

# Analyst/Investor Presentation

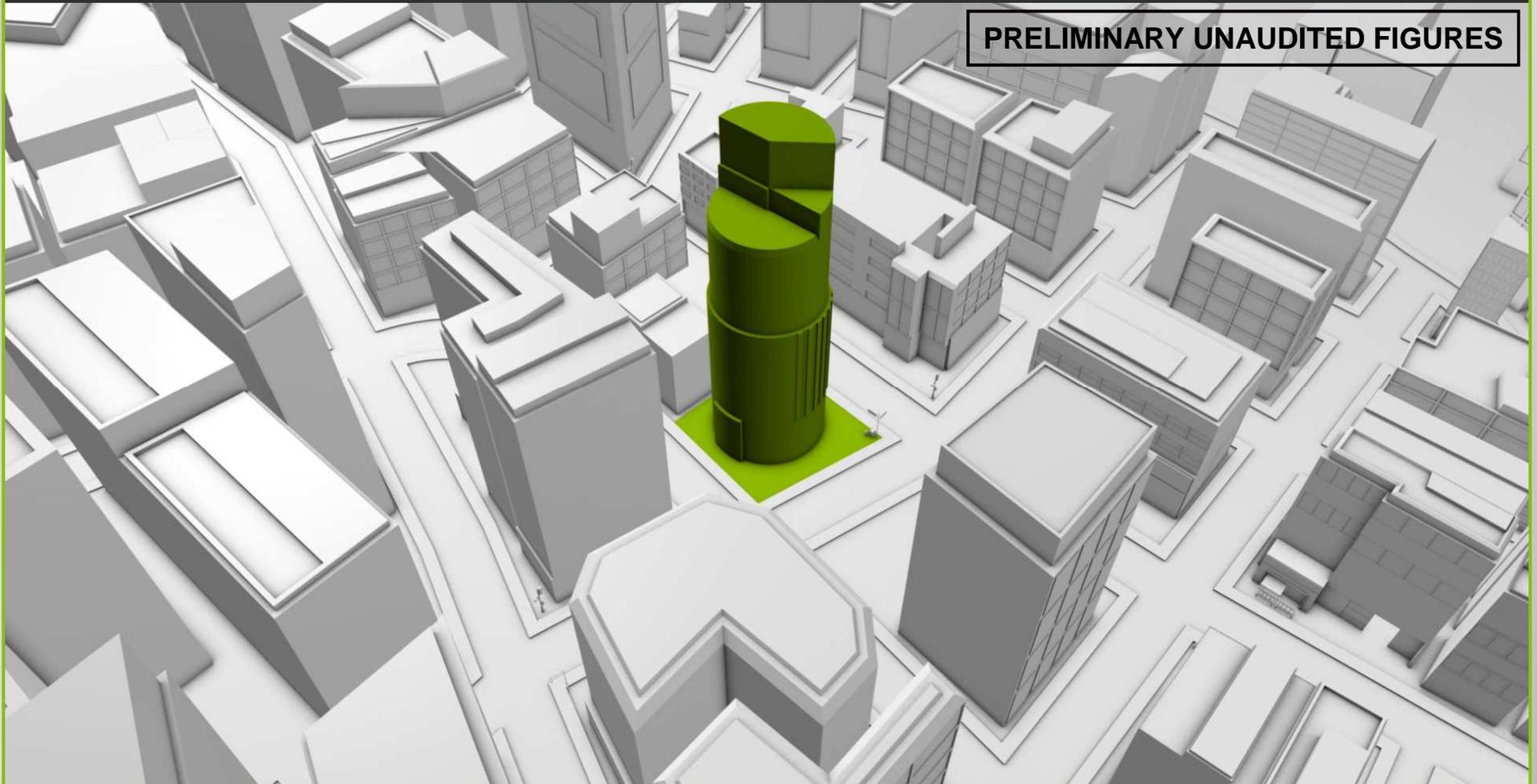
pbb profitable with pre-tax profit of EUR 188 mio  
in FY 2011

PUBLIC SECTOR FINANCE  
REAL ESTATE FINANCE

**pbb**

DEUTSCHE  
PFANDBRIEFBANK

**PRELIMINARY UNAUDITED FIGURES**



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- ✓ **Profitability achieved** – pre-tax profit of EUR 188 mio underscores viability of business model despite of positive one-off effects
- ✓ **New business origination power proven** – new business volume of EUR 8.0 bn (incl. extensions >1 year) at attractive margins makes pbb one of the largest real estate and public investment lenders in Europe
- ✓ **Funding markets re-entered** – liquidity buffer allowed for gradual re-entrance into funding markets in currently difficult market environment
- ✓ **Restructuring completed** – EU Commission's approval in the state aid proceedings confirms business model and marked last step in the restructuring and realignment of the bank
- ✓ **Operational set-up further improved** – process optimisation and roll-out of further IT release brings business and IT processes closer to target structure

## Income statement pbb now profitable for six consecutive quarters



pbb

### Income statement (IFRS)

EUR millions

	FY 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011
<b>Operating revenues</b>	<b>652</b>	<b>131</b>	<b>162</b>	<b>129</b>	<b>104</b>	<b>526</b>
Net interest and similar income	600	97	95	101	78	371
Net commission income	-10	14	5	6	7	32
thereof: SoFFin guarantees	-74	0	0	0	0	0
Net trading income	77	-8	8	4	-12	-8
Net income from financial investments	-17	-1	0	0	4	3
Net income from hedge relationships	-45	-15	-12	-7	-22	-56
Balance of other operating income/expenses	47	44	66	25	49	184
<b>Provisions for losses on loans and advances</b>	<b>-443</b>	<b>2</b>	<b>-1</b>	<b>1</b>	<b>10</b>	<b>12</b>
<b>General administrative expenses</b>	<b>-352</b>	<b>-81</b>	<b>-93</b>	<b>-87</b>	<b>-96</b>	<b>-357</b>
<b>Balance of other income/expenses</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>
<b>Pre-tax profit/loss</b>	<b>-135</b>	<b>52</b>	<b>68</b>	<b>43</b>	<b>25</b>	<b>188</b>

- Net interest income lower in Q4 2011, reflecting several non-periodic one-off effects (e.g. prepayment fees, gains on buy-backs of debt instruments, accruals)
- Net trading income affected by counterparty value adjustments (CVA) of customer derivatives – Q3 2011 includes EUR 6 mio gain from sale of a synthetic US CDO (no synthetic CDOs/ MBS remaining any more on pbb's balance sheet)
- Net income from financial investments benefits from gain from sale of assets as well as write-backs on securities
- Net income from hedge relationships suffers from hedging effects as well as credit spread widening (EUR -8 mio related to certain Portugal bonds, which are accounted for at fair value through profit or loss)
- Other operating income higher than in the previous quarter, including the following effects:
  - EUR 28 mio income from servicing for FMS-WM – Q3 2011 (EUR 16 mio) included EUR -11 mio retrospective shift of service allocation from pbb to DEPFA
  - EUR 7 mio income from pbb Services for IT services to DEPFA (Q3 2011: EUR 7 mio)
  - EUR 1 mio FX effects (Q3 2011: EUR -2 mio)
- Loan-loss provisions positive, reflecting EUR 10 mio net releases of portfolio-based allowances
- General administrative expenses (incl. expenses relating to the servicing for FMS-WM) affected by higher IT-costs – personnel expenses stable
- EUR 7 mio other income mainly due to releases of restructuring provisions

Appendix 1 – pbb

Appendix 2 – DEPFA

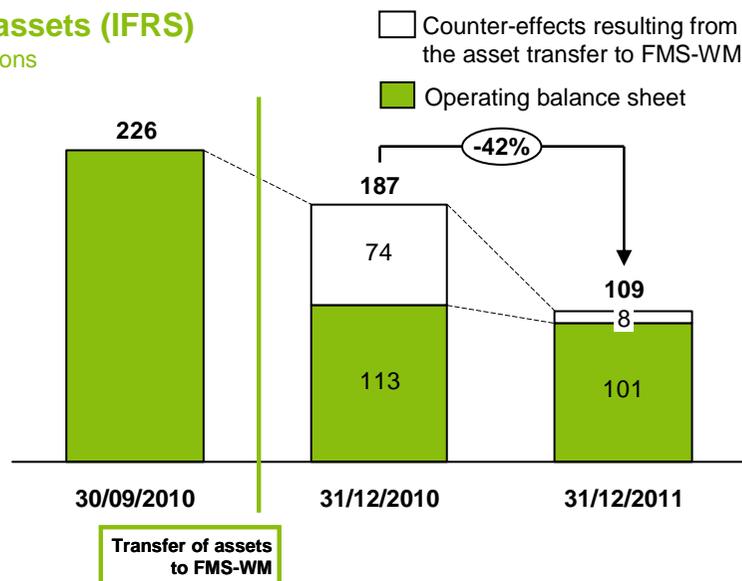
Appendix 3 – HRE Group

## Balance sheet

Total assets reduced by -42% to EUR 109 bn, given a significant reduction of counter-effects resulting from the asset transfer to FMS-WM

### Total assets (IFRS)

EUR billions



- In FY 2011, total assets are down by EUR 78 bn (-42%) to EUR 109 bn, primarily as counter-effects resulting from the asset transfer to FMS-WM have been significantly reduced
- EUR 8 bn of counter-effects remaining as of 31/12/2011 (31/12/2010: EUR 74 bn) – the main counter-effects are as follows:
  - Pass-through funding for FMS-WM:  
FMS-WM does not have a banking status. Therefore, pbb provided access to the ECB for FMS-WM by entering into reverse repo transactions with FMS-WM (pass-through funding).  
No pass-through funding remaining any more as of 31/12/2011 (31/12/2010: EUR 60 bn).
  - Back-to-back derivatives:  
Back-to-back derivatives were used to transfer market price risks of derivatives to FMS-WM by way of entering into derivative transactions with FMS-WM at counter-identical conditions. These derivative transactions resulted in an increase of the balance sheet.  
As of 31/12/2011, back-to-back derivatives have been further reduced by EUR 7 bn to EUR 7 bn due to novations (31/12/2010: EUR 14 bn)
  - The remaining counter-effects will diminish over time as derivatives will get novated – the EU requires a complete organisational separation of pbb from FMS-WM by end of September 2013
- Excluding the FMS-WM related counter-effects, the operating balance sheet declined to EUR 101 bn

