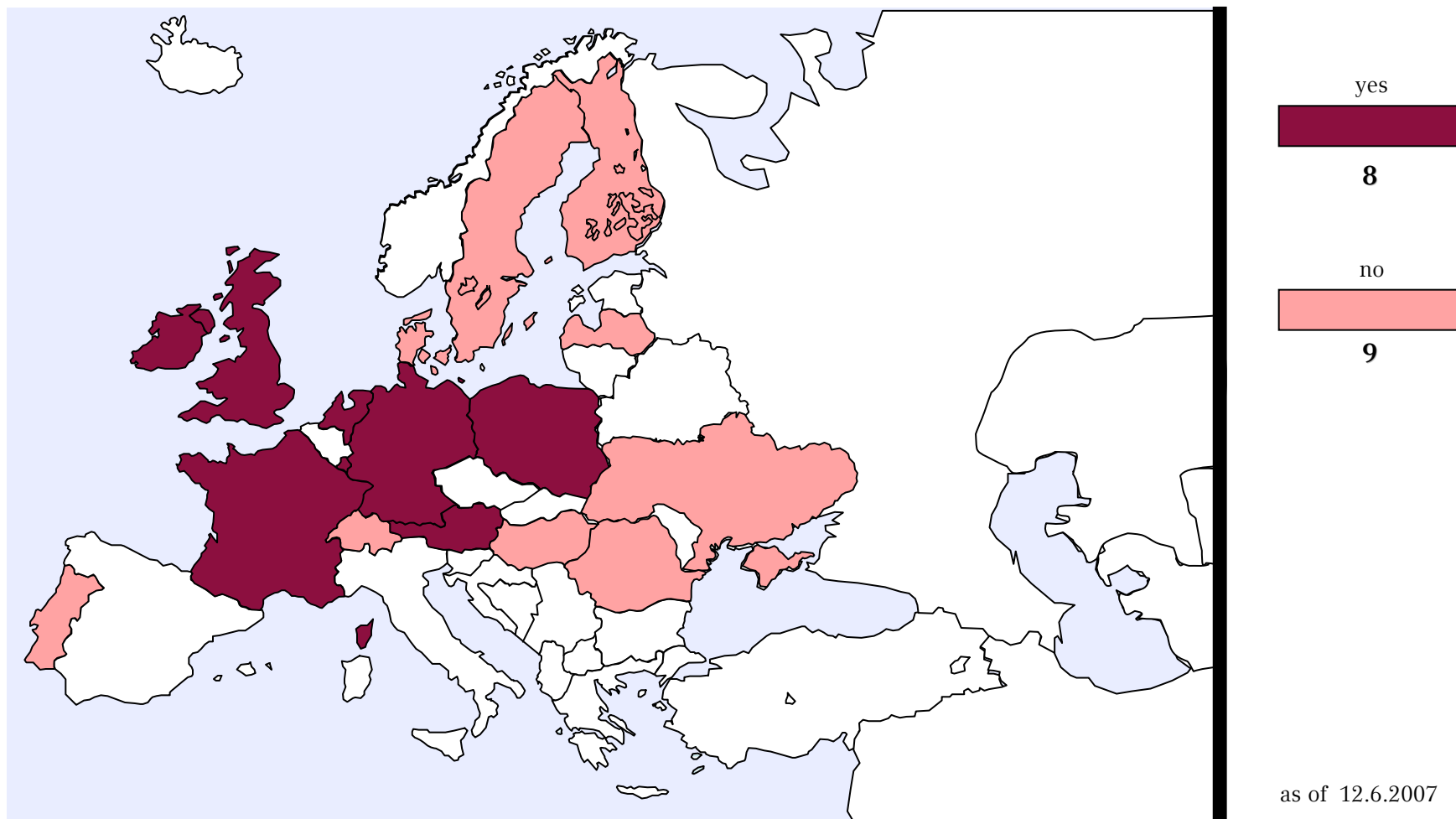


IV. Valuation of the mortgage cover pool & LTV criteria



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IV.5: Are loans in excess of LTV limits eligible for inclusion in the cover pool?





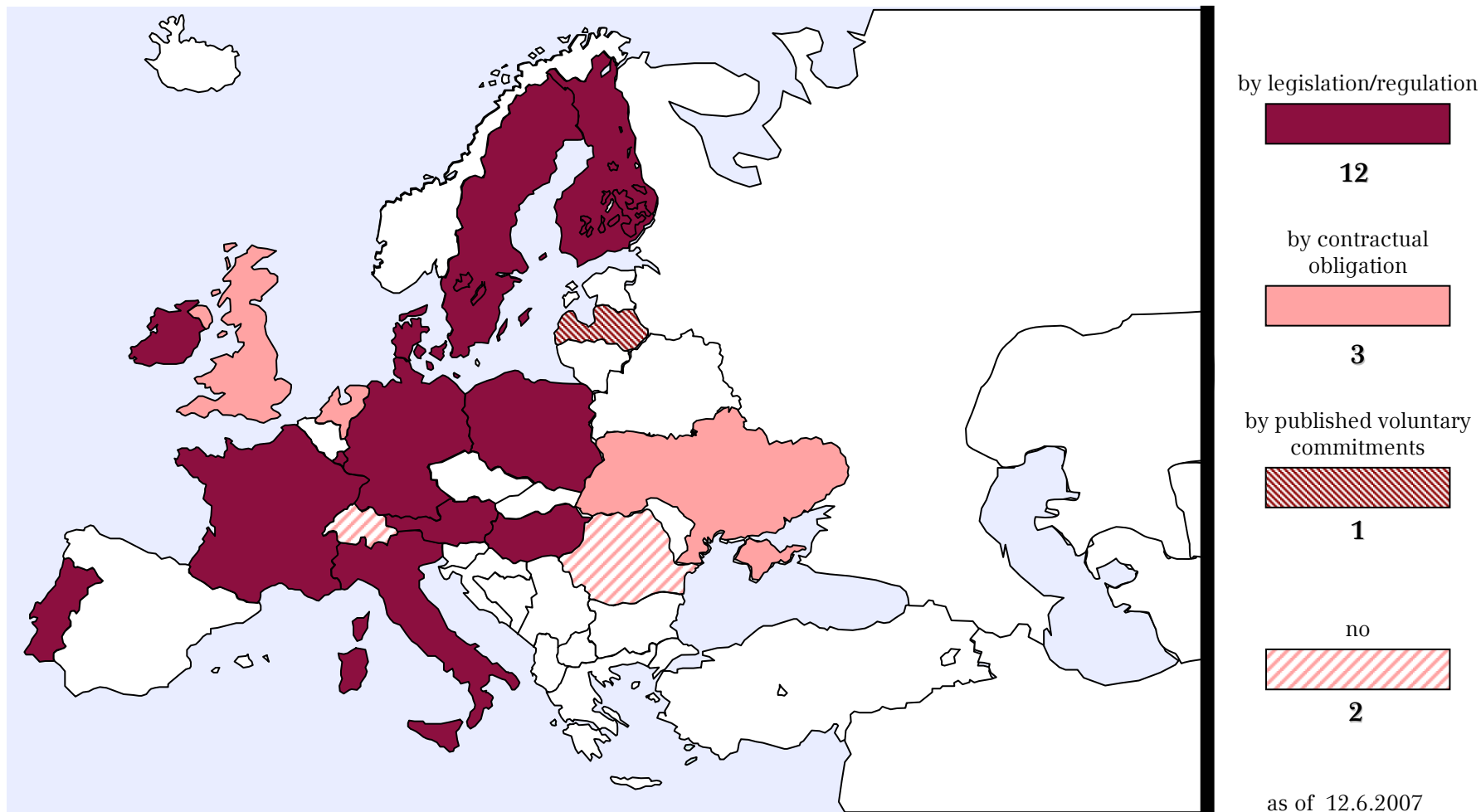
V. Asset-liability guidelines



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V.1: Are there risk mitigating provisions for

a) interest rate risk(s)?





