

The Pfandbrief 2007 – in search of excellence



Friedrich Piaskowski
Member of the Board of Directors, Deutsche
Genossenschafts-Hypothekenbank AG, Hamburg

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**VERBAND DEUTSCHER
PFANDBRIEFBANKEN**
Association of German Pfandbrief Banks



Agenda



**VERBAND DEUTSCHER
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- I. Pfandbrief Banks' Facts and Figures
- II. The Pfandbrief – contested in many markets
- III. Outlook



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I. Pfandbrief Banks' Facts and Figures



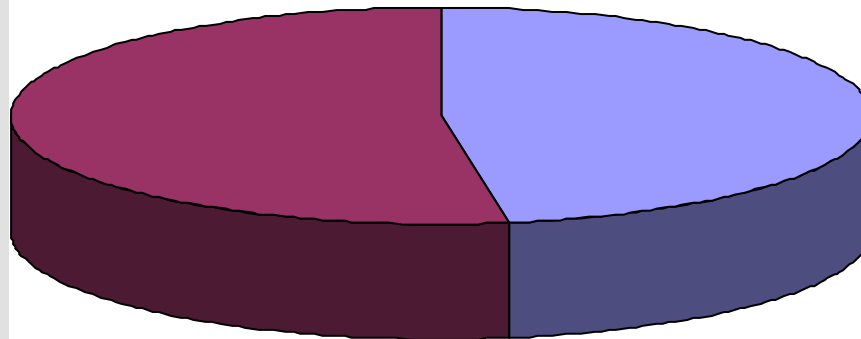
I. Pfandbrief Banks' Facts and Figures



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New loan business of vdp Pfandbrief Banks as of December 2006

public sector
loans 113 bn €
(- 19 % yoy)



mortgage loans
102 bn €
(+ 22 % yoy)

total 215 bn € (-4 % yoy)
thereof 90 bn € cross border

source: vdp

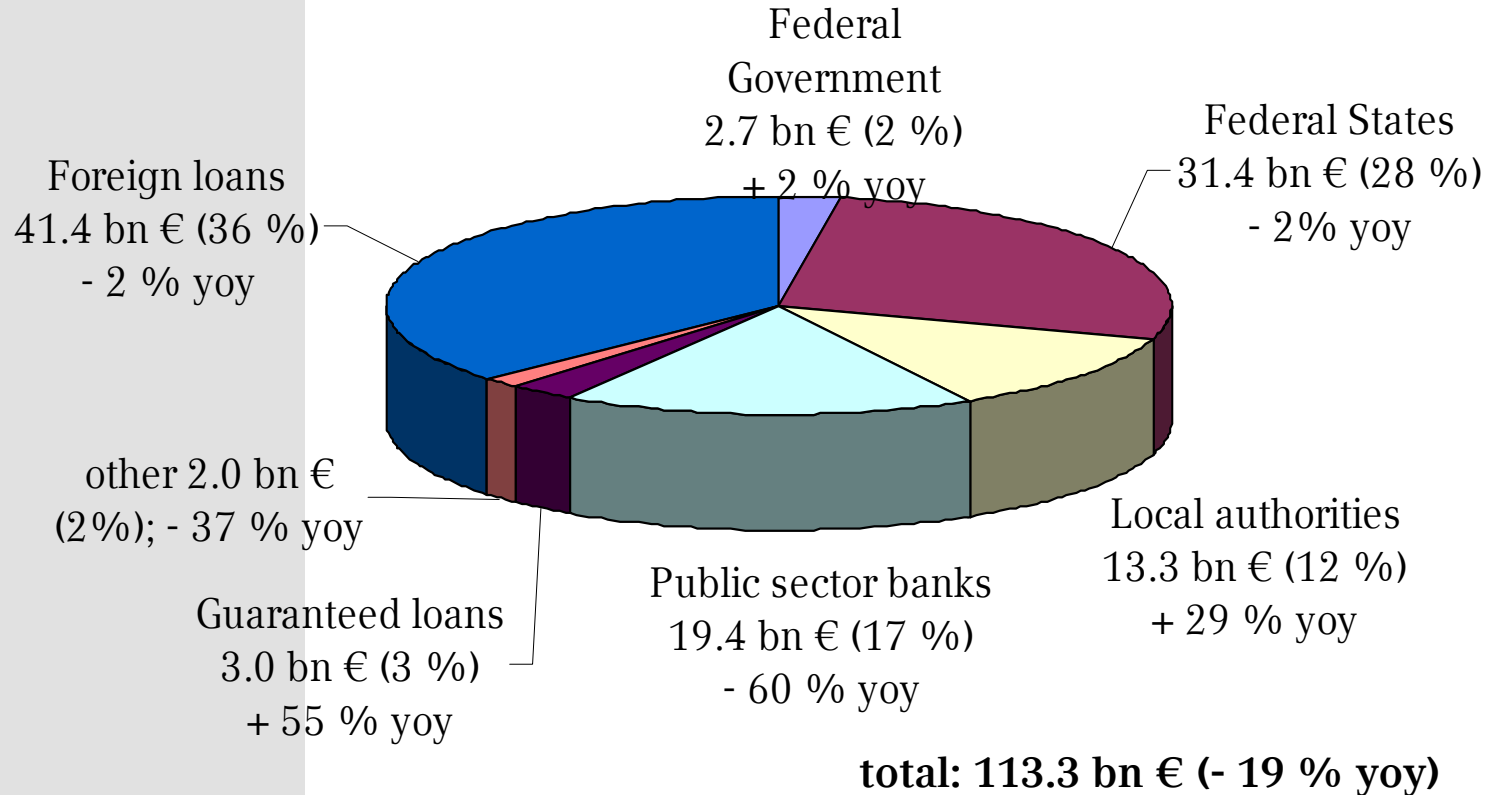


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vdp Pfandbrief Banks' public sector loans new business as of December 2006



