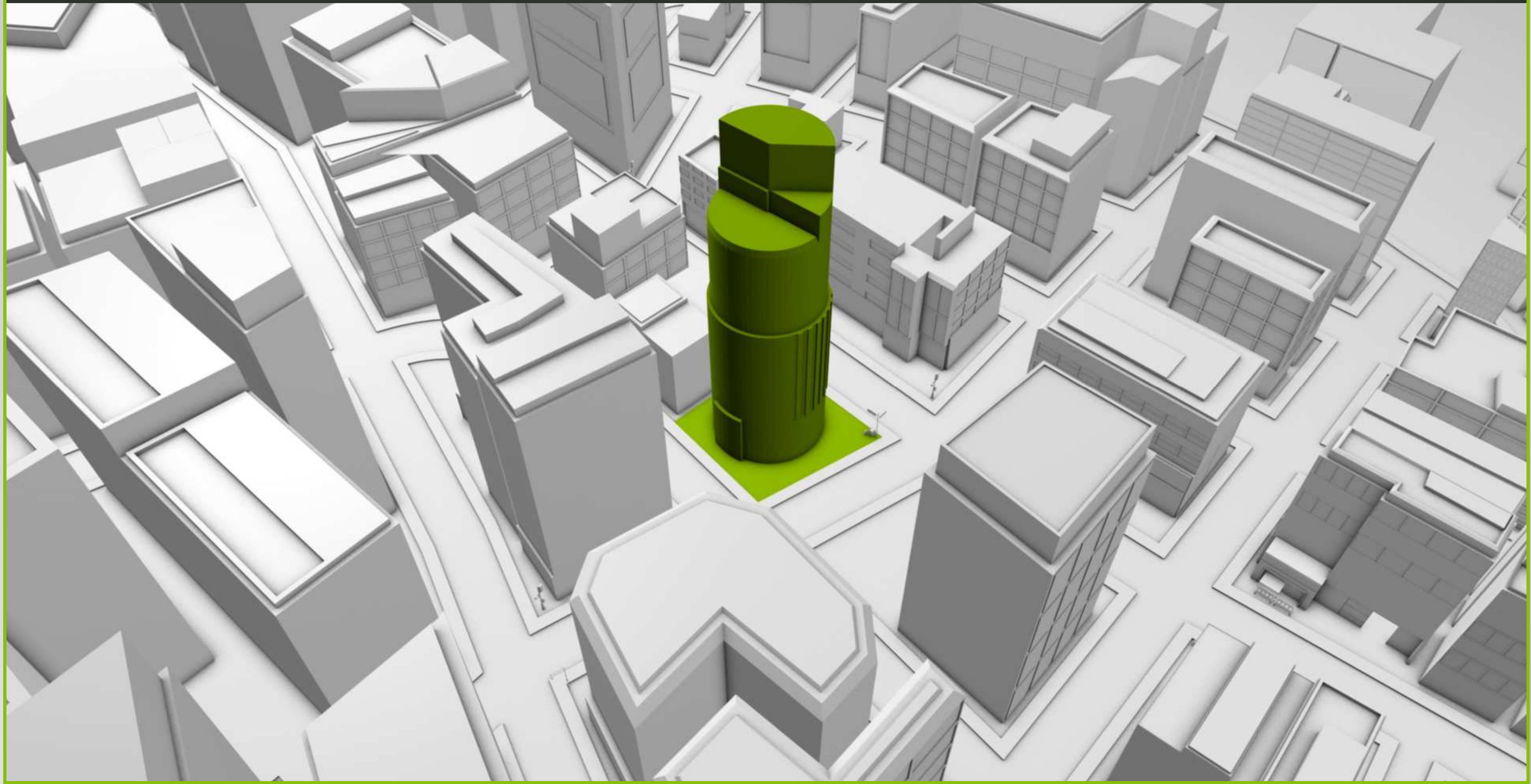
pbb Banks' Day

Frankfurt, 9th September 2011

Re-establishing a leading European Pfandbrief issuer

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb
DEUTSCHE
PFANDBRIEFBANK



Agenda

1.	**Business model and strategy**	**(Manuela Better)**
2.	Portfolio	(Manuela Better)
3.	New business	(Dr. Bernhard Scholz)
4.	Funding and cover pools	(Wolfgang Groth)
5.	Financials and outlook	(Alexander von Uslar)
6.	Key take-aways	(Manuela Better)

Business model and strategy

pbb well positioned for continued growth in strategic business lines

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Business model – pbb in excellent position

Two business lines with European reach
- Diversification in products and regions
- High degree of synergies

Pfandbrief funding
- Reliable, crisis proven funding source
- Competitive

Adjusted risk strategy/ re-structured portfolio
- Business and risk strategy aligned
- New business and legacy portfolio aligned

Market environment – big potential in growing market

Increasing demand
- Market in upturn
- Need for refinancing of CMBS structures

Decreasing supply
- Competitors exiting market place
- Competitors reducing business activities

High margins
- Margins higher than pre-crisis
- Market accepts higher risk costs

Short-term goals
- Grow strategic interest bearing assets (replacing Public Budget Finance portfolio with higher margin strategic business will result in initially stable and mid-term increasing balance sheet)
- Prove viability of funding franchise
- Increase competitiveness – reduce cost base and improve efficiency of internal processes

Aspirations
- Leading European Real Estate and Public Investment Finance lender
- Top player in the Pfandbrief market constantly issuing new material
- Sustainable profitability

Business model and strategy

Focus on Real Estate and Public Investment Finance – Public Budget Finance business will be run down over time on balance sheet

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Real Estate Finance (REF)

Public Sector Finance (PSF)

Public Investment Finance[1] (PIF)

Public Budget Finance[2] (PBF)

Strategic business

- Focus on Pfandbrief eligible business in Germany and other European countries with the Pfandbrief as main funding instrument
- Synergies arise from the use of existing customer networks as well as homogenous acquisition, credit and back-office processes

Run-down business (on balance sheet)

- Run-down on balance sheet over time
- Continues to generate interest income

1 Project related Public Investment Finance 2 Financing of general and non-allocated household budget

Agenda

Total portfolio

Portfolio growth in strategic business lines will compensate for the decline in Public Budget Finance

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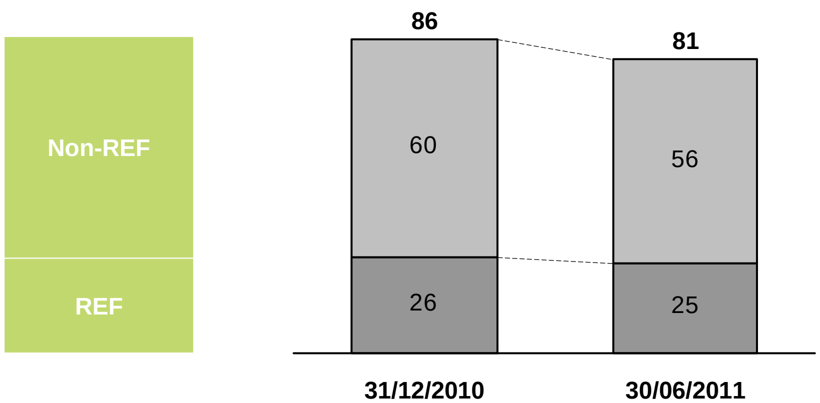
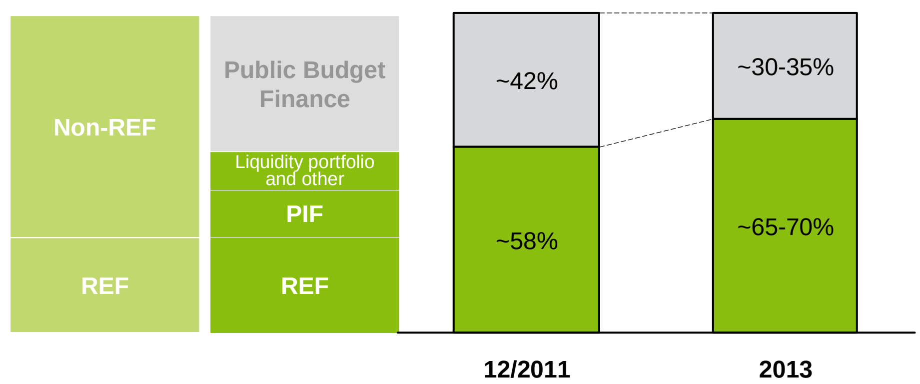
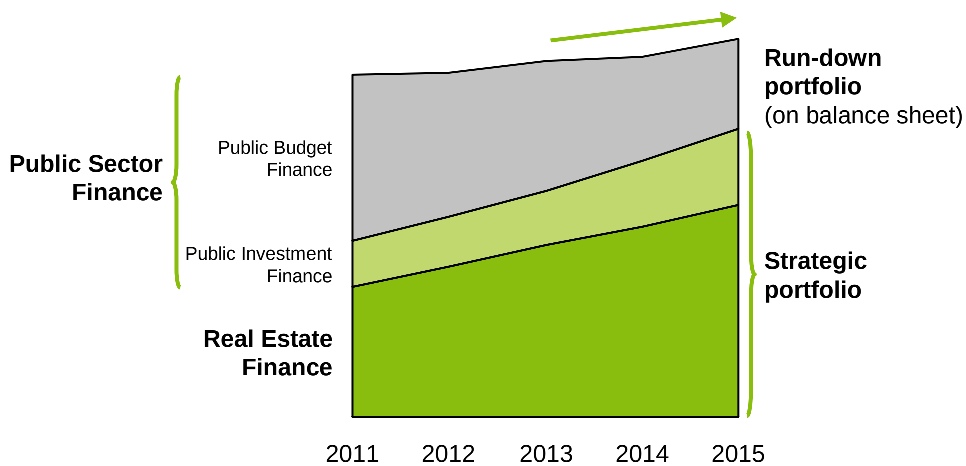
Total portfolio
EUR billions (EaD)



Planned portfolio development[1]



- Total portfolio to remain largely stable until 2013, but expected to grow thereafter
  - At present, total portfolio declining, primarily reflecting maturities (pre-/ repayments) in the existing loan portfolio exceeding new business volumes
  - After 2013, total portfolio expected to grow as growth in strategic business lines will over-compensate for the run-down of Public Budget Finance
- The existing portfolio mainly consists of cover pool eligible assets in Germany and Europe



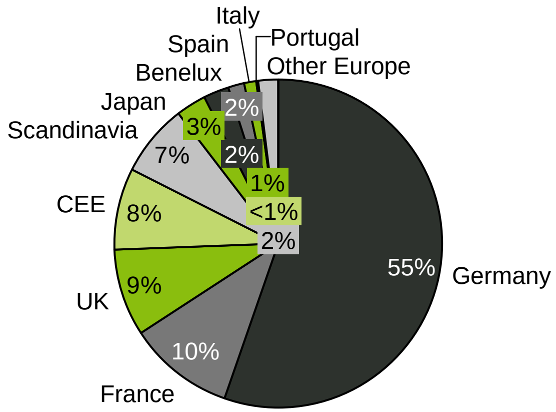
1 Scenario calculation based on EU restructuring plan

