

Roadshow Presentation

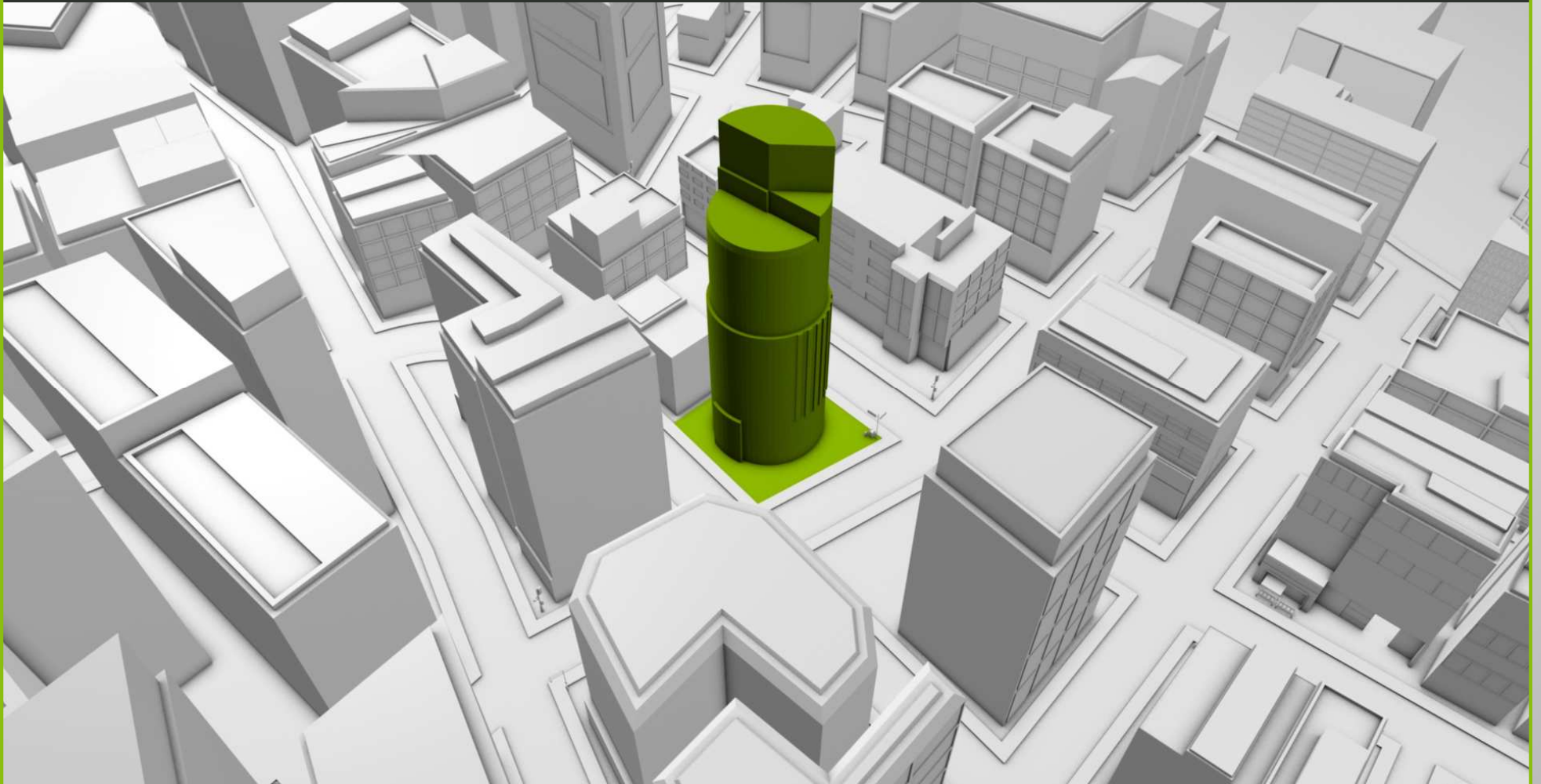
September 2011

Re-establishing a leading European Pfandbrief issuer

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

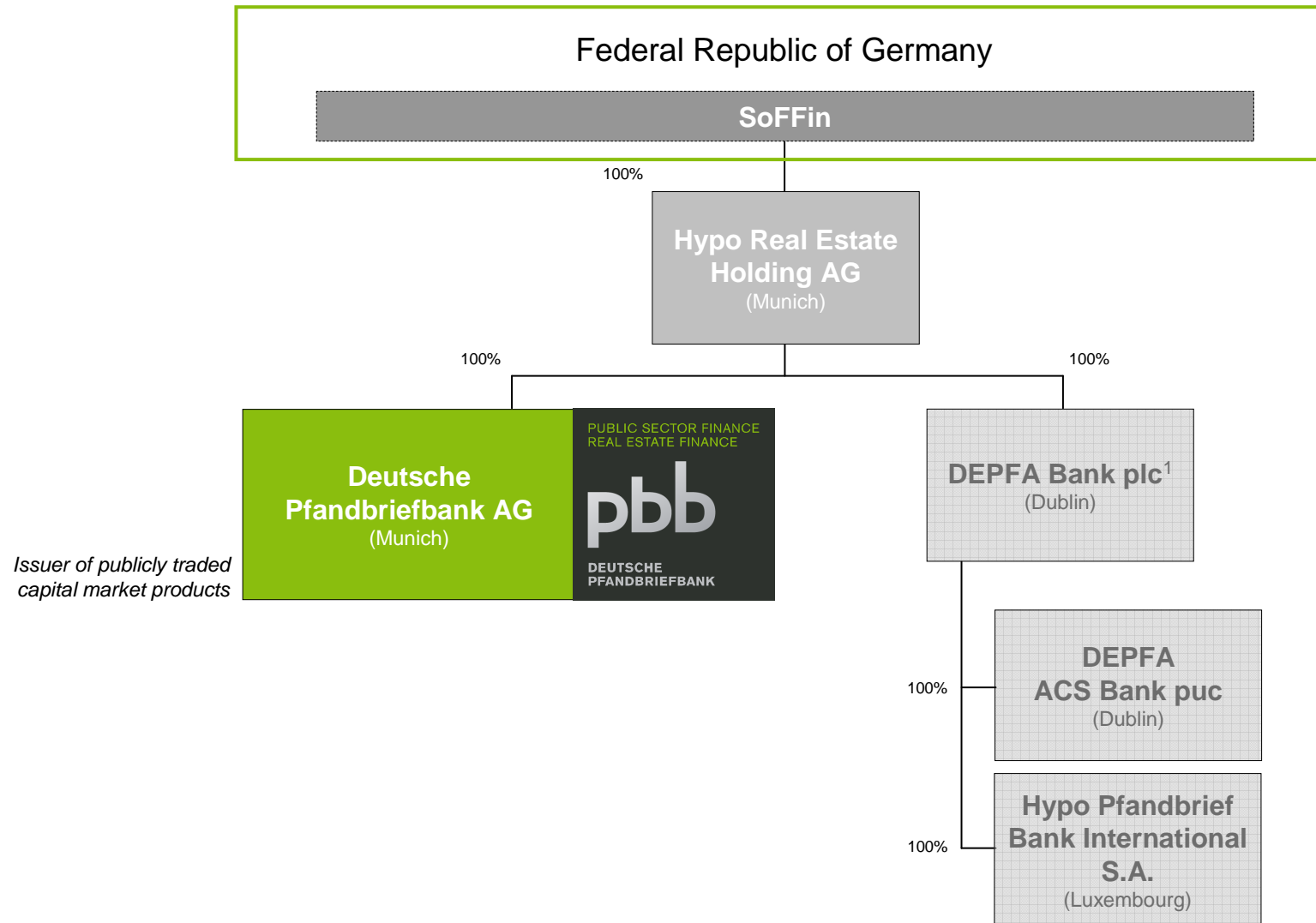
pbb

DEUTSCHE
PFANDBRIEFBANK



Group structure

pbb Deutsche Pfandbriefbank – the strategic core bank within HRE Group



1 Incl. Hypo Public Finance Bank and branches

1. Business model and strategy

2. Portfolio
3. New business
4. Funding and cover pools
5. Financials and outlook
6. Key take-aways

Business model and strategy

pbb well positioned for continued growth in strategic business lines




Business model – pbb in excellent position


Two business lines with European reach	<ul style="list-style-type: none"> ⇒ Diversification in products and regions ⇒ High degree of synergies
Pfandbrief funding	<ul style="list-style-type: none"> ⇒ Reliable, crisis proven funding source ⇒ Competitive
Adjusted risk strategy/ re-structured portfolio	<ul style="list-style-type: none"> ⇒ Business and risk strategy aligned ⇒ New business and legacy portfolio aligned