source: vdp

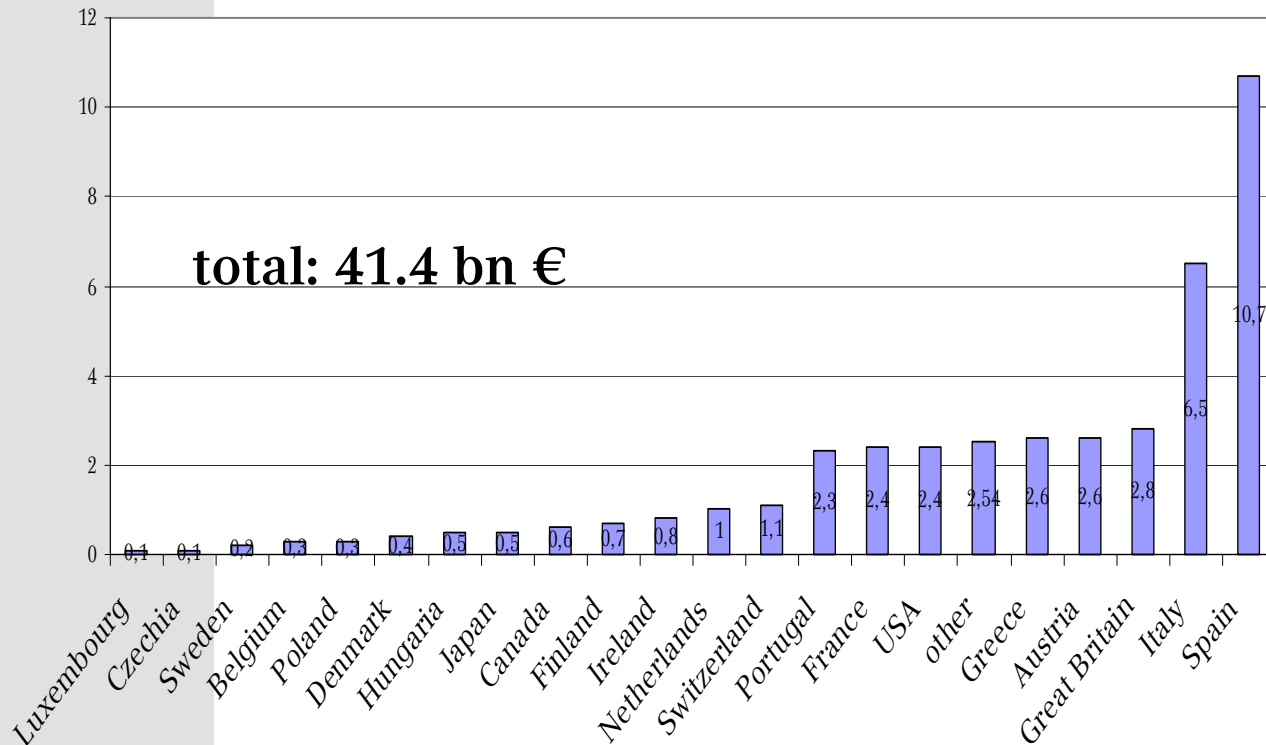


I. Pfandbrief Banks' Facts and Figures



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2006 cross-border public sector lending (bn €)



source: vdp



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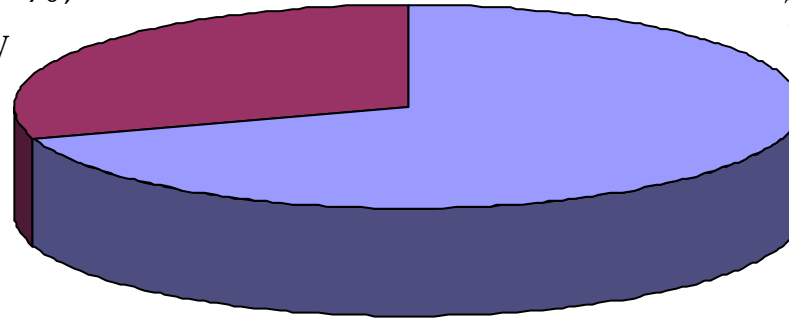


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vdp Pfandbrief Banks' mortgage loans new business as of December 2006