Real Estate portfolio

Portfolio well diversified, reflecting strategic focus – 94% investment loans

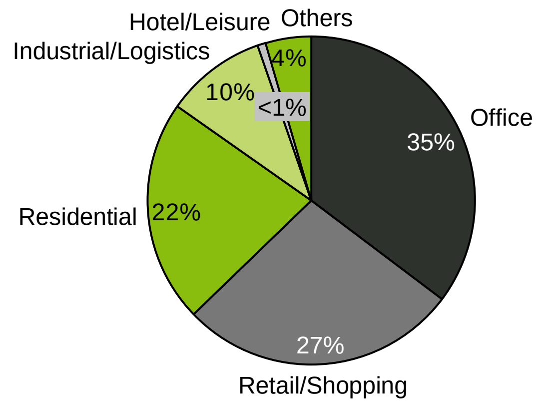
Regions

30/06/2011: EUR 25 billion (EaD)[1]



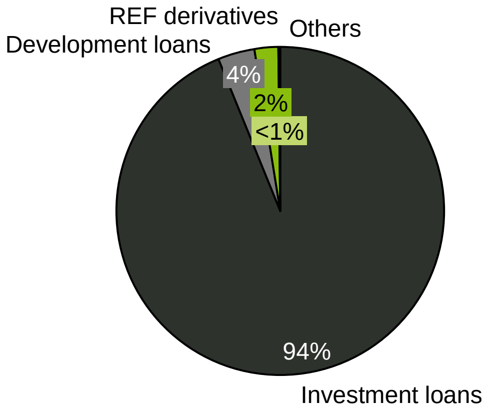
Property types

30/06/2011: EUR 25 billion (EaD)[1]



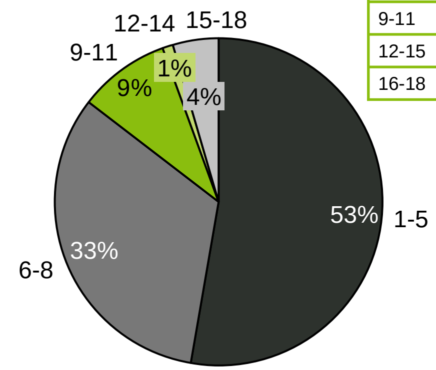
Loan types

30/06/2011: EUR 25 billion (EaD)[1]



EL classes

30/06/2011: EUR 25 billion (EaD)[1]



EL class	S&P rating scale
1-5	AAA to A-
6-8	BBB+ to BBB-
9-11	BB+ to BB-
12-15	B+ to B-
16-18	CCC+ and below

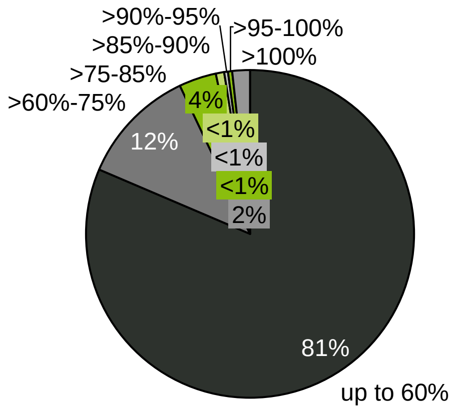
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims

Real Estate portfolio

More than 80% of loan volume with LTVs ≤60%

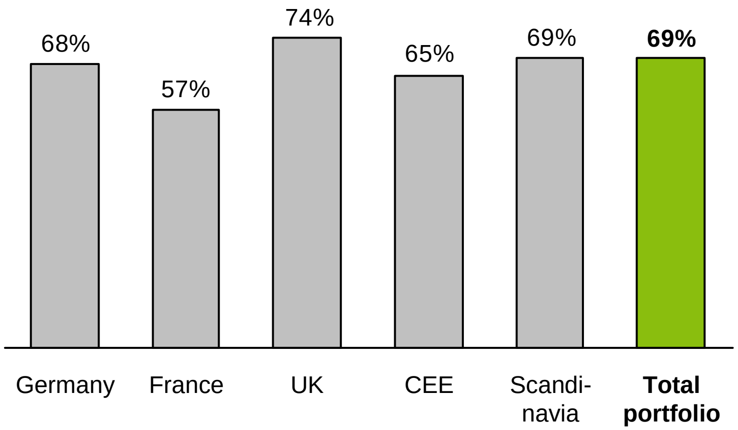
Layered LTV classes

30/06/2011: EUR 24 billions (commitments)[1,2]



Avg. LTVs by regions

30/06/2011: EUR 24 billions (commitments)[1]



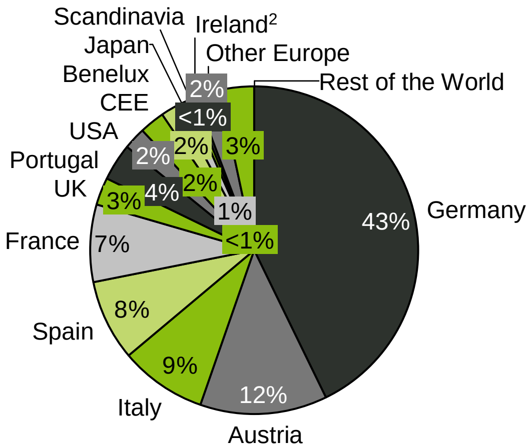
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims 2 Only investment loans, excl. derivatives; deals virtually tranched in different LTV classes

Non-Real Estate portfolio

Portfolio well diversified and of high quality, with >90% in PD classes 1-7

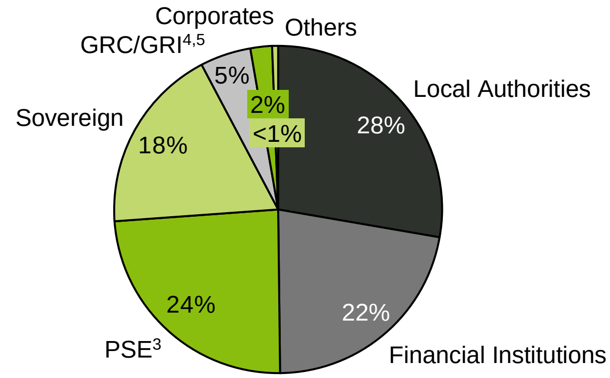
Regions

30/06/2011: EUR 56 billion (EaD)[1]



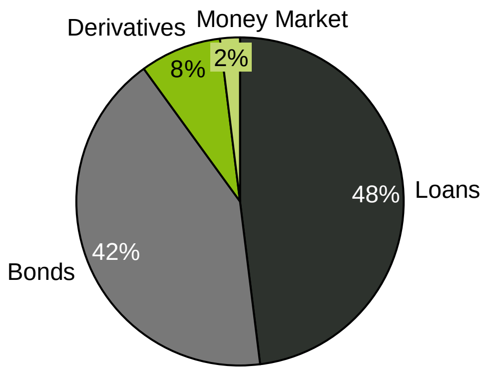
Counterparty types

30/06/2011: EUR 56 billion (EaD)[1]



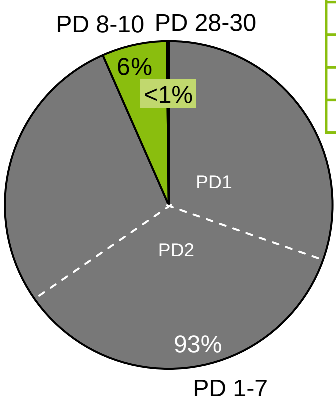
Product types

30/06/2011: EUR 56 billion (EaD)[1]



PD classes

30/06/2011: EUR 56 billion (EaD)[1]



PD class	S&P rating scale
1-7	AAA to A-
8-10	BBB+ to BBB-
11-13	BB+ to BB-
14-22	B+ to B-
23-27	CCC+ to CCC-
28-30	D

Note: Figures may not add up due to rounding
1 Excl. FMS-WM guaranteed exposure/compensation claims
2 Excl. intra-group exposure; incl. derivative positions with international investment banks (Dublin branches)
3 Public Sector Entities (entities with explicit or implicit financial support from a tax raising authority)
4 Government Related Companies/Institutions (e.g. airports, healthcare, private/public education, water/sewage)
5 Incl. EUR 2.7 bn accounts with German Central Bank

Exposure in selected countries

No sovereign exposure in Greece, Spain and Ireland

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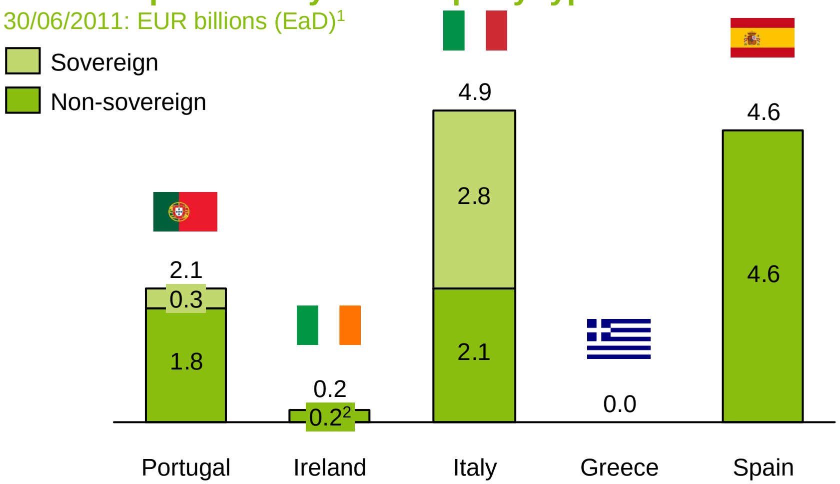
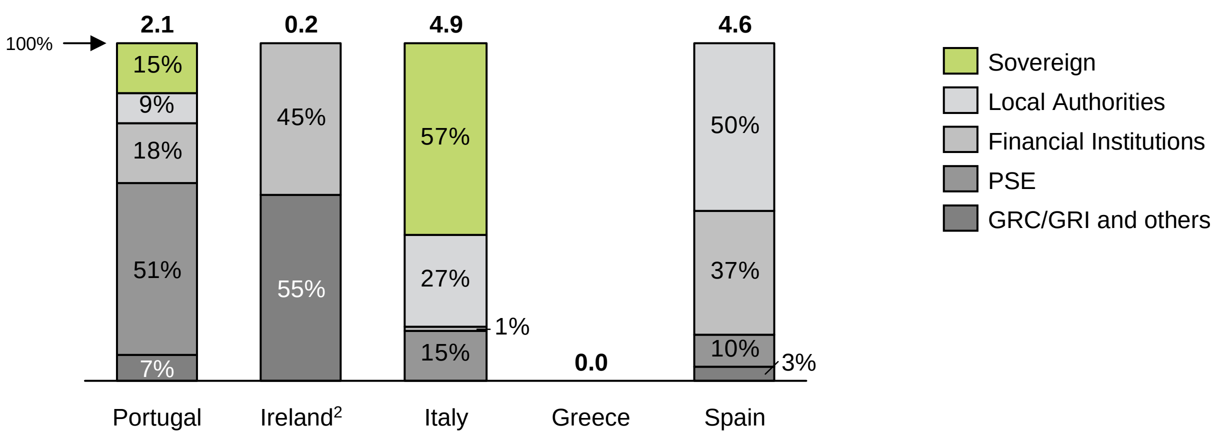
Non-REF portfolio by counterparty types