Market environment – big potential in growing market

Increasing demand	<ul style="list-style-type: none"> ⇒ Market in upturn ⇒ Need for refinancing of CMBS structures
Decreasing supply	<ul style="list-style-type: none"> ⇒ Competitors exiting market place ⇒ Competitors reducing business activities
High margins	<ul style="list-style-type: none"> ⇒ Margins higher than pre-crisis ⇒ Market accepts higher risk costs

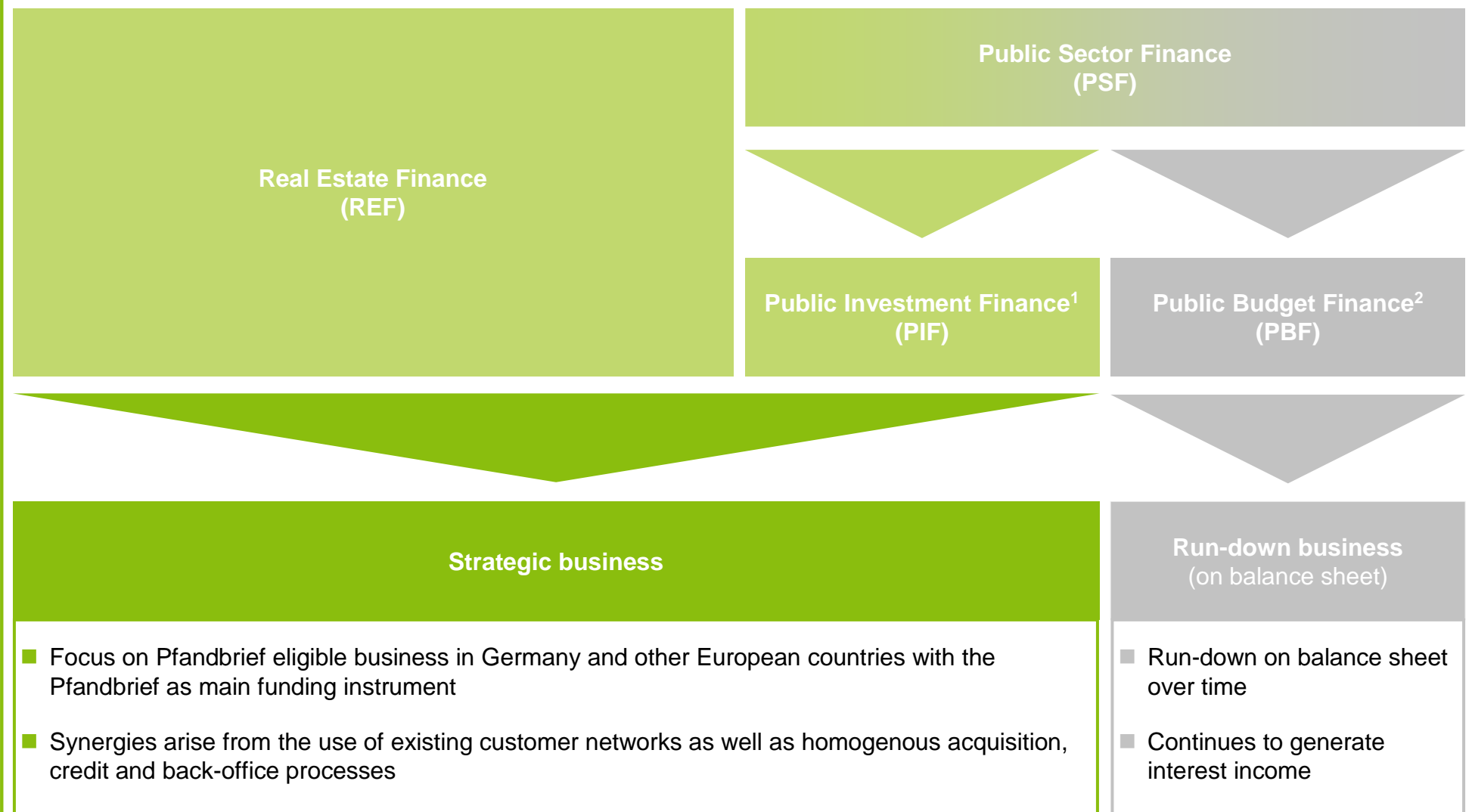


 Short-term goals	<ul style="list-style-type: none"> ■ Grow strategic interest bearing assets (replacing Public Budget Finance portfolio with higher margin strategic business will result in initially stable and mid-term increasing balance sheet) ■ Prove viability of funding franchise ■ Increase competitiveness – reduce cost base and improve efficiency of internal processes
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 Aspirations	<ul style="list-style-type: none"> ■ Leading European Real Estate and Public Investment Finance lender ■ Top player in the Pfandbrief market constantly issuing new material ■ Sustainable profitability
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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



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

1. Business model and strategy

2. Portfolio

3. New business

4. Funding and cover pools

5. Financials and outlook

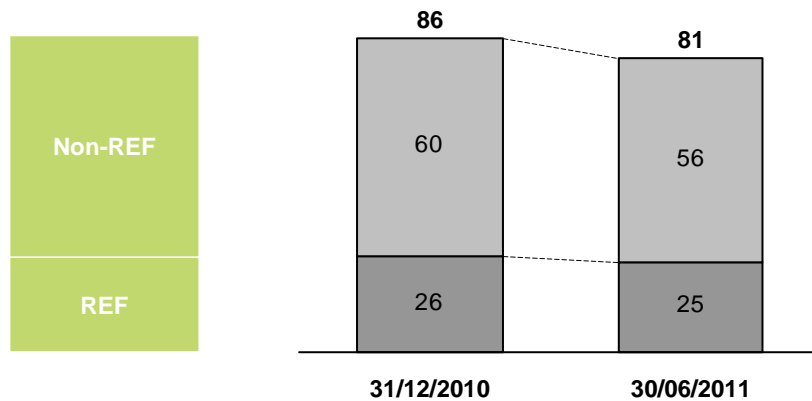
6. Key take-aways

Total portfolio

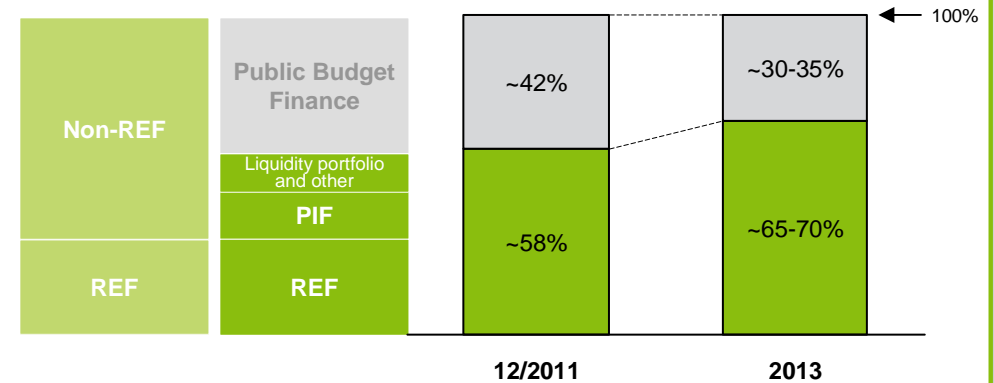
Portfolio growth in strategic business lines will compensate for the decline in Public Budget Finance