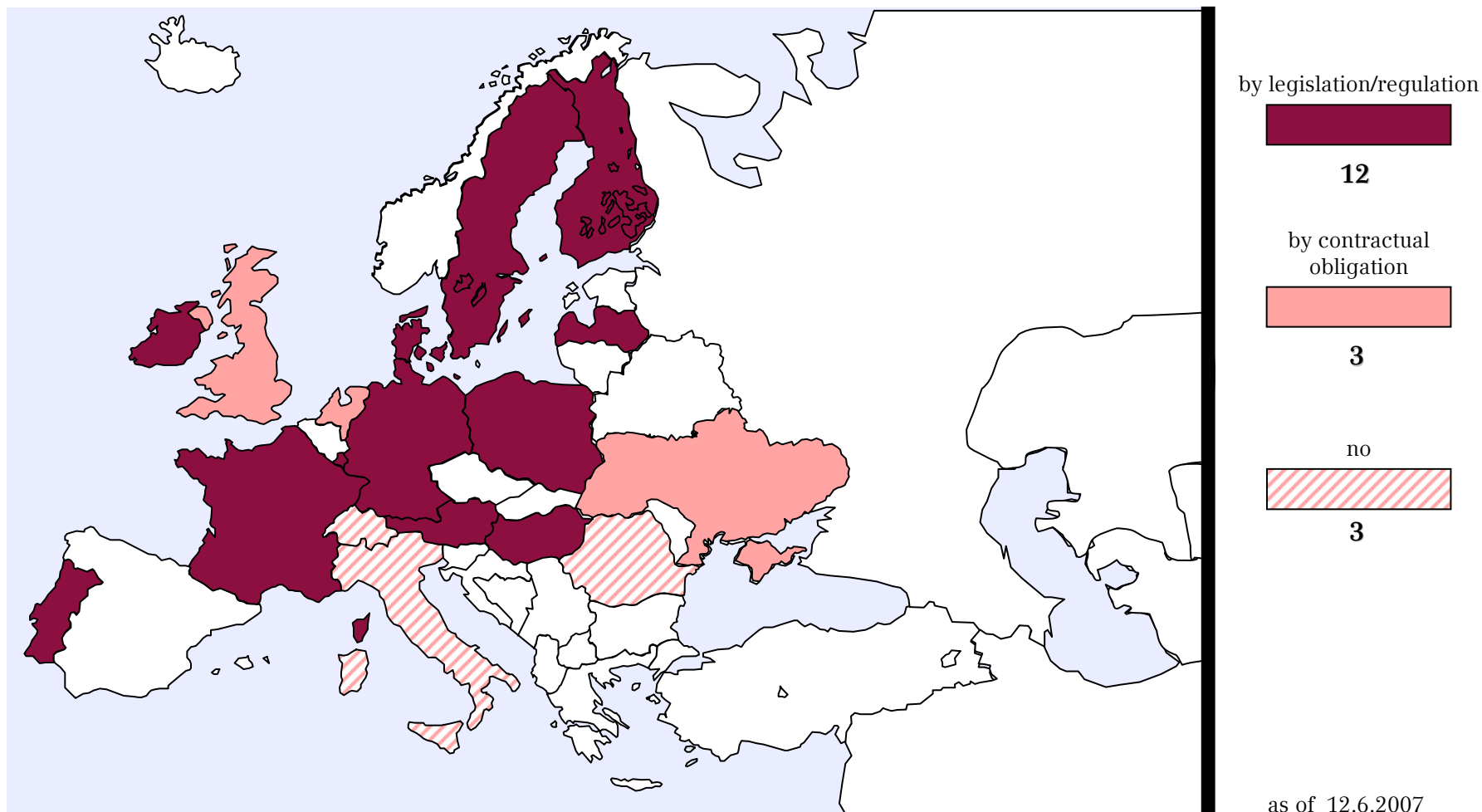
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V.1: Are there risk mitigating provisions for

b) foreign exchange risk(s)?





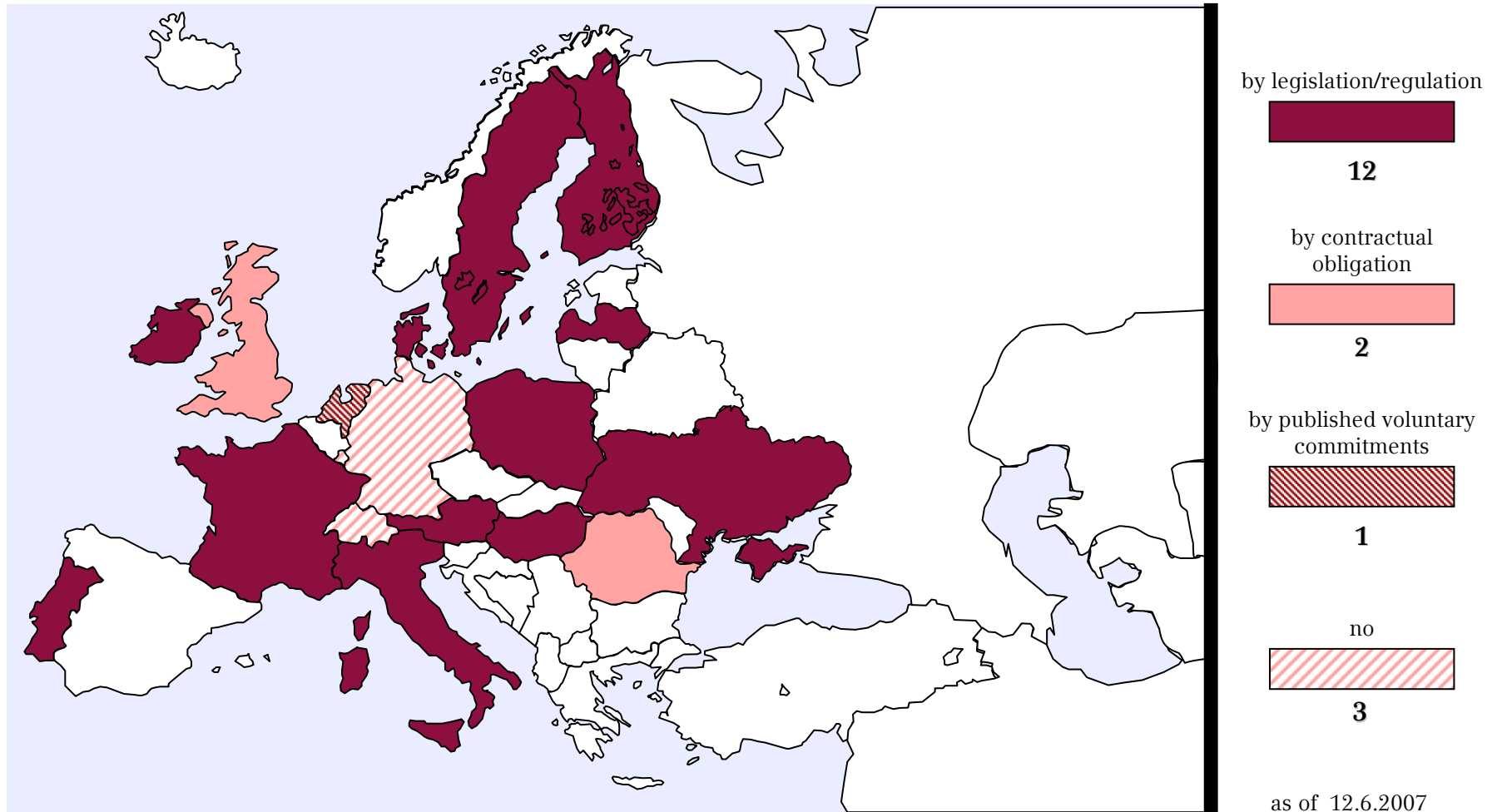
V. Asset-liability guidelines



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V.1: Are there risk mitigating provisions for

c) maturity mismatch risk(s)?