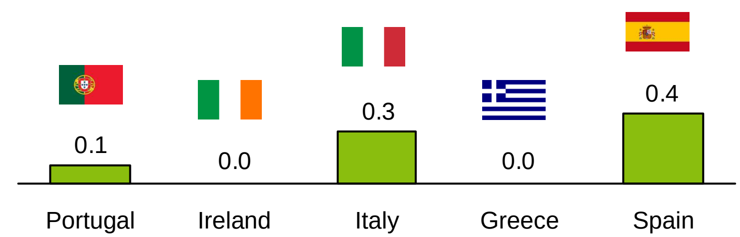
30/06/2011: EUR billions (EaD)[1]





Real Estate portfolio

30/06/2011: EUR billions (EaD)[1]



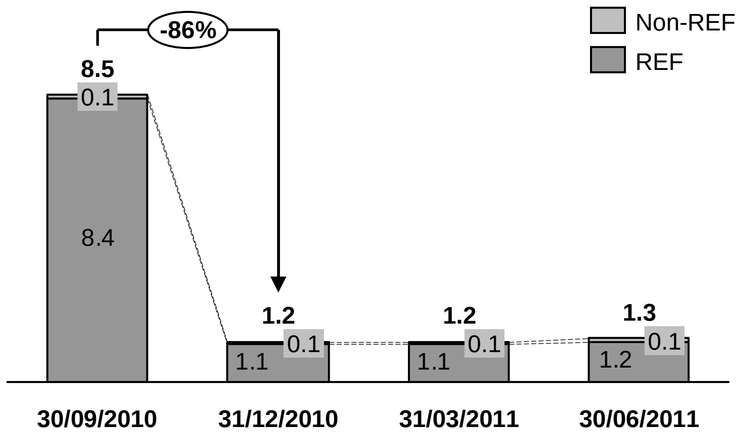
Note: Figures may not add up due to rounding
1 Excl. FMS-WM guaranteed exposure/compensation claims
2 Excl. intra-group exposure; incl. derivative positions with international investment banks (Dublin branches)

Problem loans

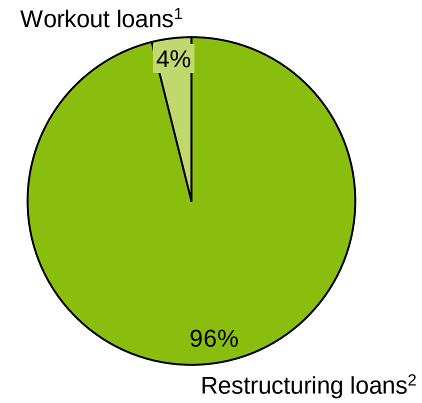
Total problem loans significantly reduced and adequately covered

Total problem loans

EUR billions (EaD)



30/06/2011: EUR 1.3 bn (EaD)



- Total problem loans stable – EUR 1.3 bn problem loans consist of 95 individual cases (31/03/2011: 93), which are adequately covered by loan-loss provisions
  - Non-REF: EUR 0.1 bn – coverage ratio ~51%
  - REF: EUR 1.2 bn – coverage ratio ~33%

Note: Figures may not add up due to rounding 1 No signs that the deal will recover soon, compulsory measures necessary 2 Payments more than 90 days overdue or criteria acc. to respective policy apply

Problem loans

REF problem loans mainly consist of restructuring loans – only marginal volume of workout loans

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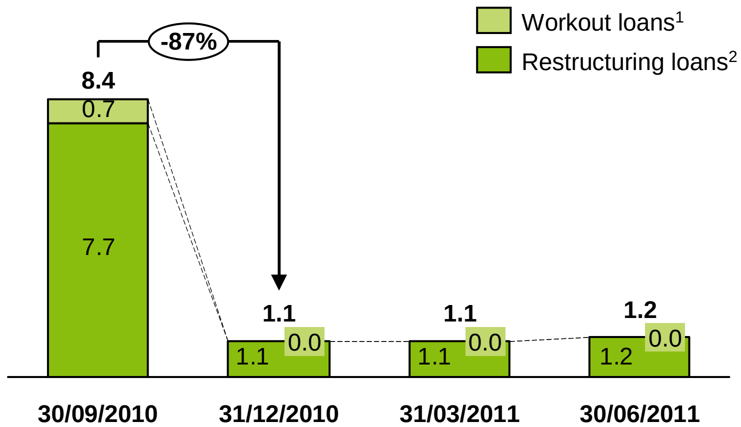
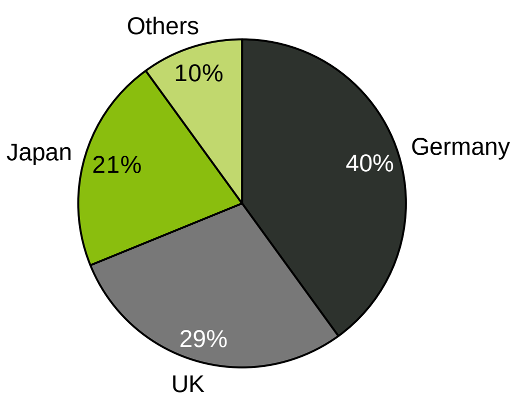
REF problem loans

EUR billions (EaD)



30/06/2011: EUR 1.2 bn (EaD)



Restructuring loans 30/06/2011				
#	Product Type	Asset Type	Location of Property	EL Class
1	Investment	Shopping Centre	UK	14
2	Investment	Office / Retail	Japan	17
3	Investment	Office	Germany	17
4	Investment	Retail	Austria, Hungary, Slovenia	17
5	Investment	Office	Germany	17
6	Investment	Residential	Germany	17
7	Development	Residential	Germany	17
8	Investment	Office	Japan	17
9	Investment	Office	Japan	17
10	Investment	Car Dealerships	UK	18
11-81	Borrowers with commitments EUR <20 mio			

Workout loans 30/06/2011				
#	Product Type	Asset Type	Location of Property	EL Class
1	Investment	Residential	Germany	16
2-16	Borrowers with commitments EUR <10 mio			

Note: Figures may not add up due to rounding   1 No signs that the deal will recover soon, compulsory measures necessary   2 Payments more than 90 days overdue or criteria acc. to respective policy apply

pbb dedicated to achieve best practice in risk management approach

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- **Risk management function enhanced and set-up renewed – complete overhaul of risk processes**
  - New governance and committee structure
  - Improved reporting standards
- **Consistent group-wide identification, measurement and reporting of risks**
- **Business strategy and risk strategy fully aligned – close co-operation between business lines, credit risk and credit risk management**
- **Risk management approach provides for timely management action with clearly defined processes of escalation and decision**

Agenda

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New business

Regional focus on Germany and other European countries – expansion of local presence in the German and Scandinavian market envisaged

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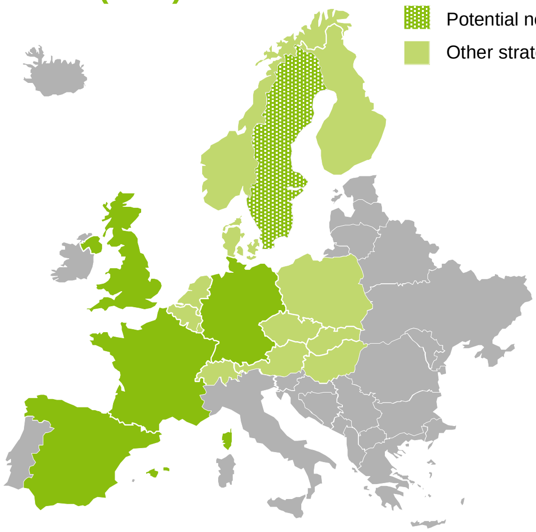
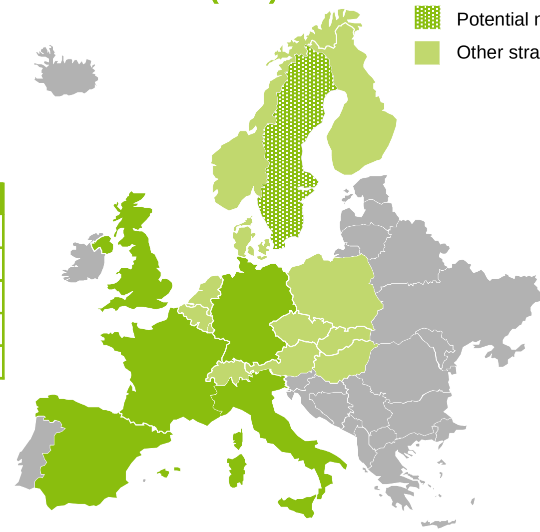
Real Estate Finance (REF)

- Core countries with sales locations
- Potential new location in Sweden
- Other strategic countries



Public Investment Finance (PIF)

- Core countries with sales locations
- Potential new location in Sweden
- Other strategic countries



Core countries	Current sales locations
Germany	Unterschleissheim, Eschborn
UK	London
France	Paris
Italy	Rome
Spain	Madrid

- **Synergies arise from the use of existing customer networks in REF and PIF as well as homogenous acquisition, credit and back-office processes**
- **Local presence with increased importance, given the focus on smaller loan sizes in PIF as well as mid-size REF business**
- **Expansion of existing branch network by 3 additional offices in Germany (Hamburg, Berlin, Rhine-Ruhr area) and one in Sweden (Stockholm) envisaged**

New business
Scope of strategic business activities

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Real Estate Finance (REF)

Clients

- Professional national and international real estate investors (e.g. Real Estate companies, Institutional Investors, Real Estate Funds)
- Professional local mid-size real estate investors (‘Mittelstand‘)

Financing of…

Office | Residential | Retail | Logistics

Office
- Office buildings
- Office parks

Retail & Shopping
- Retail premises
- Shopping center

Residential Investments
- Residential buildings (multi-family homes)
- Mixed-use properties

Logistics/Distribution
- Storage
- Cargo premises
- Multifunctional industrial buildings

Lending criteria

- Investment loans
- Non-speculative development loans on selective basis
- Portfolio transactions
- Other: bridge loans, acquisition lines, client derivatives
- Deal size typically in the range of EUR 20-100 mio

Public Investment Finance (PIF)

Clients

- Pfandbrief eligible public borrowers (specific purpose with an asset and/or investment character)
- Pfandbrief eligible publicly guaranteed companies and special purpose entities