Total portfolio

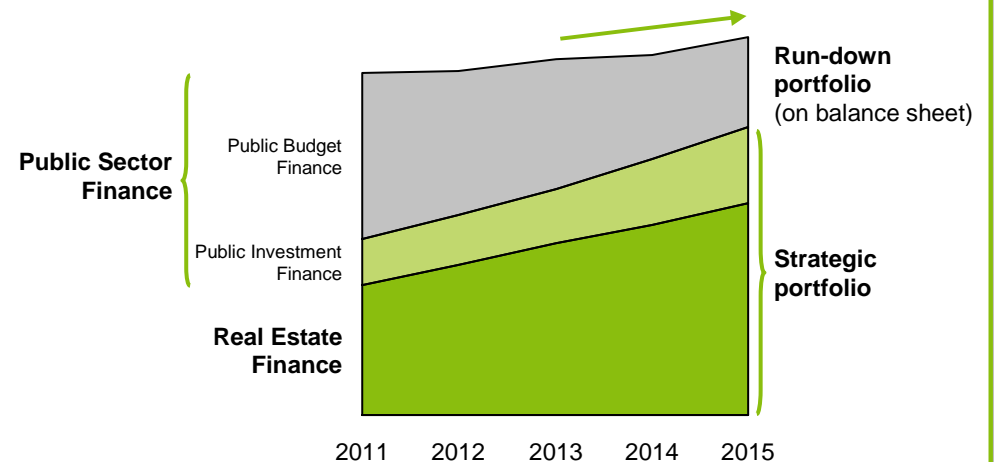
EUR billions (EaD)



Planned portfolio development¹



- 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

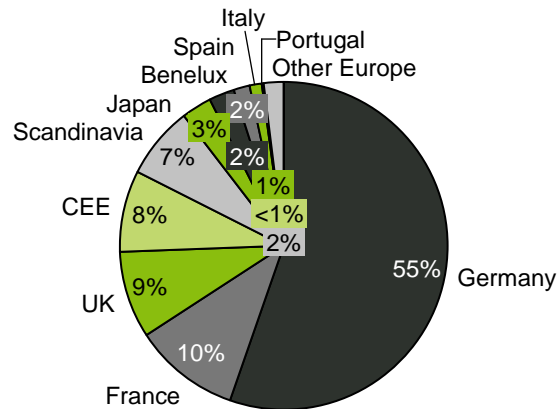
Real Estate portfolio

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



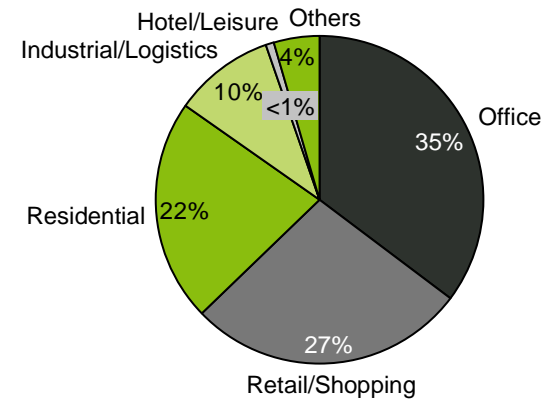
Regions

30/06/2011: EUR 25 billion (EaD)¹



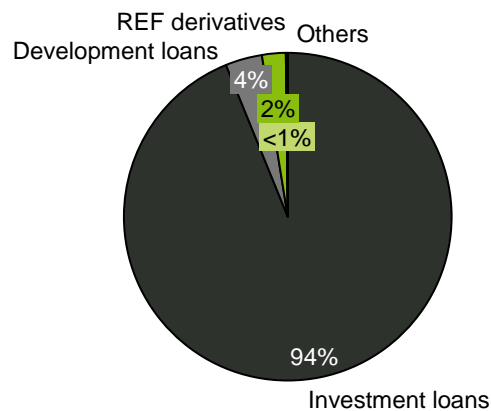
Property types

30/06/2011: EUR 25 billion (EaD)¹



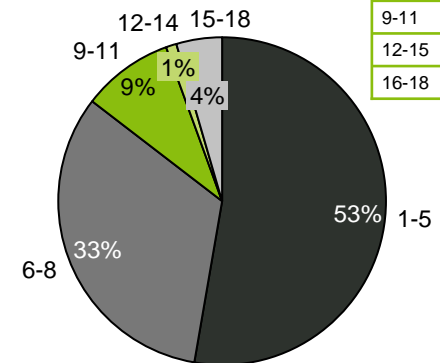
Loan types

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

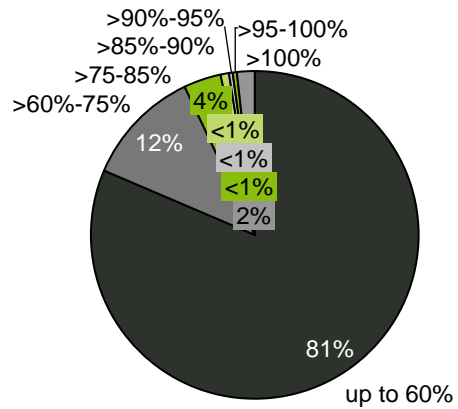
Note: Figures may not add up due to rounding ¹ Excl. FMS-WM guaranteed exposure/compensation claims

Real Estate portfolio

More than 80% of loan volume with LTVs $\leq 60\%$

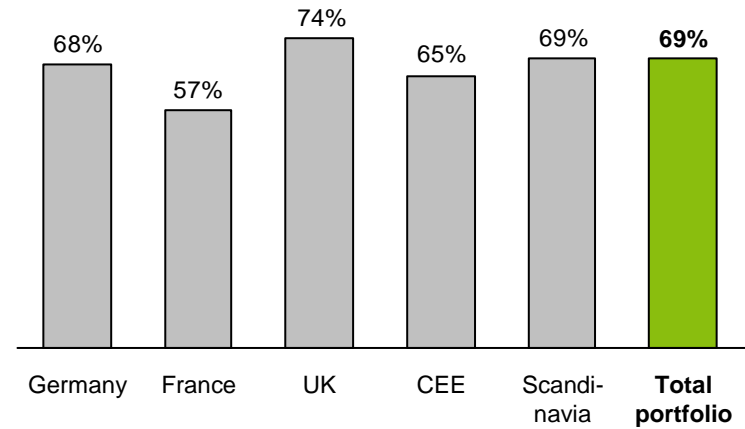
Layered LTV classes

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 tranching in different LTV classes