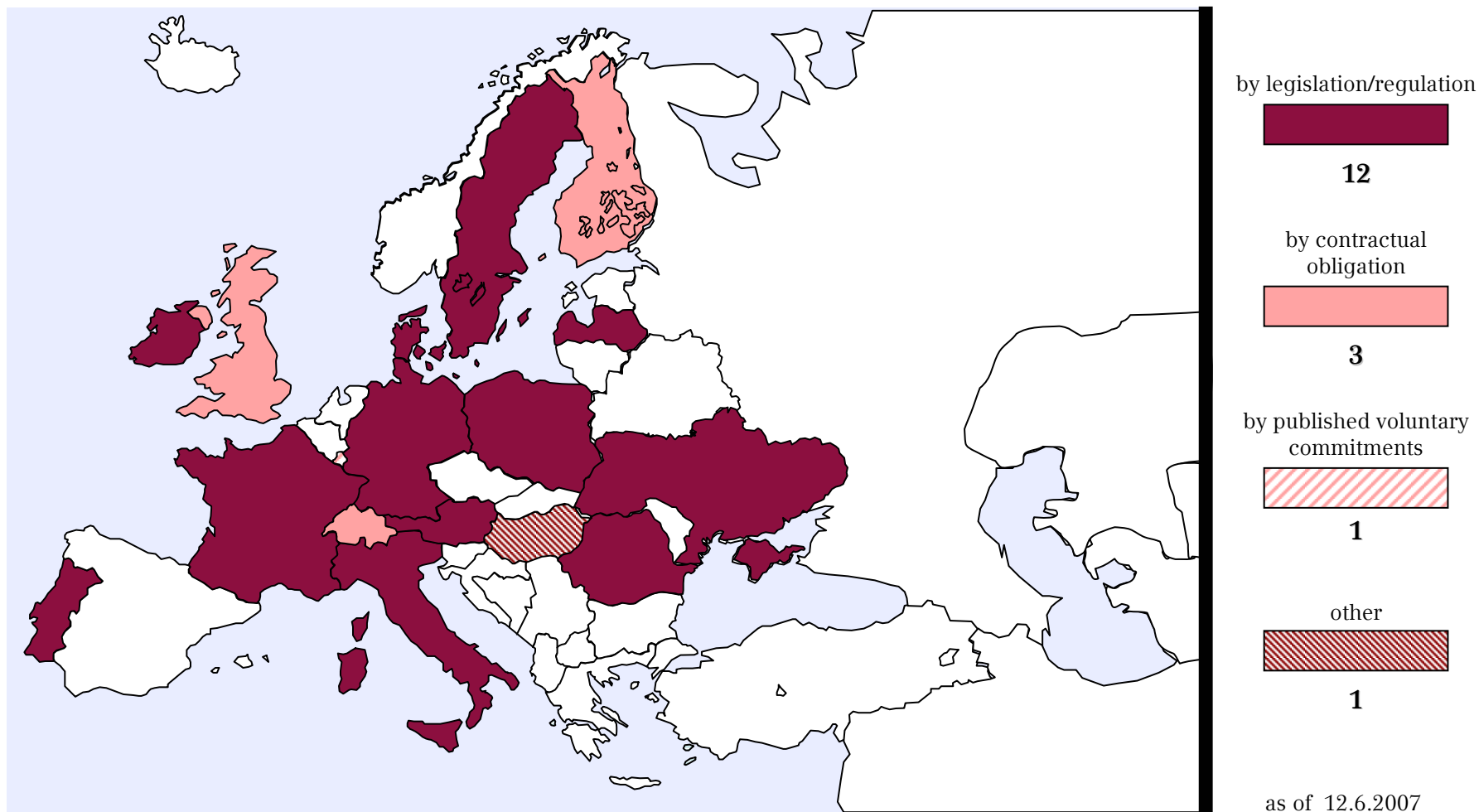


V. Asset-liability guidelines



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V.2: Is mandatory overcollateralisation required?



as of 12.6.2007

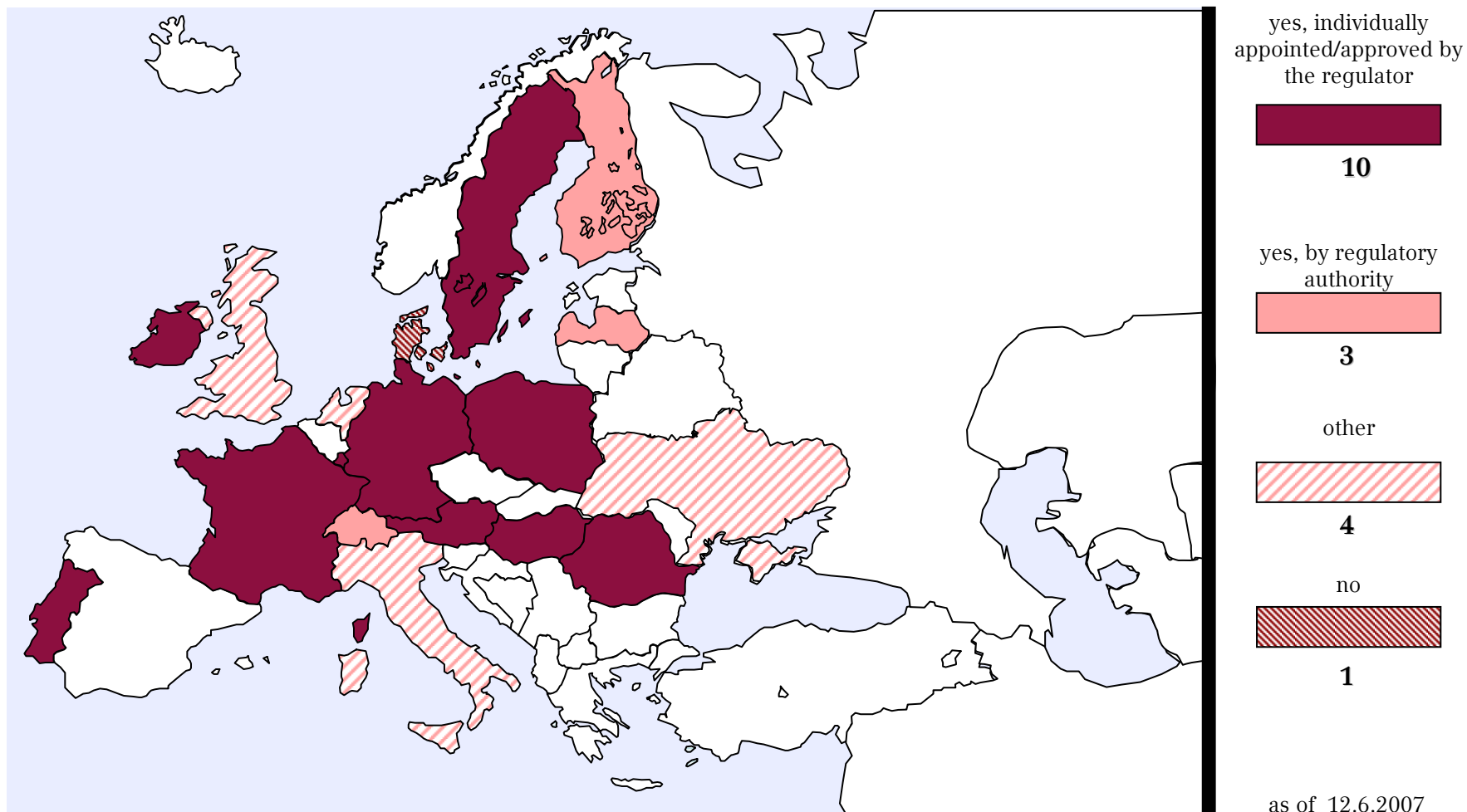


VI. Cover pool monitor & banking supervision



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VI.1: Is there a cover pool monitor independent from the issuer?



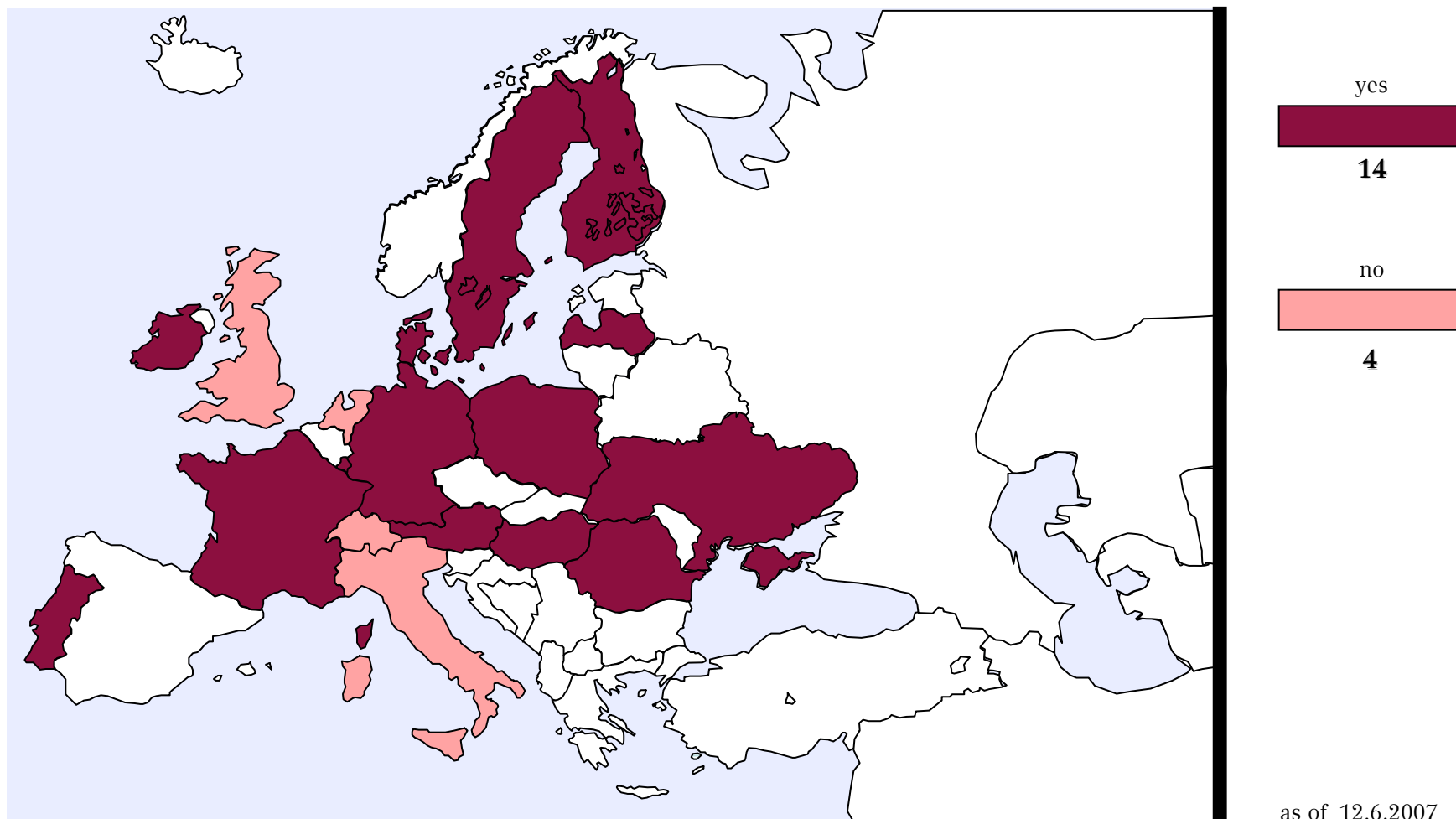


VI. Cover pool monitor & banking supervision



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VI.2: Is there a special banking supervision according to UCITS 22(4)?



