



Pfandbrief

THE PFANDBRIEF – QUALITY MADE IN GERMANY

vdp
VERBAND DEUTSCHER
PFANDBRIEFBANKEN
Association of German Pfandbrief Banks

Focus Mortgage Pfandbrief –
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Member of the Managing Board, WL BANK

Tokyo Pfandbrief Seminar
Grand Hyatt Tokyo, 26 January 2011



Focus Mortgage Pfandbrief

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Agenda

- I. Motivation to talk about Mortgage Pfandbrief
- II. Specific Safety Features of Mortgage Pfandbrief
- III. Characteristics of German Residential Property Markets
- IV. Some Facts about German Commercial Property Markets
- V. Conclusion: Mortgage Pfandbrief – a Reliable Investment



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I. Motivation to talk about Mortgage Pfandbrief

- Increasing shares of Mortgage Pfandbrief issuance
- Trend towards on-balance real estate finance
- Potential newcomers seek debut in Mortgage Pfandbrief market
- International investors increasingly look at Mortgage Pfandbrief
- Expected issuance:
 - 2011 approx. 42 bn Euro
 - 2012 approx. 45 bn Euro

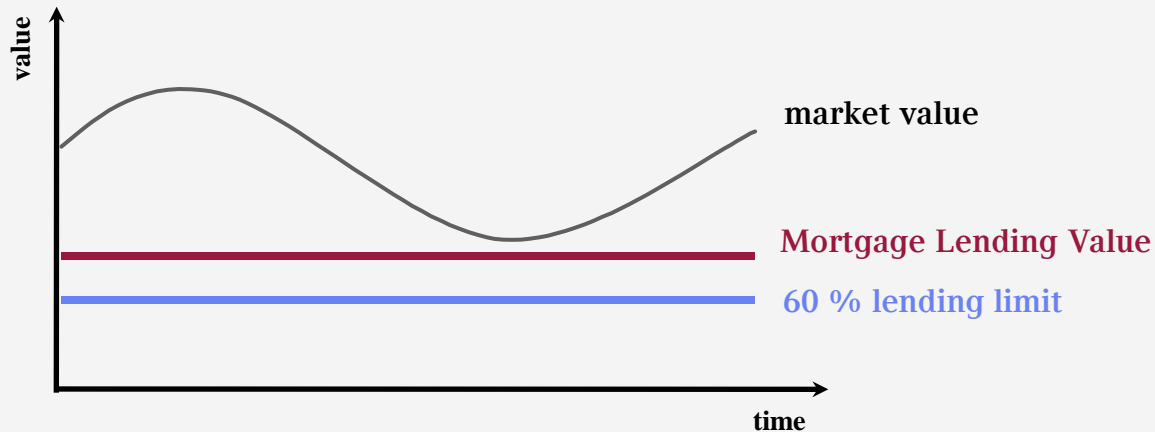


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II. Specific Safety Features of Mortgage Pfandbrief

Mortgage Lending Value

- Market Value is a spot market valuation approach based on a sale s perspective. As a consequence, the market value's validity is limited to the short term.
- The Mortgage Lending Value is a sustainable long term valuation or „value at risk“ approach based on a lending perspective.