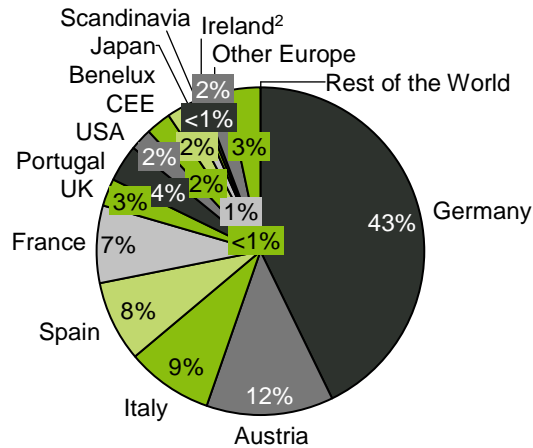
Non-Real Estate portfolio

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



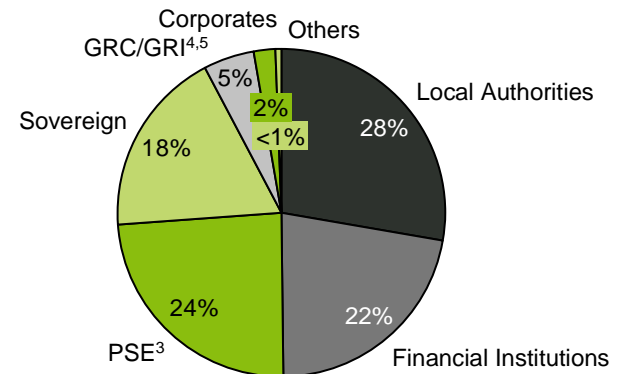
Regions

30/06/2011: EUR 56 billion (EaD)¹



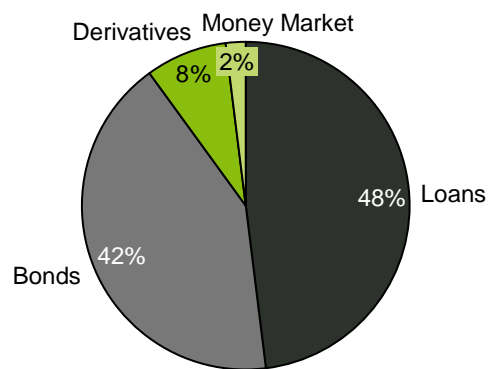
Counterparty types

30/06/2011: EUR 56 billion (EaD)¹



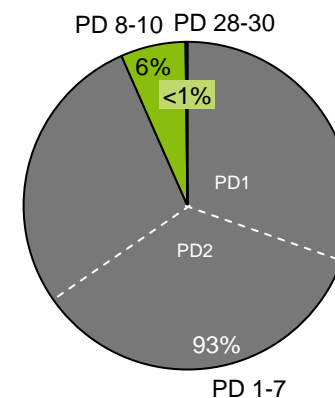
Product types

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

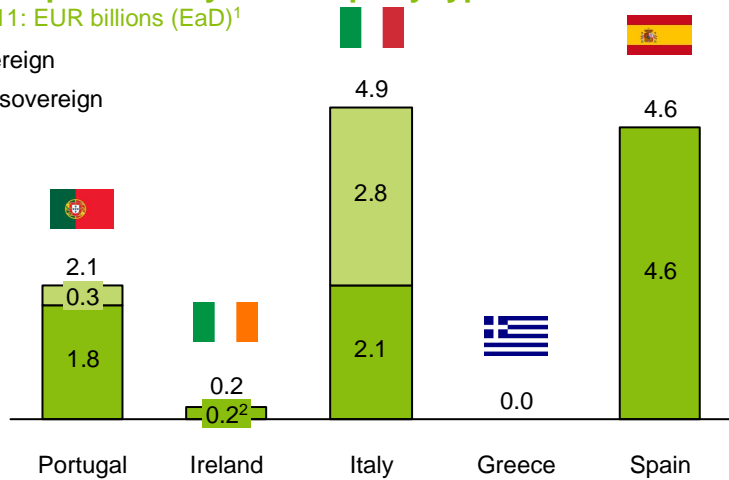
Exposure in selected countries

No sovereign exposure in Greece, Spain and Ireland

Non-REF portfolio by counterparty types

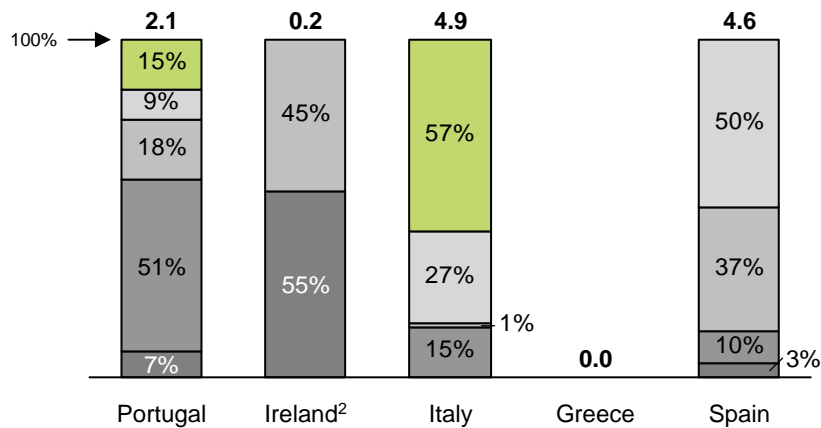
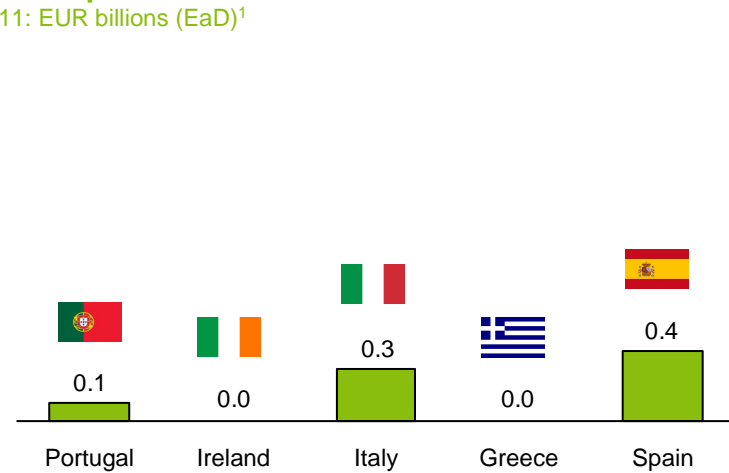
30/06/2011: EUR billions (EaD)¹

- Sovereign
- Non-sovereign



Real Estate portfolio

30/06/2011: EUR billions (EaD)¹



- Sovereign
- Local Authorities
- Financial Institutions
- PSE
- GRC/GRI and others

Note: Figures may not add up due to rounding

¹ Excl. FMS-WM guaranteed exposure/compensation claims

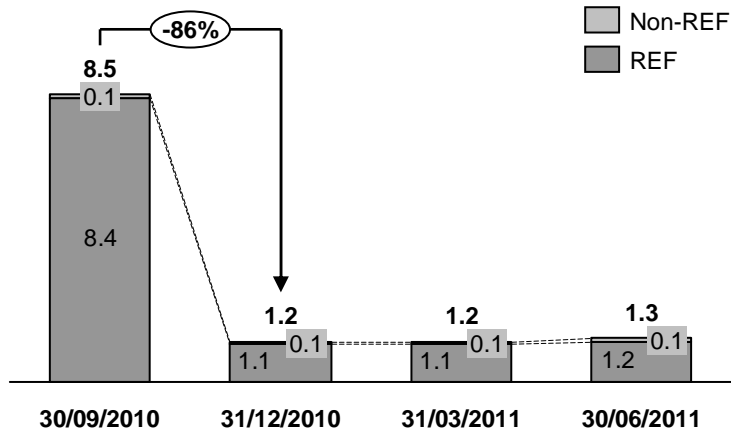
² Excl. intra-group exposure; incl. derivative positions with international investment banks (Dublin branches)

Problem loans

Total problem loans significantly reduced and adequately covered

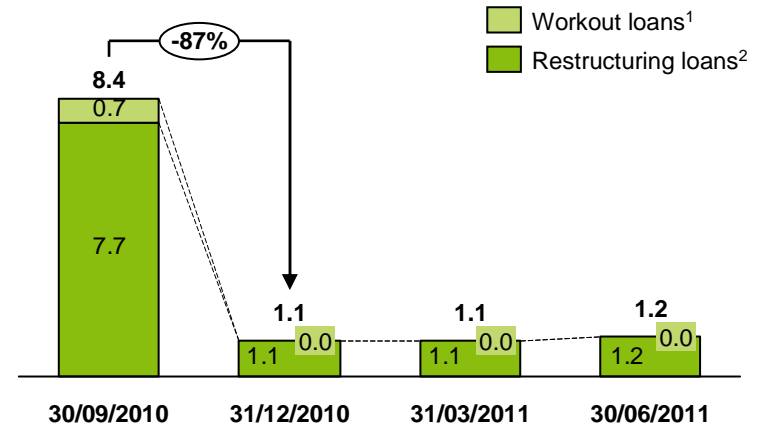
Total problem loans

EUR billions (EaD)



REF problem loans

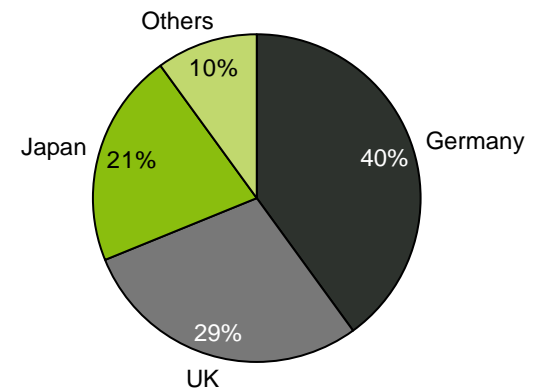
EUR billions (EaD)