Financing of…

Social Supply | Basic Infrastructure

Municipal Facilities
- Social housing
- Administrative buildings
- Education, sports and culture

Utilities
- Energy and alternatives
- Water management
- Waste management

Health & Age
- Health care
- Hospitals
- Geriatric care

Infrastructure & Capital goods
- Road-, train- and air-traffic
- Rolling stock, aircraft and other machinery

Lending criteria

- Financing on the basis of project cash flows and/or public guarantees or other public warranty
- Clear focus on direct customer/loan business
- Focus on non-sovereign entities (regions, municipalities) without access to capital markets to provide added-value to these customers

Successful re-entry into the markets – new business volumes in H1 2011 already at full-year level 2010

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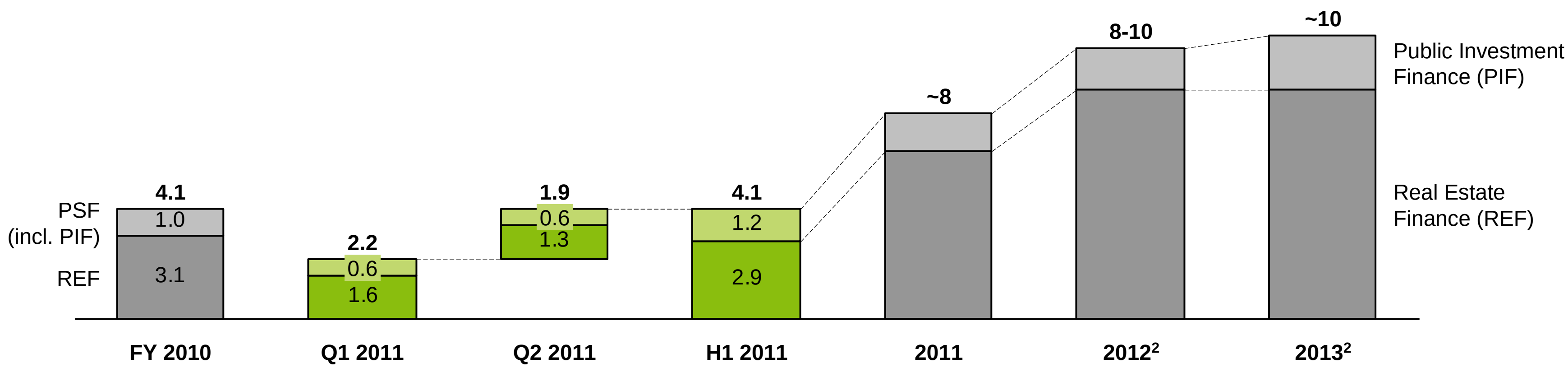
Total new business[1]

EUR billions



- New business of EUR 1.9 bn in Q2 brings total new business up to EUR 4.1 bn for H1 2011 which is at the level of FY 2010 and in line with full-year target of EUR ~8 bn for FY 2011
- Sufficient room for new business growth in strategic business lines Real Estate Finance (REF) and Public Investment Finance (PIF) to take advantage of the current market environment following the EU state aid approval – volumes not used can be carried forward

Note: Figures may not add up due to rounding 1 Incl. extensions >1 year 2 Scenario calculation based on EU restructuring plan

New business
REF: New business origination successfully re-started at attractive margins

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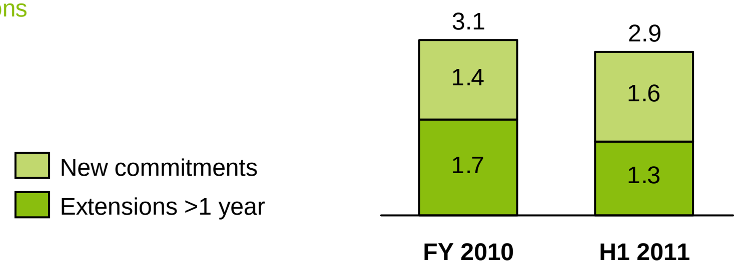
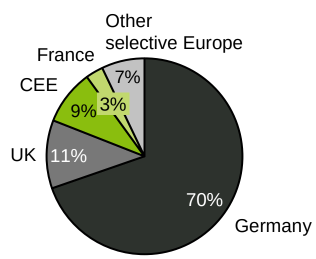
Real Estate Finance (REF)
EUR billions



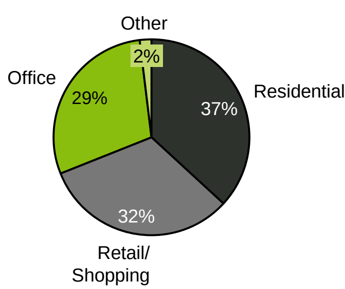
	FY 2010	H1 2011
No. of deals	65	41
Average maturity	~3.9 yrs	~4.3 yrs
Average LTV	66%	71%
Average gross margin	>200 bp	>190 bp

H1 2011: EUR 2.9 bn

by region



by property type



GSW Immobilien AG
118 buildings
with 7,100 apartments
€ 200 million
Long-Term Loan
Berlin, Germany
February 2011

Bürozentrum Parkstadt München-Schwabing KG
HighLight Towers
€ 224 million
Investment Loan, Club Deal
Munich, Germany
March 2011

Pradera
2 Shopping Centres
€ 24.3 million
Acquisition Financing
Lodz & Torun, Poland
March 2011

Entities managed by Cerberus Capital Management, L.P.
Retail Portfolio
€ 480 million
Acquisition financing, Club Deal
Germany
March 2011

GLL Real Estate Partners
Office & Logistic Portfolio
€ 308 million
Investment Loan, pbb as Arranger
Central and Eastern Europe
March 2011

Catalyst
European Property Fund
"Front de Parc"
Office Building
€ 88 million
Financing
Clichy-la-Garenne, France
May 2011

Niam Nordic Investment Fund III
Office Portfolios
SEK 1.650 billion
Investment Loan, Club Deal
Sweden
June 2011

Almacantar
Marble Arch Tower
£ 39.125 million
Acquisition Financing
UK
June 2011

Note: Figures may not add up due to rounding

New business
REF: Sample transaction (I)
HighLight Towers, Munich (Germany)

Borrower:	Bürozentrum Parkstadt München Schwabing KG
Facility type:	Acquisition financing
Property:	HighLight Towers – as one of the few high-rise buildings in Munich – is a striking office building in Parkstadt Schwabing, near the Mittlerer-Ring-road and the A9-motorway. The two transparent high-rise buildings made of glass and steel are 126 and 113 meters respectively in height. They were designed by the renowned Chicagoan architect, Helmuth Jahn, and were completed in 2004. The towers have an office space of approx. 82,600 sqm and a total of 750 parking spaces. 95% of the office space has been rented. Well-known tenants include Fujitsu Techology Solutions, Roland Berger Strategy Consultants, Strabag and the Innside Hotel.
Property location:	Munich / Germany
Property type:	Office
Total loan amount:	EUR 224 mio (pbb and Hypovereinsbank as co-arrangers)
pbb loan amount:	EUR 164 mio
Closing date:	March 2011

New business

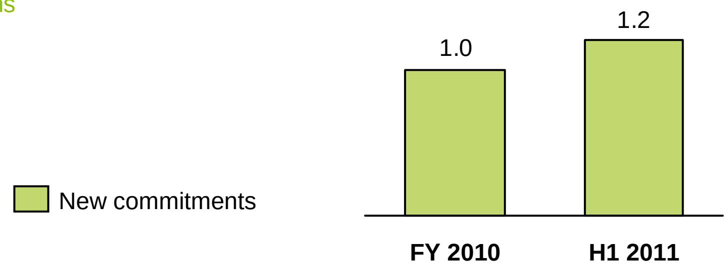
REF: Sample transaction (II)
Marble Arch Tower, London (UK)

Borrower:	Almacantar
Facility type:	Acquisition financing
Property:	Marble Arch Tower, one of the most prominent buildings in London's West End, overlooking Hyde Park consists of 166,000 sq ft mixed-use space. Situated at the corner of the western end of Oxford Street and the northern end of Park Lane, it comprises a 21-storey office tower, shops fronting Marble Arch and Edgware Road and a cinema.
Property location:	London / UK
Property type:	Mixed-use
Loan amount:	GPB 39 mio
Closing date:	June 2011

PSF: New business 2011 already exceeding volume of FY 2010

Public Sector Finance (PSF)

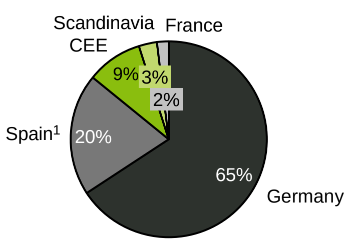
EUR billions



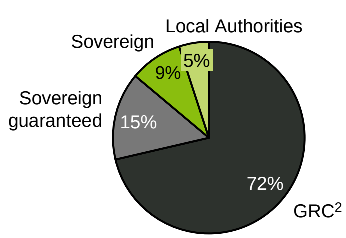
	FY 2010	H1 2011
No. of deals	51	22
Average maturity	~7.4 yrs	~7.7 yrs
Average gross margin	>100 bp	>100 bp

H1 2011: EUR 1.2 bn

by region



by counterparty type



Note: Figures may not add up due to rounding   1 For the most part already syndicated/sold   2 Government Related Companies

New business

PSF: Sample transaction
Nouvel Hôpital du Centre Hospitalier Régional Metz-Thionville (France)

Borrower:	Nouvel Hôpital du Centre Hospitalier Régional Metz-Thionville
Facility type:	Bilateral loan (Funding of an investment programme)
Object:	pbb Deutsche Pfandbriefbank funded together with two other banks an investment programme to finalise the construction of the new hospital with 87,000 m² and 640 beds on the site of Mercy, which will gather all medical activities in Metz apart from geriatry. Additionally the loan funds the construction of a maternity hospital in a separate building.
Object location:	Metz / France
Counterparty type:	Government-Related Institution (GRI)
Total loan amount:	EUR 100 mio (pbb Deutsche Pfandbriefbank as co-arranger)
pbb loan amount:	EUR 20 mio
Closing date:	December 2010

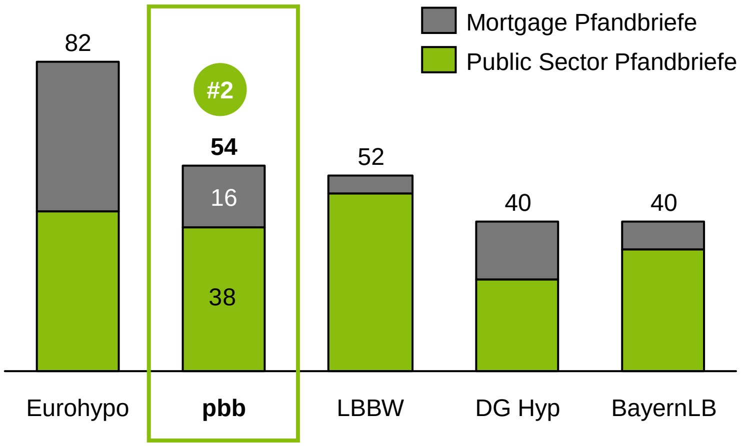
Agenda

Cover pools

pbb aims to be top player in the Pfandbrief market constantly issuing new material

