

Analyst/Investor Presentation

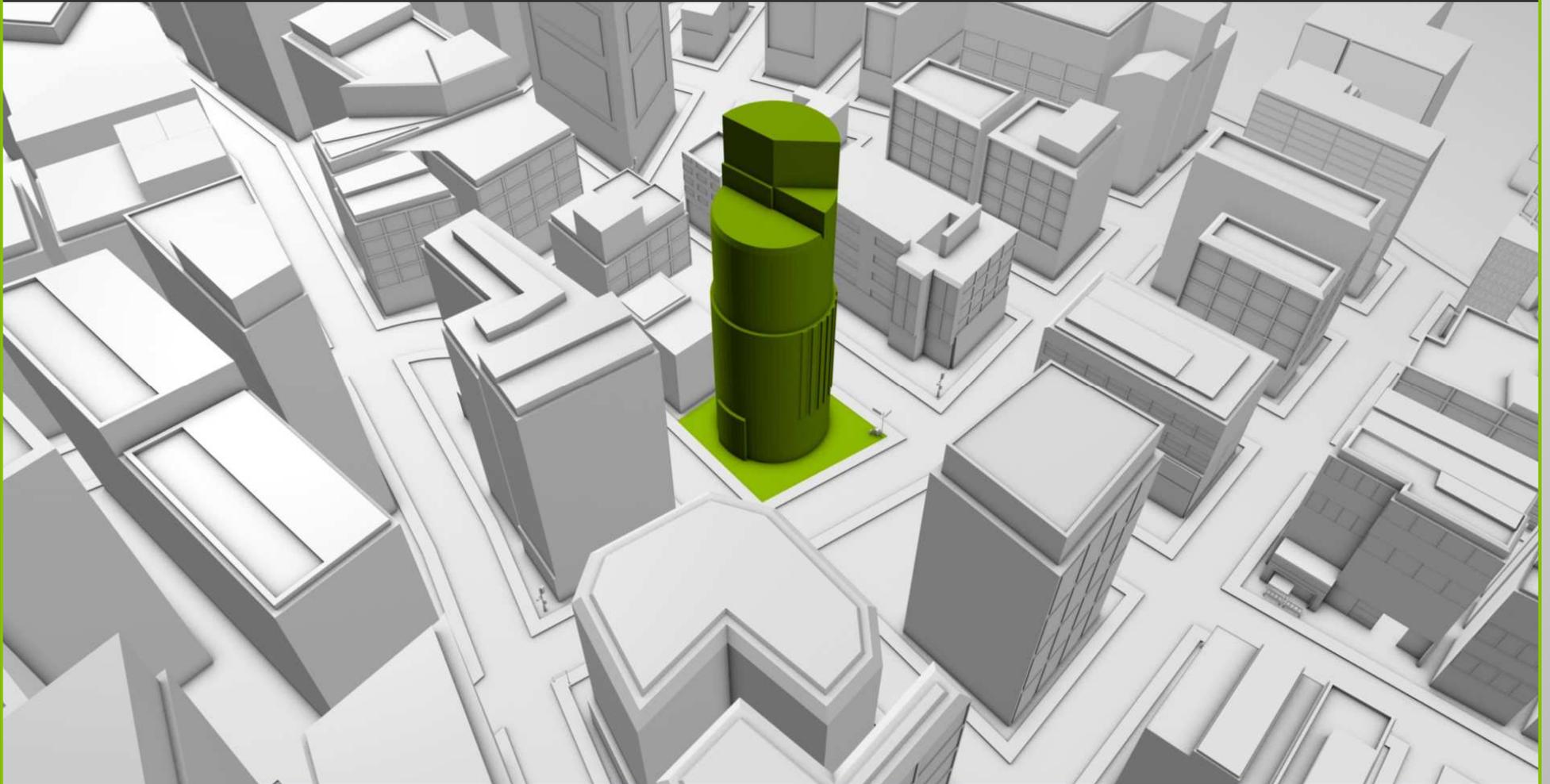
October 5, 2010

Transfer of assets as key milestone for re-positioning

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb

DEUTSCHE
PFANDBRIEFBANK



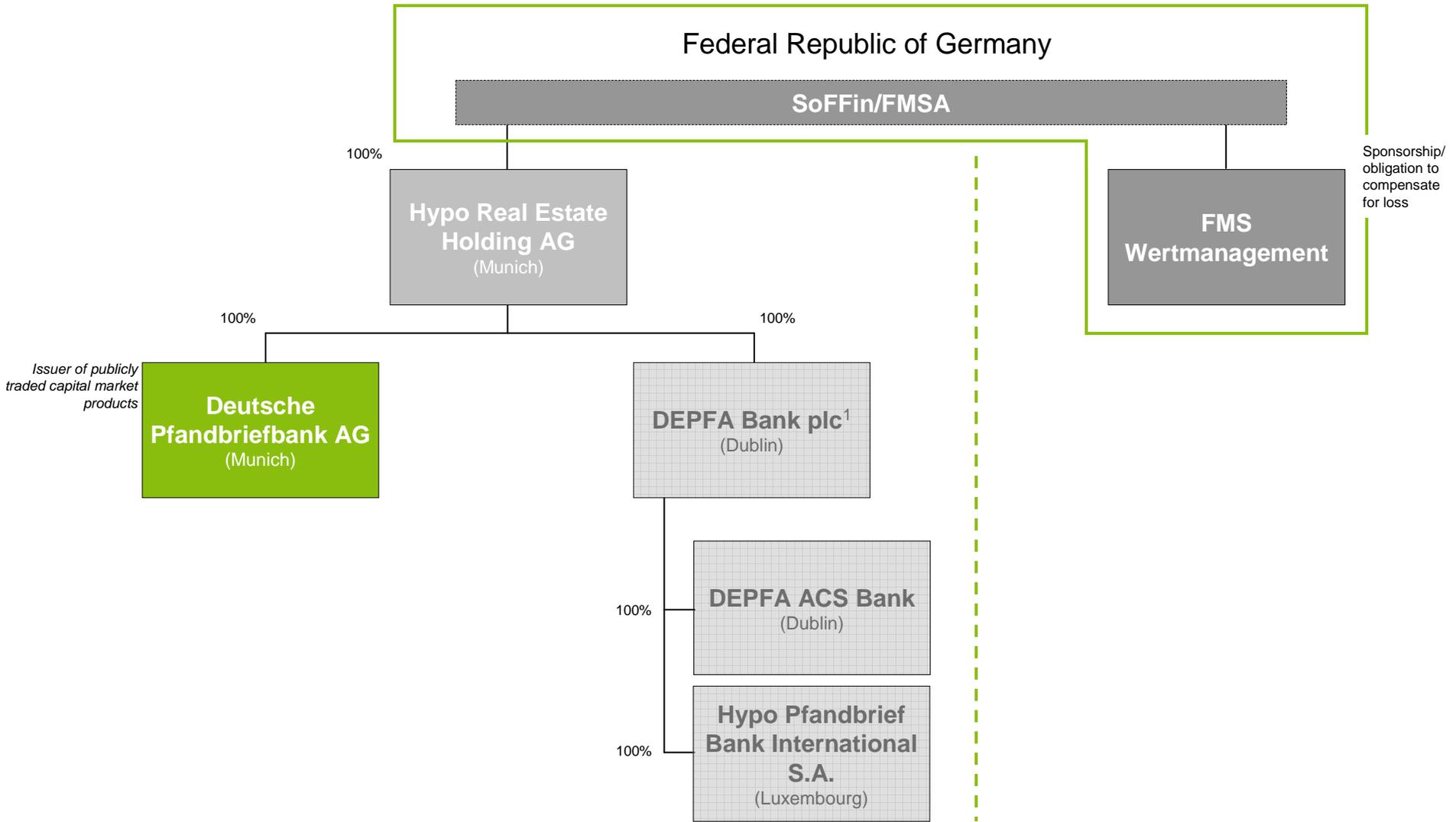
Disclaimer

- The following presentation provides provisional information and only a rough picture of the transaction effects. However, figures and information will only then be finalised when the final accounts as of the transfer date have been completed, and this is not yet the case.
- The volumes, graphs and portfolio splits of pbb and DEPFA are based on simulation runs as of end of March and September 2010. In particular: derivatives, hedge-adjustments, accrued interest, undrawn lines, repo transactions, repayments, prolongations, new business, fluctuations of market prices and currency exchange rates, rating migrations and other factors might not be fully included.
- This document contains prognoses based on calculations, estimates and assumptions made by the company top management and external advisors and are believed warranted. The actual results and events can substantially vary from those prognoses as they are difficult to make and are accompanied by uncertainties.
- The asset transfer can bear tax and legal risks. These risks are not in detail assessable and hence can only be included in the current planning to the degree as those risks are already known or agreed upon and which units and countries will be impacted.
- For the purpose of this presentation pbb means pbb sub-group and DEPFA means DEPFA sub-group.
- The whole transaction still requires the final approval by the European Commission.