residential
property
30.4 bn € (30 %)
+ 7 % yoy

commercial
property
71.2 bn € (70 %)
+ 30 % yoy



total : 101.6 bn € (+ 22 % yoy)
thereof cross border 49 bn €

source: vdp

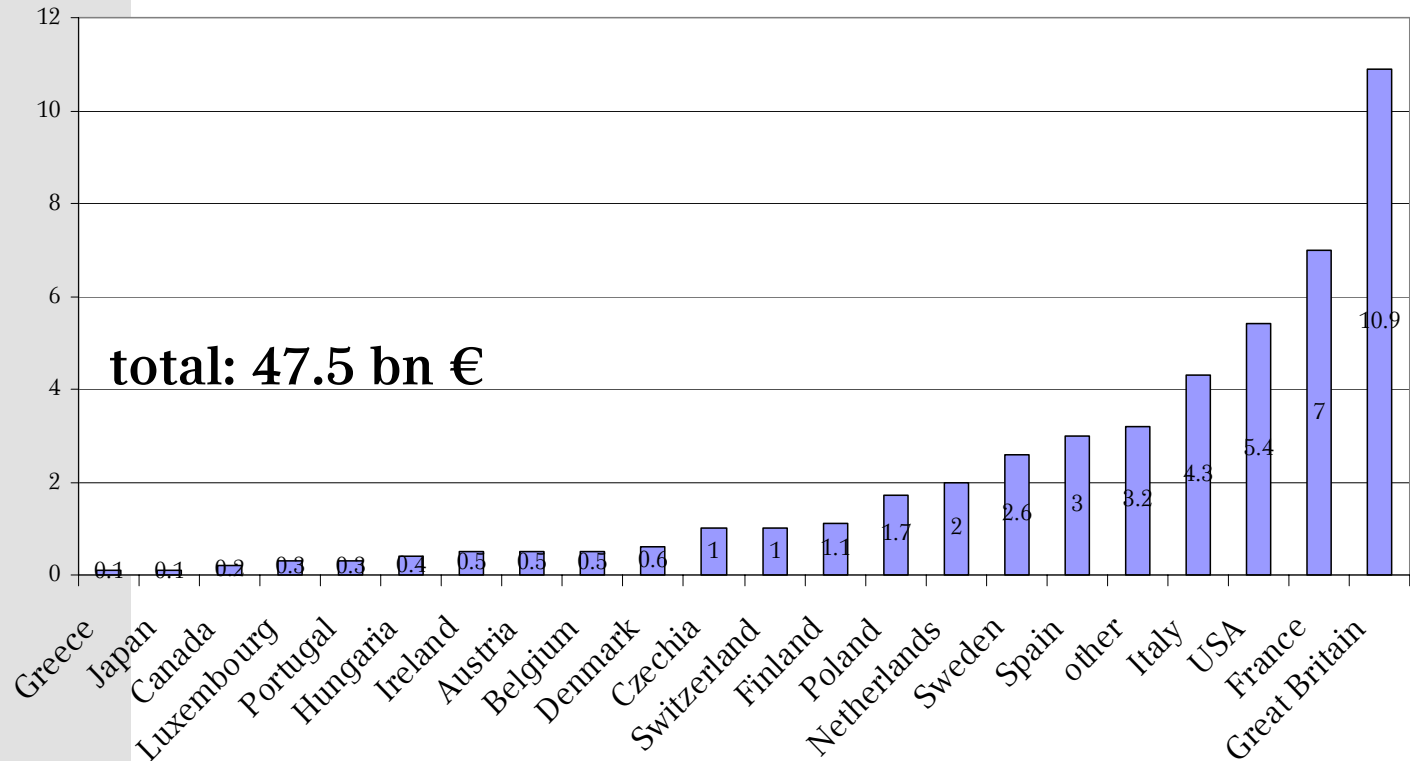


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2006 cross-border commercial mortgage lending (bn €)



source: vdp

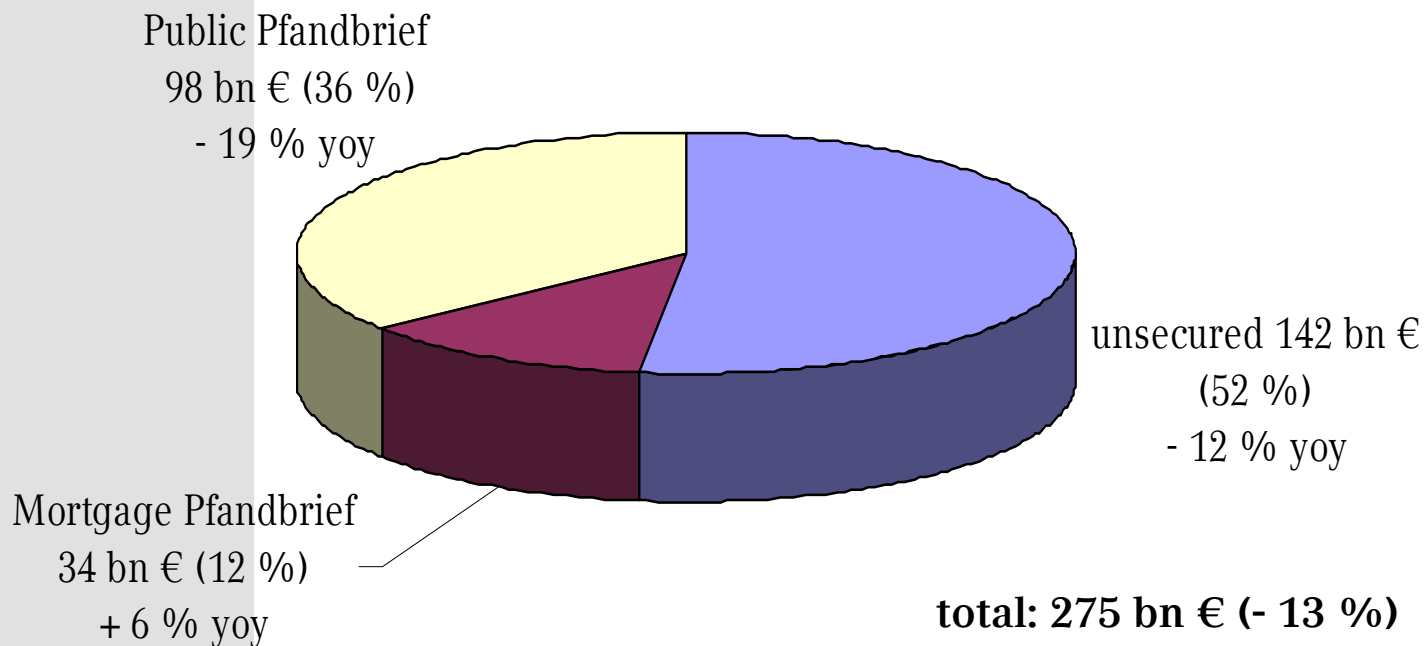


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vdp member banks' gross issuance as of December 2006