■ 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%

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



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

1. Business model and strategy

2. Portfolio

3. New business

4. Funding and cover pools

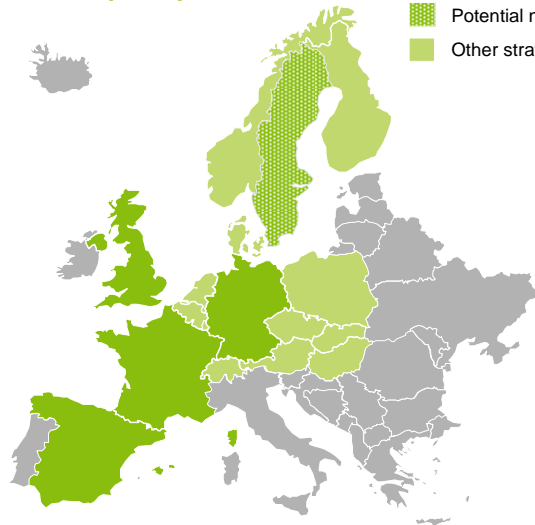
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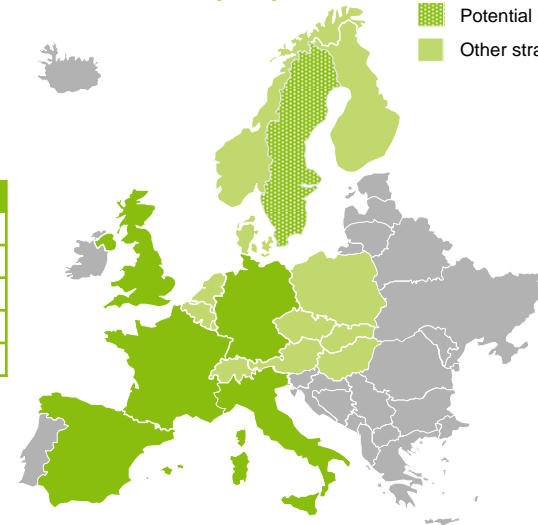
New business

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

Real Estate Finance (REF)



Public Investment Finance (PIF)

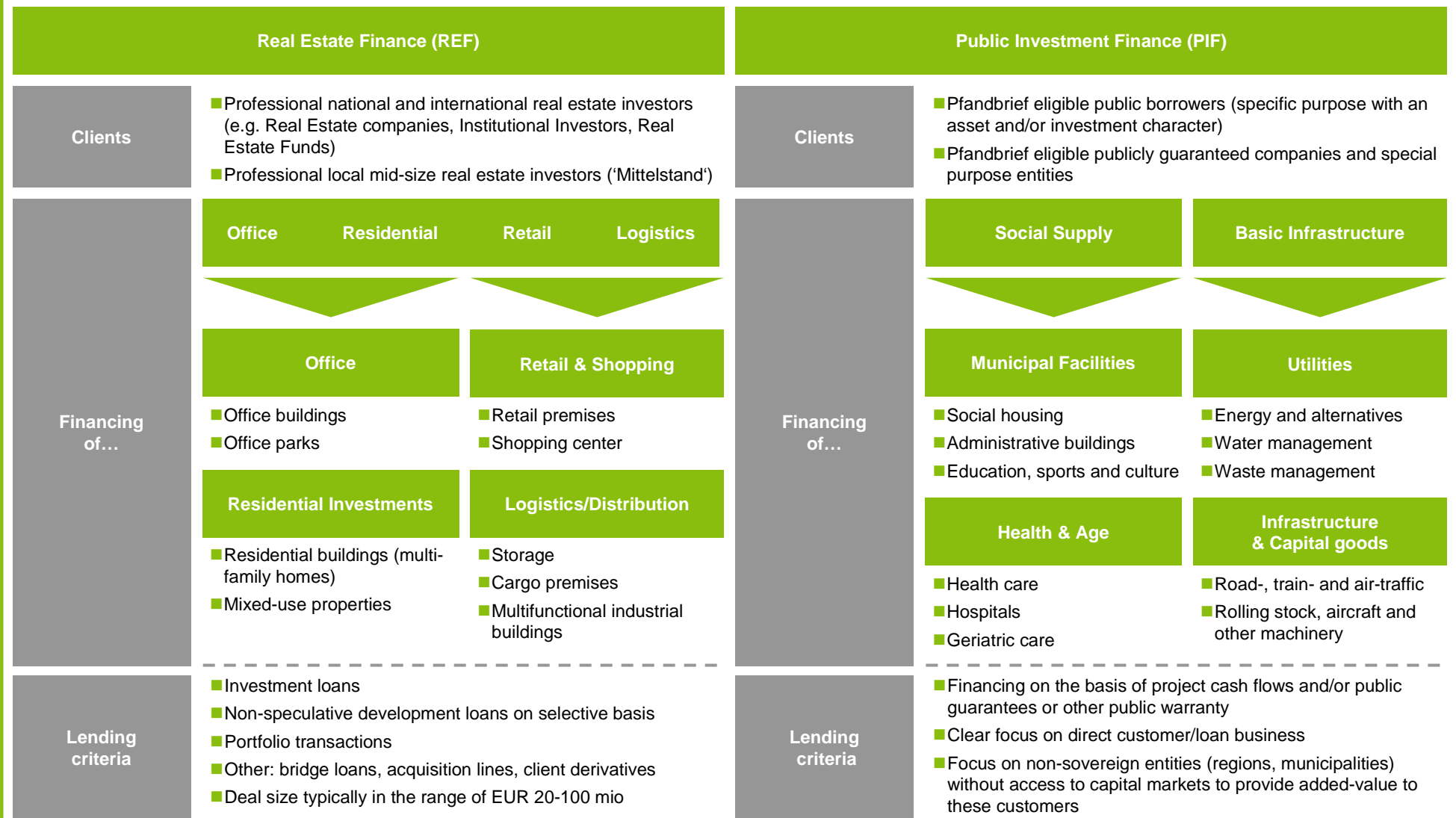


Core countries	Current sales locations
Germany	Unterschleissheim, Eschborn
UK	London
France	Paris
Italy	Rome
Spain	Madrid

- ➔ 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

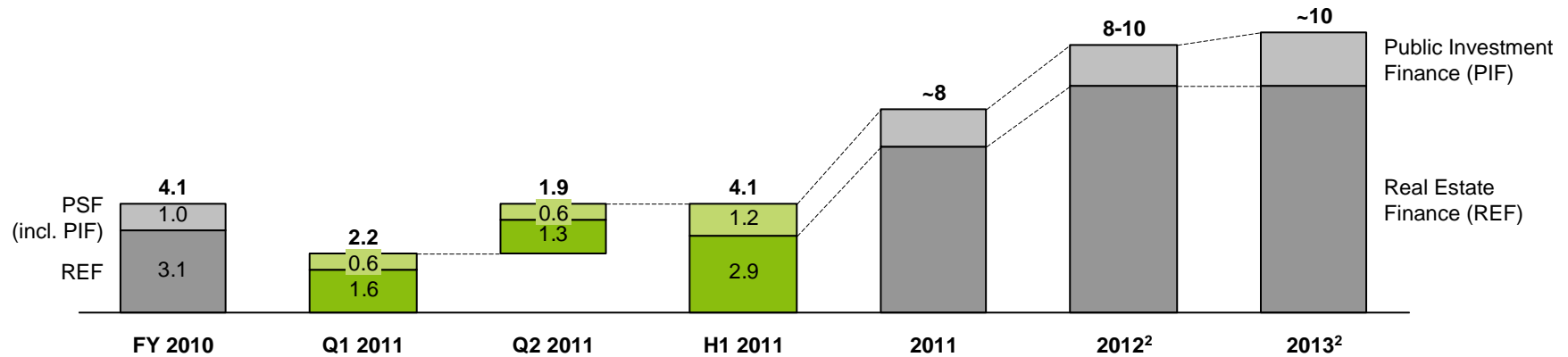


New business

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

Total new business¹

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

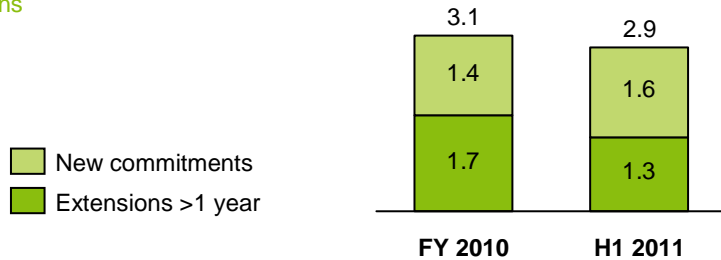
New business

New business origination successfully re-started at attractive margins



Real Estate Finance (REF)