The asset transfer to FMS Wertmanagement (FMS-WM) is the key milestone for the stabilisation of HRE Group

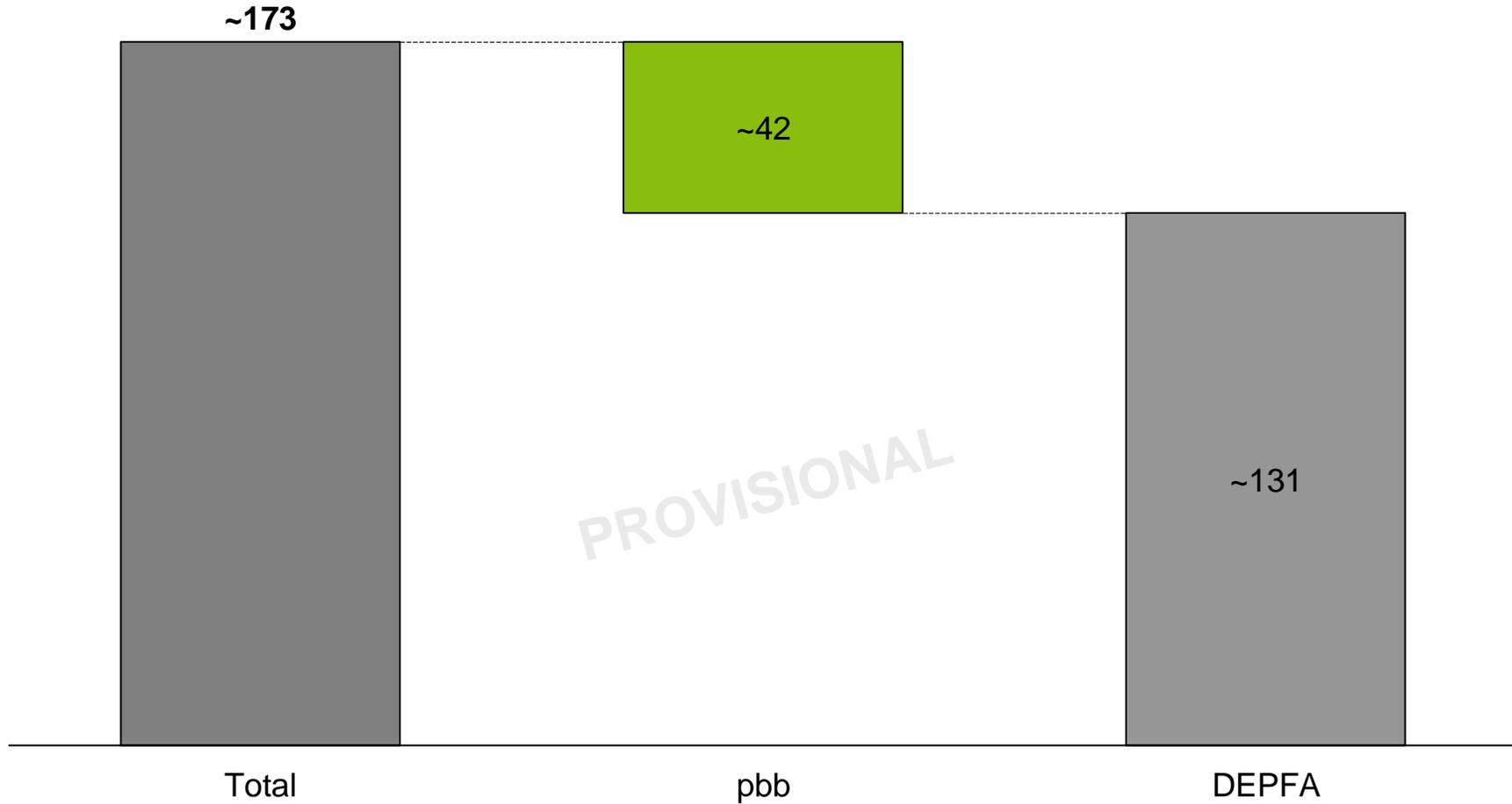
- ✓ FMS-WM allows HRE Group to dispose of non-strategic assets and risk positions and facilitates the envisaged balance sheet reduction – assets transferred at book value
- ✓ Improved balance sheet structure – significantly reduced impact from market volatility and credit spread movements
- ✓ External liquidity support no longer required – transfer of all SoFFin guaranteed bonds to FMS-WM
- ✓ The transfer enables pbb to re-position as a largely de-risked bank, re-emerge as a reliable business partner and strong issuer in the German Pfandbrief market
- ✓ Enhanced ability to re-privatise pbb

HRE Group structure



1 Incl. Hypo Public Finance Bank

Nominal¹ (excl. derivatives), based on simulation as of 09/2010
EUR billion



Note: Figures may not add up due to rounding 1 Excl. derivatives, undrawn lines or repo transactions

- ✓ **Transfer of all SoFFin guaranteed bonds to FMS-WM**
 - EUR 124 bn SoFFin guaranteed bonds, incl. EUR 20 bn to secure transfer and settlement risk out of the transaction
 - When operational stability after the transfer is achieved the guarantee securing the transfer will be redeemed

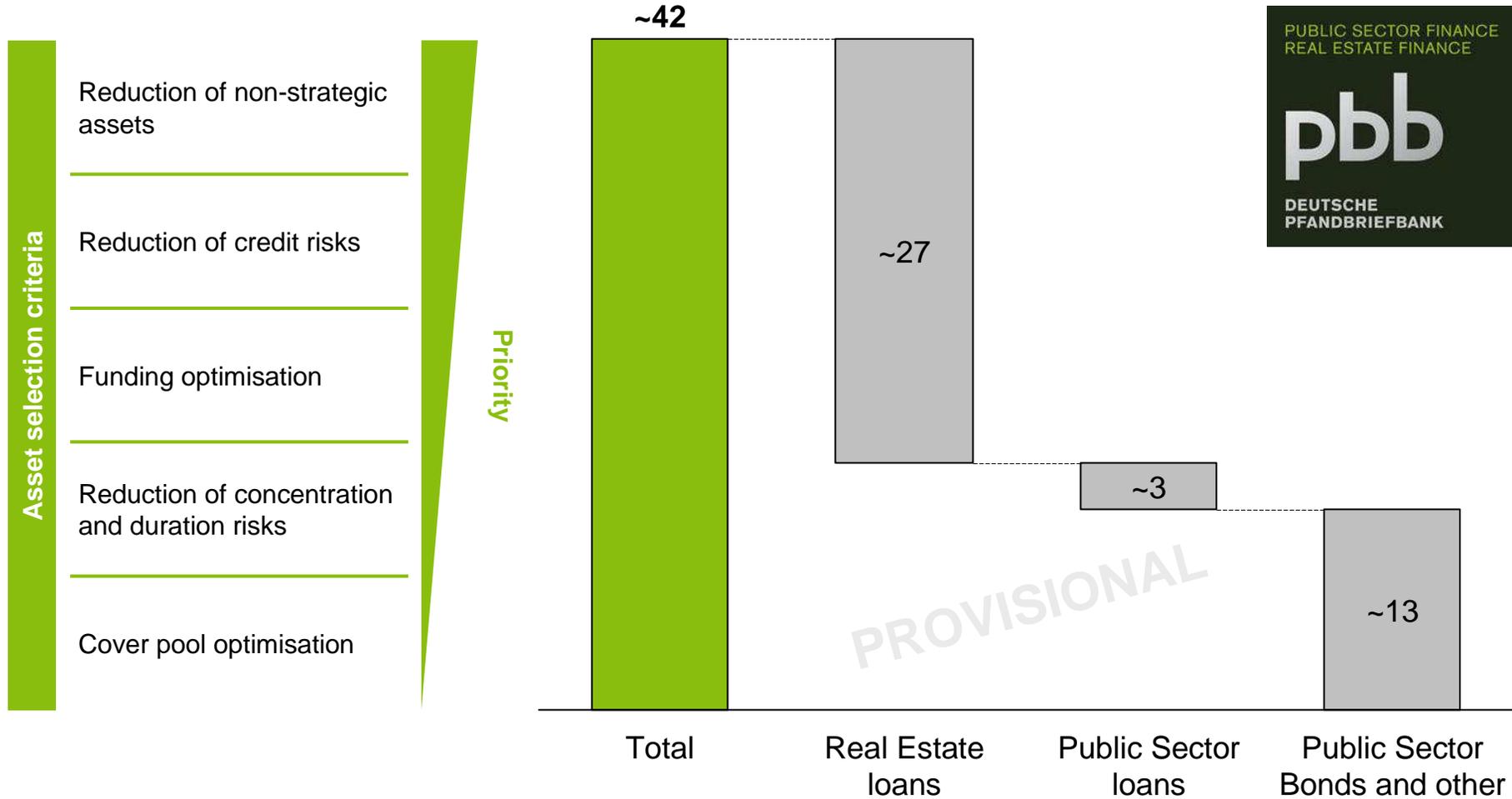
- ✓ **Bilateral repo and central bank funding remains in place for FMS-WM**
 - FMS-WM as non-bank has no direct central bank access – this will be bridged by pbb/DEPFA which increases the balance sheet of HRE Group entities due to the pass-through structure
 - Central bank funding of FMS-WM – and consequently the pass-through via HRE Group – envisaged to be reduced over time