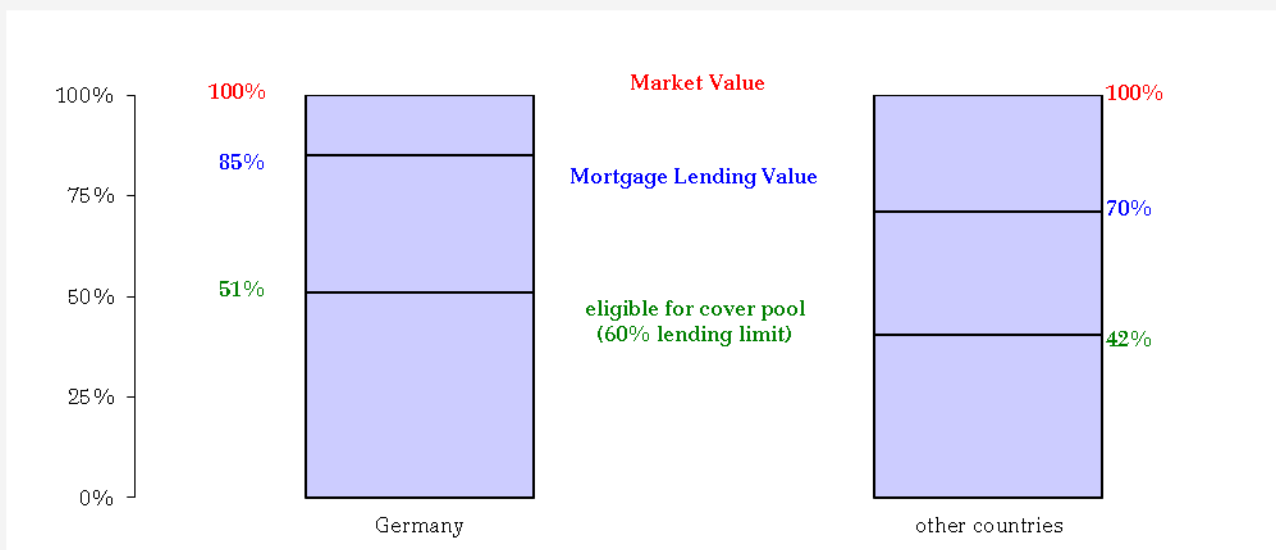




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II. Specific Safety Features of Mortgage Pfandbrief

Conservative appraisal of Mortgage Lending Value - an example



- Property in Germany: relation between Mortgage Lending Value and market value about 85%
- Property outside Germany: relation between Mortgage Lending Value and market value wider due to higher volatility especially in cross-border commercial property markets
- Lending limit of 60% of Mortgage Lending Value applies to cross-border mortgage cover loans, too



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II. Specific Safety Features of Mortgage Pfandbrief

- Appraisal of conservative Mortgage Lending Value
- 60 % lending limit based on Mortgage Lending Value
- On-site inspection of all property
- Regular cover pool audits
- Alternative appropriate uses mandatory
- Lending restricted to Germany and EU, EEA plus CH.
Among overseas countries only US, Can & Jap are eligible for cover



III. Some Characteristics of the German Residential Property Market

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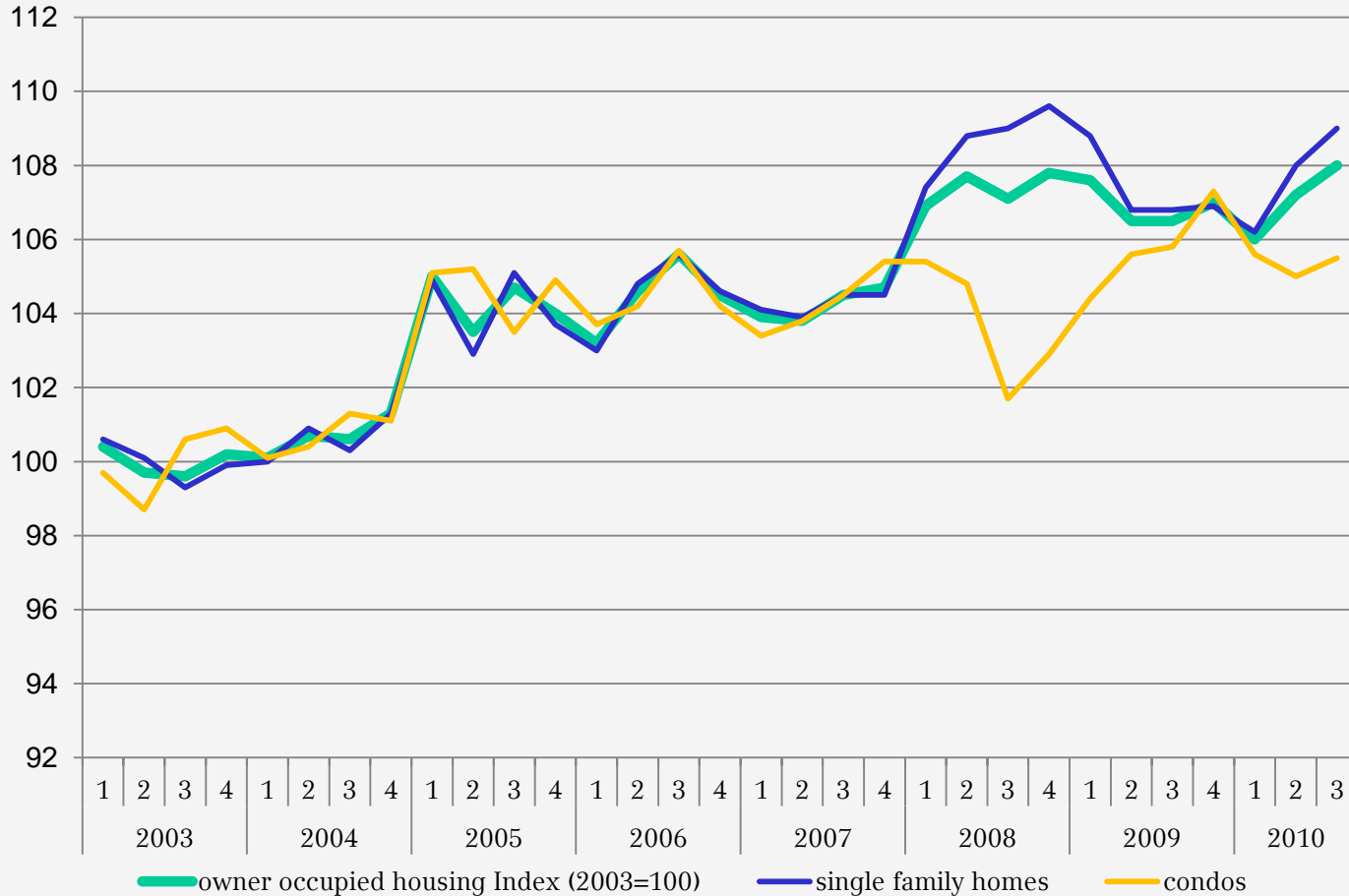
- Low home ownership ratio (approx. 45 %)
- Substantial and affordable rental market is always accessible
- Property is a „once in a lifetime“ investment
- Substantial equity funding translates into high credit quality of residential portfolio; no subprime segment
- High stability and crisis resilience of German housing and housing finance market