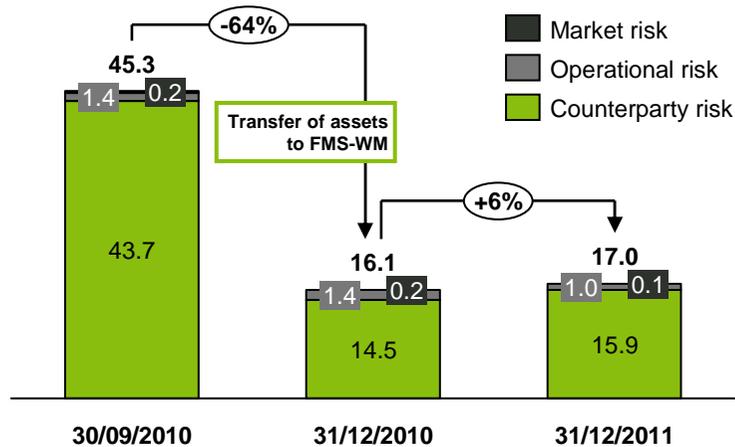
Note: Figures may not add up due to rounding

# Capitalisation

## pbb sufficiently capitalised

### Pro-forma Risk-Weighted Assets (RWA)

EUR billions

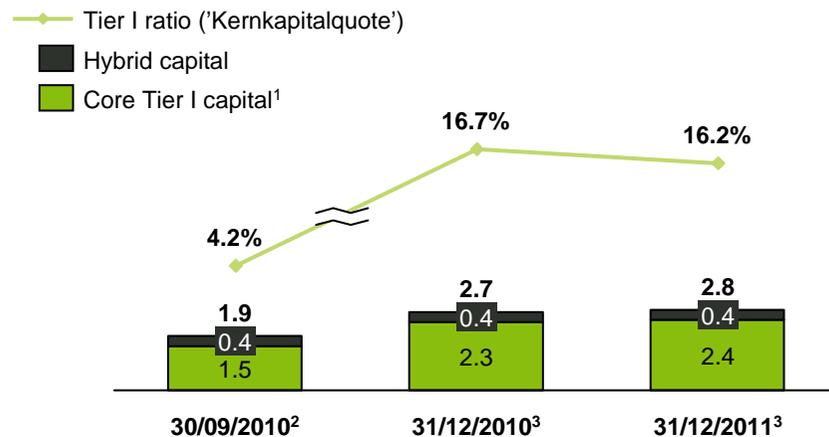


The regulatory capital ratios stated are calculated on an unaudited pro-forma basis. Deutsche Pfandbriefbank AG is according to the 'Waiver Rule' regulated in Sec. 2a KWG (German Banking Act) exempt from calculating the equity capital ratio and the core capital ratio on a sub-group level.

- pbb significantly de-risked after the asset transfer to FMS-WM – RWA increase by EUR 0.9 bn to EUR 17.0 bn in FY 2011, primarily reflecting portfolio re-calibrations
- Tier I capital slightly increased to EUR 2.8 bn (31/12/2010: EUR 2.7 bn), including preliminary full-year profits 2011
- Tier I ratio now at 16.2%
- 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 – impacts from currently known regulatory requirements according to Basel III expected to be manageable

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

EUR billions



Note: Figures may not add up due to rounding 1 Incl. silent participation 2 Incl. year-to-date result/adjustments 3 Incl. full-year result/adjustments

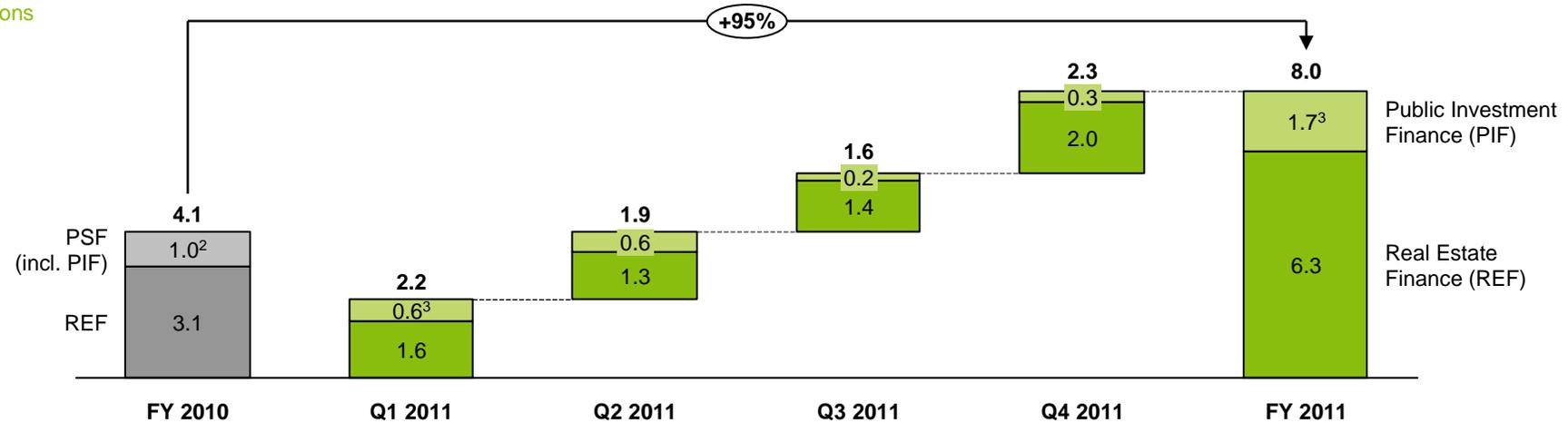
## New business

Origination power proven with a volume of EUR 8.0 bn in FY 2011, which meets the full-year target



### Total new business<sup>1</sup>

EUR billions



- New business (incl. extensions >1 year) of EUR 2.3 bn in Q4 brings total new business volume up to EUR 8.0 bn for FY 2011, which meets the full-year target and proves the successfully re-established origination power of pbb
- New business focus currently on REF in Germany and UK; in PIF the focus is especially on Germany and France (currently no new PIF business in Spain and Italy)
- However, new business activities are subject to overall market conditions and will be balanced out with capital market conditions

Note: Figures may not add up due to rounding 1 Incl. extensions >1 year 2 Incl. EUR 0.2 bn Public Budget Finance 3 Incl. EUR 0.2 bn Public Budget Finance (prior to EU decision in July 2011)

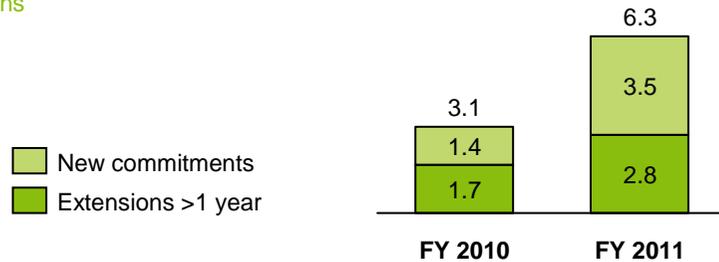
# New business

## New business origination at attractive margins and with conservative underwriting policy



### Real Estate Finance (REF)

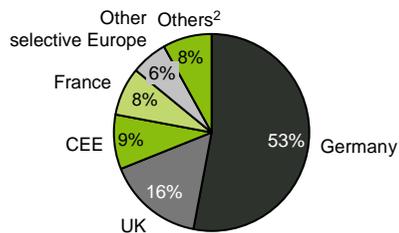
EUR billions



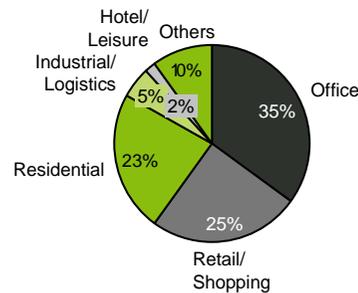
	FY 2010	FY 2011
No. of deals	65	88
Average maturity	~3.9 yrs	~4.2 yrs
Average LTV (New commitments) <sup>1</sup>	64%	65%
Average gross margin	>200 bp	>205 bp

### FY 2011: EUR 6.3 bn

by region

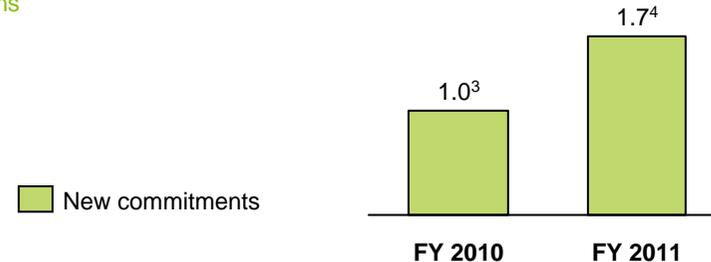


by property type



### Public Investment Finance (PIF)

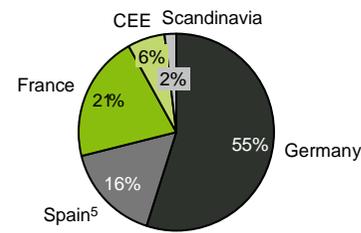
EUR billions



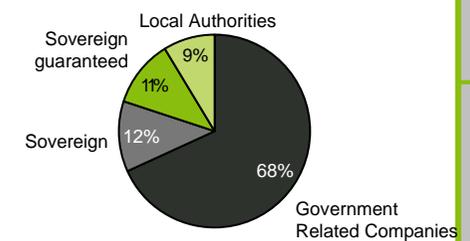
	FY 2010	FY 2011
No. of deals	51	42
Average maturity	~7.4 yrs	~10.3 yrs
Average gross margin	>100 bp	>105 bp

### FY 2011: EUR 1.7 bn<sup>4</sup>

by region



by counterparty type



Note: Figures may not add up due to rounding

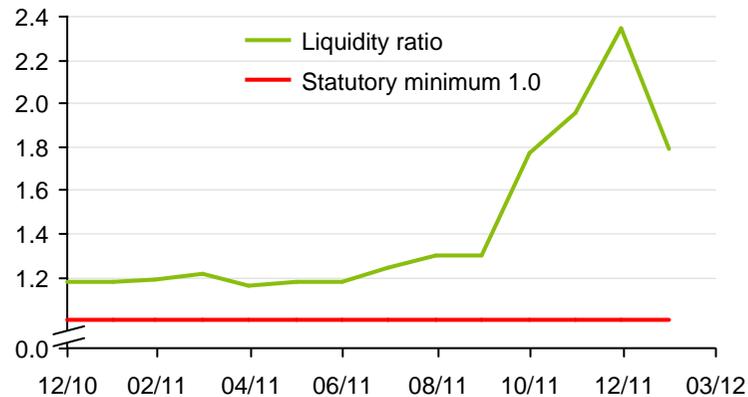
1 Extensions: 68% (FY 2010); 76% (FY 2011) 2 Only extensions 3 Incl. EUR 0.2 bn Public Budget Finance 4 Incl. EUR 0.2 bn Public Budget Finance from Q1 2011 (prior to EU decision in July 2011) 5 50% already syndicated/sold