- ✓ **No covered bonds and unsecured instruments transferred**

- ✓ **No transfer of public sub-ordinated instruments**

Nominal¹ (excl. derivatives), based on simulation as of 09/2010

EUR billion



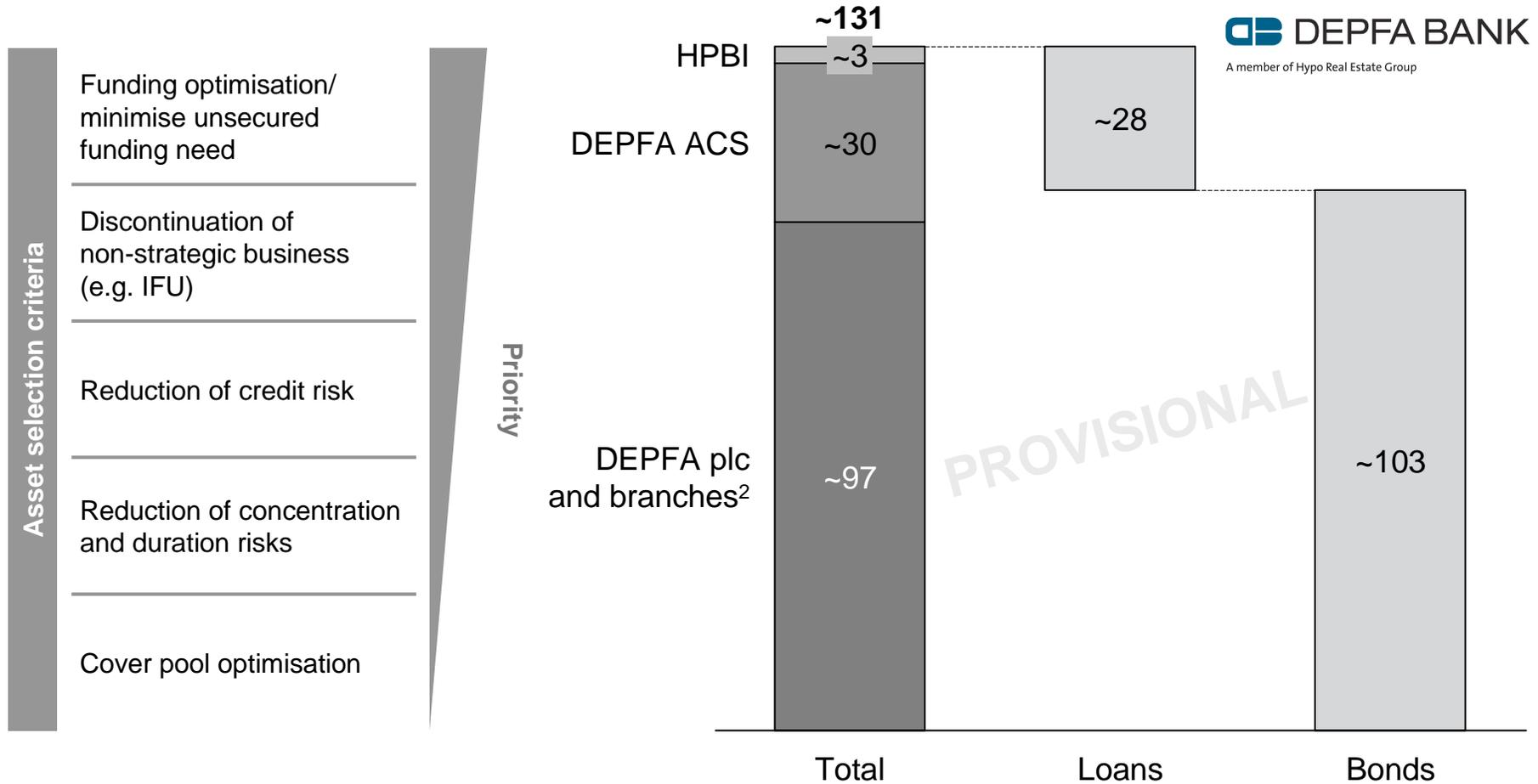
Note: Figures may not add up due to rounding 1 Excl. derivatives, undrawn lines or repo transactions

DEPFA

Transfer of EUR ~131 bn from DEPFA to FMS-WM

Nominal¹ (excl. derivatives), based on simulation as of 09/2010

EUR billion



Note: Figures may not add up due to rounding 1 Excl. derivatives, undrawn lines or repo transactions 2 Incl. Hypo Public Finance Bank

Service Level Agreement (SLA) for the servicing of transferred assets

Service Level Agreement (SLA)

- Several functions will be performed by FMS-WM from day 1 (e.g. Treasury)
- FMS-WM will pay a market adequate fee for the servicing
- The majority of the SLA will initially last for three years and can be extended after this period

Operational Asset Management

- HRE operational services for FMS-WM to fulfill daily business for the respective FMS-WM portfolio
 - Credit Risk Management
 - Global Workout
 - Asset Management
 - Treasury (only ALM support – own Treasury function within FMS-WM)
 - Agency Desk
 - Immo Trading

Risk and Control Functions

- As a service partner in this case, HRE will primarily provide information – decisions will be made by FMS-WM
 - Planning & Controlling
 - Finance
 - Risk Management & Control
 - Compliance & Internal Audit

Support Functions

- HRE will provide the operational Asset Management with the following support functions
 - Credit Operations
 - Payments Financial Market Operations
 - IT
 - Sourcing & Corporate Services
 - Property Analysis & Valuation
 - Legal
 - Interface Management
 - Ad-hoc Reporting

HRE Group – Cover Pools

Transfer of EUR ~28 bn Public Sector cover pool assets to FMS-WM and restructuring of cover pools in three main steps



1 Transfer of EUR ~28 bn of cover pool assets to FMS-WM as of Oct 1, 2010

■ pbb Public Sector: EUR ~5 bn

No change of pbb Mortgage cover pool as EUR ~8 bn asset risk is transferred synthetically – assets remain within cover pool

■ DEPFA ACS: EUR ~22 bn

■ HPBI LdG: EUR ~1 bn

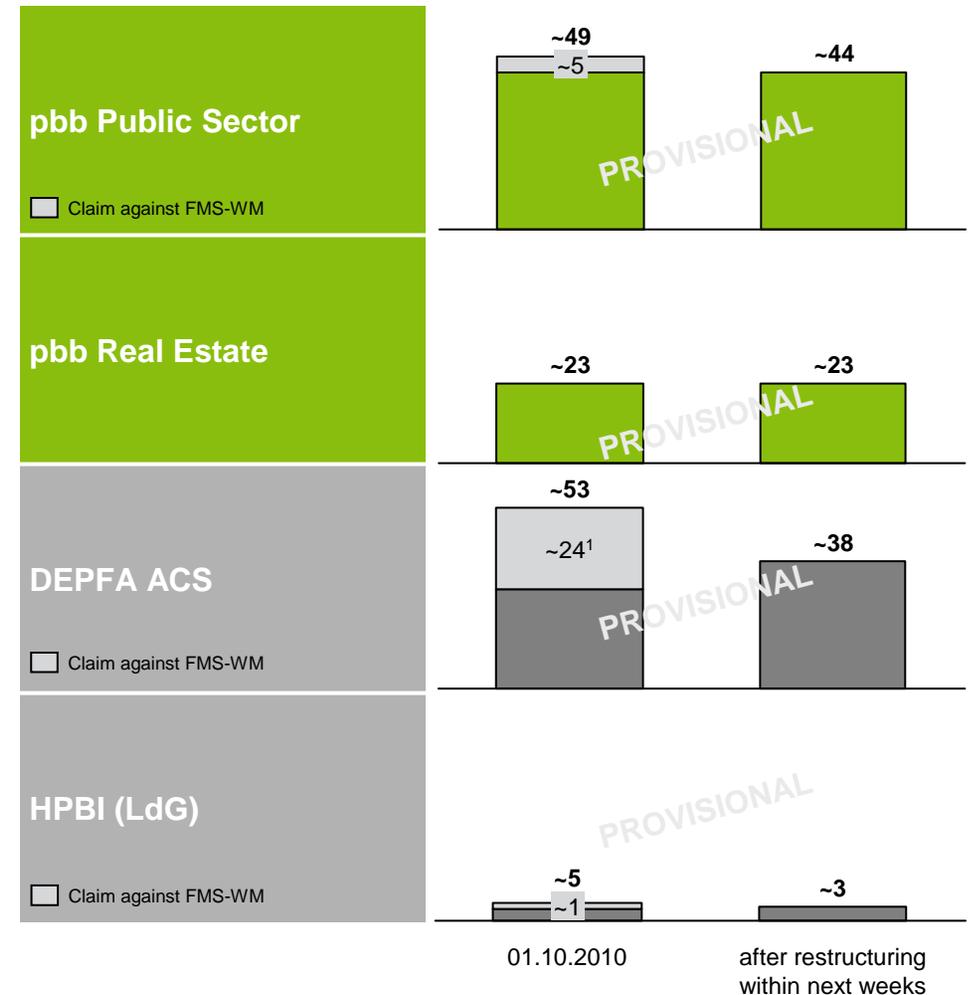
2 Exchange of assets on Oct 1, 2010 midnight with claim against FMS-WM – FMS-WM as German Public Agency is cover pool eligible (as confirmed by BaFin) and AAA-rated

3 Cover pool restructuring within next weeks

■ Exchange FMS-WM claim with cover pool eligible assets currently in bilateral repo

■ Retract own issuances currently pledged with ECB

Cover pool assets
Nominal, EUR billion



Note: Figures may not add up due to rounding 1 Claim against FMS-WM agreed prior to transfer of assets, therefore incl. e.g. FX risk buffer