source: vdp

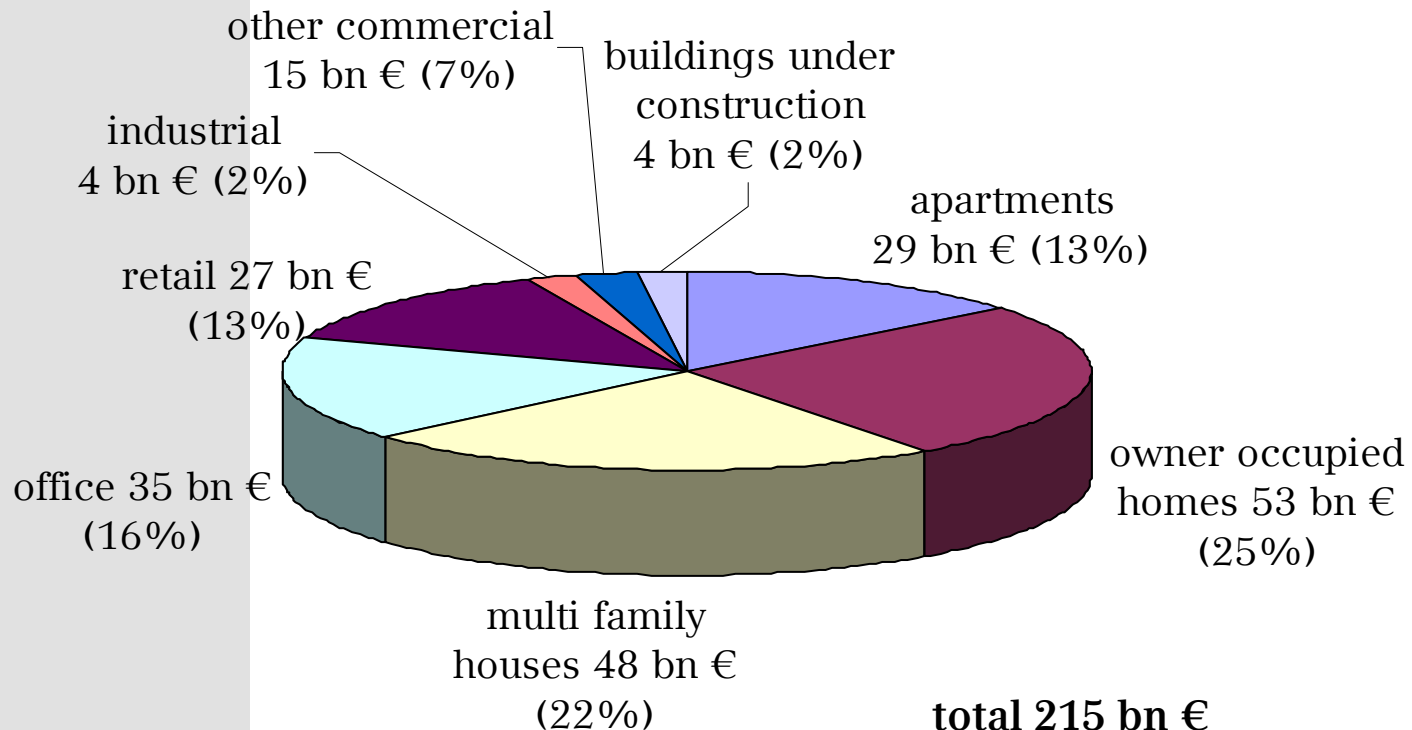


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Mortgage cover pools*) as of December 2006