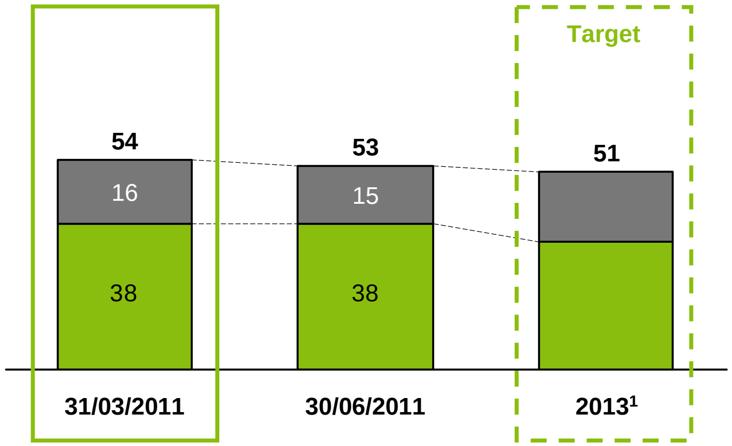
Largest Pfandbriefe issuers

03/2011: EUR billions (outstanding, nominal)



pbb Pfandbrief volume development

EUR billion (outstanding, nominal)



- **Outstanding Public Sector Pfandbrief volume expected to decline as new asset underwriting in Public Investment Finance will not compensate for maturities in Public Budget Finance**
- **Assets in the Public Sector cover pool will show a shift from sovereign to non-sovereign exposure**
- **Future funding volumes mainly depending on new business**

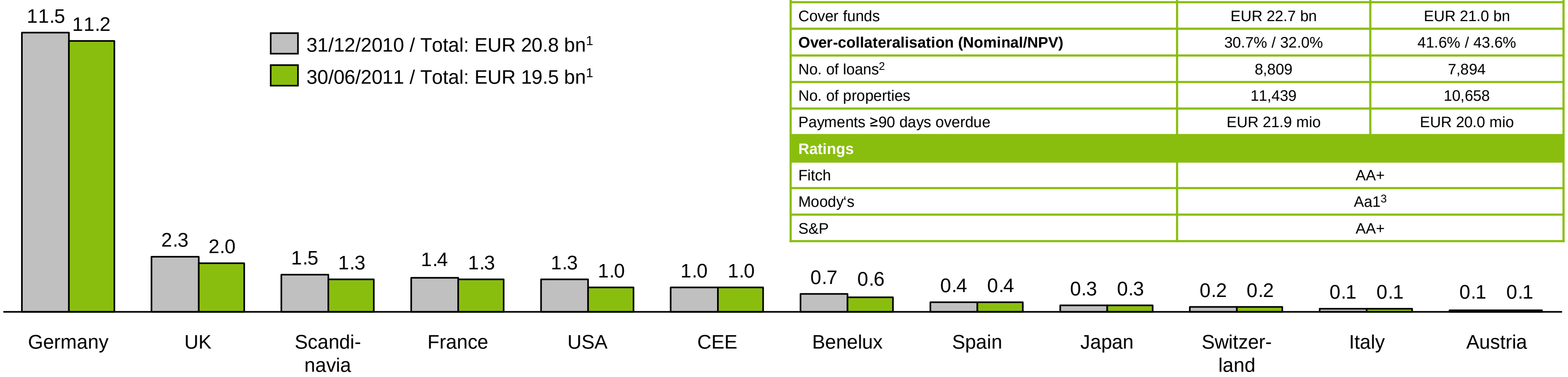
Source: German Pfandbrief Association (vdp) 1 Scenario calculation based on EU restructuring plan

Cover pools

Mortgage cover pool well diversified by region and property type

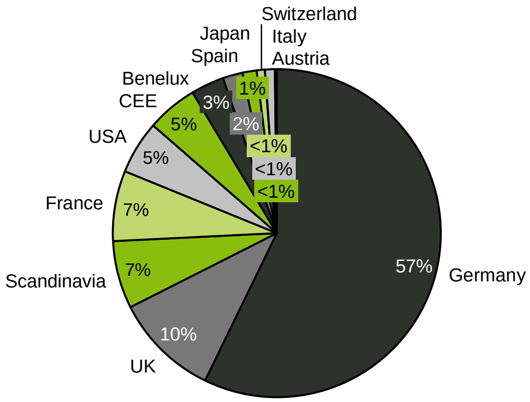
Cover funds by region

EUR billions (Nominal)



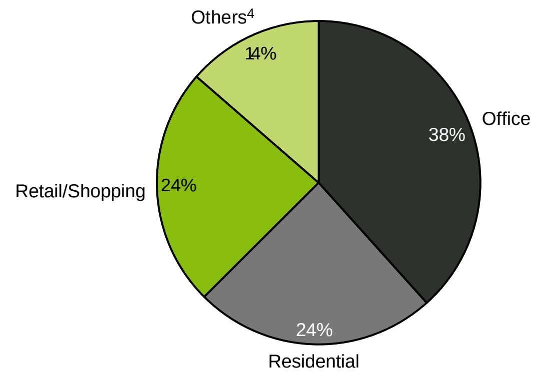
Mortgage cover pool (Nominal)	31/12/2010	30/06/2011
Pfandbriefe outstanding	EUR 17.4 bn	EUR 14.8 bn
Cover funds	EUR 22.7 bn	EUR 21.0 bn
Over-collateralisation (Nominal/NPV)	30.7% / 32.0%	41.6% / 43.6%
No. of loans[2]	8,809	7,894
No. of properties	11,439	10,658
Payments ≥90 days overdue	EUR 21.9 mio	EUR 20.0 mio
Ratings		
Fitch	AA+	
Moody's	Aa1[3]	
S&P	AA+	

30/06/2011



Cover funds by property type

30/06/2011: EUR 19.5 bn (Nominal)



Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Excl. derivatives 3 Collateral Risk Score: 13.4%, Cover Pool Loss Score: 21.5% 4 Incl. Industrial/Logistics

Cover pools

Public Sector cover pool with a sound profile

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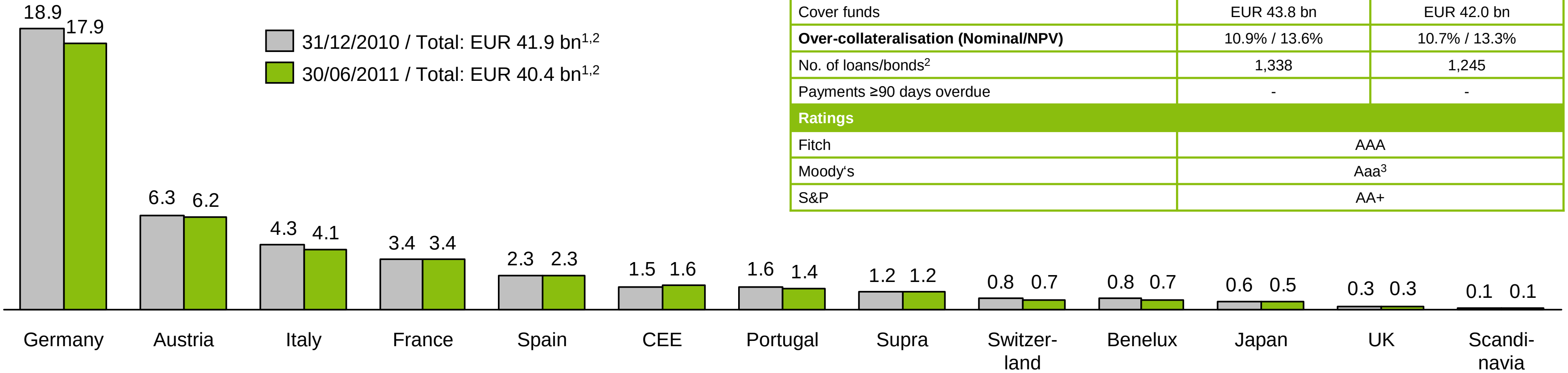
Cover funds by region

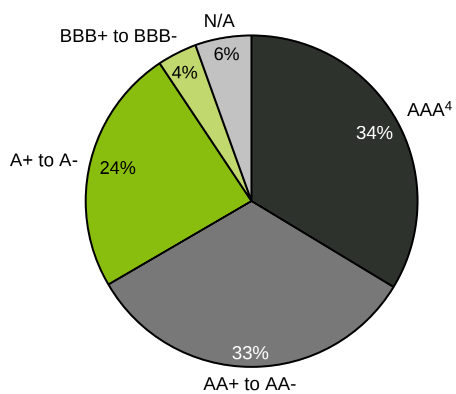
EUR billions (Nominal)



Public Sector cover pool (Nominal)	31/12/2010	30/06/2011
Pfandbriefe outstanding	EUR 39.5 bn	EUR 37.9 bn
Cover funds	EUR 43.8 bn	EUR 42.0 bn
Over-collateralisation (Nominal/NPV)	10.9% / 13.6%	10.7% / 13.3%
No. of loans/bonds[2]	1,338	1,245
Payments ≥90 days overdue	-	-
Ratings		
Fitch	AAA	
Moody's	Aaa[3]	
S&P	AA+	

Cover funds by ratings

31/03/2011: EUR 40.8 bn (Nominal)



Largest borrowers

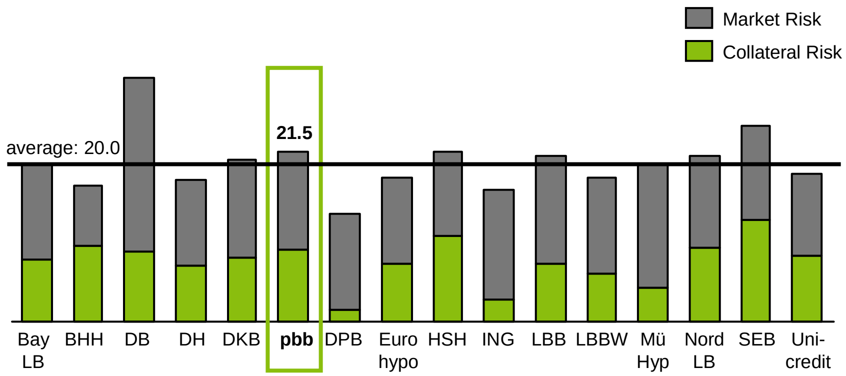
31/03/2011

Borrower[5]	Region	Counterparty type	Nominal[6]
Republic of Austria	Austria	Central government	EUR 4.2 bn
Etablissement Public de Financement et de Restructuration	France	Central government	EUR 2.6 bn
Republic of Italy	Italy	Central government	EUR 2.1 bn
Federal State of Northrhine-Westfalia	Germany	Regional authority	EUR 1.8 bn
Federal State of Baden-Württemberg	Germany	Regional authority	EUR 1.7 bn
Federal State of Berlin	Germany	Regional authority	EUR 1.5 bn
Federal State of Lower Saxony	Germany	Regional authority	EUR 1.1 bn
Federal State of Hesse	Germany	Regional authority	EUR 1.0 bn
Federal State of Hamburg	Germany	Regional authority	EUR 0.9 bn
Federal State of Lower Austria	Austria	Regional authority	EUR 0.8 bn