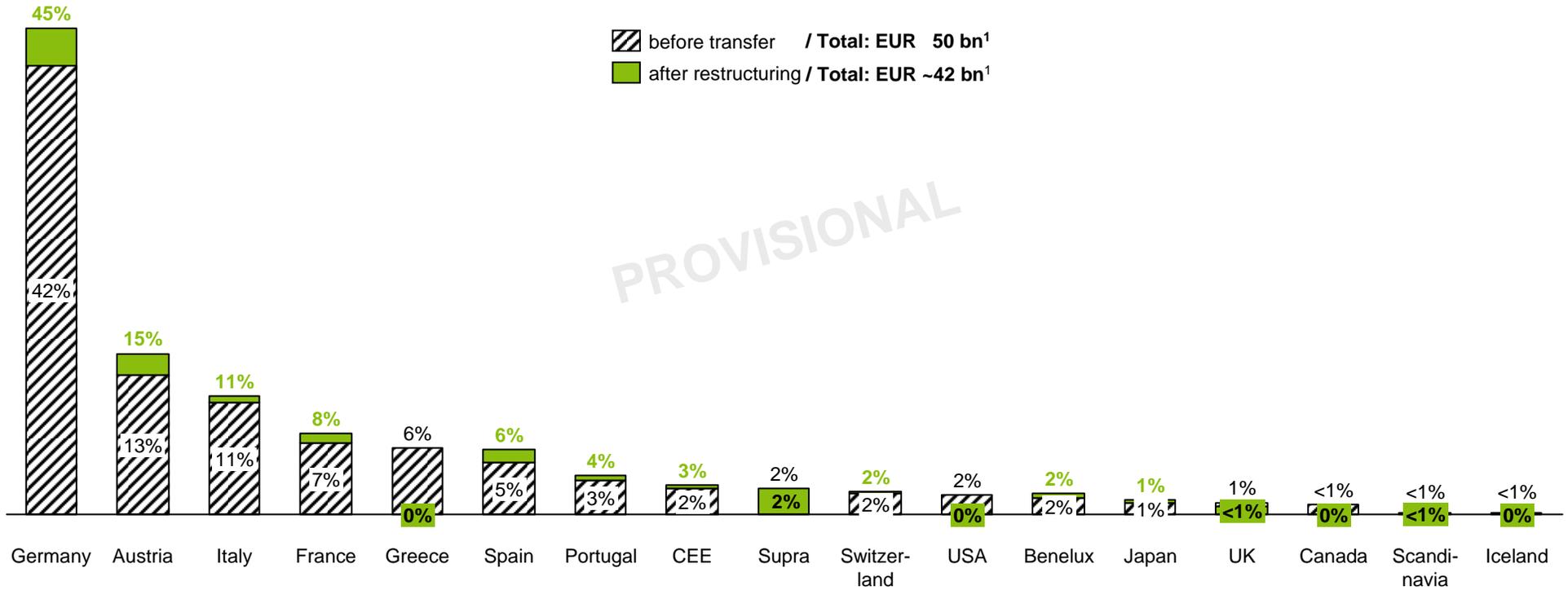
pbb Public Sector Cover Pool Changes

Public Sector cover pool / by regions

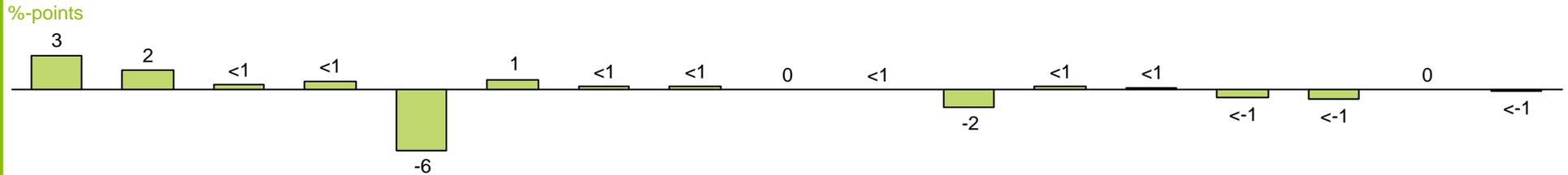
Nominal, 06/2010

▨ before transfer / Total: EUR 50 bn¹
■ after restructuring / Total: EUR ~42 bn¹

PROVISIONAL



Change



Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral)

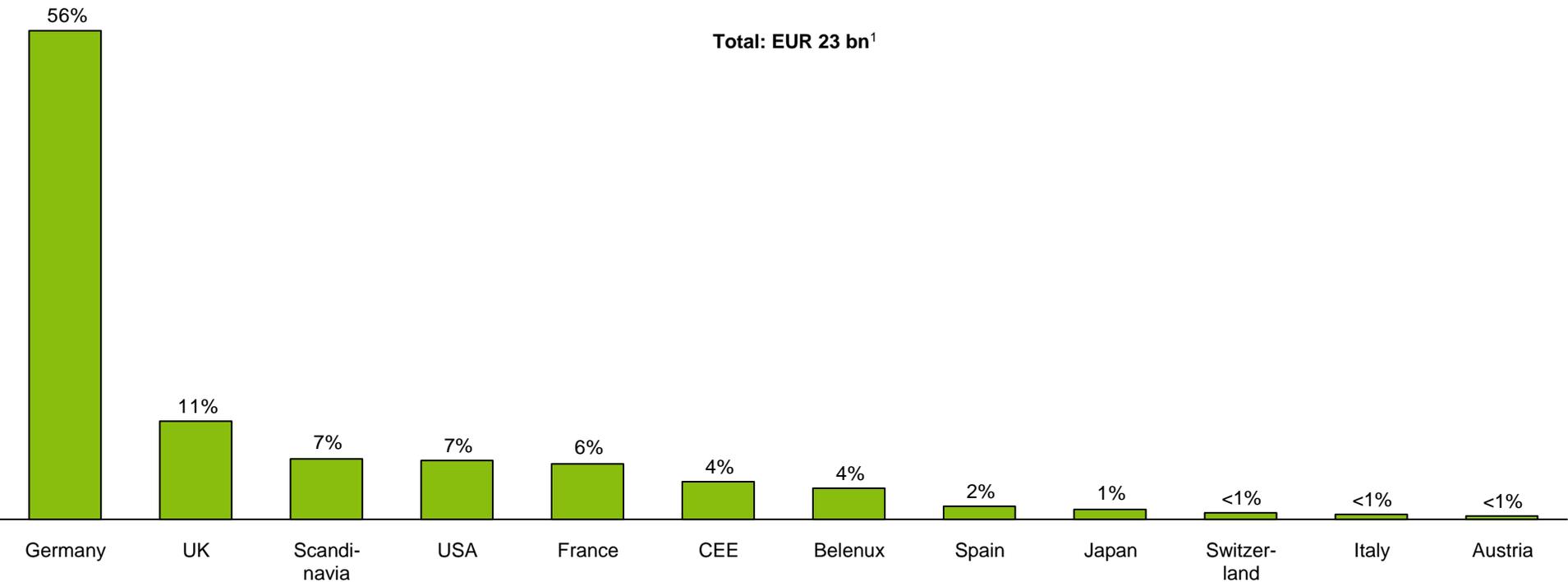
pbb Mortgage Cover Pool

No change of pbb Mortgage cover pool as EUR ~8 bn asset risk is transferred synthetically
– assets remain within cover pool



Mortgage cover pool / by regions

Nominal, 06/2010



Note: Figures may not add up due to rounding ¹ Excl. additional cover assets (substitute collateral)

Cornerstones of business model

- ✓ Concentration on Pfandbrief eligible Public Sector and Real Estate business
- ✓ Pfandbrief as main Funding instrument – pbb not dependent on liquidity support for existing portfolio and new business going forward
- ✓ Conservative funding profile with limited funding gaps
- ✓ Target markets for Public Sector and Real Estate identified and respective business strategies defined with regional presence in core markets
- ✓ Rebuilding franchise based on existing customer relationships and usage of synergies between PSF and REF

Outlook

- ➔ pbb expected to return to profitability in 2011
- ➔ Core capital ratio¹ expected to be >10%
- ➔ Funding plan secures refinancing of planned balance sheet growth of ~5% p.a.