## Liquidity & Funding

pbb aims to be a quality Pfandbrief issuer with responsibly placed liquid benchmark transactions

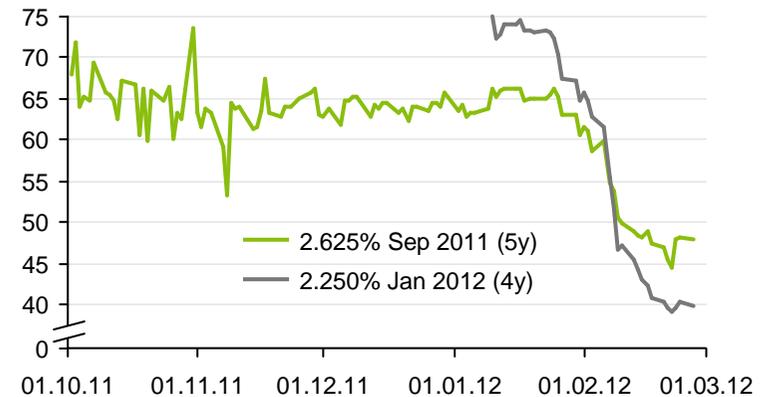
### Liquidity ratio<sup>1</sup>

according to German Ordinance on Liquidity ("Liquiditätsverordnung")



### New public issuances – spread development

Spread vs. mid-swap (bp)<sup>2</sup>



- ➔ **Conservative funding profile with limited funding gaps and adequate liquidity buffer in place**
- ➔ **Two Mortgage Pfandbriefe publicly issued recently, both with a good performance in the secondary market**
- ➔ **New business activities will be balanced out with capital market conditions**
- ➔ **New funding sources and products continuously verified**

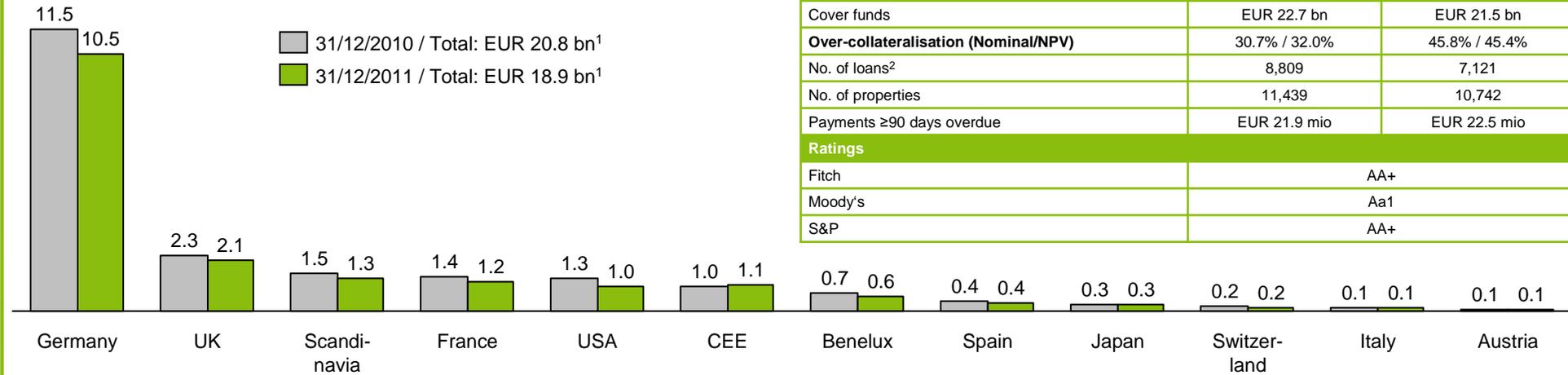
<sup>1</sup> Means of payment vs. payment obligations within one month    <sup>2</sup> Source: Bloomberg

## Cover pools

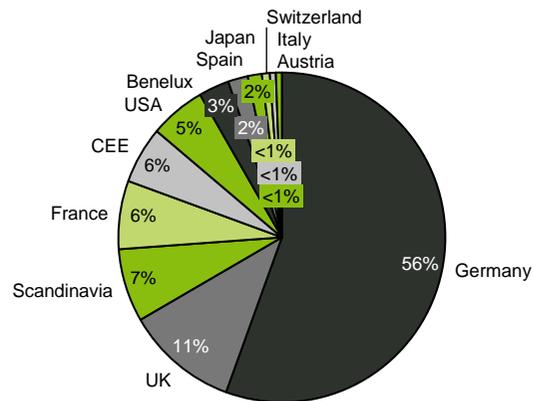
Mortgage cover pool – over-collateralisation of EUR 6.7 bn / 46% (nominal) provides comfortable cover for Pfandbriefe outstanding and basis for new issuances

### Cover funds by region

EUR billions (Nominal)

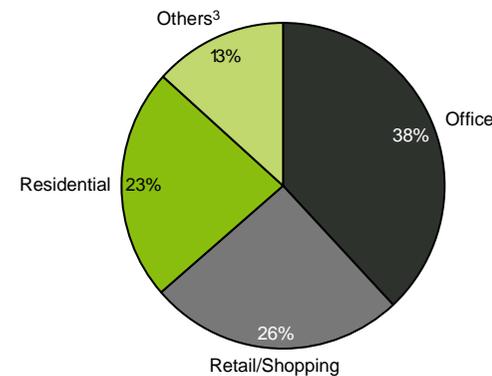


31/12/2011



### Cover funds by property type

31/12/2011: EUR 18.9 bn<sup>1</sup> (Nominal)



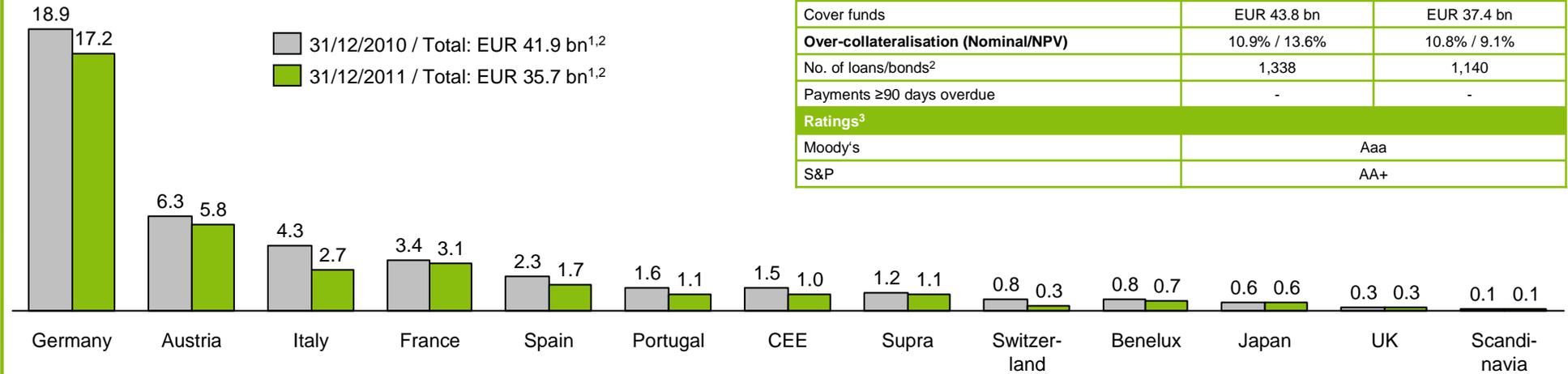
Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Excl. derivatives 3 Incl. Industrial/Logistics

## Cover pools

Public Sector cover pool – over-collateralisation of EUR 3.6 bn / 11% (nominal) covers exposure to peripheral countries in focus (Portugal, Spain, Italy) by 66%

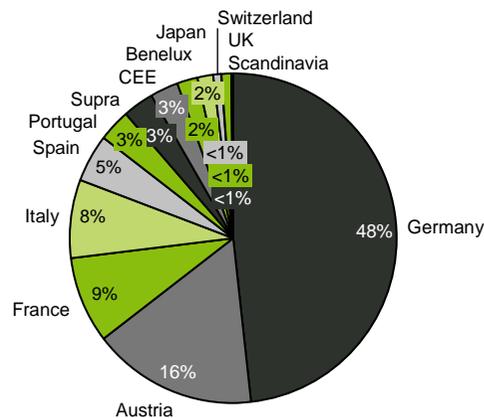
### Cover funds by region

EUR billions (Nominal)



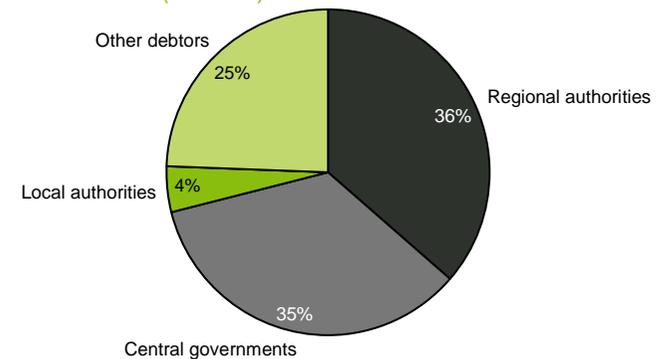
Public Sector cover pool (Nominal)	31/12/2010	31/12/2011
Pfandbriefe outstanding	EUR 39.5 bn	EUR 33.7 bn
Cover funds	EUR 43.8 bn	EUR 37.4 bn
<b>Over-collateralisation (Nominal/NPV)</b>	10.9% / 13.6%	10.8% / 9.1%
No. of loans/bonds <sup>2</sup>	1,338	1,140
Payments ≥90 days overdue	-	-
<b>Ratings<sup>3</sup></b>		
Moody's	Aaa	
S&P	AA+	

31/12/2011



### Cover funds by counterparty type

31/12/2011: EUR 35.7 bn<sup>1,2</sup> (Nominal)



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

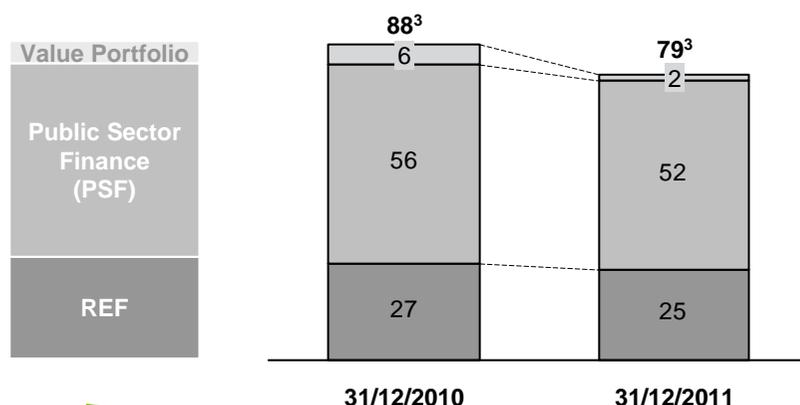
3 Following a review, Fitch required a considerably higher over-collateralisation in order for a AAA rating to be maintained. pbb views this over-collateralisation as not justifiable and therefore terminated the rating with effect as of 17th February 2012. At the same time as the withdrawal of the rating, Fitch has carried out a last assessment of the Public Sector Pfandbriefe with a rating of A+.