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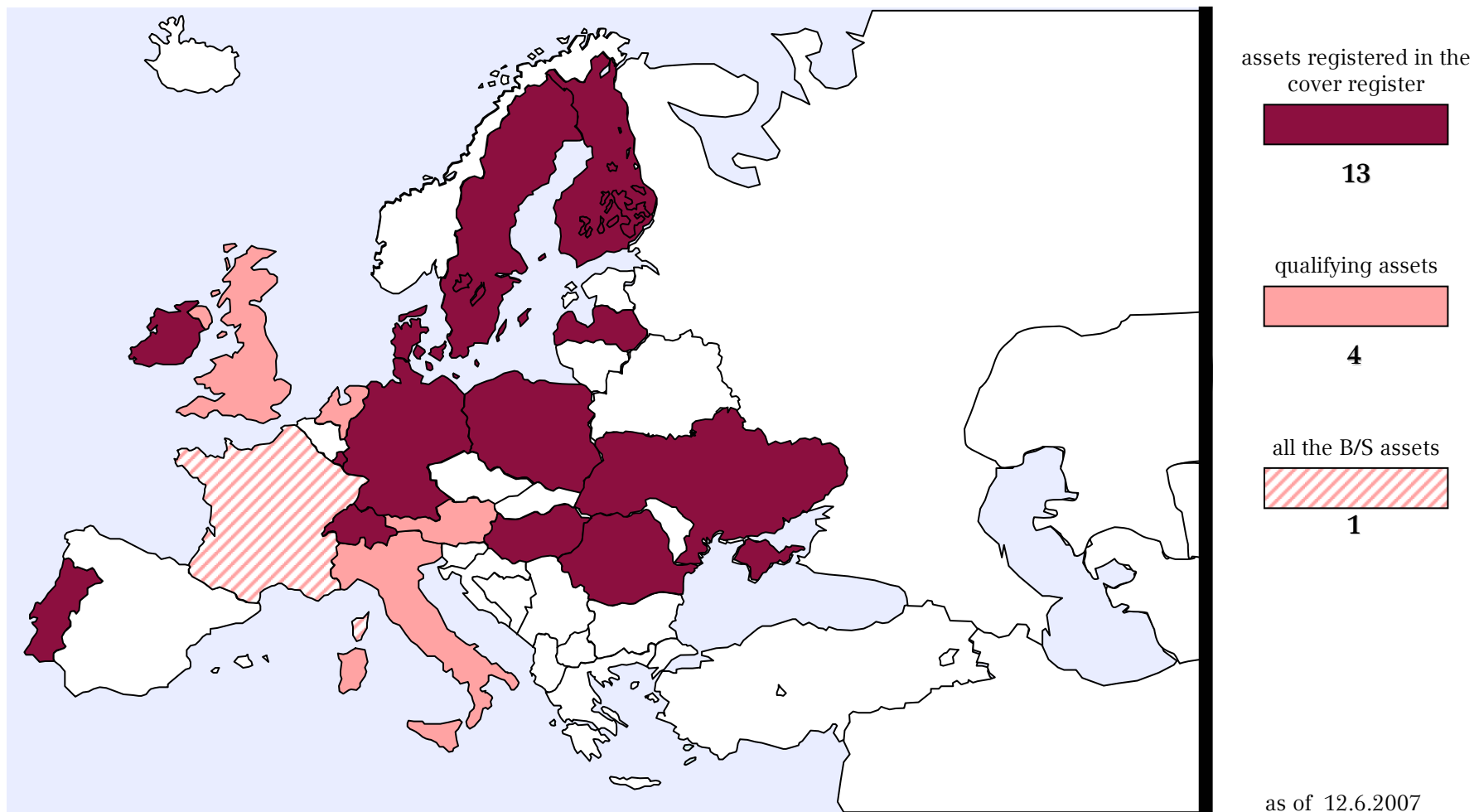


VII. Segregation of assets & bankruptcy remoteness



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VII.1: What is the cover pool?



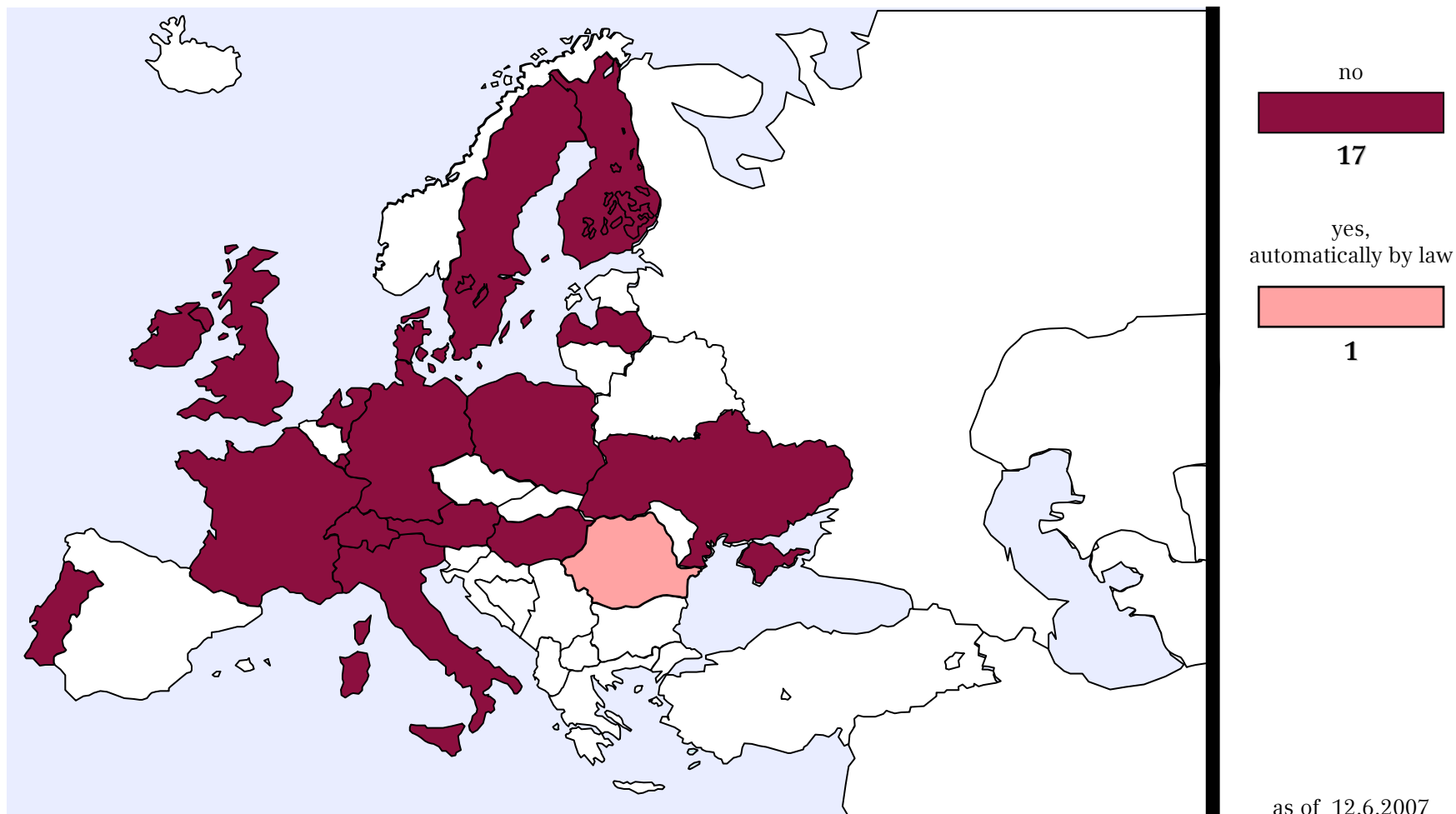


VII. Segregation of assets & bankruptcy remoteness



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VII.2: Do covered bonds accelerate, when the issuer goes insolvent?