Further outlook will be provided by year-end

¹ Incl. hybrid instruments; assumption: no further HRE intra-group transactions

DEPFA

Cornerstones of new business model and Outlook

Cornerstones of business model

- ✓ No new banking business planned
- ✓ Significant de-risking and downsizing in place after asset transfer with structurally improved balance sheet
 - Significantly reduced impact from market volatility on funding position
 - Significantly reduced impact from credit spread movements on equity base
 - Asset-liability mismatches largely eliminated

Outlook

- ➔ Portfolios transferred to FMS-WM are serviced by DEPFA (incl. Asset Management)
- ➔ Servicing of ACS and LdG cover pools remains with DEPFA ACS Bank and HPBI
- ➔ After the transfer, improved P&L for remaining business¹ – Tier I ratio of >10% on DEPFA subgroup level

Further outlook will be provided by year-end

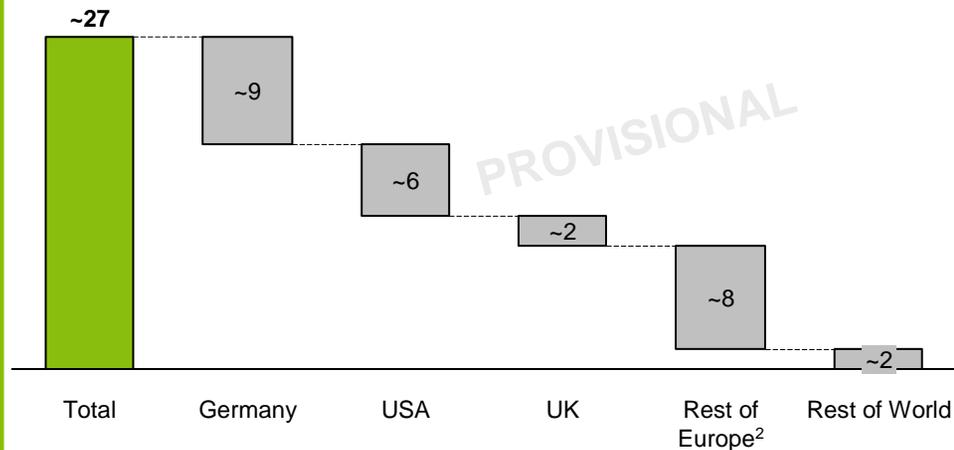
¹ Excl. extraordinary items

- ✓ The asset transfer to FMS Wertmanagement is the key milestone to establish pbb Deutsche Pfandbriefbank as new bank with a clearly defined business model and focused strategy
- ✓ Significant de-risking and de-leveraging
- ✓ External liquidity support no longer required – properly matched funding profile
- ✓ Improved P&L for core business and improved capital ratios for all Group entities
- ✓ Enhanced ability to re-privatise pbb

Appendix 1 – Structure of Portfolios transferred to FMS-WM

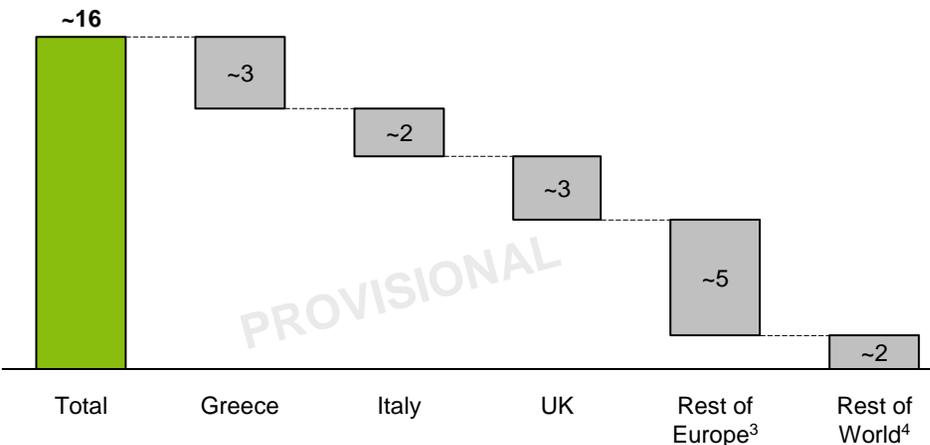
Real Estate loans / by regions

Nominal¹ (excl. derivatives), based on simulation as of 09/2010, EUR billion



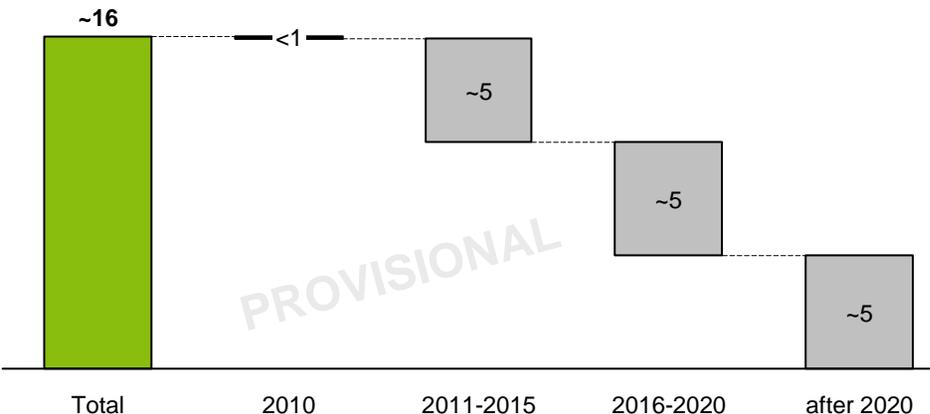
Non-Real Estate portfolio / by regions

Nominal¹ (excl. derivatives), based on simulation as of 09/2010, EUR billion



Non-Real Estate portfolio / by planned contractual maturities

Nominal¹ (excl. derivatives), based on simulation as of 09/2010, EUR billion



Note: Figures may not add up due to rounding

1 Excl. derivatives, undrawn lines or repo transactions

2 Incl. Spain EUR ~1 bn, Italy EUR <1bn, Portugal EUR <1 bn

3 Incl. Spain EUR ~1 bn, Ireland EUR ~1 bn, Germany EUR ~1 bn, Portugal EUR <1 bn

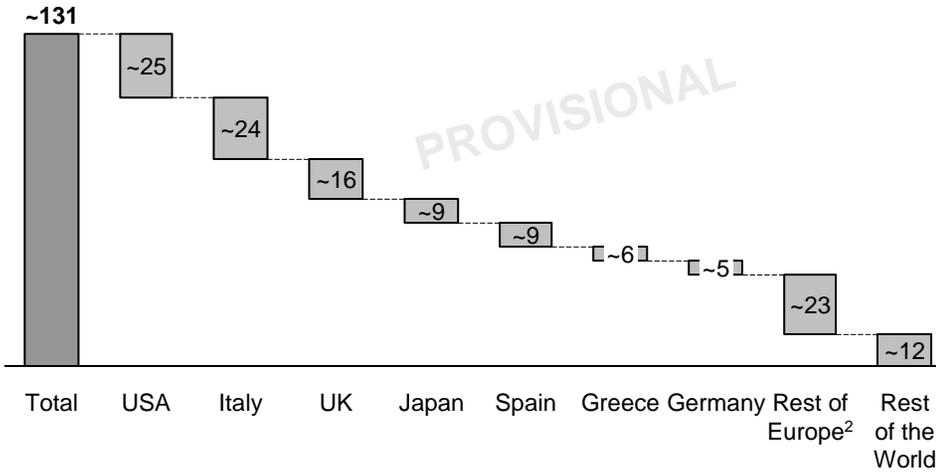
4 Incl. USA EUR ~1 bn

DEPFA

Transfer of EUR ~131 bn from DEPFA to FMS-WM

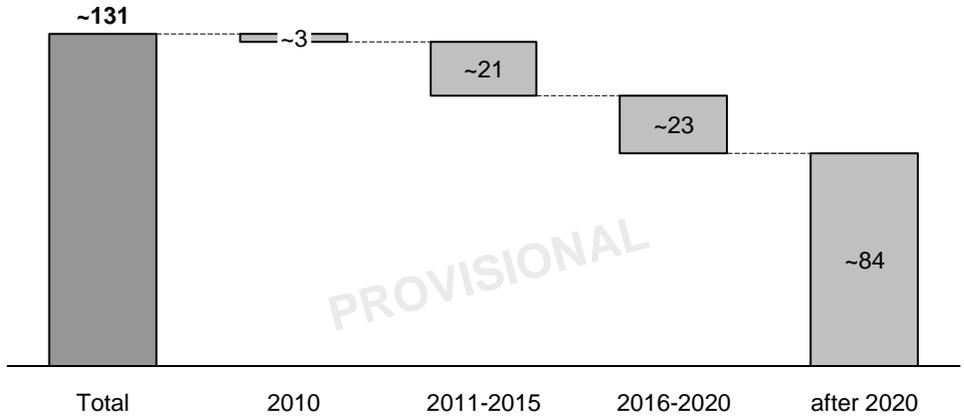
DEPFA portfolio / by regions

Nominal¹ (excl. derivatives), based on simulation as of 09/2010, EUR billion



DEPFA portfolio / by planned contractual maturities

Nominal¹ (excl. derivatives), based on simulation as of 09/2010, EUR billion

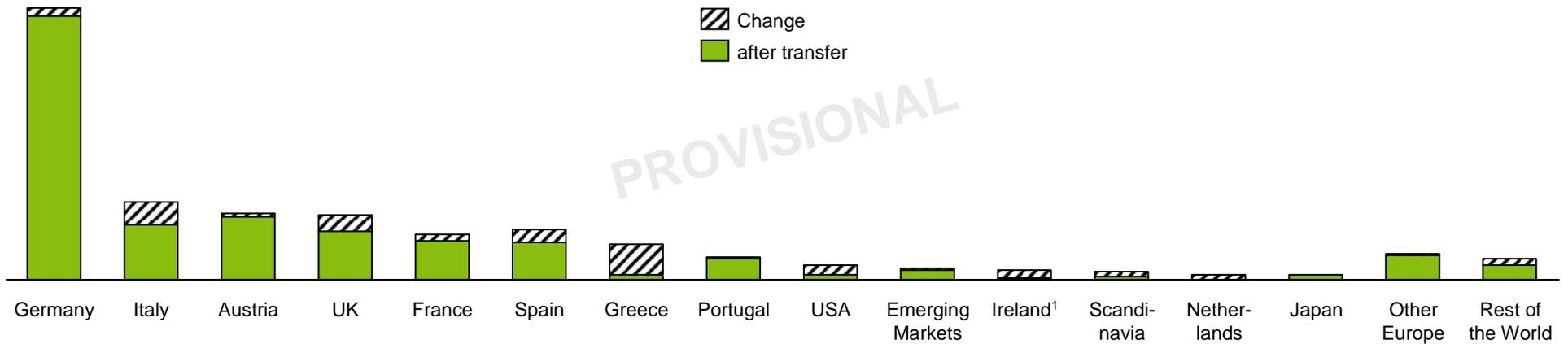


Note: Figures may not add up due to rounding
¹ Excl. derivatives, undrawn lines or repo transactions
² Incl. Ireland EUR ~3 bn, Portugal EUR ~2 bn