total 215 bn €
thereof 22 bn € cross border

*) all issuers, according to Art. 28
PBA; source: HSBC Trinkaus, vdp

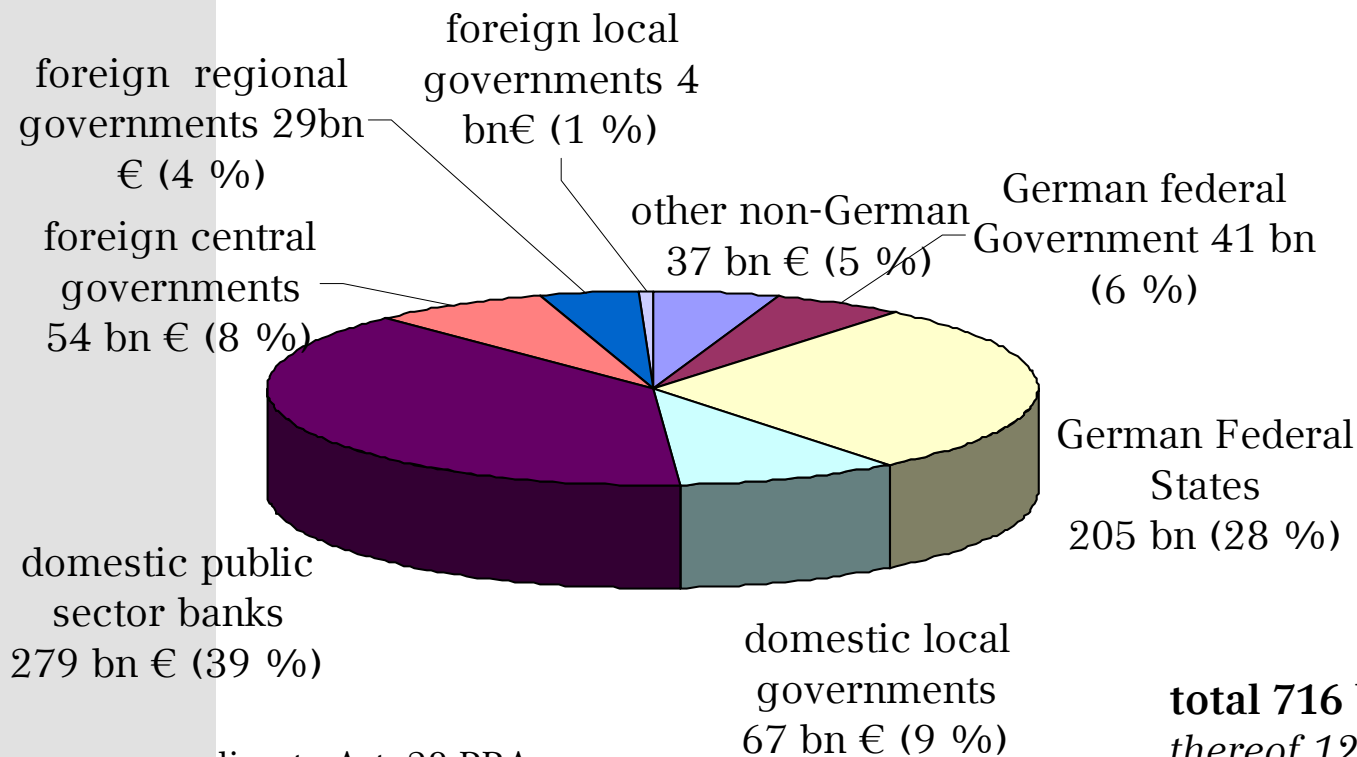


I. Pfandbrief Banks' Facts and Figures



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Public sector cover pools*) as of December 2006



total 716 bn €
thereof 124 bn €
cross border

*) all issuers, according to Art. 28 PBA;
source: HSBC Trinkaus, vdp



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II. The Pfandbrief – contested in many markets

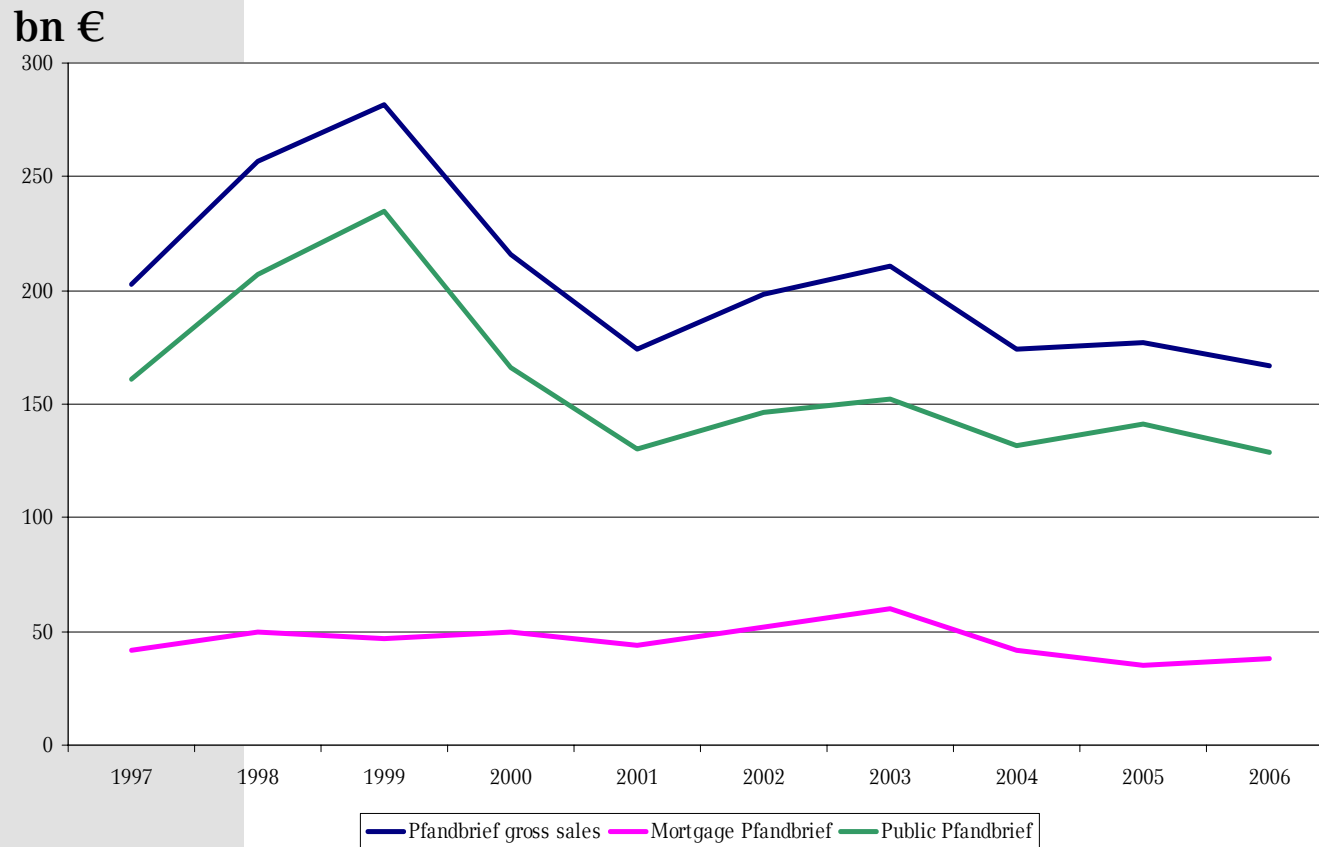


II. The Pfandbrief – contested in many markets



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Pfandbrief gross sales 1997 - 2006