## Total portfolio

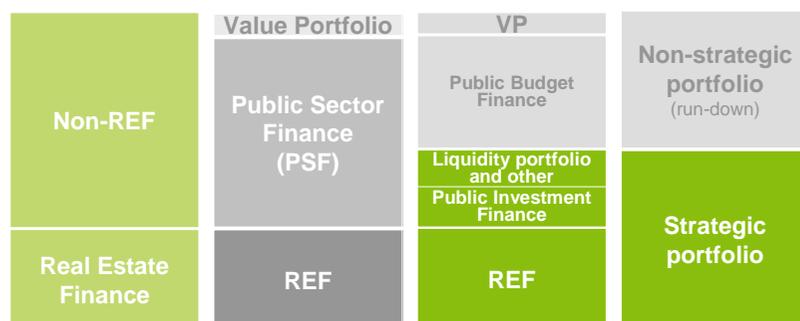
In the future, portfolio growth in strategic business areas REF and PIF expected to largely compensate mid-term for the run-down of Public Budget Finance

### Total portfolio

EUR billions (EaD)<sup>1,2</sup>



- In FY 2011, total portfolio reduced by EUR 9 bn to EUR 79 bn, primarily reflecting maturities (pre-/repayments) in Public Budget Finance (PBF) and a further reduction of non-strategic assets in the Value Portfolio (VP)
  - No new Public Budget Finance (PBF) business since EU decision in July 2011 – portfolio is being run down on balance sheet
  - Growth in strategic business areas Real Estate Finance (REF) and Public Investment Finance (PIF) expected to largely compensate for the decline in Public Budget Finance only mid-term
  - However, the future portfolio development is depending on new business activities – these will be balanced out with capital market conditions



Note: Figures may not add up due to rounding

1 Excl. FMS-WM guaranteed exposure/compensation claims

2 Incl. intra-group exposure

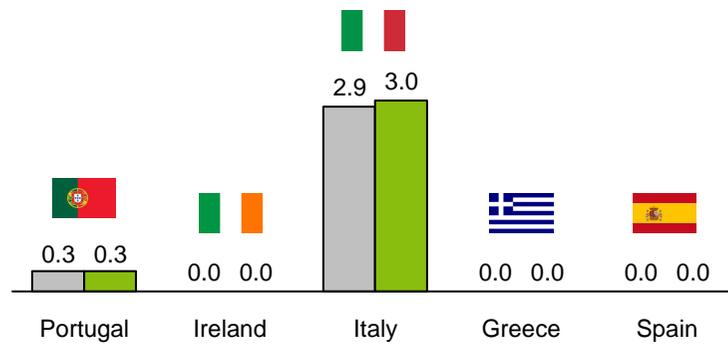
3 Incl. Consolidation & Adjustments (31/12/2010: EUR 0.4 bn; 31/12/2011 EUR 0.03 bn)

# Exposure in selected countries

## Non-REF: Sovereign exposure

EUR billions (EaD)<sup>1,2</sup>

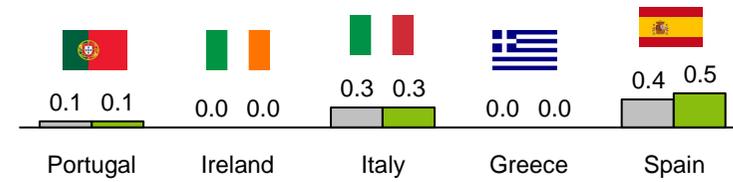
31/12/2010  
31/12/2011



## REF: Real Estate exposure

EUR billions (EaD)<sup>1,2</sup>

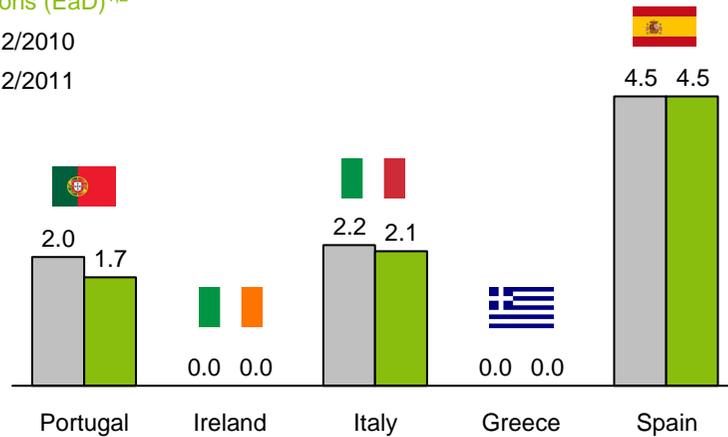
31/12/2010  
31/12/2011



## Non-REF: Non-sovereign<sup>3</sup> exposure

EUR billions (EaD)<sup>1,2</sup>

31/12/2010  
31/12/2011



Note: Figures may not add up due to rounding

1 Excl. FMS-WM guaranteed exposure/compensation claims

2 Excl. intra-group exposure

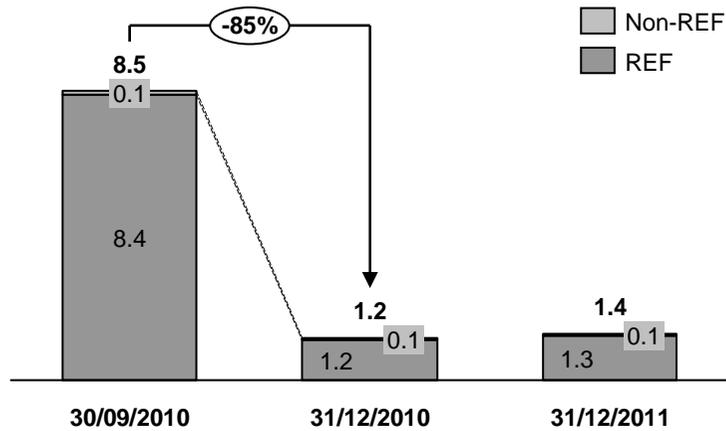
3 Sub-Sovereign (Local/Regional Authorities, Municipalities), Financial Institutions (FI), Public Sector Entities (PSE), Government Related Companies/Institutions (GRC/GRI), Corporates, Others

# Problem loans

## Total problem loans significantly reduced and adequately covered

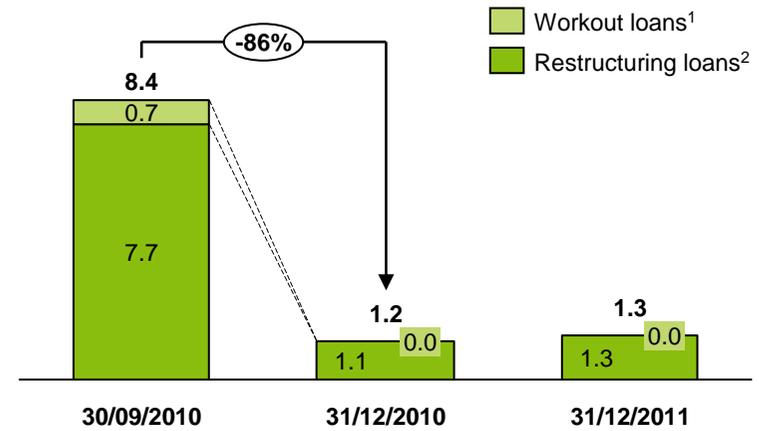
### Total problem loans

EUR billions (EaD)



### REF problem loans

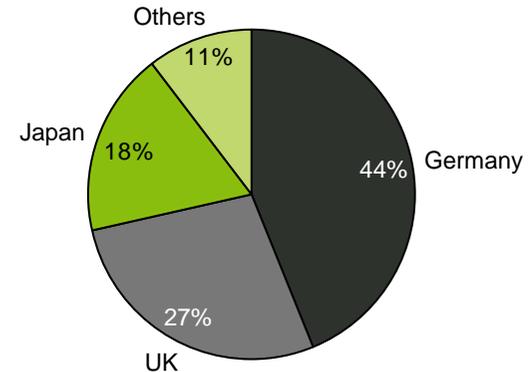
EUR billions (EaD)



■ Total problem loans of EUR 1.4 bn consist of 93 individual cases, which are adequately covered by loan-loss provisions

- Non-REF: EUR 0.1 bn / coverage ratio ~38%
- REF: EUR 1.3 bn / coverage ratio ~33%

31/12/2011: EUR 1.3 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

- ➔ **Build up the strategic Real Estate Finance (REF) and Public Investment Finance (PIF) portfolio to improve pbb's future earnings base**
- ➔ **Strict monitoring of the portfolio and reducing risk positions**
- ➔ **Expand pbb's refinancing capabilities and preserve the existing liquidity buffer**
- ➔ **Further separate pbb from DEPFA and FMS-WM**
- ➔ **Further optimising business and IT processes – roll-out of last IT release and implementation of target structure planned by year-end**

 **pbb expected to remain profitable – however, this requires an overall market situation without further serious distortions (e.g. sovereign defaults)**

	EUR	FY 2011	FY 2012e	FY 2013e
<b>New business</b> (incl. extensions > 1year)	<b>bn</b>	<b>8</b>	<b>→</b>	<b>→</b>
<b>Total assets</b>	<b>bn</b>	<b>109</b>	<b>↘</b>	<b>→ ↗</b>
<b>Pre-tax profit</b>	<b>mio</b>	<b>188</b>	<b>100-140</b>	<b>&gt;150</b>