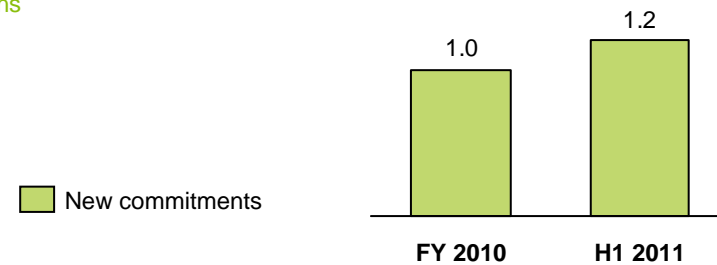
EUR billions



	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

Public Sector Finance (PSF)

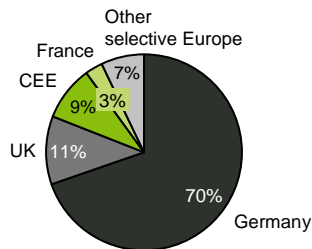
EUR billions



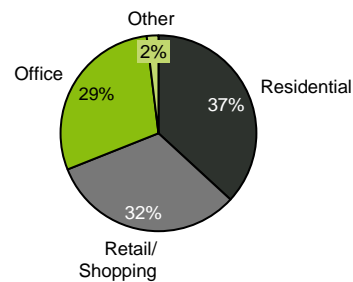
	FY 2010	H1 2011
No. of deals	51	22
Average maturity	~7.4 yrs	~7.7 yrs
Average gross margin	>100 bp	>100 bp

H1 2011: EUR 2.9 bn

by region

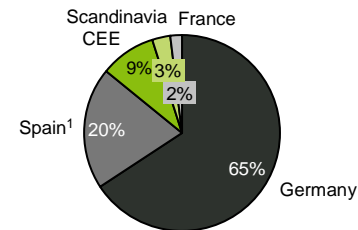


by property type

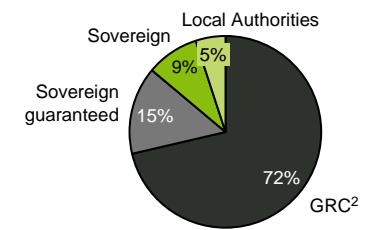


H1 2011: EUR 1.2 bn

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

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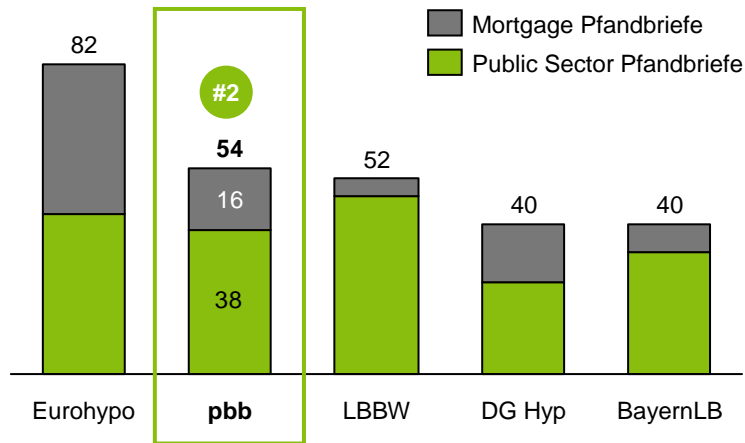
Cover pools

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



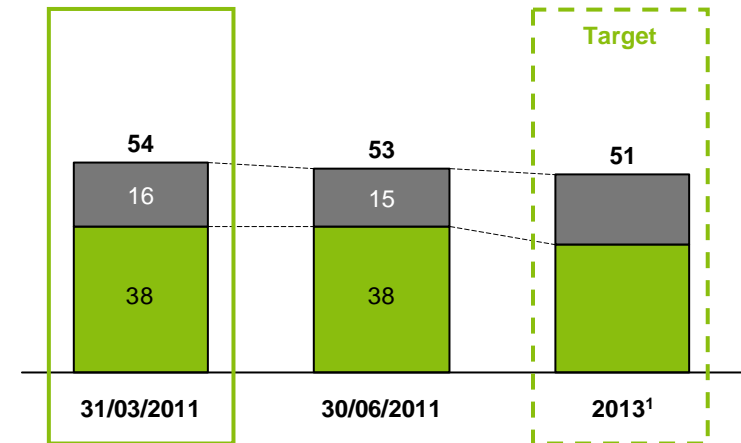
Largest Pfandbriefe issuers

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

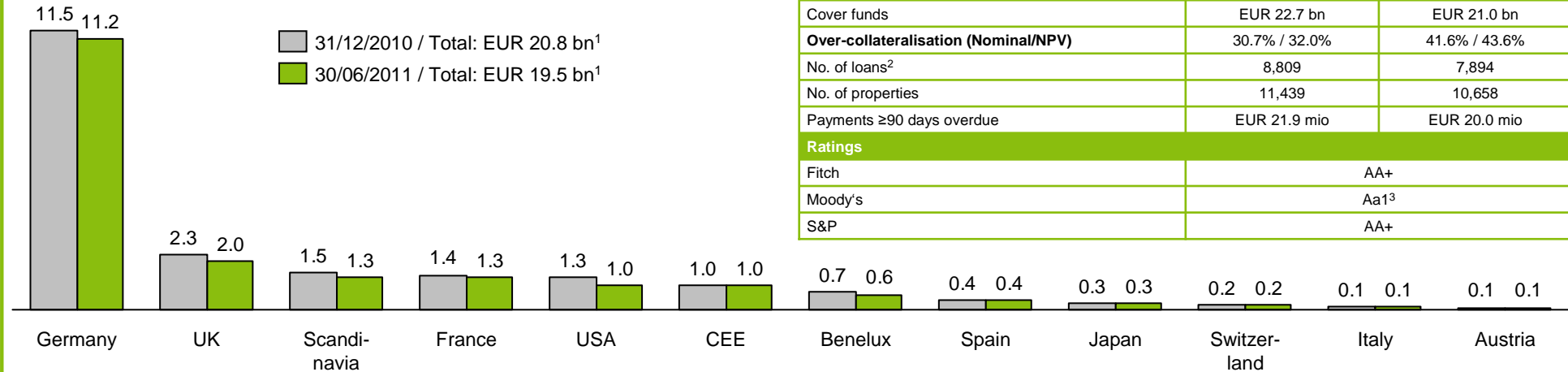
Source: German Pfandbrief Association (vdp) 1 Scenario calculation based on EU restructuring plan

Cover pools

Mortgage cover pool well diversified by region and property type

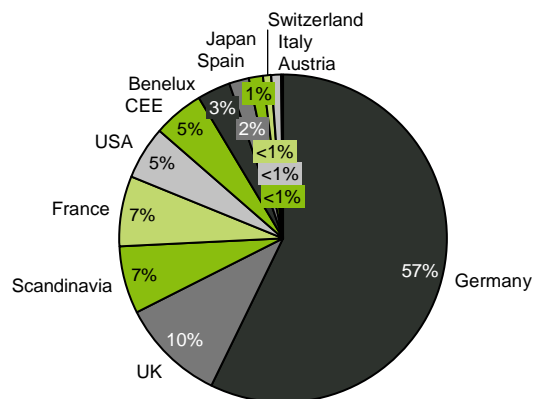
Cover funds by region

EUR billions (Nominal)