source: Bundesbank

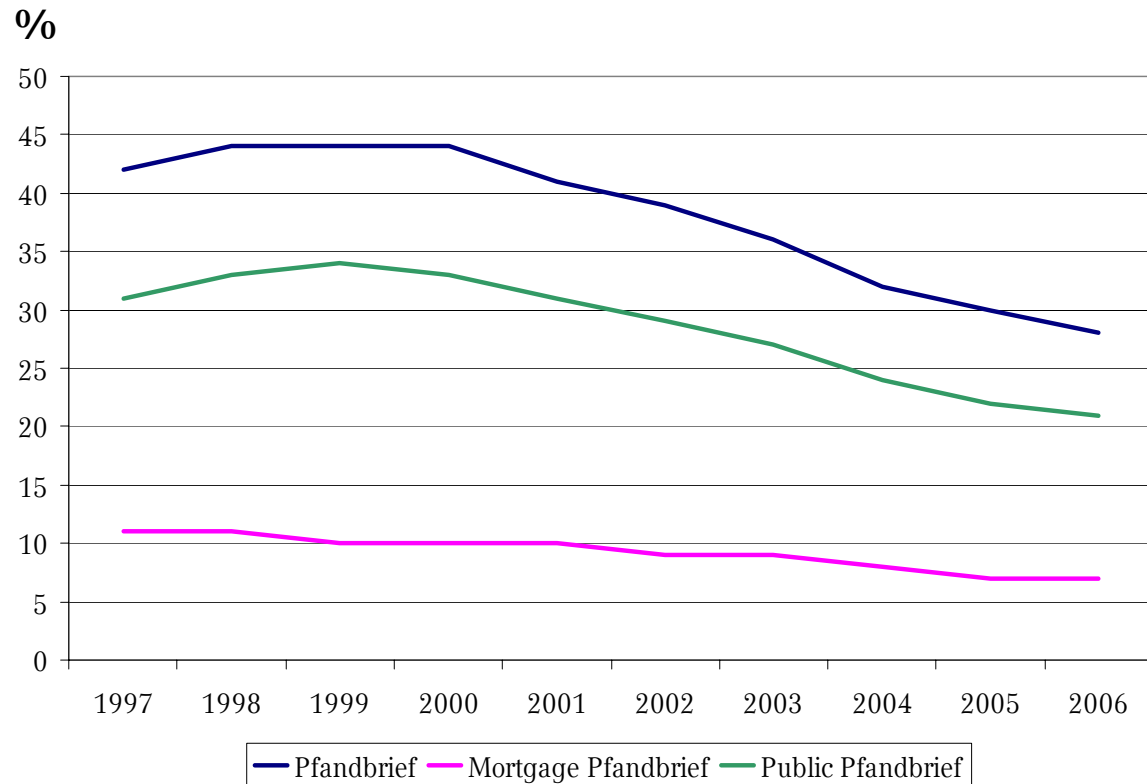


II. The Pfandbrief – contested in many markets



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Pfandbrief as % of German fixed income outstanding 1997 - 2006





II. The Pfandbrief – contested in many markets



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Behind the issuance trend

Mortgage Pfandbrief – sleeping beauty?

- Mortgage Pfandbrief is steady and reliable source of funding
- only about 20% of German residential assets funded via Mortgage Pfandbrief
- fiduciary holding of mortgages: funding register introduced in late 2005 has not yet boosted mortgage assets for Pfandbrief funding
- deposit volume of Savings Banks

Public Pfandbrief – back to normal

- one-off supply after German reunification
- prolific issuance reached peak in 1999 – high redemptions thereafter
- pre-funding of Landesbanks before loss of state guarantees July 19, 2005