III. Some Characteristics of the German Residential Property Market

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vdp price index for owner occupied housing (q1 2003=100)



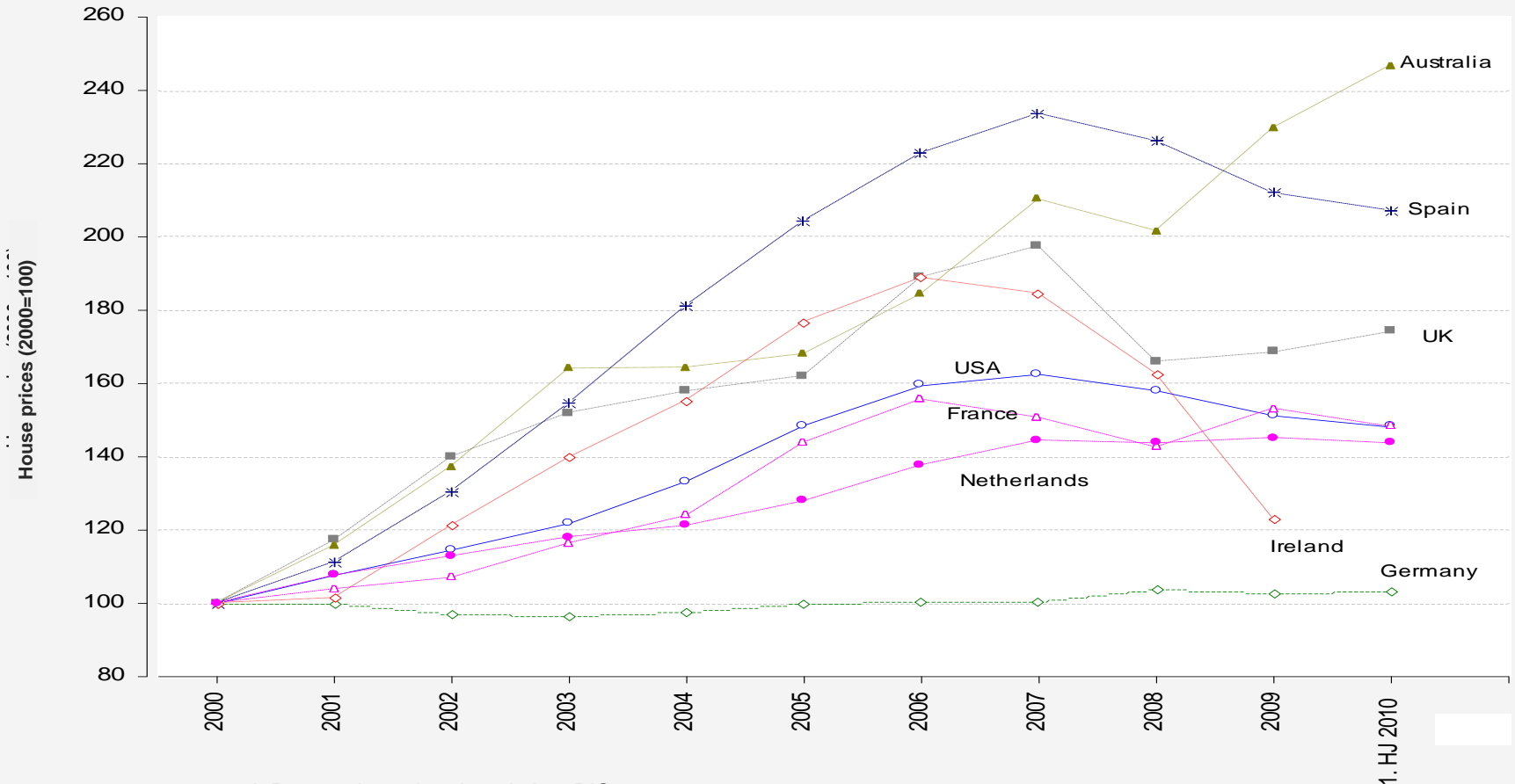
source: vdp research



III. Some Characteristics of the German Residential Property Market

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House- and apartment prices - selected countries (2000 = 100)



sources: vdpResearch, national statistics, BIS



IV. Some Facts about the German Commercial Property Market

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- Stable price development based on robust recent labor market development
- Policentric regional structure and sectoral diversification
- High importance of German „Mittelstand“ companies for the demand schedule in the commercial property market