- New business volume on last year’s level feasible, if funding markets are capacious – no new Public Budget Finance (PBF) business
- Growth in higher-margin strategic business areas REF and PIF expected to largely compensate only mid-term for the decline in Public Budget Finance
- However, the future portfolio development is depending on new business activities, which are balanced out with capital market conditions
- Pre-tax profit expected to benefit less from positive one-off effects and will be burdened by the bank levy – furthermore, standard risk costs have to be taken into account

**Annual Report 2011 will be published on 29<sup>th</sup> March 2012**

- ➔ **Restructuring completed – portfolios de-risked and pbb realigned**
- ➔ **pbb profitable with mid-term growth potential**
- ➔ **New business origination power proven with new business volume (incl. extensions >1 year) of EUR 8 bn at attractive margins and with conservative underwriting policy**
- ➔ **Funding markets re-entered – new business activities will be balanced out with capital market conditions**
- ➔ **Portfolio strictly monitored and risk positions to be further reduced**

**pbb being a leading European Pfandbrief bank  
focused on Real Estate Finance and Public Investment Finance**

## Contact details



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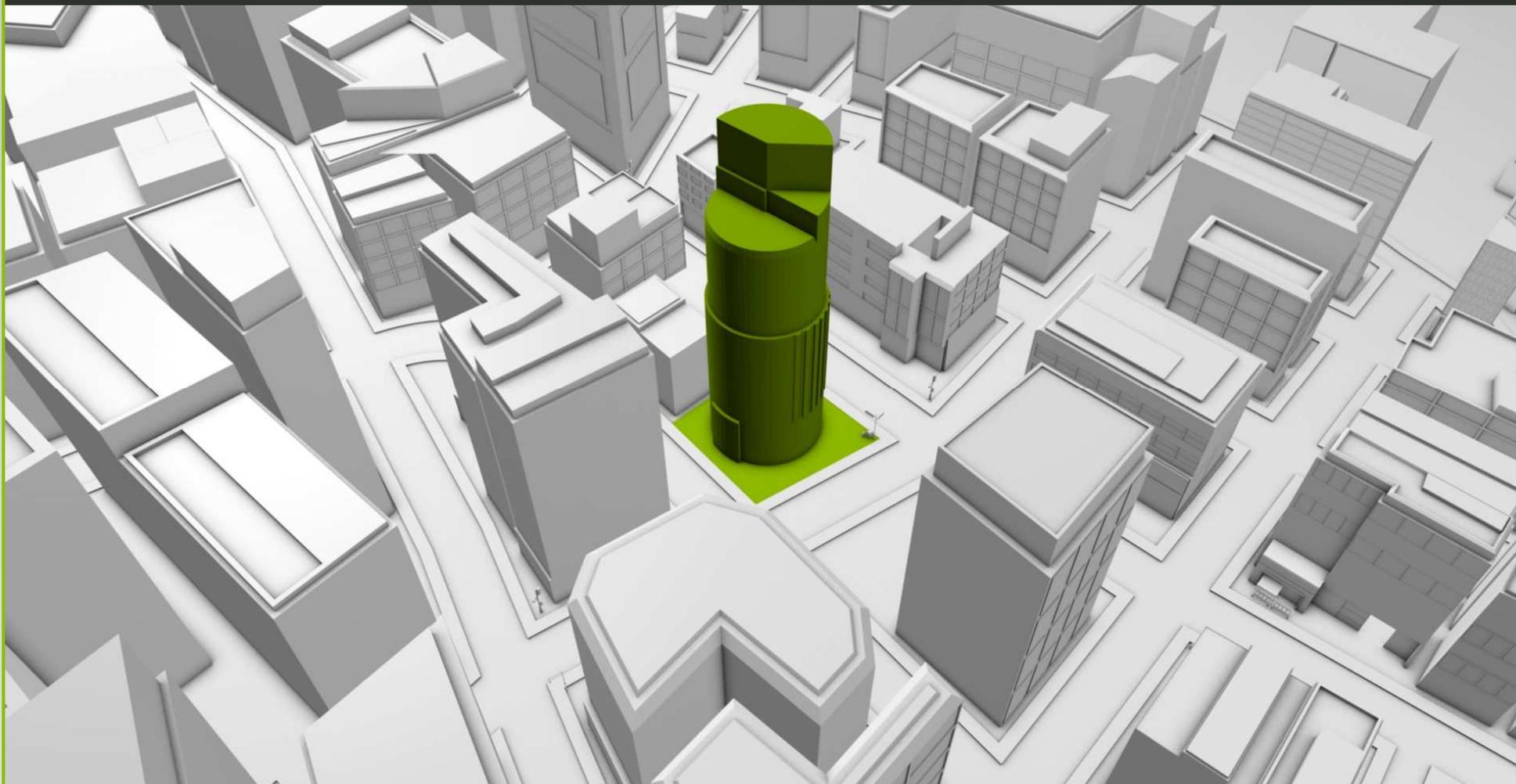
# Appendix 1 – pbb

## Preliminary unaudited Results Q4/FY 2011

PUBLIC SECTOR FINANCE  
REAL ESTATE FINANCE

**pbb**

DEUTSCHE  
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**pbb Deutsche Pfandbriefbank**  
**Group structure – pbb being the strategic core bank within HRE Group**