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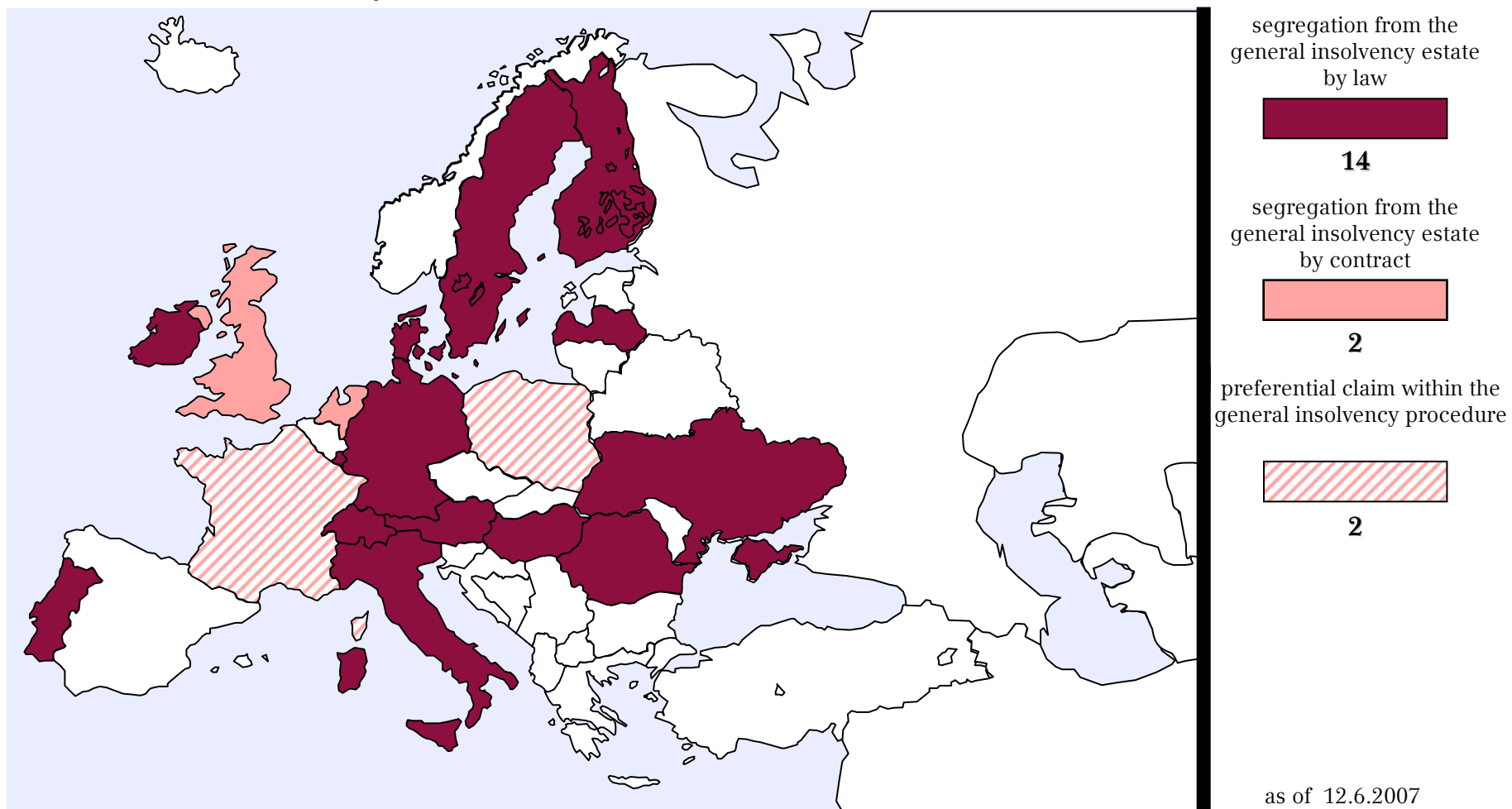


VII. Segregation of assets & bankruptcy remoteness



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VII.3: How are the covered bond holders protected against claims from the other creditors in case of insolvency of the issuer?



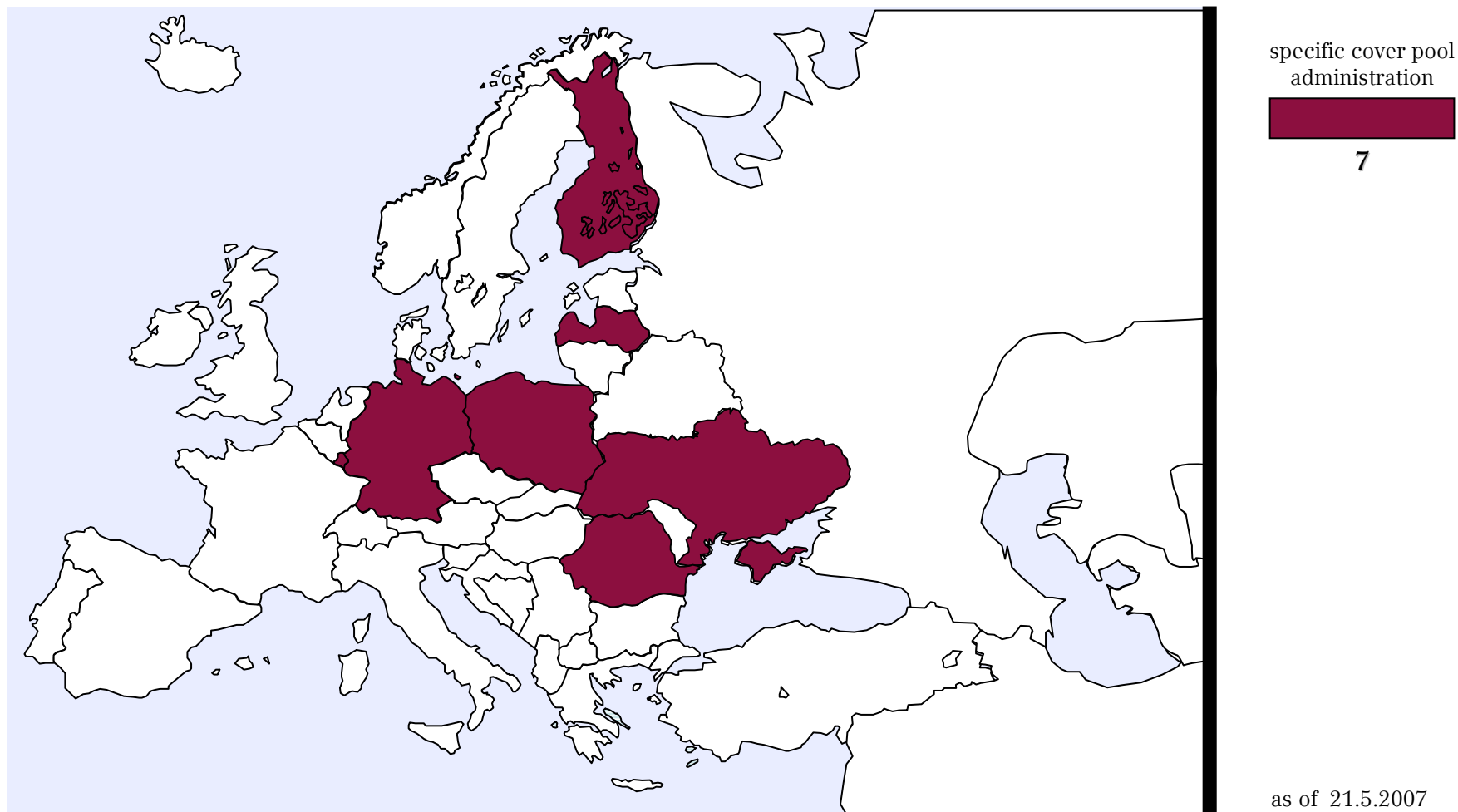


VII. Segregation of assets & bankruptcy remoteness



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VII.3: How are the covered bond holders protected against claims from the other creditors in case of insolvency of the issuer?