Appendix 2 – pbb portfolios before and after transfer

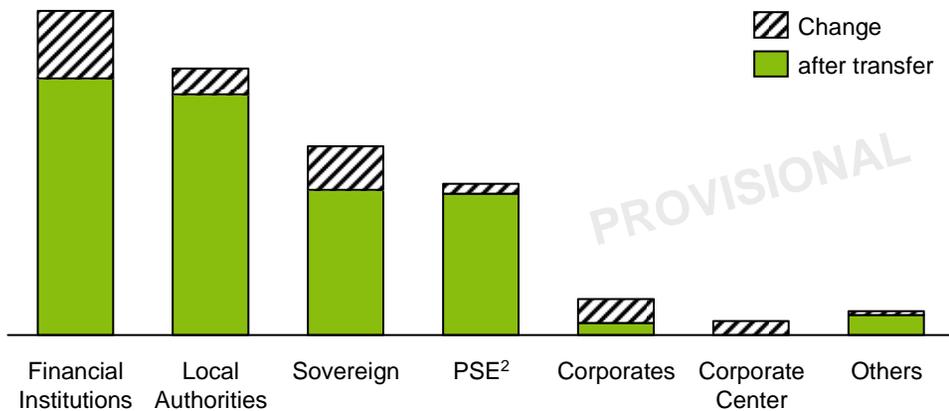
Non-Real Estate exposure / by regions

EaD, based on simulation as of 03/2010, EUR



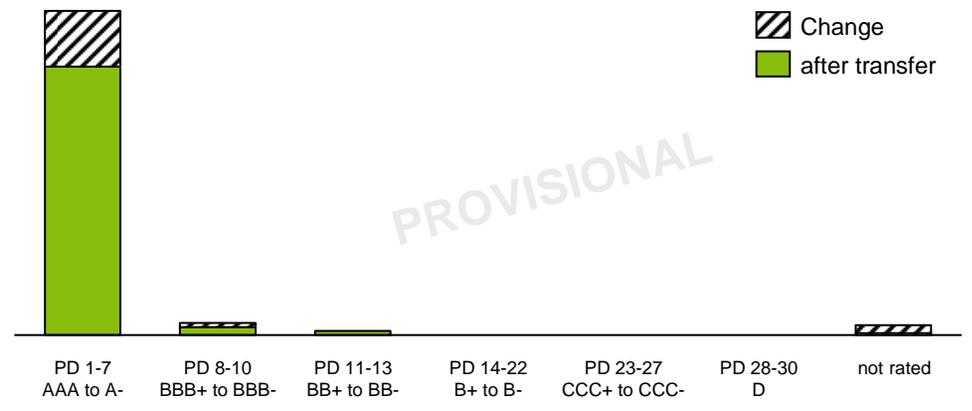
Non-Real Estate exposure / by counterparties

EaD, based on simulation as of 03/2010, EUR



Non-Real Estate exposure / by PD classes

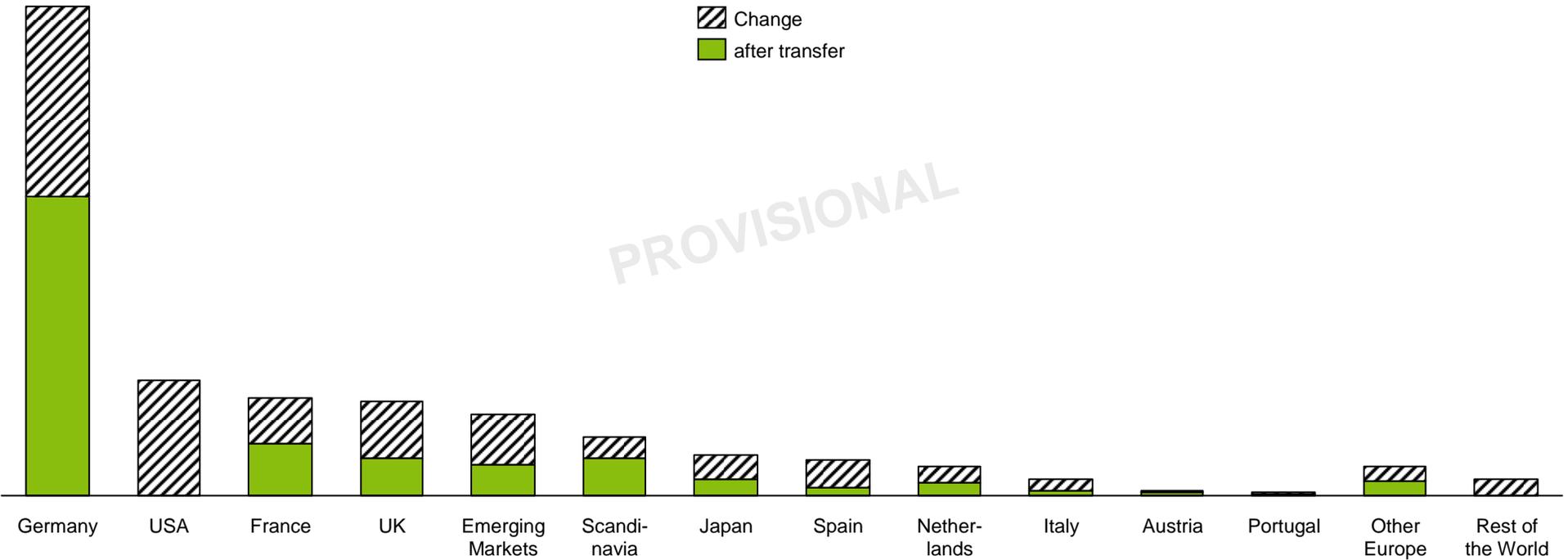
EaD, based on simulation as of 03/2010, EUR



1 Excl. intra-group exposure 2 Public Sector Entities

REF exposure / by regions

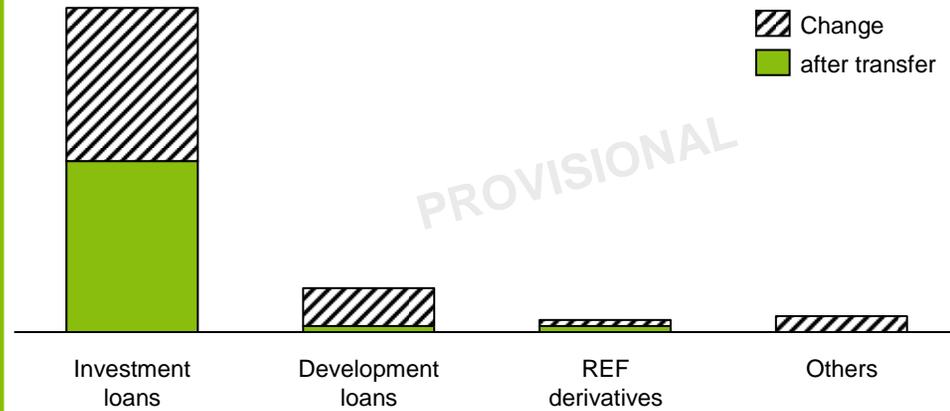
EaD, based on simulation as of 03/2010, EUR