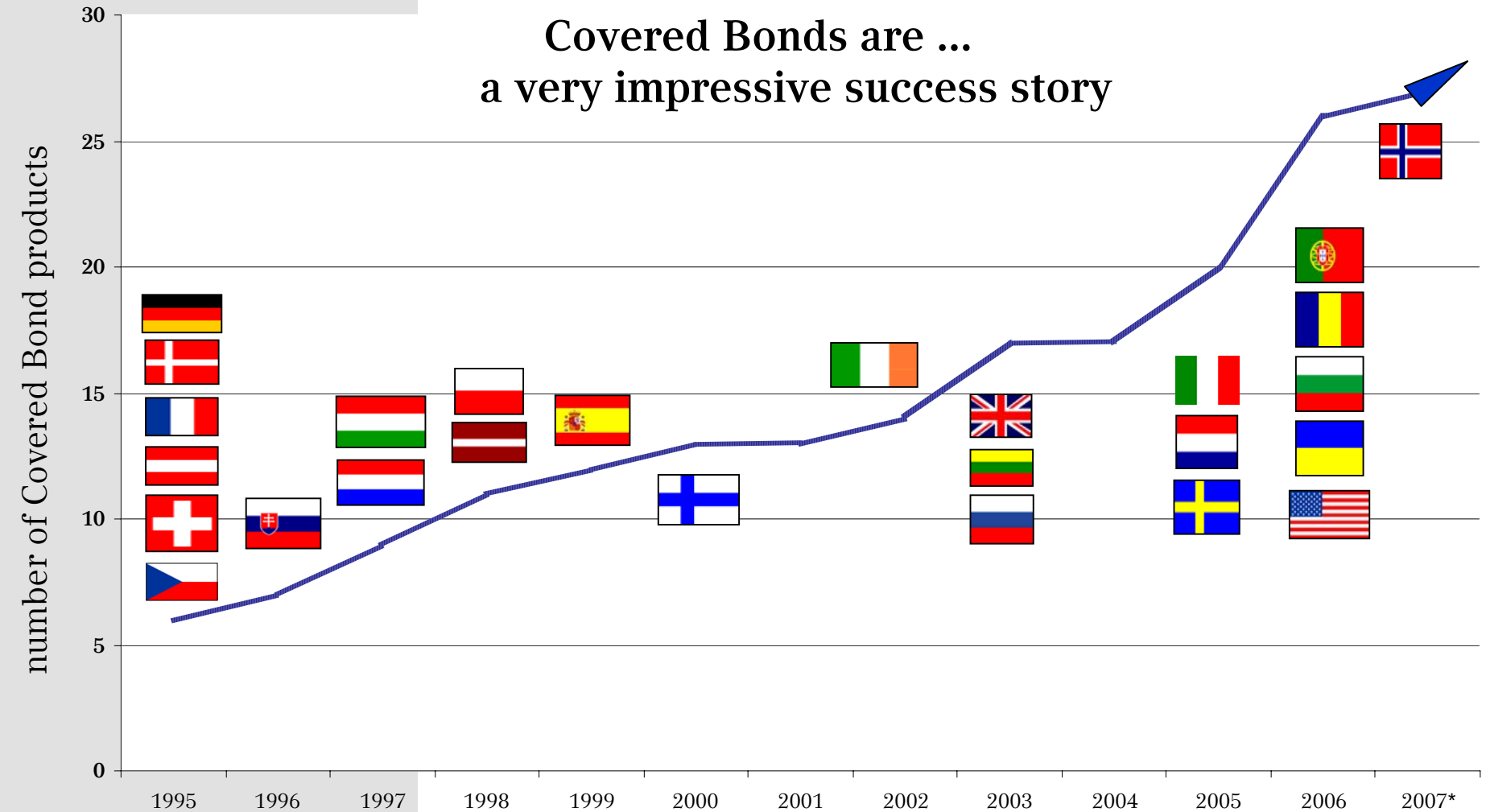


II. The Pfandbrief – contested in many markets

vdp

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Covered Bonds are ...
a very impressive success story



*expected

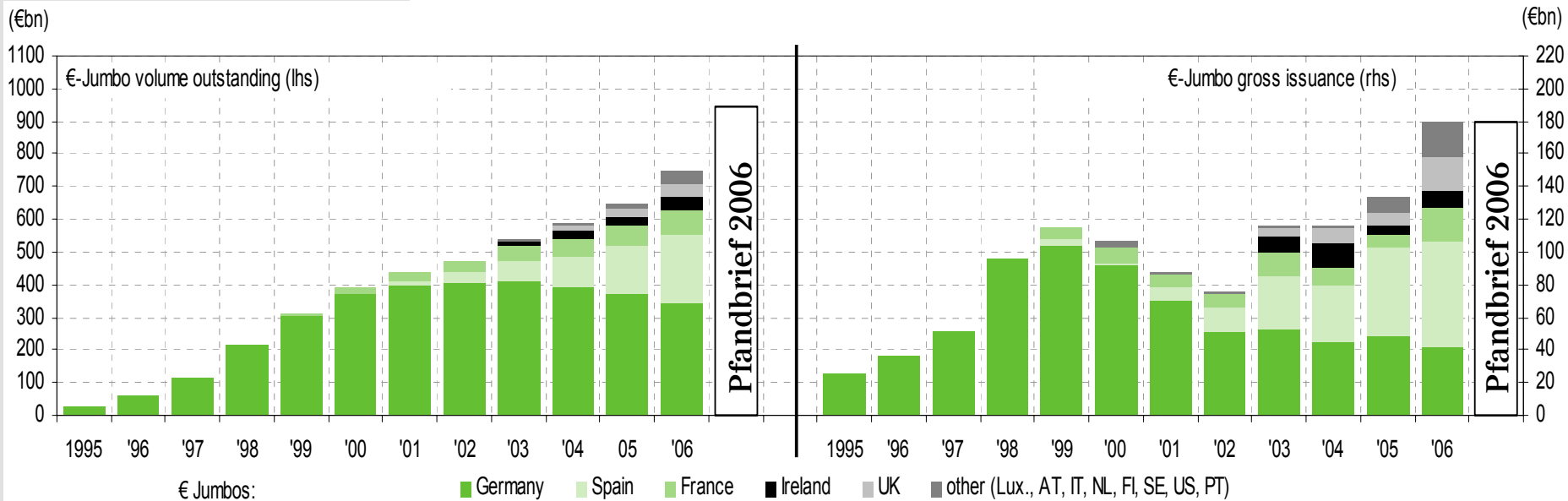


II. The Pfandbrief – contested in many markets



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Jumbo Covered Bonds 1995 – 2007 outstanding and gross sales



sources: DKIB; vdp



II. The Pfandbrief – contested in many markets



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International competition

From a virtuous to a vicious circle?

Covered Bond supply

- dynamic growth in new markets is normal
- increasing number of products and issuers blur transparency
- individually structured products add to traditional legal frameworks
- any potential free ride under Covered Bond label puts reputation of entire asset class at stake
- more banks compete for cover loans
=> cover assets become relatively scarce and expensive
=> danger of a race to the bottom