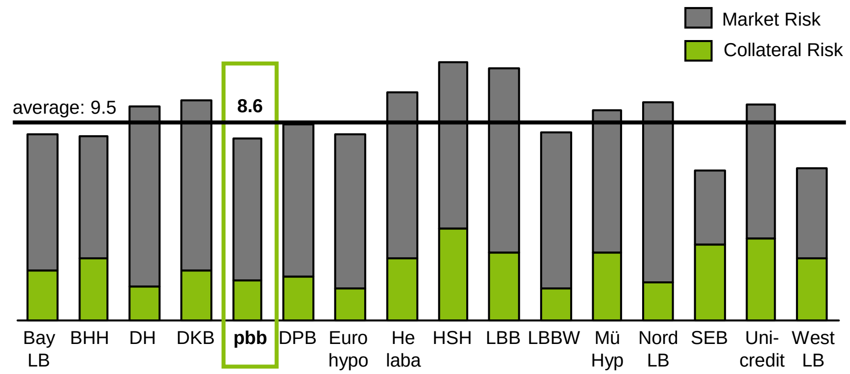
Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Excl. derivatives 3 Collateral Score: 3.5%, Cover Pool Loss Score: 8.6% 4 Incl. Etablissement Public de Financement et de Restructuration (EPFR) with no external rating (internally AAA-rated); remainder non-rated Public Sector 5 If loan is guaranteed, guarantor stated 6 Total amount of respective borrower in cover pool

Cover pools
Relative value based on Moody's Scores

Cover Pool Loss Score in % – Mortgage cover pool[1]
Acc. to Moody's



Cover Pool Loss Score in % – Public Sector cover pool[1]
Acc. to Moody's



- **Quality of Mortgage cover pool in line with other issuers**
- **The Public Sector cover pool shows the 3rd best score in Germany**
- **Secondary market spreads don't reflect pool quality, providing pbb issues with relative value**

The Cover Pool Loss in % tells the investor the level of losses that Moody's is currently modelling into its rating approach in the event of an issuer default. This enables an investor to take a view on Moody's loss assumptions if the issuer is removed from the rating analysis. It has two components: the Collateral Risk and the Market Risk.

1 Source: Commerzbank, Pfandbrief Transparency Study, 11th August 2011

Funding plan

German Pfandbrief as main funding instrument – funding volumes mainly determined by new business

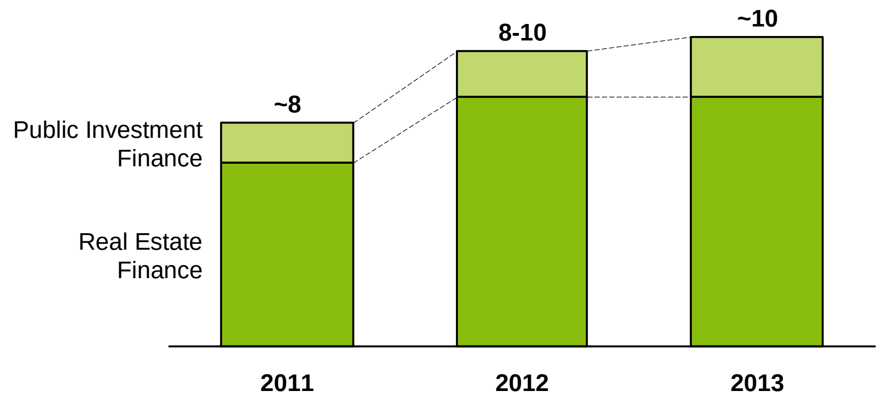
New issuances (based on EU restructuring plan)[1]

EUR billions

	2012	2013
Public Sector Pfandbriefe	1.5	3.5
Mortgage Pfandbriefe	5.0	6.5
Senior unsecured	2.5	3.5
Money Market	1.5	1.5
Total	**10.5**	**15.0**

New business (based on EU restructuring plan)[1]

Commitments (EUR billions)



- **Conservative funding profile with**
  - only minor funding gaps
  - the Pfandbrief as main funding instrument
- **Comfortable liquidity position allows for gradual re-entrance into the Pfandbrief market and unsecured capital markets**
- **Funding strategy continues to involve private placements and benchmark transactions**
- **Market depth for planned issuance volumes existing – Mortgage Pfandbrief issuance in benchmark format planned**

Note: Figures may not add up due to rounding 1 Scenario calculation based on EU restructuring plan

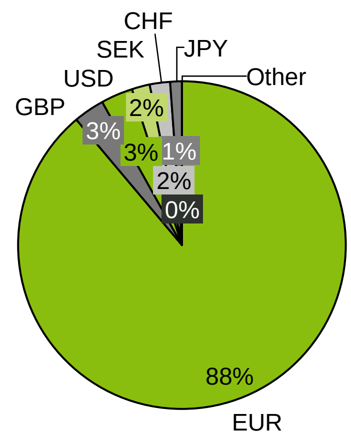
Funding

Products

- Plain fixed-rate or floater as well as Zeros or step-up coupons
- Callable / putable - structures
- CMS-linked, CMS-spreads, amortizing issues, Inflation-linker

Currencies

- Public Sector Pfandbrief will require EUR and minor USD funding
- Mortgage Pfandbrief will require EUR and GBP funding
- Unsecured Funding will be taken in various currencies



pbb offers a wide range of different products and currencies

Alternative funding sources

- High OC requirements highlight need for alternative approaches, e.g. using non-encumbered assets
- Analyzing possibilities of Structured Covered Bonds

Diversification of funding sources and broadening of investor base

Private placement levels against 3-M-Euribor

Min. volume EUR 5 mio

years	1	2	3	4	5	6	7	8	9	10
Public Sector Pfandbriefe	On request	25	35	40	45	50	50	50	55	55
Mortgage Pfandbriefe	On request	25	35	40	45	50	50	50	55	55
Senior unsecured	On request	90	100	110	120	120	120	125	125	130

Minimum volumes

Bearer Notes EUR 5 million

Registered Notes EUR 1 million

Structured issues EUR 5 million

Main currencies possible (e.g. EUR, USD, JPY, GBP, CHF, NOK, DKK, SEK, AUD)

New issue planned

- pbb currently visiting investors across Europe in a deal-related roadshow to verify options of a Pfandbrief issuance in benchmark format
- Issue and characteristics still subject to market conditions but with the intention to offer a mid-term Mortgage Pfandbrief in Jumbo format
- Exploit the opportunities of tight issuance windows in the remaining course of the year
- Pfandbriefe offer an interesting risk / reward relation with credit markets in the conflict between sovereign debt crisis and the search for safe haven investment opportunities

Your business contacts in pbb's Treasury team

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pbb Treasury

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- Suni Mathew

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- Bettina Böll
- Oliver Franke
- Matthias Lorenz
- Gerhard Thiele

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- Ingo Brockerhoff
- Christian Thiede
- Dirk Freilinger

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pbb / Eschborn

Interest Rate Steering

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- Andreas Lorenz
- Francois Motisi

Strategic Balance Sheet Management

- Jochen Hanke
- Christina Schnitzius
- Georgios Pavlidis

Liquidity Management

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Liquidity Management is responsible for managing the short term & strategic interest rate, FX and liquidity position:

- Management of liquidity, short-term IR and FX risks
- Management of interbank deposits and pricing of short term funding
- Implementation and management of the regulatory liquidity buffer within the pbb
  - Set-Up of liquidity buffer portfolio to be finished by year-end 2011

The following funding and hedging instruments are mainly used:

- Interbank deposits and placements
- Derivatives (IRS, FX swaps, FRA)
- ECP and French CD program
  - Size of the programs: EUR 10 bn (EUR 5 bn each)
  - Outstanding ECP/FCD currently EUR 135 mio
  - All main currencies available
- Spot Trades
- Central Bank Refinancing Operations
  - pbb is currently **not** using the ECB for refinancing purposes
- Bilateral Repo / Tri-Party Repo
  - Outstanding repos currently EUR 1.8 bn

Asset Liability Management

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Interest Rate Steering

Strategic IR risk management

- Centralised management of interest rate risks > 1Y for all of pbb (short-end by Liquidity Mgmt)
- Mainly IR swaps / swaptions, IR basis swaps, x-ccy and predominantly in EUR, also GBP, USD, CHF & others
- Economic IR risk position subject to Value-at-Risk limits set by Market Risk
- No Trading Book; strategic positioning mostly in EUR

IFRS accounting view

- Target is to manage the interest rate induced IFRS P&L s.t. hedge accounting and German GAAP constraints
- Micro Hedging Approach
- Active dialogue with Finance Department on the optimisation of accounting impacts

Novation project / bank restructuring

- Novation of derivatives transferred back-to-back to FMS-Wertmanagement in Oct 2010
- Separation of pbb and DEPFA sub-groups, e.g. by reducing intergroup derivatives exposures

Strategic Balance Sheet Management

A/L funding gap profile

- Structural liquidity gap modelling (with Liquidity Risk)
- Monitors gap limits and proposes actions to ALCO

Funding structure

- ALM & Funding define funding strategy (via ALCO)
- Derivation of funding plans
- Measurement of funding strategy implementation

Funds Transfer Pricing

- Internal transfer pricing of interest rate risks and liquidity
- Proposes internal FTP rates to Group ALCO

Contingent Liquidity Risk

- Sets framework for liquidity buffer portfolio (via ALCO)
- Balancing of liquidity gap profile, contingent cashflows and liquidity buffer

Conceptual integrity of Treasury

- Definition and implementation of Treasury methodology (incl. behavioral cashflow adjustments, input for liquidity scenario definitions)

Experienced Front Office / Treasury team with diverse backgrounds in Trading, Structuring and Consulting

Agenda

1. Business model and strategy (Manuela Better)
2. Portfolio (Manuela Better)
3. New business (Dr. Bernhard Scholz)
4. Funding and cover pools (Wolfgang Groth)
5. **Financials and outlook (Alexander von Uslar)**
6. Key take-aways (Manuela Better)

Income statement
Turnaround achieved in Q3 2010 – four consecutive profitable quarters