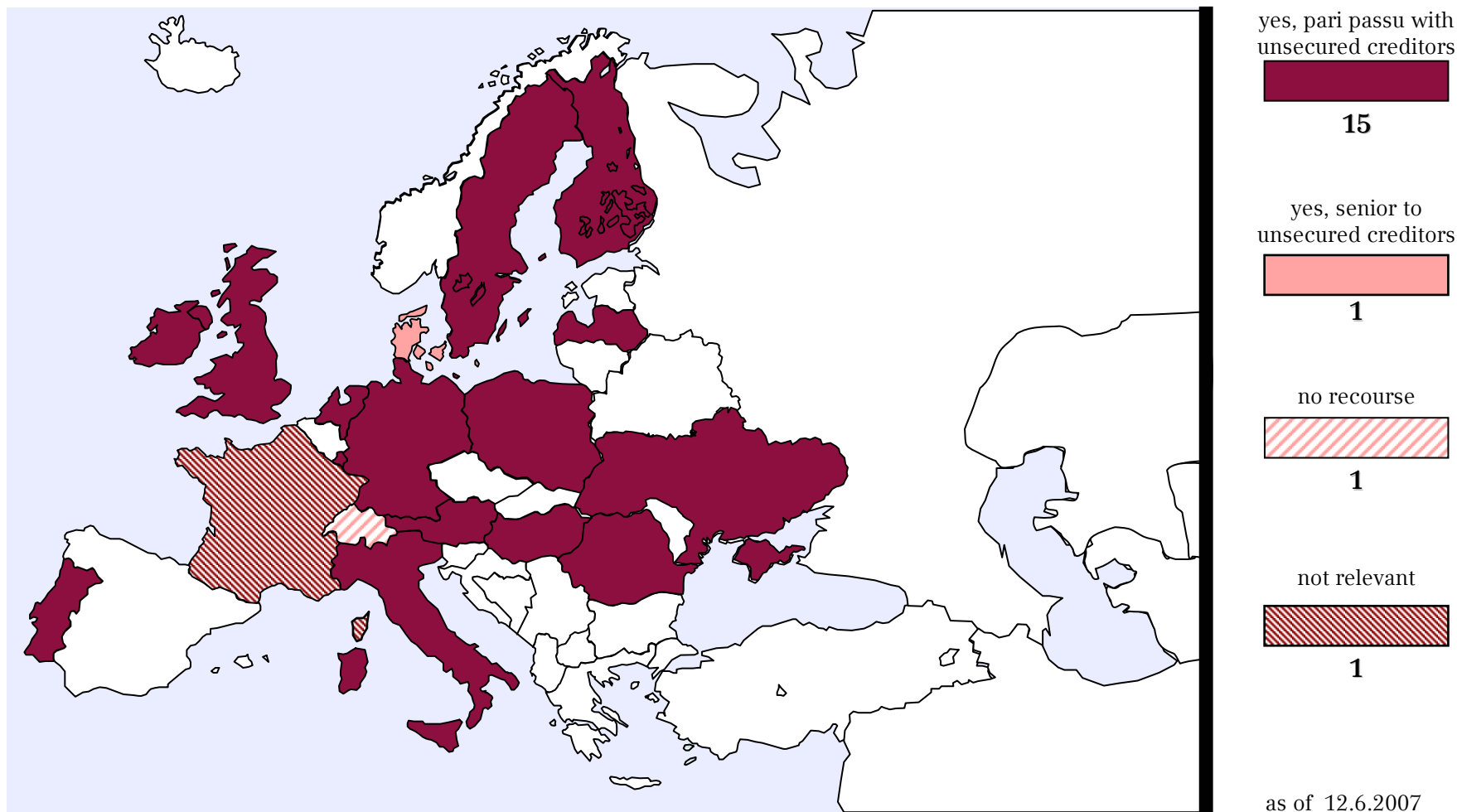


VII. Segregation of assets & bankruptcy remoteness



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VII.4: Is there recourse to the issuer's insolvency estate upon a cover pool default?



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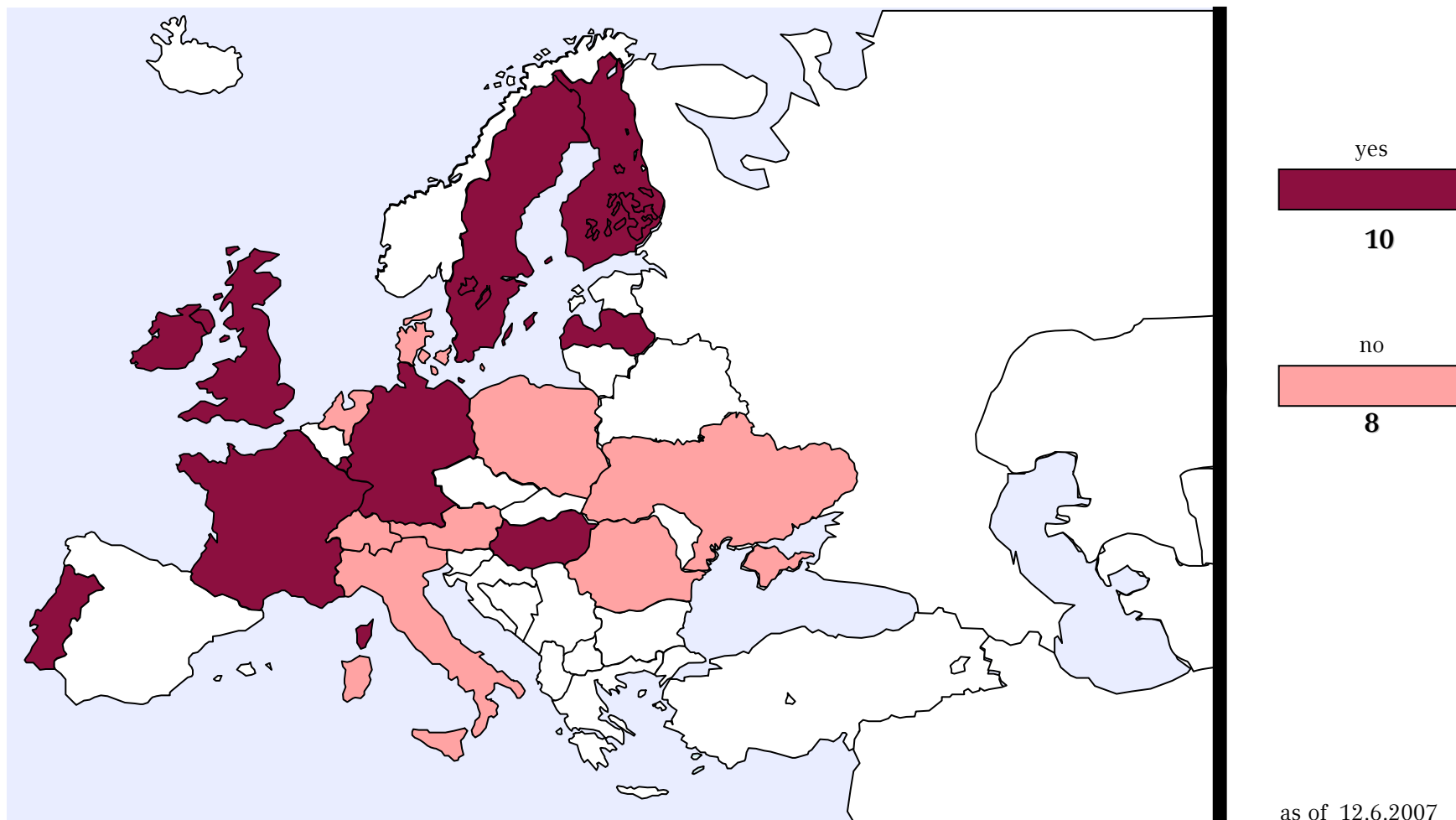


VII. Segregation of assets & bankruptcy remoteness



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VII.5: Are there provisions that require derivatives to continue in case of insolvency of the issuer?