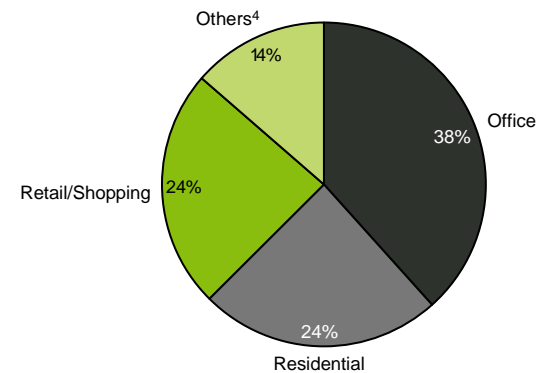
Mortgage cover pool (Nominal)	31/12/2010	30/06/2011
Pfandbriefe outstanding	EUR 17.4 bn	EUR 14.8 bn
Cover funds	EUR 22.7 bn	EUR 21.0 bn
Over-collateralisation (Nominal/NPV)	30.7% / 32.0%	41.6% / 43.6%
No. of loans ²	8,809	7,894
No. of properties	11,439	10,658
Payments ≥90 days overdue	EUR 21.9 mio	EUR 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

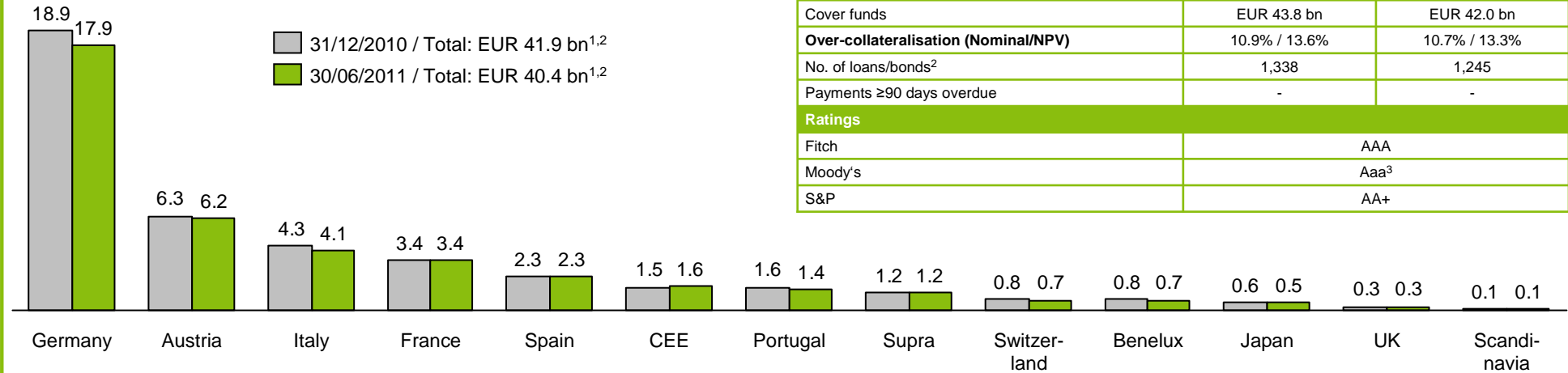
Cover pools

Public Sector cover pool with a sound profile



Cover funds by region

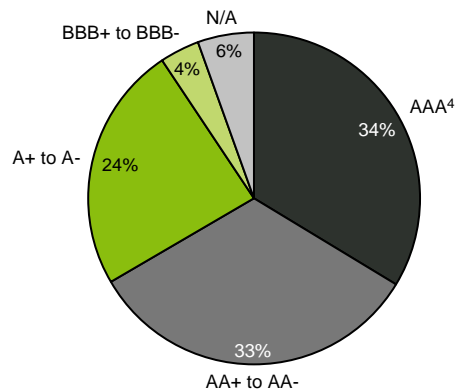
EUR billions (Nominal)



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

Funding plan

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

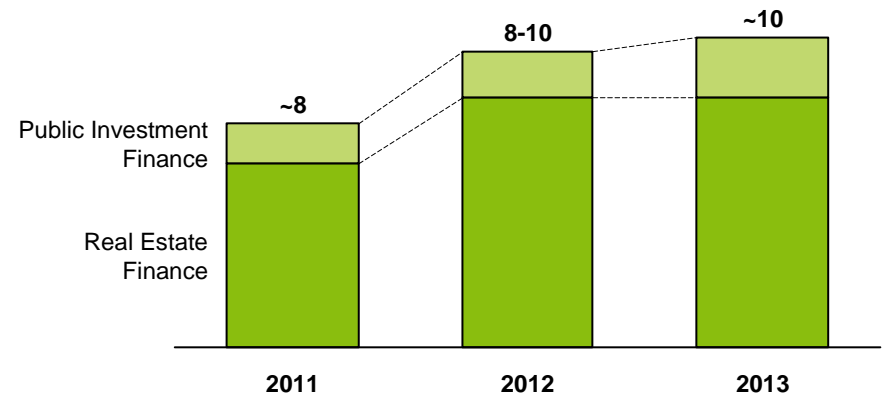
New issuances (based on EU restructuring plan)¹

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

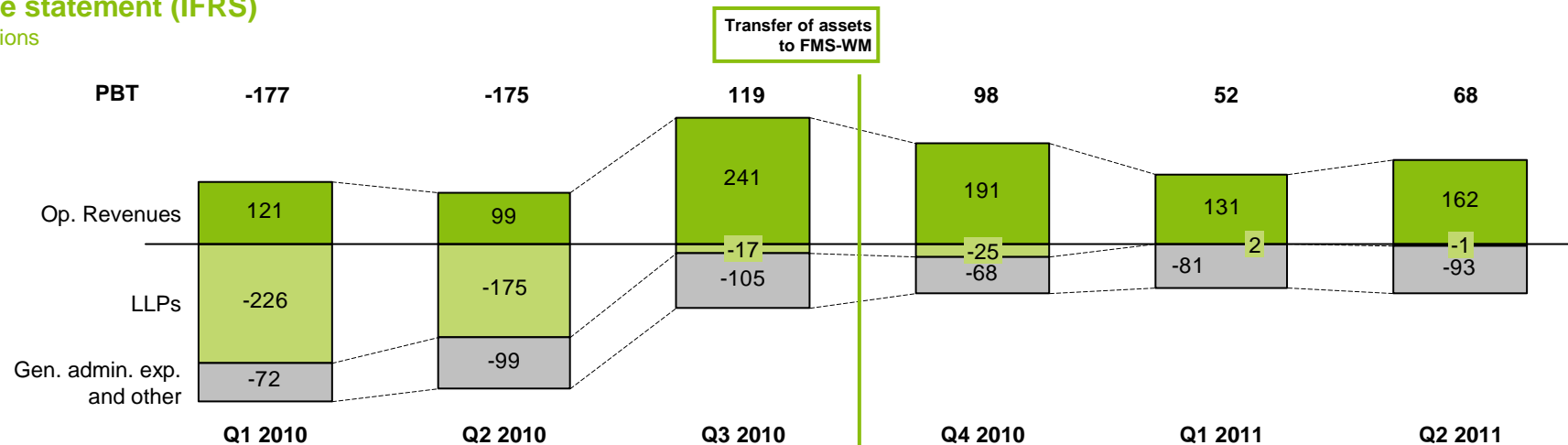
1. Business model and strategy
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Income statement

Turnaround achieved in Q3 2010 – four consecutive profitable quarters

Income statement (IFRS)