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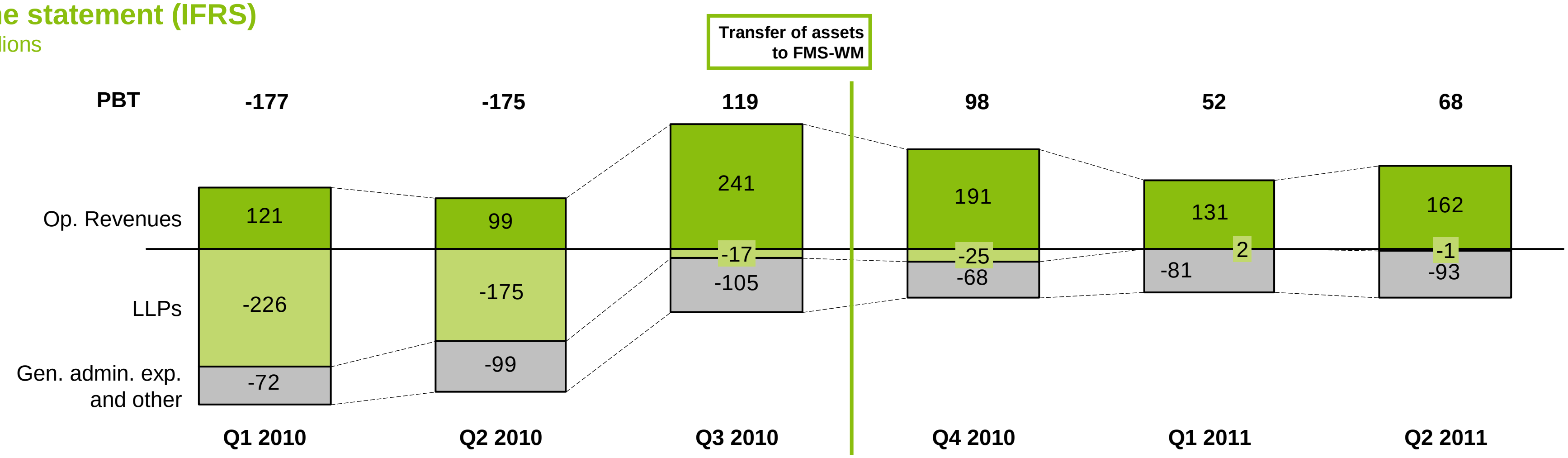
Income statement (IFRS)
EUR millions



- **Stable and sufficient income base out of remaining interest bearing assets**
- **Loan-loss provisions currently low as balance sheet was significantly de-risked – however, low provisioning levels of last quarters not sustainable**
- **Operating cost base influenced by IT restructuring but supposed to come down**

Income statement
Lower income base, but reduced volatility of income lines

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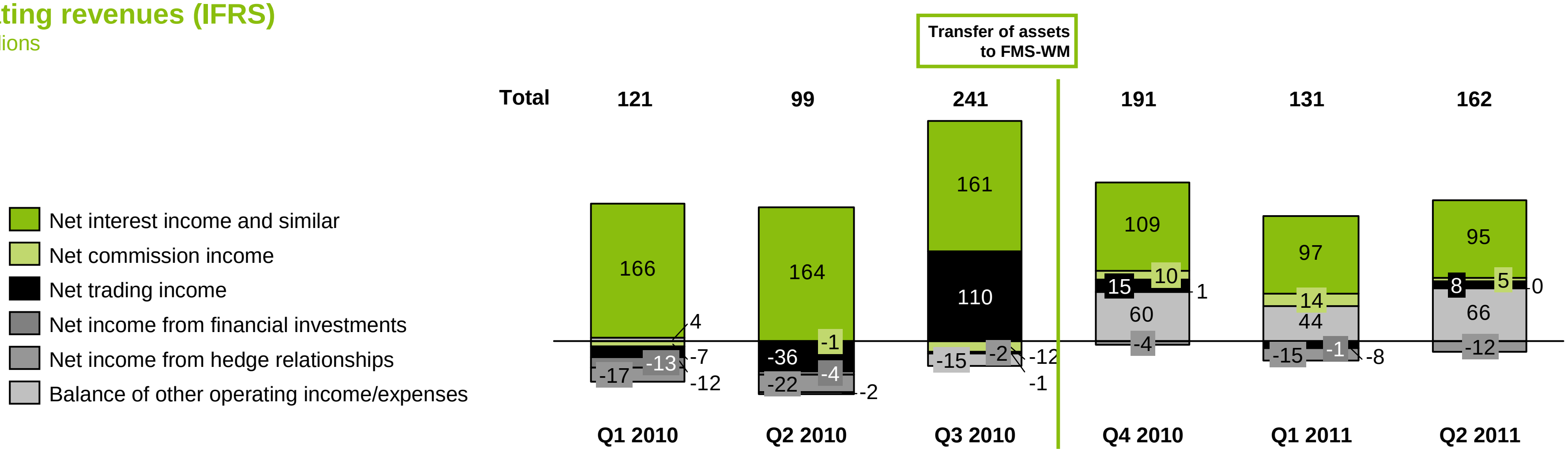
Operating revenues (IFRS)
EUR millions



- ✓ **Transfer of interest bearing assets to FMS-WM has lead to lower income base, but reduced volatility of income lines**
- ✓ **Fees for SoFFin guarantees no longer burden net commission income**
- ✓ **FMS-WM pays fee for the servicing (other operating income) – however, general administrative expenses include the costs for servicing the assets for FMS-WM**

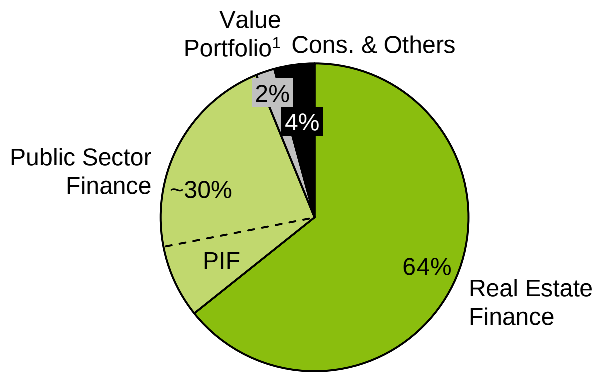
➔ **Operating revenues to benefit from higher-margin REF and PIF business, replacing Public Budget Finance over time**

Operating revenues to benefit from higher-margin REF and PIF business, replacing Public Budget Finance over time

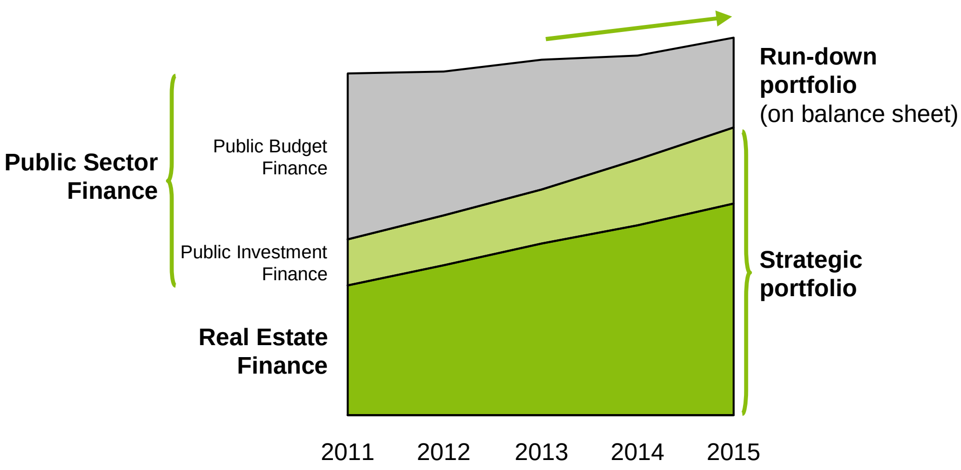
pbb DEUTSCHE PFANDBRIEFBANK

Net interest and similar income (IFRS)

H1 2011



Planned portfolio development[2]



- **Net interest income mainly generated from Real Estate Finance (REF) business – Public Sector Finance (PSF) includes mostly lower-margin Public Budget Finance (PBF), which will be run down on balance sheet**
- **Higher-margin Real Estate Finance (REF) and Public Investment Finance (PIF) new business to replace existing PBF business over time**
- **Total portfolio to remain largely stable until 2013, but expected to grow thereafter**
- **Increasing average portfolio margin will strengthen future operating revenue base**

1 The business segment ‘Value Portfolio‘ (VP) comprises securities issued by FMS-WM and some selected structured products which will be run down over time 2 Scenario calculation based on EU restructuring plan

Income statement

Less loan-loss provisions due to significantly de-risked balance sheet

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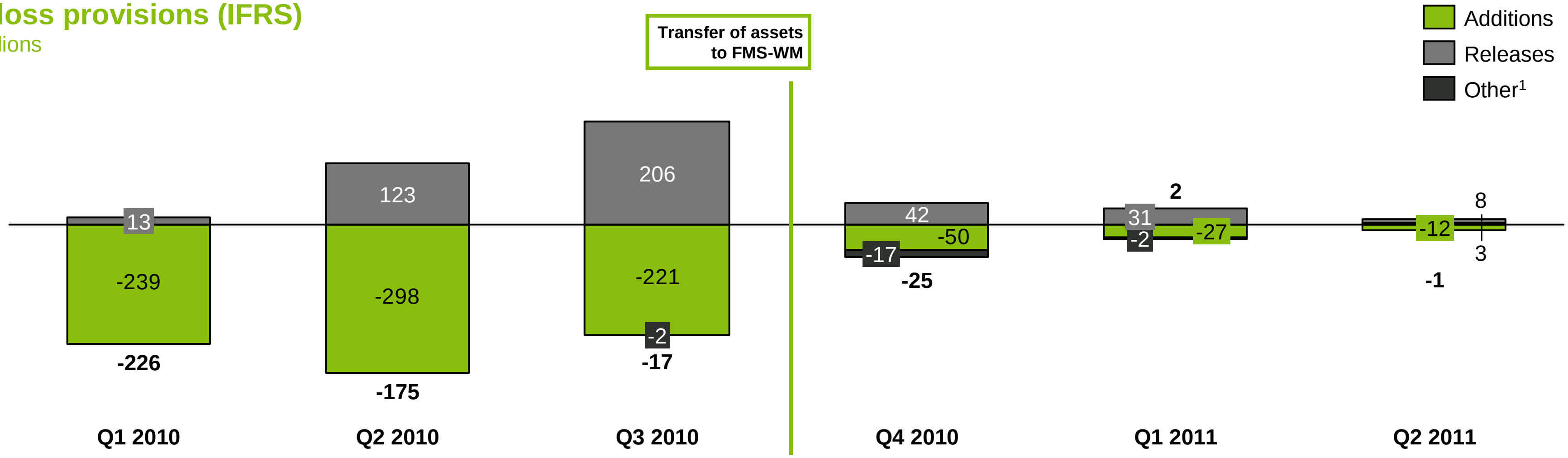
Loan-loss provisions (IFRS)