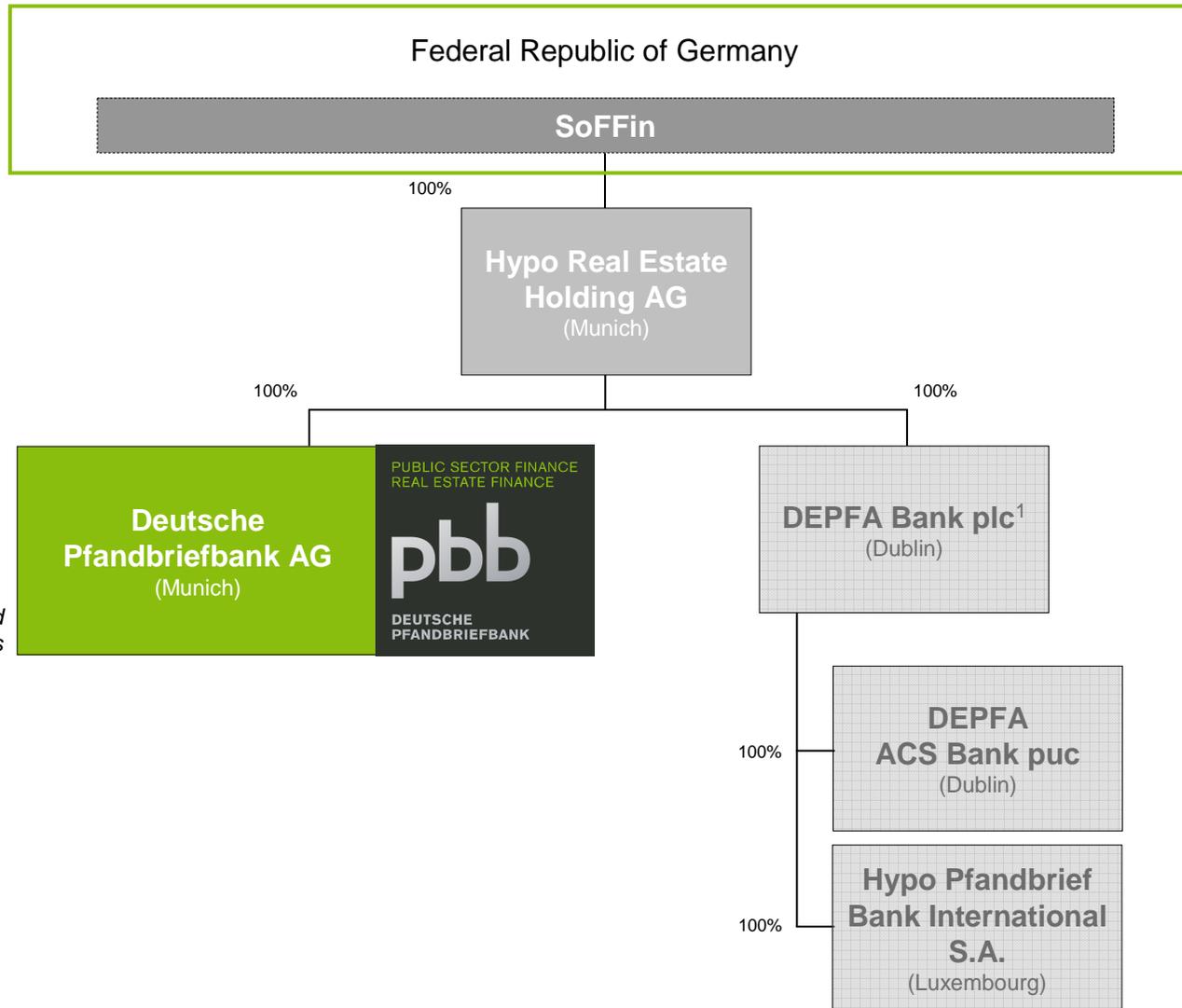


pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

Appendix 3 – HRE Group



*Issuer of publicly traded capital market products*

<sup>1</sup> Incl. Hypo Public Finance Bank and branches

## Financial Results

### Total Portfolio

Real Estate Portfolio

Non-Real Estate Portfolio

### Cover Pools

Mortgage Cover Pool

Public Sector Cover Pool

# pbb Deutsche Pfandbriefbank

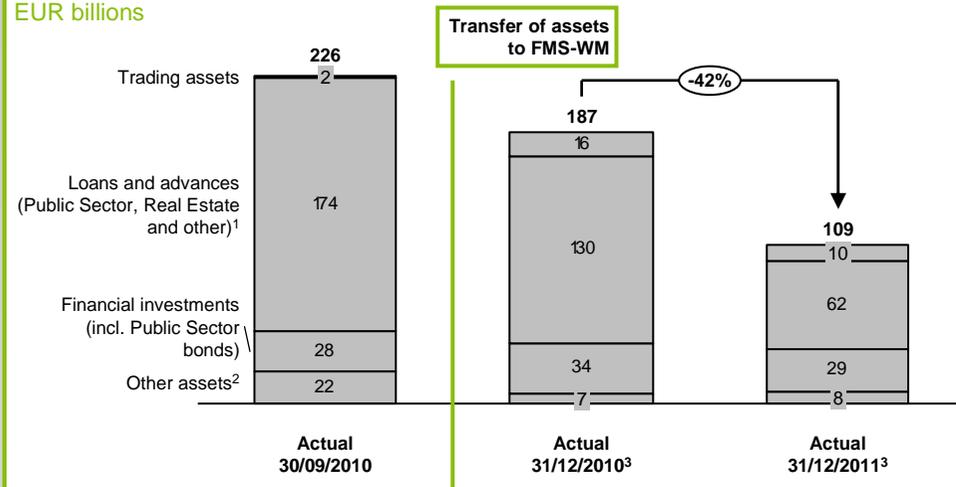
## Balance sheet



pbb

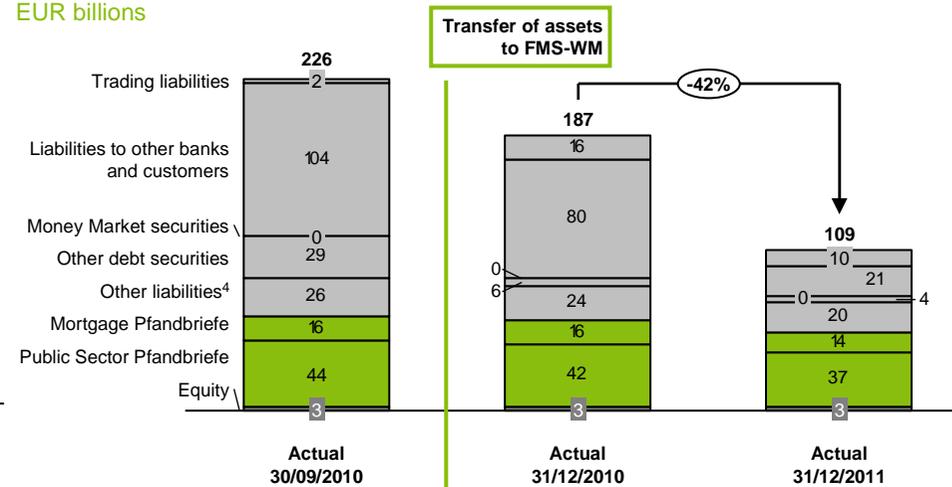
### Total assets (IFRS)

EUR billions



### Total liabilities and equity (IFRS)

EUR billions



Note: Figures may not add up due to rounding

1 Incl. allowances for losses on loans and advances

2 Cash reserve, other assets (esp. positive market values of hedging derivatives), income tax assets

3 Incl. reclassification of securities from 'Loans and advances' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR in the same balance sheet position

4 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities, subordinated capital

Appendix 1 – pbb

Appendix 2 – DEPFA

Appendix 3 – HRE Group

Financial Results

## Total Portfolio

Real Estate Portfolio

Non-Real Estate Portfolio

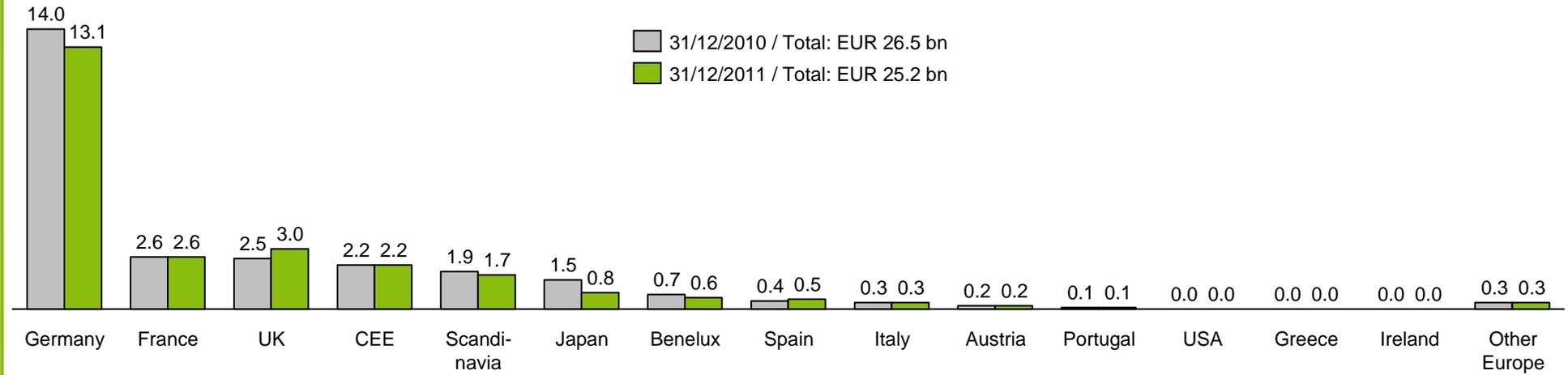
Cover Pools

Mortgage Cover Pool

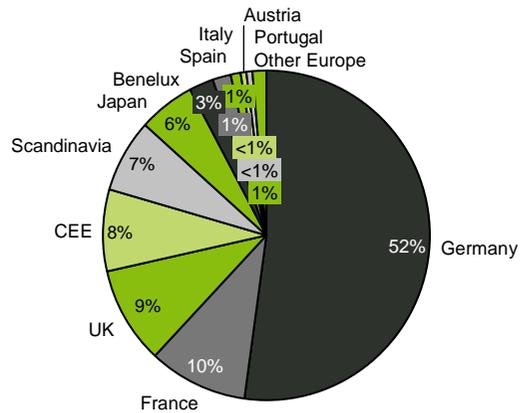
Public Sector Cover Pool

### Exposure by region

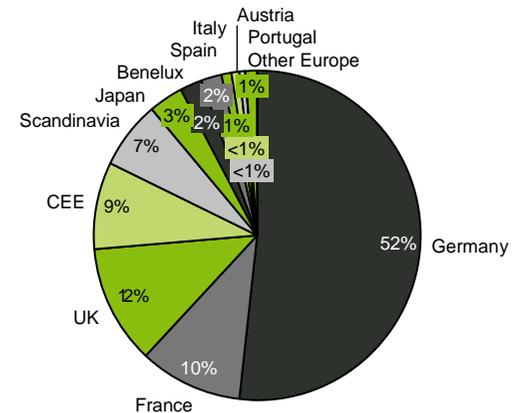
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



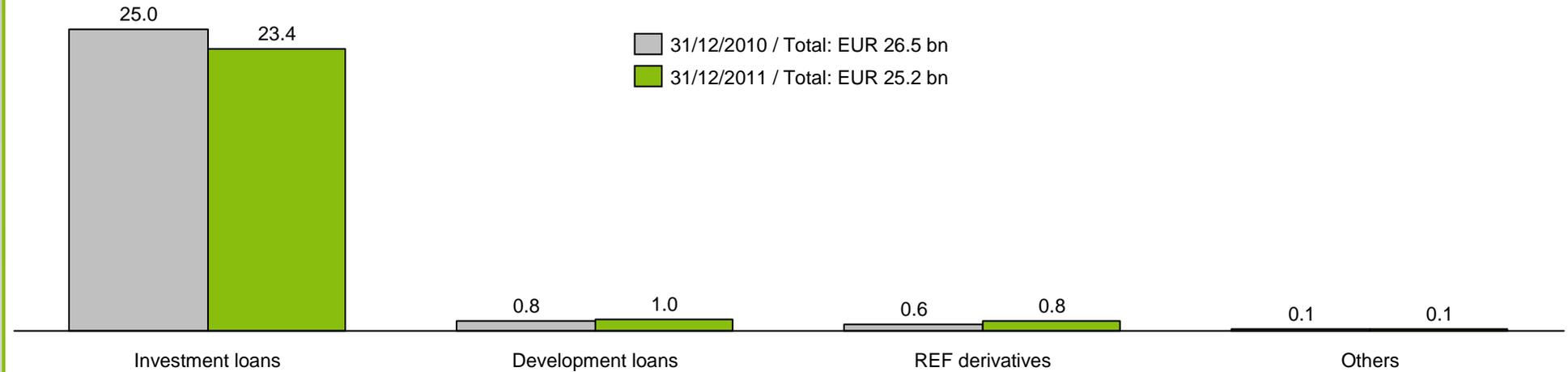
31/12/2011



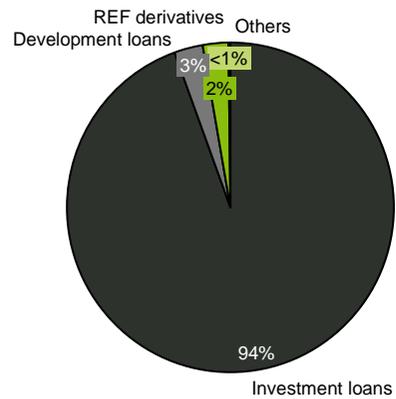
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims 2 Incl. intra-group exposure

### Exposure by loan type

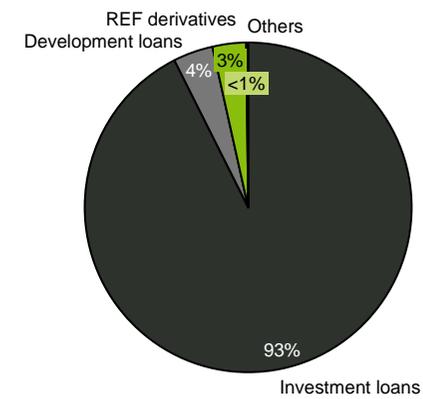
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