EUR millions



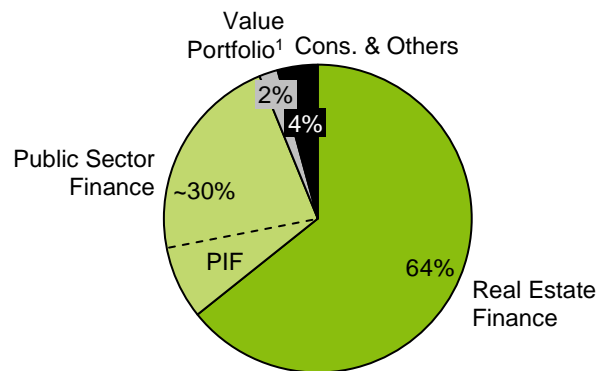
- ➔ **Stable and sufficient income base out of remaining interest bearing assets and reduced volatility of income lines after the asset transfer to FMS-WM**
- ➔ **Loan-loss provisions currently low as balance sheet was significantly de-risked – however, low provisioning levels of last quarters not sustainable**
- ➔ **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

Income statement

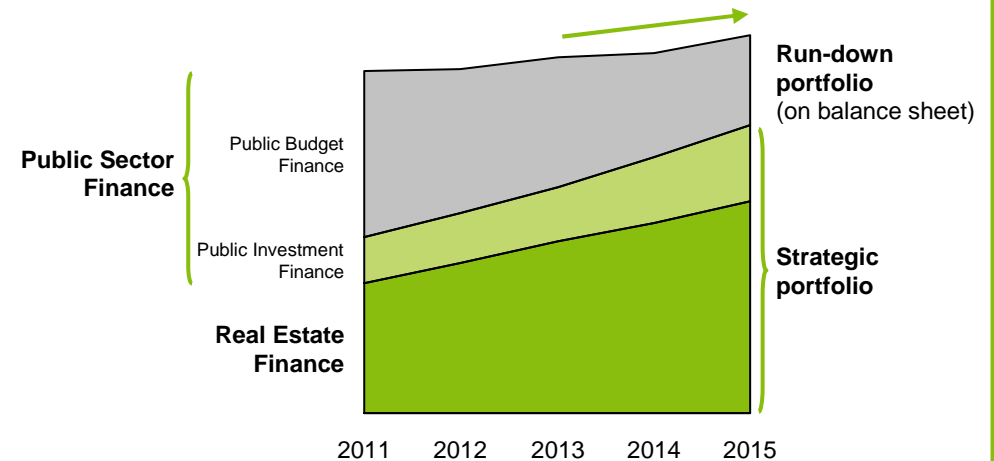
Operating revenues to benefit from higher-margin REF and PIF business, replacing Public Budget Finance over time

Net interest and similar income (IFRS)

H1 2011



Planned portfolio development²



- ✓ 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

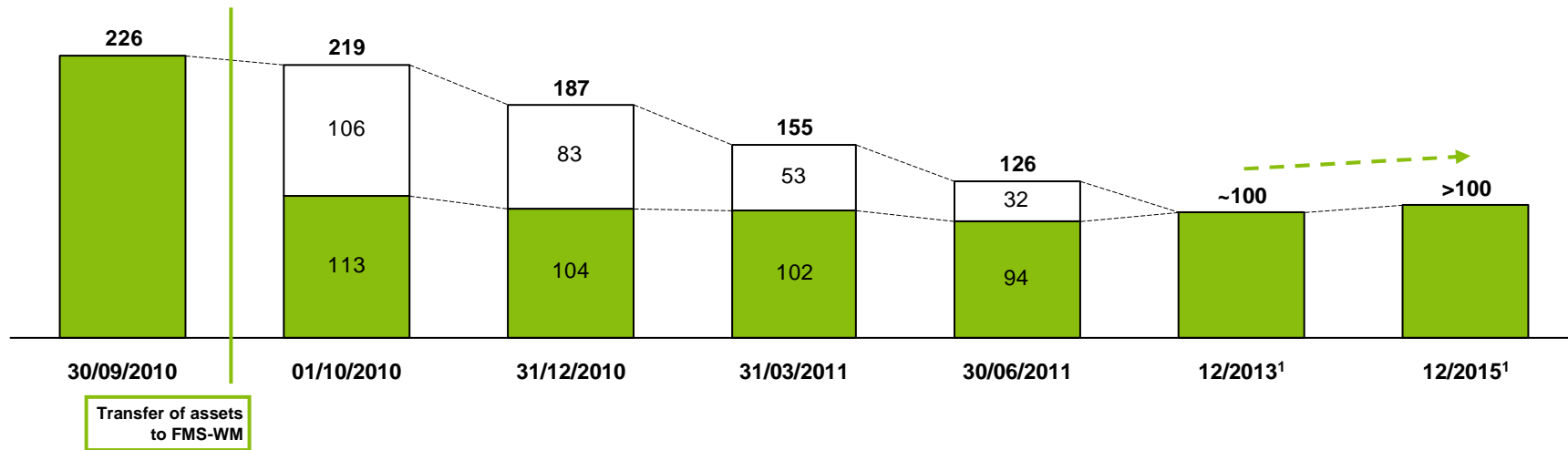
Balance sheet

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

Total assets (IFRS)

EUR billions

□ Counter-effects resulting from the asset transfer to FMS-WM
■ Operating balance sheet



✓ 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

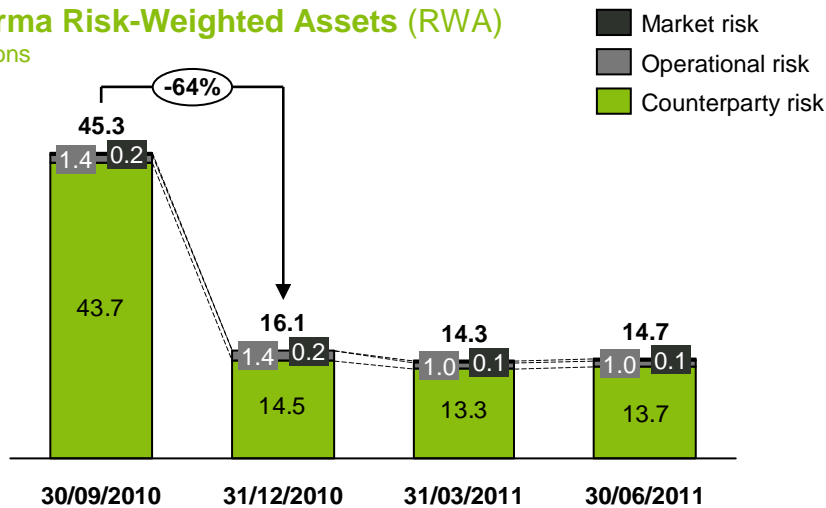
Capitalisation

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



Pro-forma Risk-Weighted Assets (RWA)

EUR billions

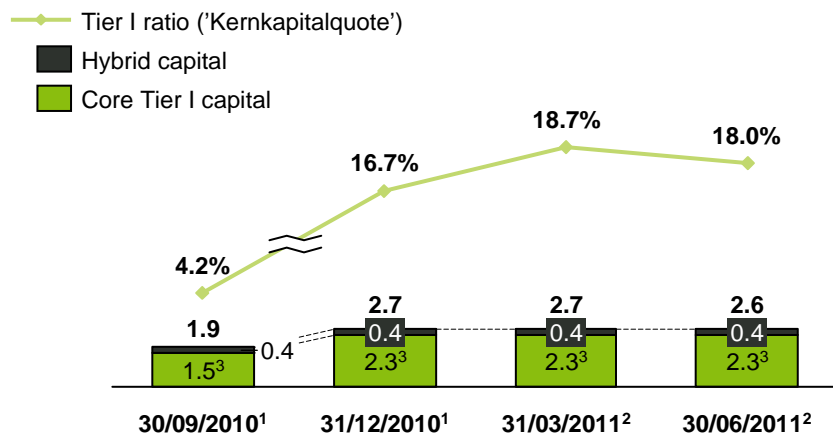


The regulatory capital ratios stated are calculated on an unaudited pro-forma basis. Deutsche Pfandbriefbank AG is according to the 'Waiver Rule' regulated in Sec. 2a KWG (German Banking Act) not obliged to determine the equity capital ratio and the core capital ratio on a sub-group level.

- 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

1. Business model and strategy
2. Portfolio
3. New business
4. Funding and cover pools
5. Financials and outlook

6. 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

→ 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

→ 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

→ 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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