PROVISIONAL

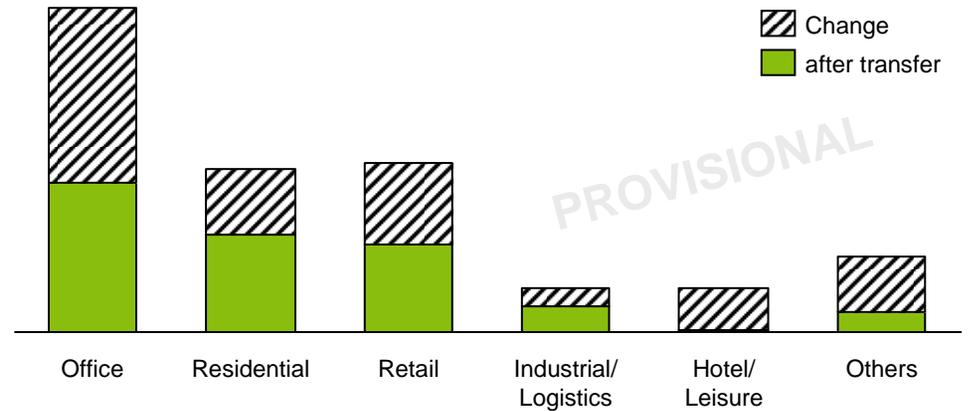
REF exposure / by loan types

EaD, based on simulation as of 03/2010, EUR



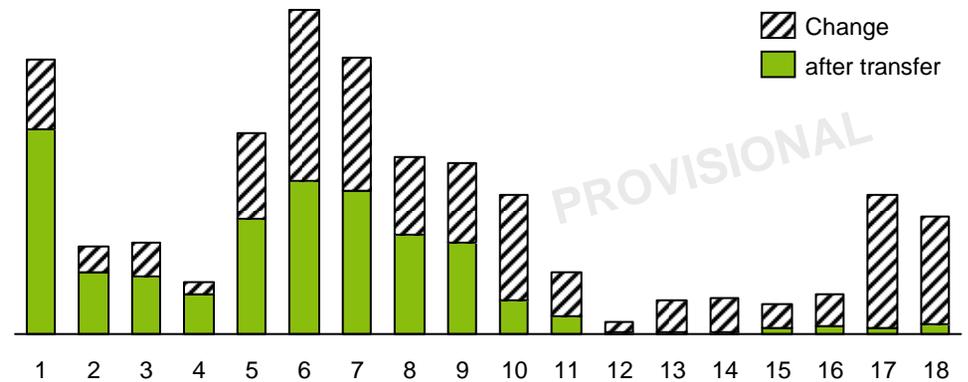
REF exposure / by property types

EaD, based on simulation as of 03/2010, EUR



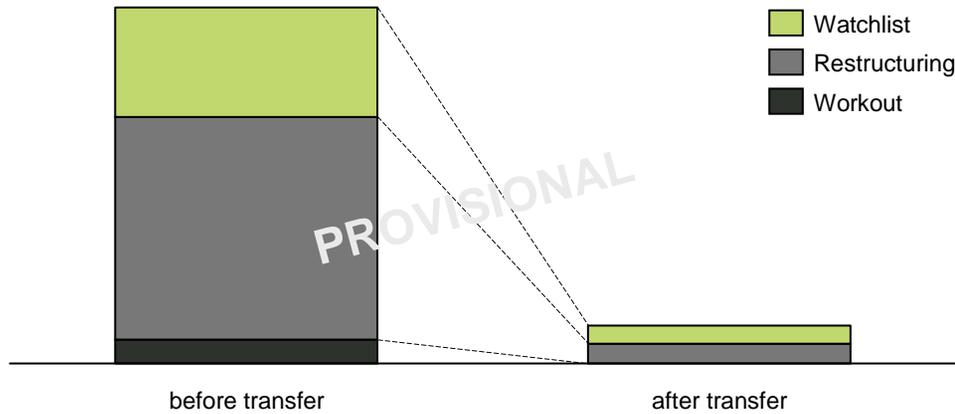
REF exposure / by EL classes

EaD, based on simulation as of 03/2010, EUR



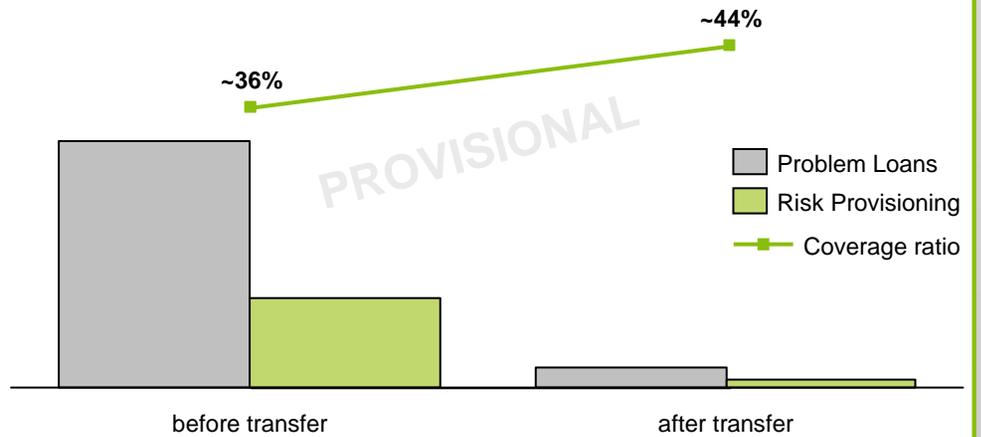
Problem & watchlist loans / REF

EaD, based on simulation as of 03/2010, EUR



Coverage ratio / REF

EaD, based on simulation as of 03/2010, EUR



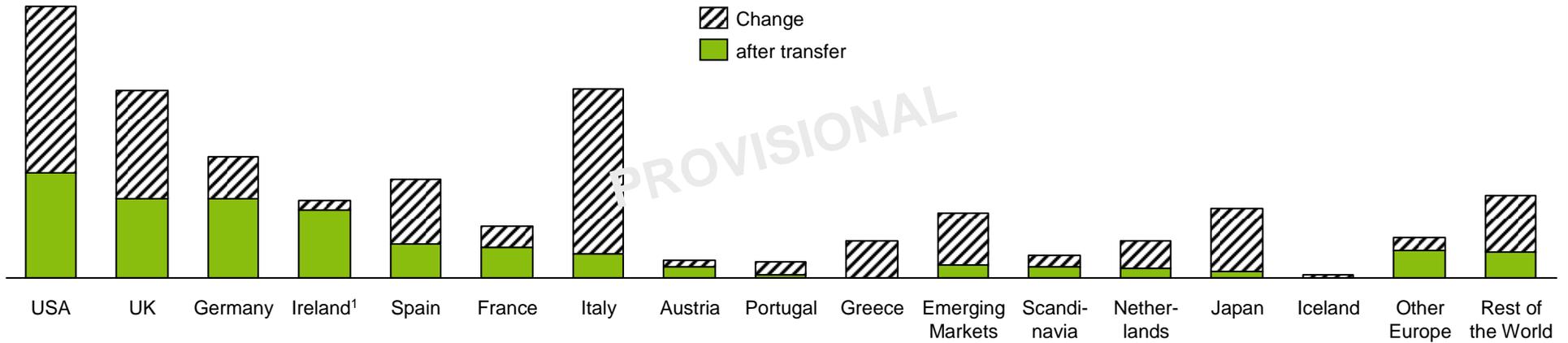
Appendix 3 – DEPFA portfolios before and after transfer