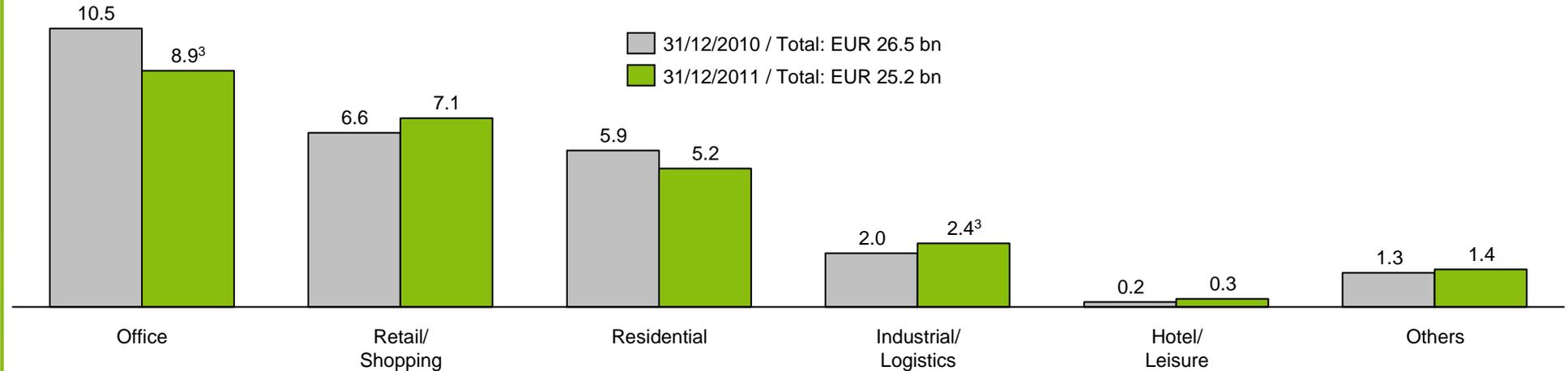
31/12/2011



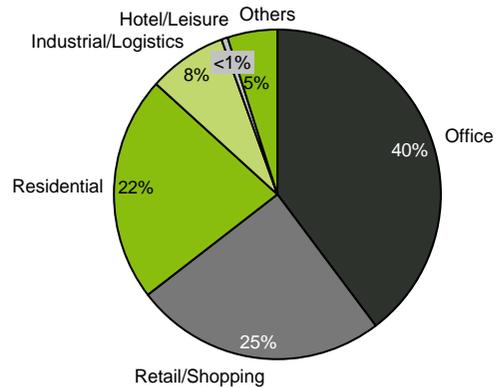
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims 2 Incl. intra-group exposure

### Exposure by property type

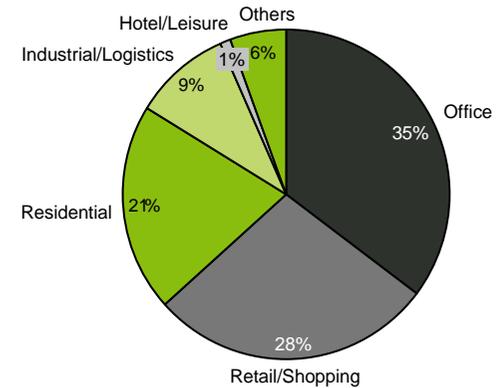
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



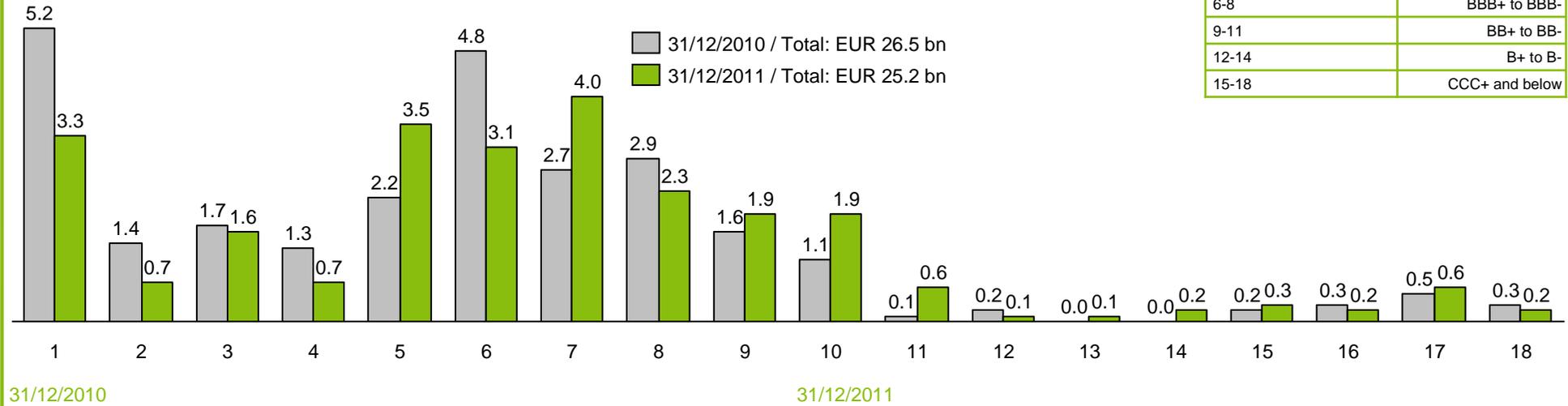
31/12/2011



Note: Figures may not add up due to rounding  
 1 Excl. FMS-WM guaranteed exposure/compensation claims  
 2 Incl. intra-group exposure  
 3 Incl. change of main property type from 'Office' to 'Industrial/Logistics' in a portfolio transaction

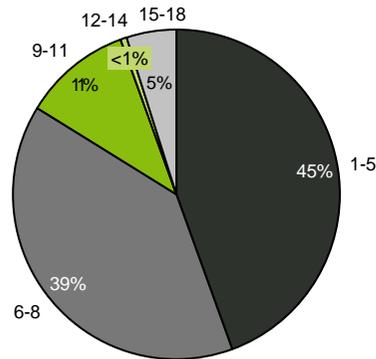
**Exposure by EL classes**

EUR billions (EaD)<sup>1,2</sup>

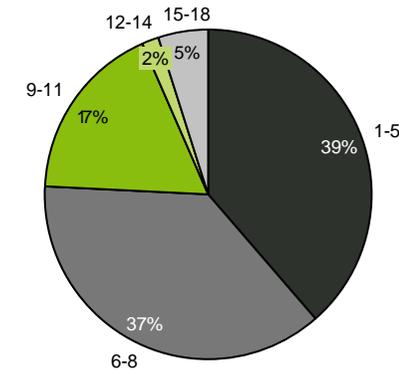


EL class	S&P rating scale
1-5	AAA to A-
6-8	BBB+ to BBB-
9-11	BB+ to BB-
12-14	B+ to B-
15-18	CCC+ and below

31/12/2010



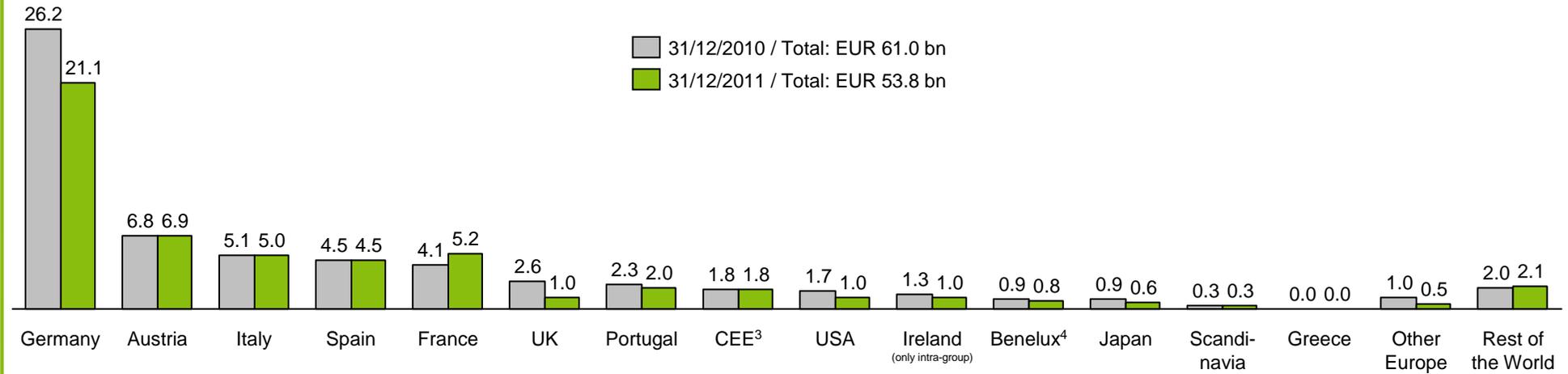
31/12/2011



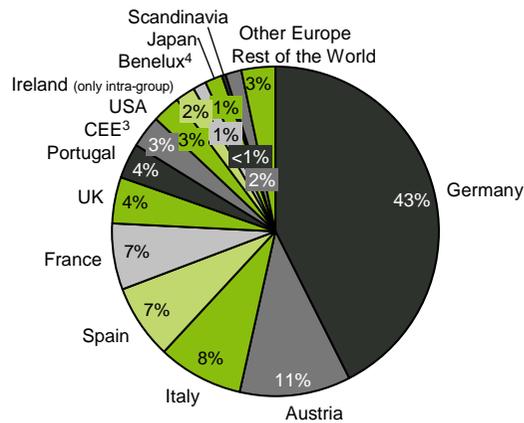
Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims 2 Incl. intra-group exposure

**Exposure by region**

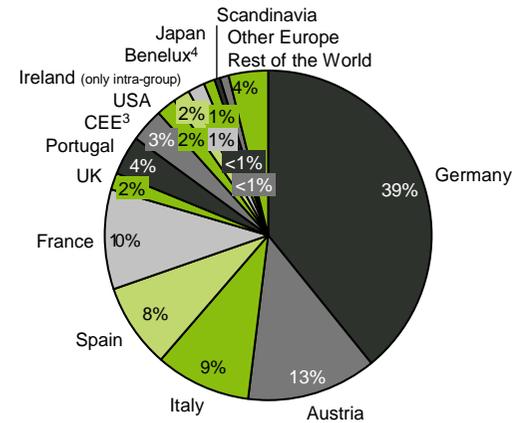
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



31/12/2011

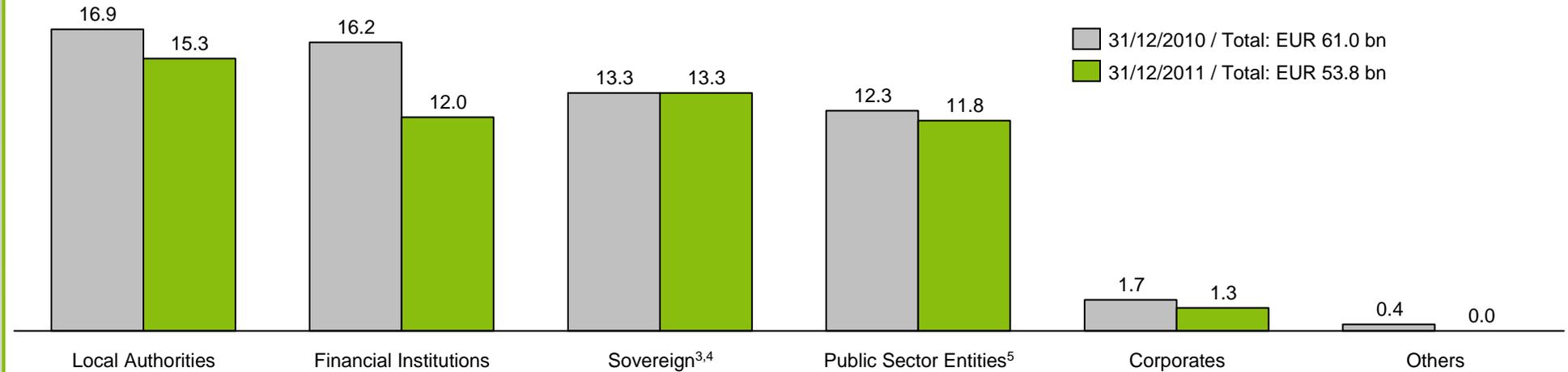


Note: Figures may not add up due to rounding  
1 Excl. FMS-WM guaranteed exposure/compensation claims  
2 Incl. intra-group exposure