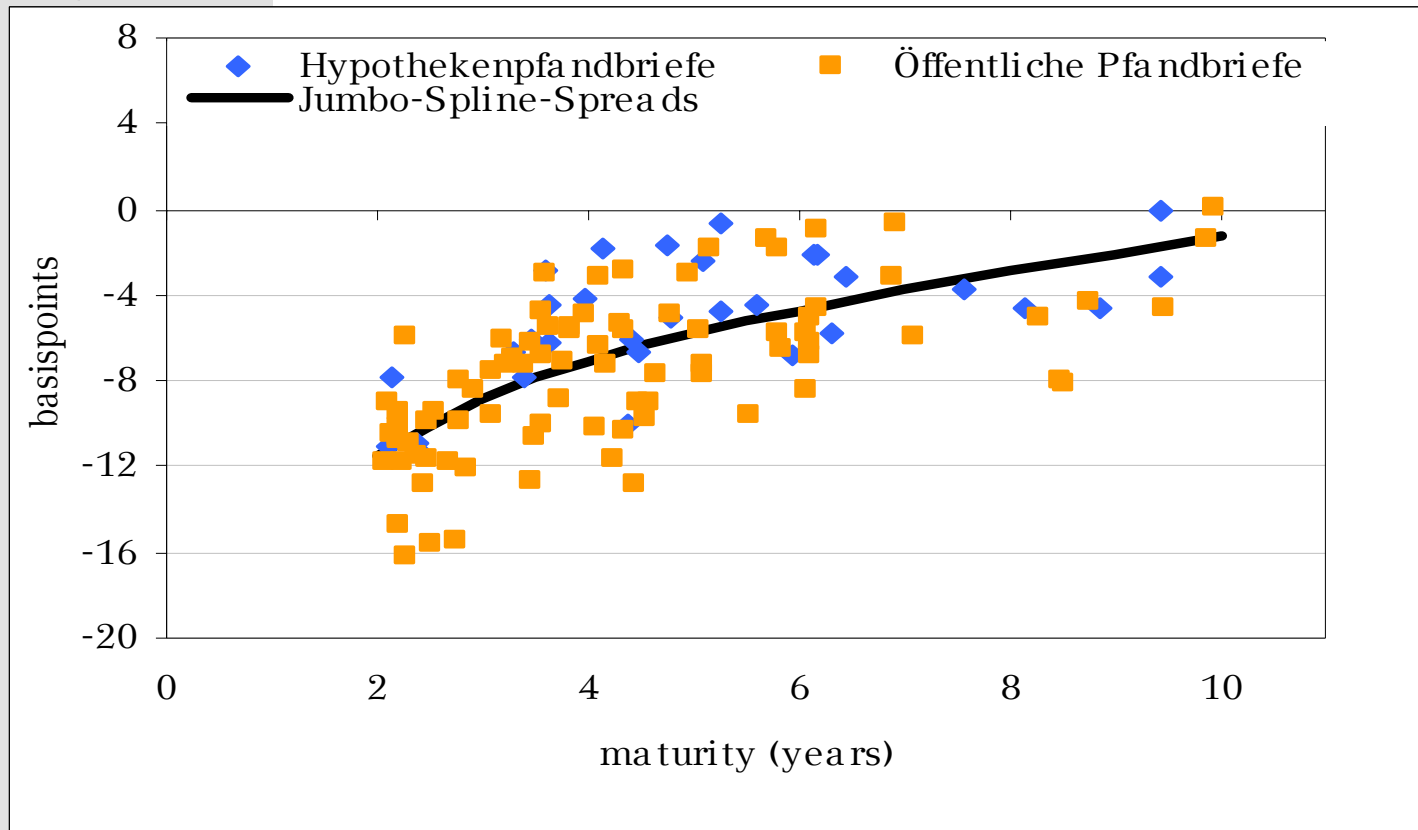
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Pfandbrief in big demand

year end 2006 no Pfandbrief with positive swapspread





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III. Outlook



III. Outlook



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summary

Pfandbrief market share decreasing

- domestic and international relative importance of Pfandbrief decreasing; in absolute terms Pfandbrief still largest piece of pie in Covered Bonds

Pfandbrief provides bond holder value

- Pfandbrief scarcity value benefits investor base

Attractive funding instrument

- issuers likewise benefit from attractive funding conditions



III. Outlook



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Searching for excellence in all fields

Communication

- continue open dialogue with all market participants

Bond holder value

- seeking maximum investor benefit

Attractive funding instrument

- shaping Pfandbrief towards competitive demands



Further Information



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**Thank you for your
attention!**

Association of German Pfandbrief Banks (Headquarters)	Fon +49 30 20915-100 Fax +49 30 20915-419 @: info@pfandbrief.org
Homepage	www.pfandbrief.org
Bloomberg	HYP <GO>
Tokyo Liaison Office: International Financial Consulting K.K. (IFC)	Fon +81 3 5532-8921 Fax +81 3 5532-8367 @: h.takee@pr-liaison.com
New York Liaison Office: Makovsky & Company Inc.	Fon +1 212 508-9600 Fax +1 212 751-9710 @: pfandbrief@makovsky.com



vdp member banks in perspective

	total outstanding 2006	vdp market share
Mortgage Pfandbrief	228 bn €	208 bn € (91 %)
Public Pfandbrief	721 bn €	493 bn € (68 %)
Commercial mortgages	256 bn €	117 bn € (46 %)
Residential mortgages	1.115 bn €	241 bn € (22 %)
Public sector loans	390 bn €	186 bn € (48 %)

sources: vdp, Bundesbank

Member Institutions of the Association of German Pfandbrief Banks



Acreal Bank



ALLGEMEINE HYPOTHEKENBANK RHEINBODEN AG



Bayern LB



Berlin Hyp



Deutsche Genossenschaftsbank Hypothekenbank



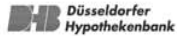
DEUTSCHE HYPO



Deutsche Schiffsbank



Kommunalbank
Deutschland



Düsseldorfer
Hypothekenbank



EURO
HYPO



Haspa
Hamburger Sparkasse



Helaba
Landesbank
Hessen-Thüringen



HSH NORDBANK
HYPOTHEKENBANK



Hypo Real Estate
BANK



Hypo Real Estate
BANK INTERNATIONAL



Hypo Real Estate
HOLDING



HYPOTHEKENBANK IN ESSEN AG



HypoVereinsbank



IKB
Deutsche Industriebank



Kreissparkasse
Köln



LB BW
Landesbank Baden-Württemberg



M.M. WARBURG & CO HYPOTHEKENBANK



Münchener
Hypothekenbank eG



NORD/LB



SEB
Hyp



Sparkasse
KölnBonn



VALOVIS
BANK
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Westdeutsche
ImmobilienBank



WestLB



WL BANK



wüstenrot
Wüstenrot Bank AG
Pfandbriefbank