DEPFA

Total portfolio

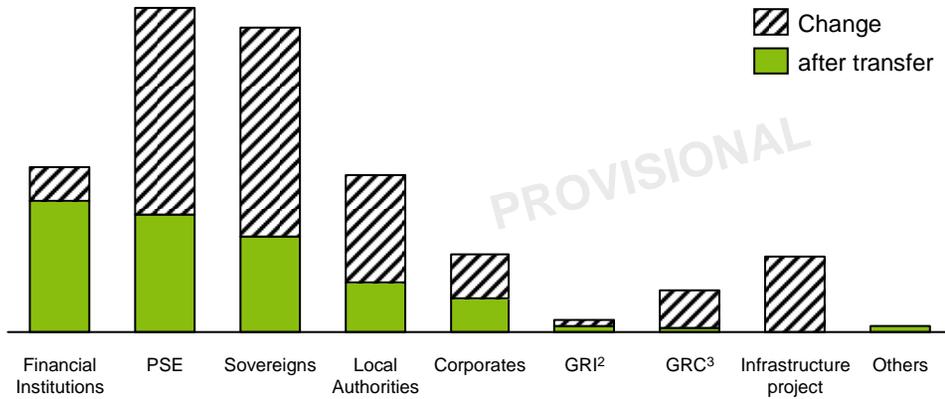
Total exposure / by regions

EaD, based on simulation as of 03/2010, EUR



Total exposure / by counterparties

EaD, based on simulation as of 03/2010, EUR



1 Incl. exposure to Irish Central bank

2 Government Related Institutions

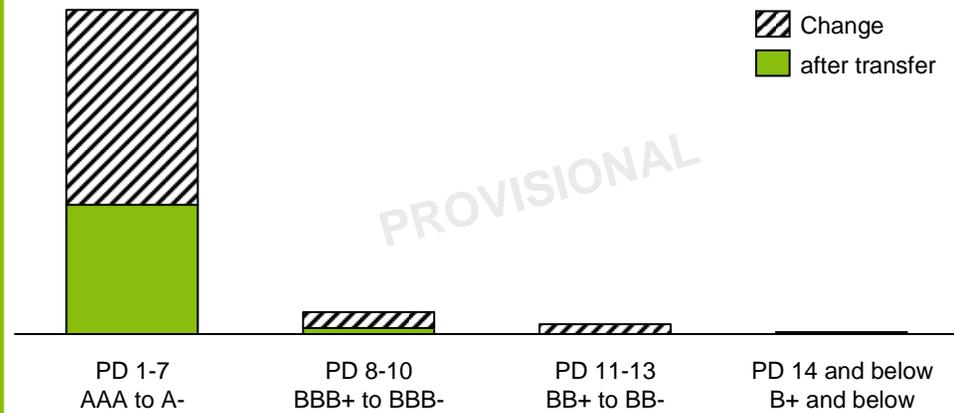
3 Government Related Companies

DEPFA

Total portfolio

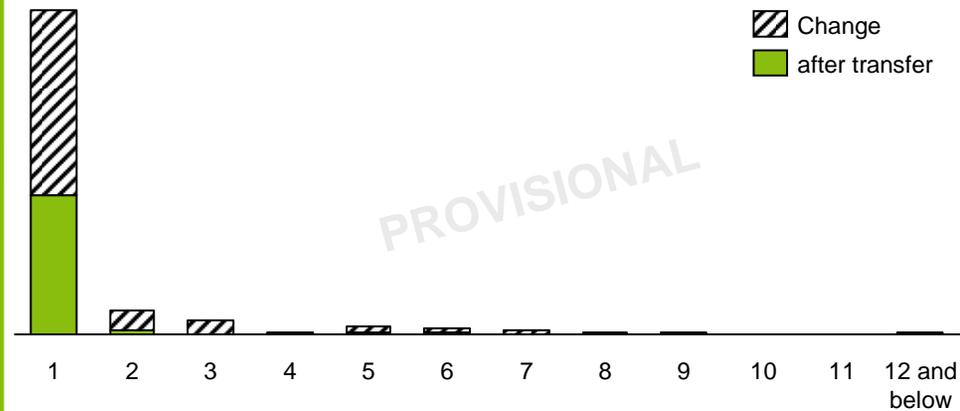
Total exposure / by PD classes

EaD, based on simulation as of 03/2010, EUR



Total exposure / by EL classes

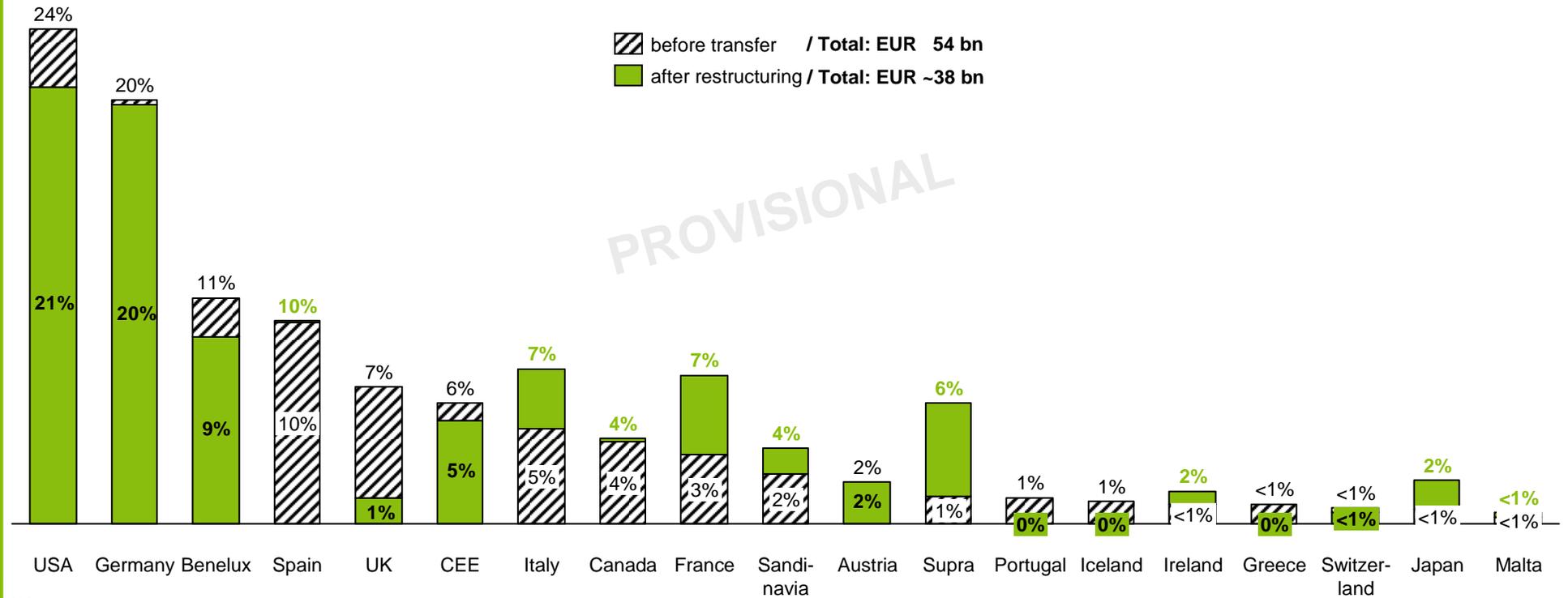
EaD, based on simulation as of 03/2010, EUR



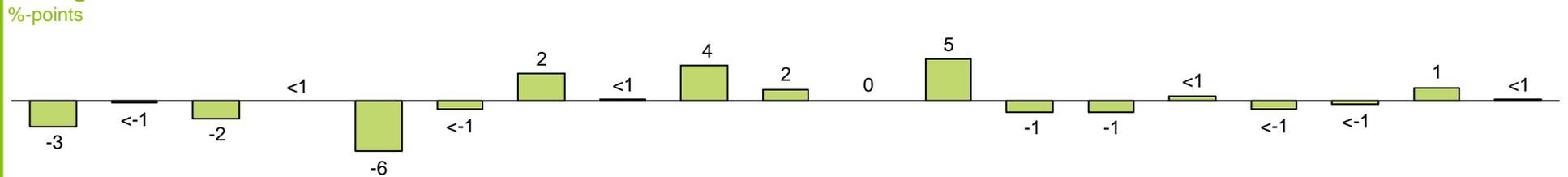
DEPFA ACS Bank ACS cover pool

ACS cover pool / by regions

Nominal, 06/2010



Change

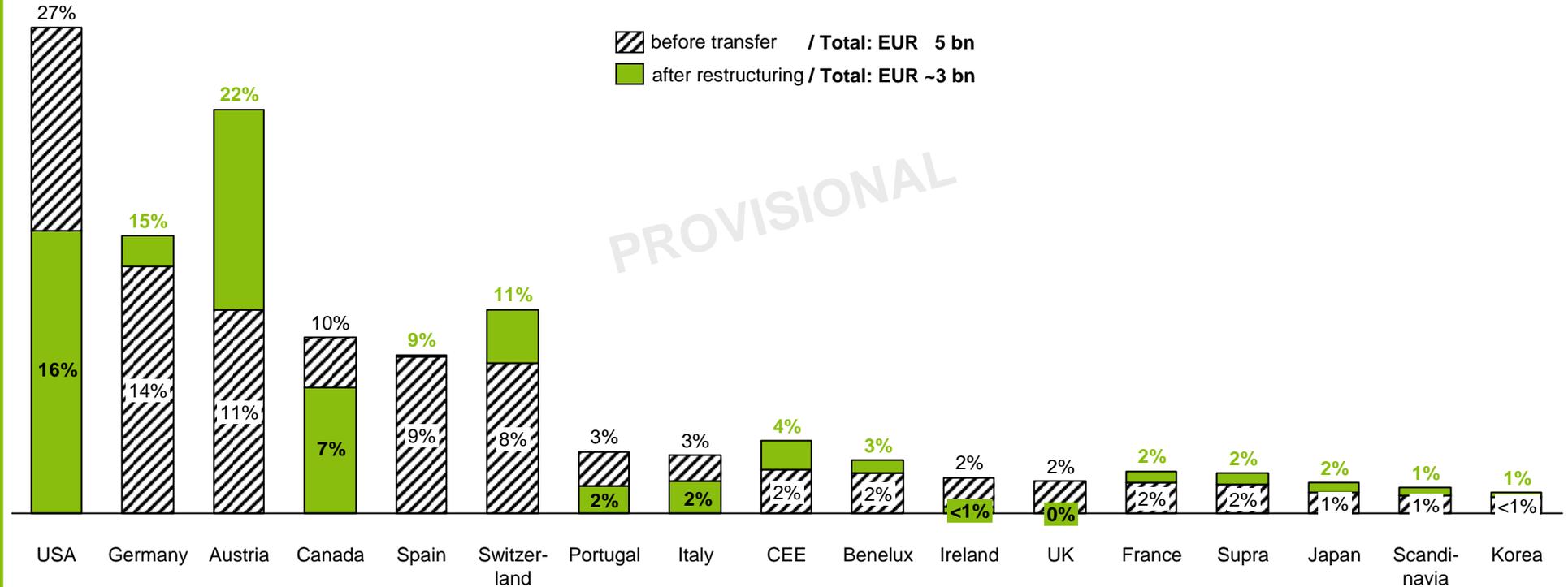


Note: Figures may not add up due to rounding

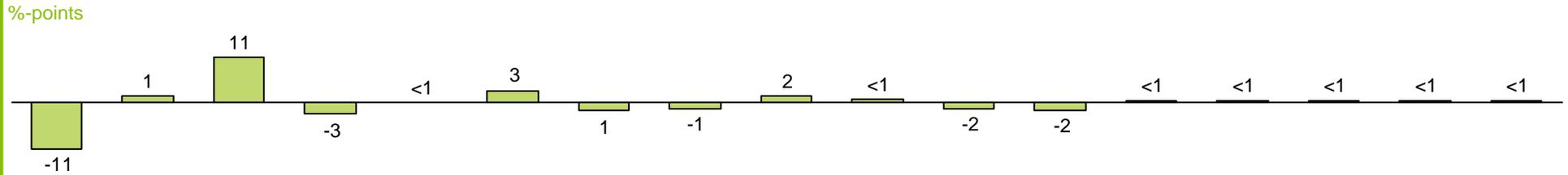
HPBI Public Sector (LdG) cover pool

HPBI Public Sector cover pool / by regions

Nominal, 06/2010



Change



Note: Figures may not add up due to rounding

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