as of 12.6.2007

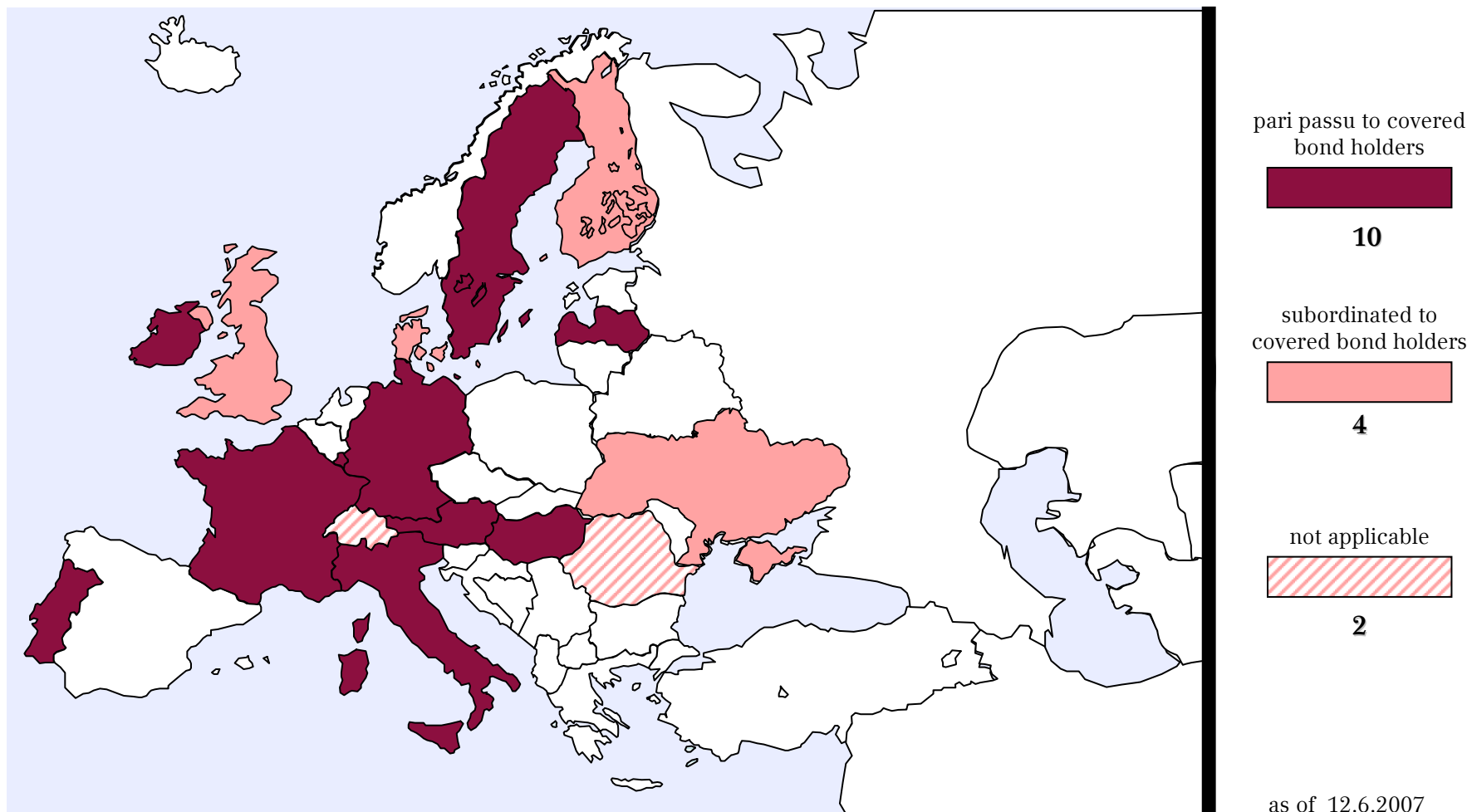


VII. Segregation of assets & bankruptcy remoteness



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VII.6: If derivatives are permitted in the cover pool, what is their ranking?



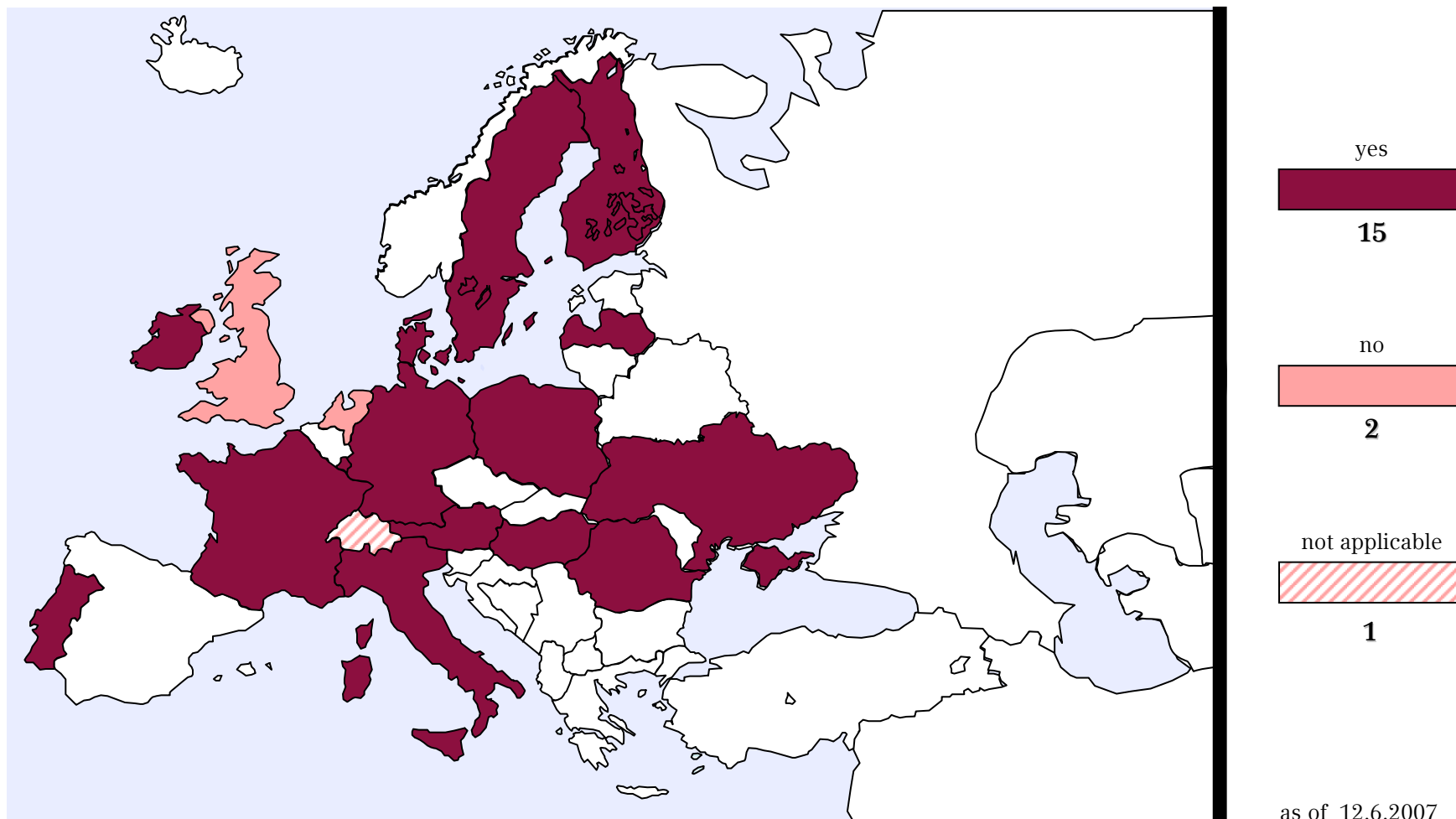


VIII. Risk weighting & compliance with European legislation



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VIII.1: Does the covered bond fulfill the criteria of UCITS 22(4)?



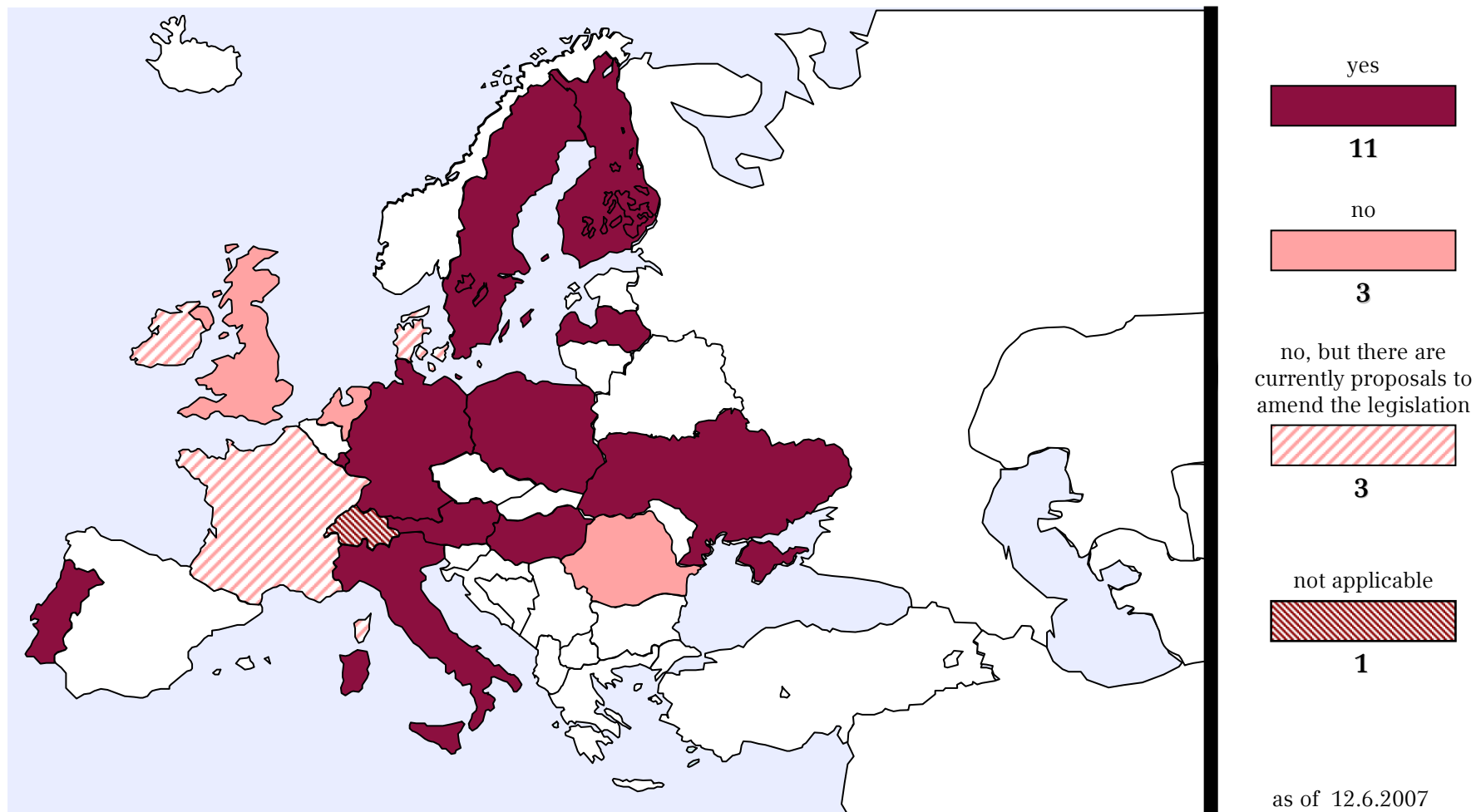


VIII. Risk weighting & compliance with European legislation



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VIII.2: Does the covered bond legislation completely fall within the criteria of Annex VI, Part 1, para 68 (a) to (f) of the Capital Requirements Directive (CRD) 2006/48/EC?