- Broad demand schedule based on a multitude of economic sectors in most German regions



V. Conclusion: Mortgage Pfandbrief – a reliable Investment

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- Exposure to German real estate risk
- High domestic share of cover assets with diversification into international markets
 - 50/50 share residential/commercial cover assets:
124 bn/124 bn Euro
 - 80/20 share domestic/cross-border assets:
Out of 248 some 52 bn Euro are cross-border business

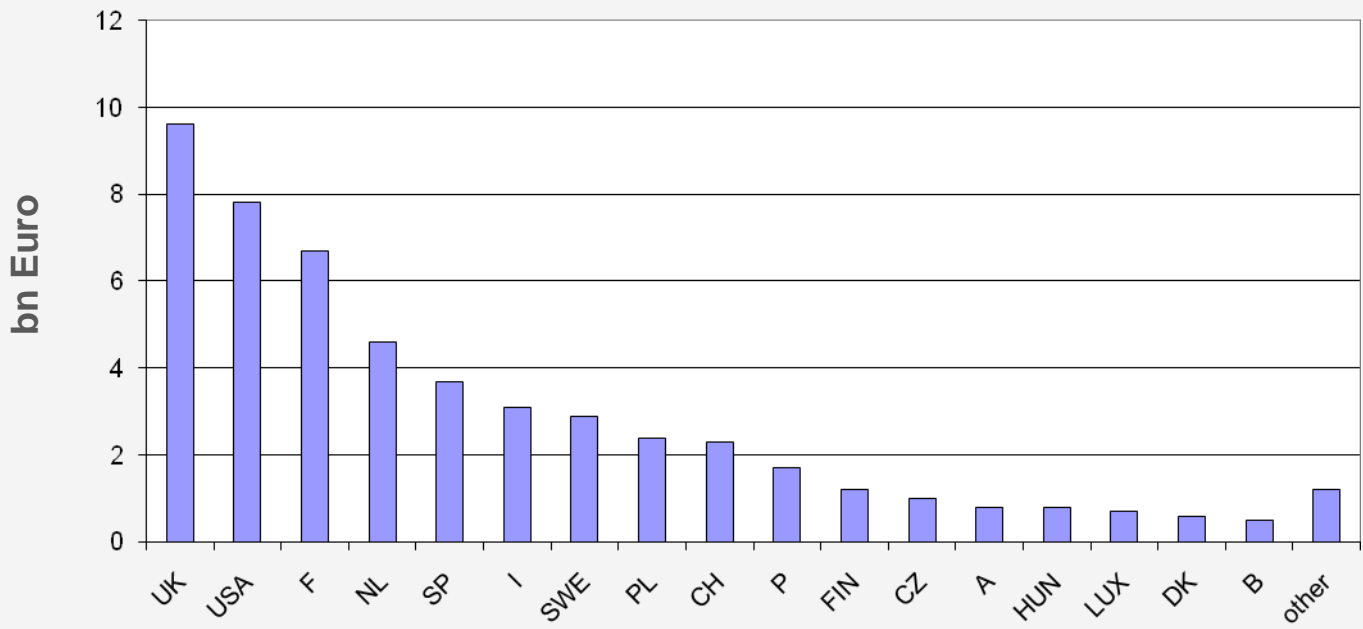


V. Conclusion: Mortgage Pfandbrief – a reliable Investment



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Cross border property loans in cover pools (Sep 2010)



**cross border total
52 bn €**

source: banks disclosure according to Art. 28 Pfandbrief Act

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