EUR millions



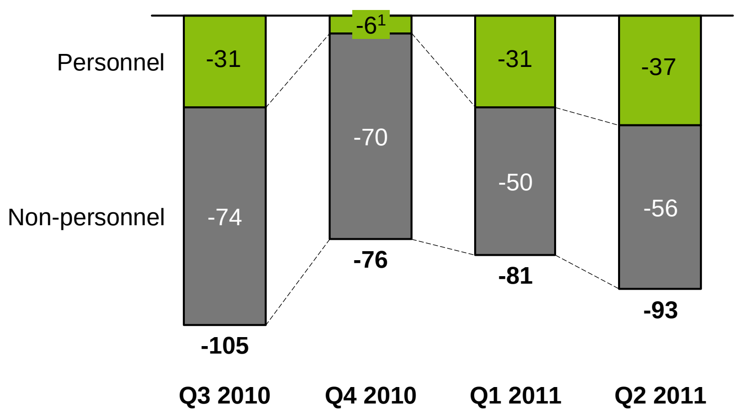
- **Loan-loss provisions reduced following the asset transfer to FMS-WM, being one reason why profit levels have been comparably high in the last quarters**
- **Current low provisioning level not sustainable**

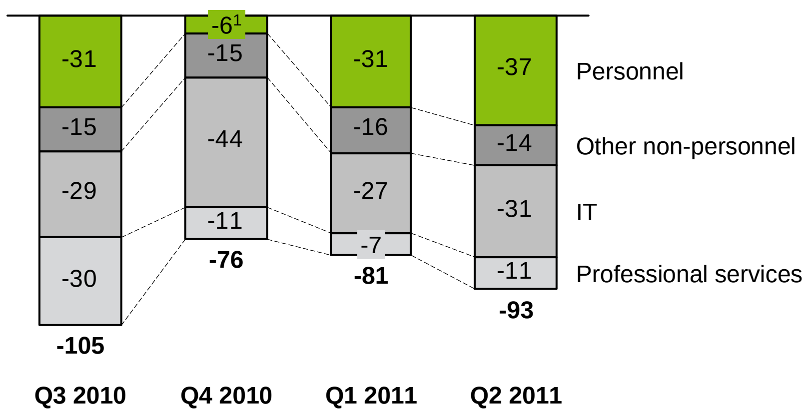
1 Allowances for losses on guarantees and indemnities + recoveries from written-off loans and advances

Operating cost base supposed to come down by up to a third until 2015

General administrative expenses (IFRS)

EUR millions





General administrative expenses high due to ongoing special factors
- IT projects
- Servicing of FMS-WM assets
- IT services for DEPFA

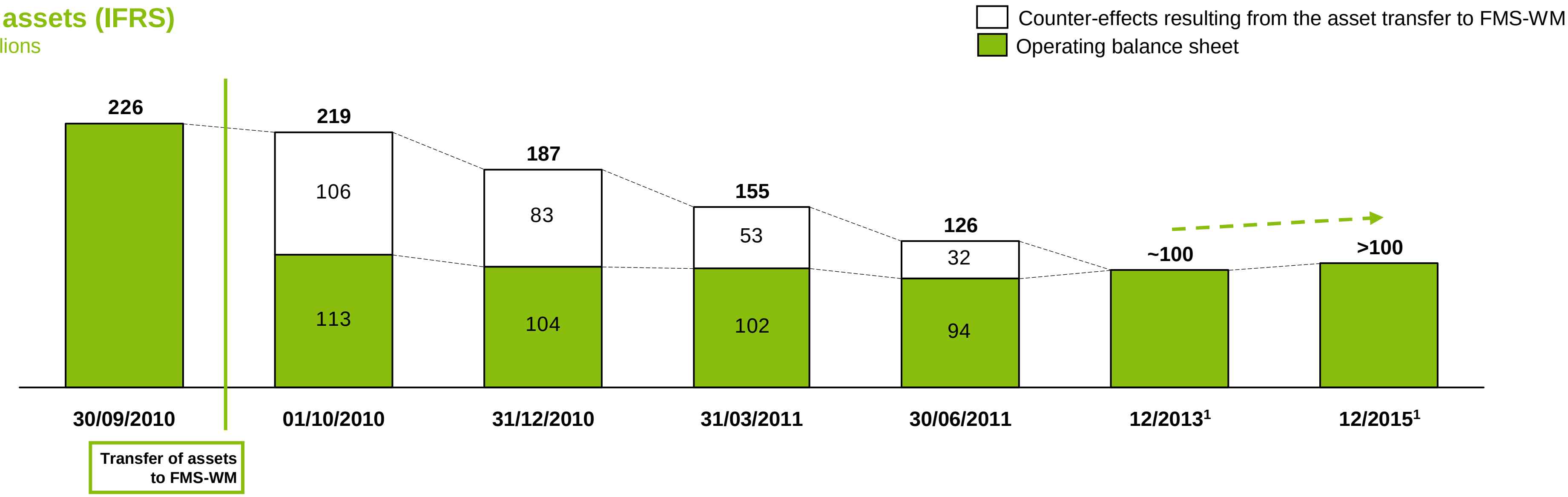
Operating cost base supposed to come down by up to a third until 2015
- Strict cost management imposed
- Expenses for professional services and IT projects will gradually fade
- Organisational separation from FMS-WM by end of September 2013

1 Incl. EUR 13 mio gain from release of accruals for variable compensation

Operating balance sheet now at EUR 94 bn but expected to increase again mid-term

Total assets (IFRS)

EUR billions



- **pbb's balance sheet significantly de-leveraged, following the asset transfer to FMS-WM**
- **Counter-effects relating to the asset transfer reduced by 70% since Oct 2010**

Operating balance sheet now at EUR 94 bn but expected to increase again mid-term

Note: Figures may not add up due to rounding   1 Scenario calculation based on EU restructuring plan

Capitalisation
pbb significantly de-risked and sufficiently capitalised with a Tier I ratio of 18.0%

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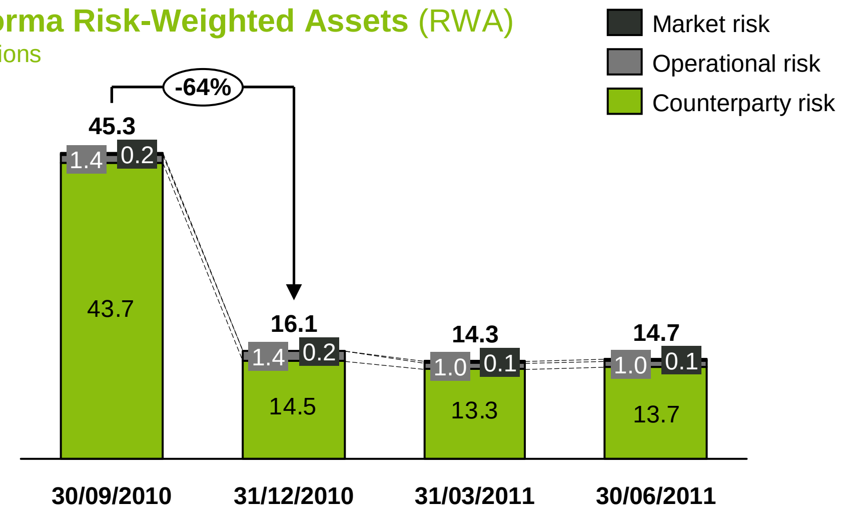
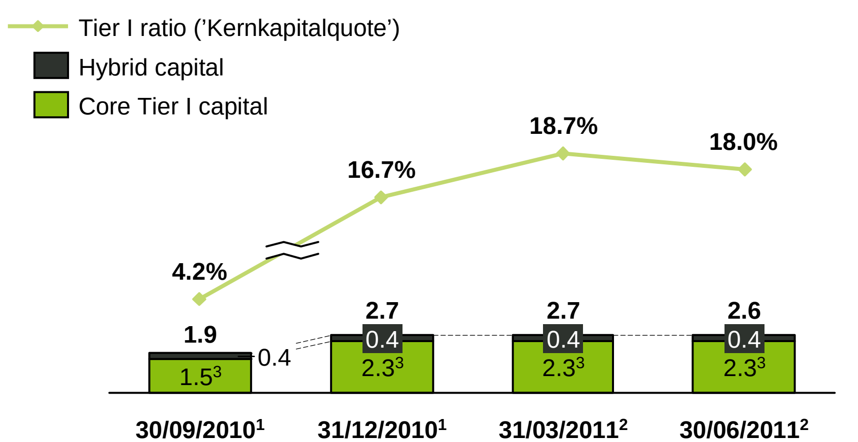
Pro-forma Risk-Weighted Assets (RWA)
EUR billions



The regulatory capital ratios stated are calculated on an unaudited pro-forma basis. Deutsche Pfandbriefbank AG is according to the 'Waiver Rule' regulated in Sec. 2a KWG (German Banking Act) not obliged to determine the equity capital ratio and the core capital ratio on a sub-group level.

- RWA significantly reduced following the asset transfer to FMS-WM
- pbb sufficiently capitalised with a Tier I ratio of 18.0%
- EU requires a full retention of profits at pbb until re-privatisation to pay back EUR 1 bn silent participation of SoFFin
- Tier I ratio expected to stay comfortably above 10%, even including a full repayment of the silent participation of SoFFin

Pro-forma Tier I capital/ratio (SolvV, German GAAP/HGB)
EUR billions



Note: Figures may not add up due to rounding 1 Incl. year-to-date losses/adjustments 2 Excl. year-to-date profits/adjustments 3 Incl. silent participation; 30/09/2010 and 31/12/2010 restated

Agenda

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5. Financials and outlook (Alexander von Uslar)
6. **Key take-aways (Manuela Better)**

Key take-aways

Clearly focussed business model

- pbb significantly de-risked and de-leveraged
- Diversified business model with high synergies between business lines REF and PIF
- Total portfolio to remain largely stable until 2013, but expected to grow thereafter as portfolio growth in strategic business lines will over-compensate for the run-down of Public Budget Finance
- Aspiration to return to position as leading European Real Estate and Public Investment Finance lender

Sufficient room for new business growth

- Now fully focussing on clients again, regaining full strength of new business origination
- New business origination at attractive margins with conservative underwriting policy and reduced risk appetite
- Successful re-entry into the markets – new business volumes in H1 2011 already at full-year level 2010

Set up and expansion of refinancing capabilities to optimise funding costs

- Limited funding gaps
- German Pfandbrief as main funding instrument – funding volumes mainly determined by new business
- Current funding plan for 2012: EUR 6.5 bn Pfandbriefe and EUR 2.5 bn unsecured
- Focus on diversification of investor base (regions, types and products)
- Comfortable liquidity position allows for gradual re-entrance into the capital markets

Operating revenue base to increase mid-term

- Operating revenue base to increase – higher-margin strategic REF and PIF business to replace existing Public Budget Finance business
- Current low provisioning level not sustainable
- Strict cost management imposed – operating cost base supposed to come down by up to a third in 2015
- Target: Sustainable profitability with high single digit ROE
- Tier I ratio expected to stay comfortably above 10%, even including a full repayment of the silent participation of SoFFin
- Operating balance sheet now at EUR 94 bn but expected to increase again mid-term

pbb on track for continued growth

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