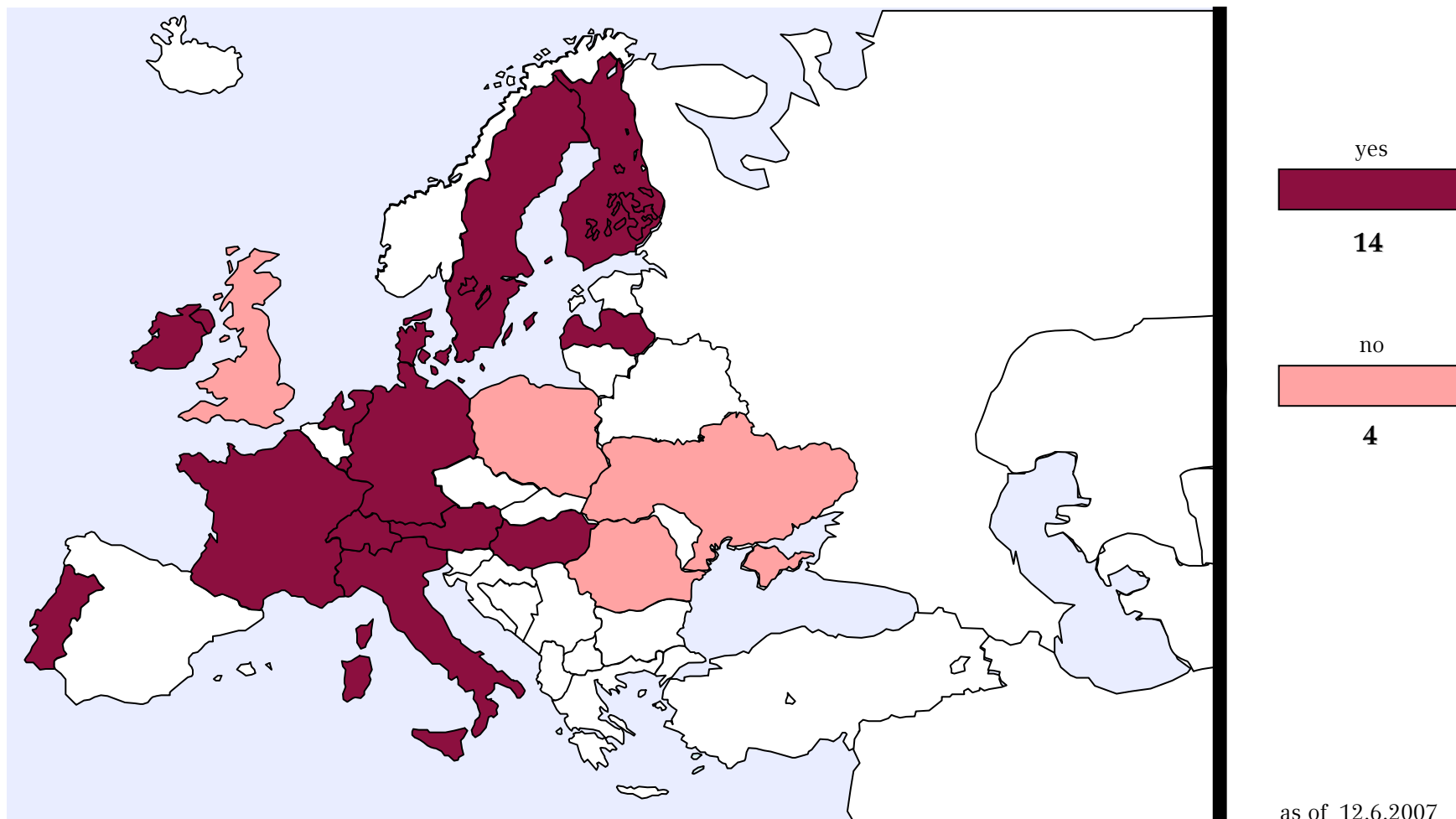


VIII. Risk weighting & compliance with European legislation



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VIII.3: Are listed covered bonds eligible in repo transactions with the national central bank?



as of 12.6.2007

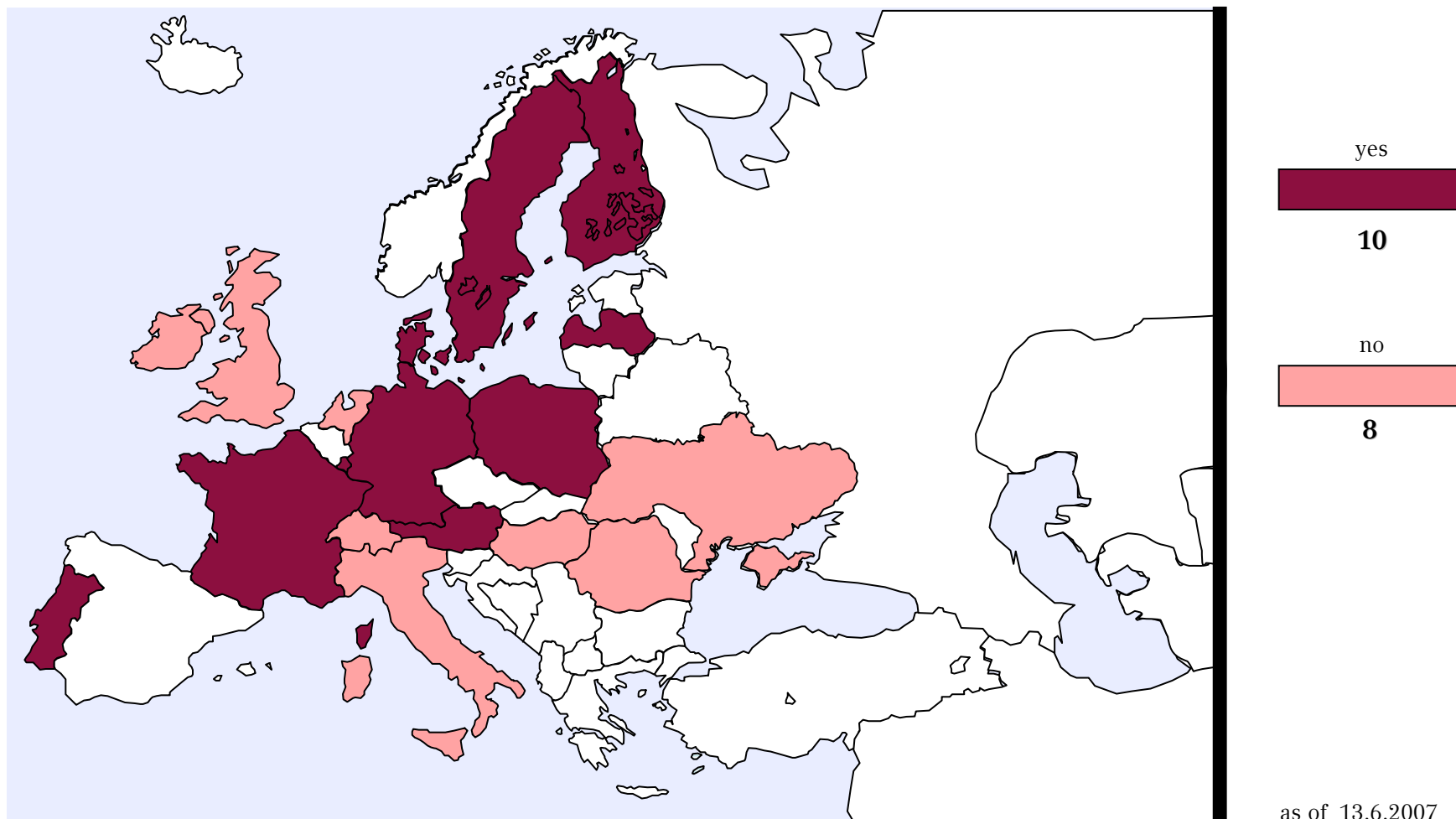


VIII. Risk weighting & compliance with European legislation



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VIII.4: Are there any special investment regulations regarding covered bonds?



as of 13.6.2007



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