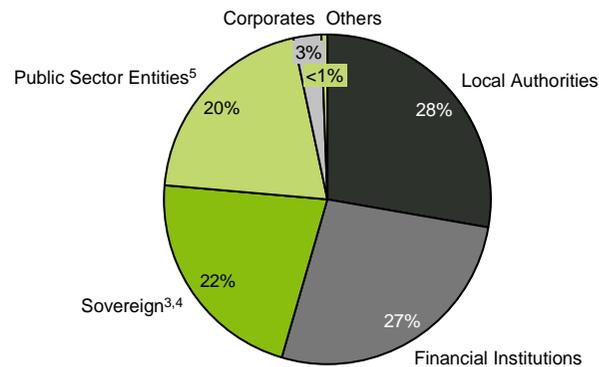
3 Incl. Hungary (31/12/2010: EUR 0.3 bn; 31/12/2011: EUR 0.3 bn)  
4 Incl. Belgium (31/12/2010: EUR 0.8 bn; 31/12/2011: EUR 0.7 bn)

### Exposure by counterparty type

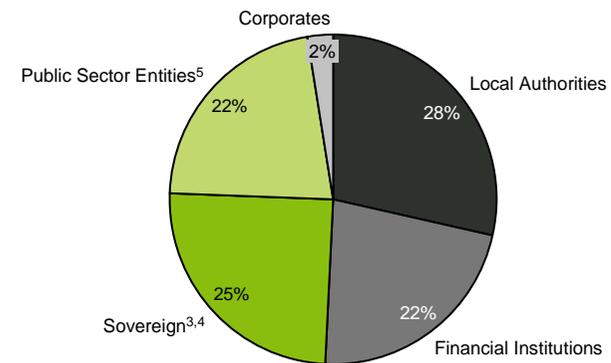
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



31/12/2011

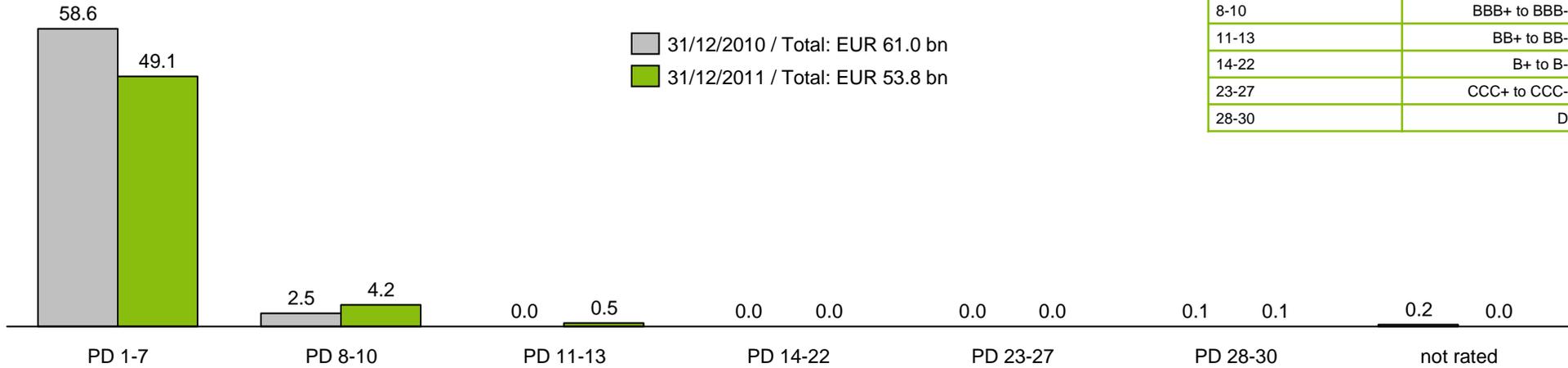


Note: Figures may not add up due to rounding  
1 Excl. FMS-WM guaranteed exposure/compensation claims  
2 Incl. intra-group exposure

3 Incl. accounts with German Central Bank (31/12/2010: EUR 3.3 bn; 31/12/2011: EUR 1.6 bn)  
4 Incl. Government Related Companies/Institutions (e.g. airports, healthcare, private/public education, water/sewage)  
5 Entities with explicit or implicit financial support from a tax raising authority

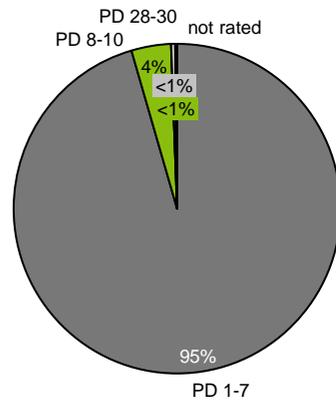
**Exposure by PD class**

EUR billions (EaD)<sup>1,2</sup>

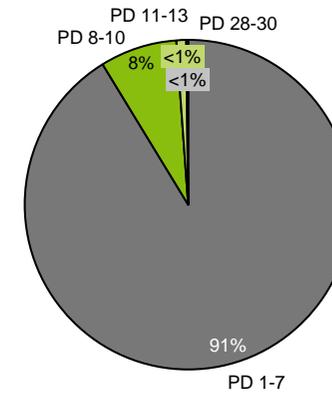


PD class	S&P rating scale
1-7	AAA to A-
8-10	BBB+ to BBB-
11-13	BB+ to BB-
14-22	B+ to B-
23-27	CCC+ to CCC-
28-30	D

31/12/2010



31/12/2011



Note: Figures may not add up due to rounding 1 Excl. FMS-WM guaranteed exposure/compensation claims 2 Incl. intra-group exposure

Financial Results

Total Portfolio

Real Estate Portfolio

Non-Real Estate Portfolio

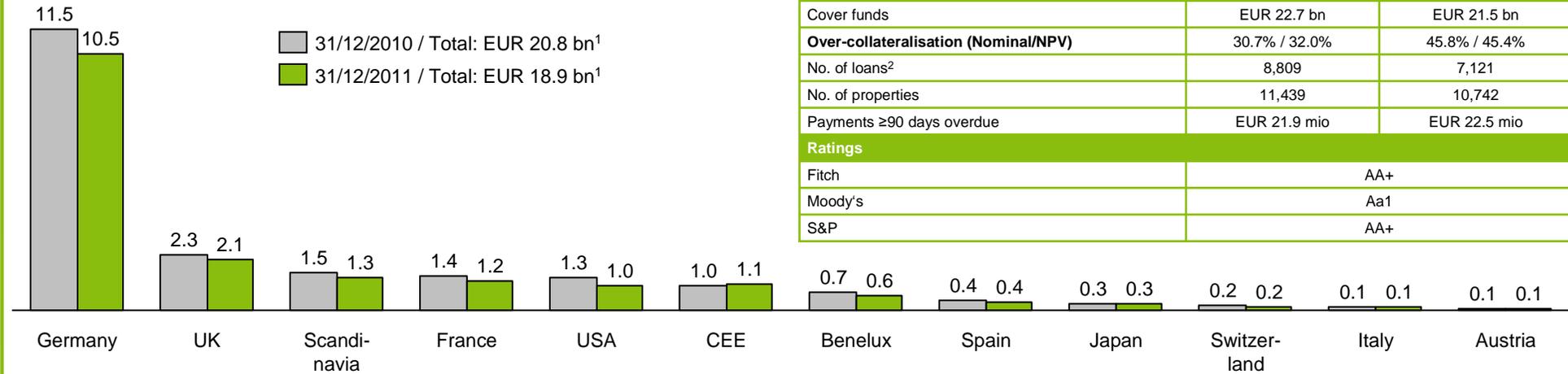
Cover Pools

Mortgage Cover Pool

Public Sector Cover Pool

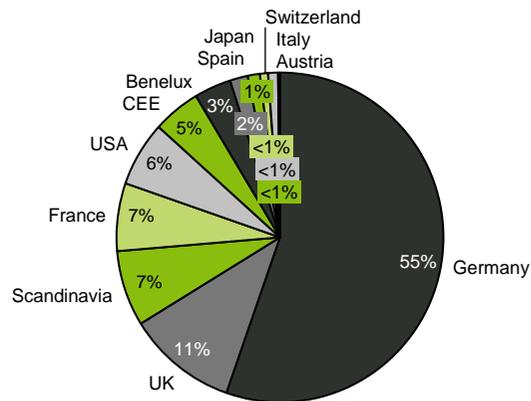
Cover funds by region

EUR billions (Nominal)

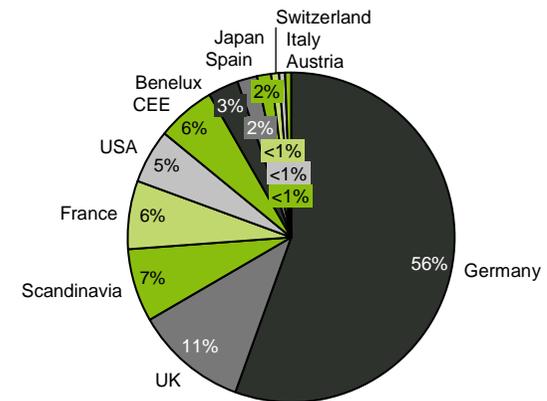


Mortgage cover pool (Nominal)	31/12/2010	31/12/2011
Pfandbriefe outstanding	EUR 17.4 bn	EUR 14.7 bn
Cover funds	EUR 22.7 bn	EUR 21.5 bn
<b>Over-collateralisation (Nominal/NPV)</b>	30.7% / 32.0%	45.8% / 45.4%
No. of loans <sup>2</sup>	8,809	7,121
No. of properties	11,439	10,742
Payments ≥90 days overdue	EUR 21.9 mio	EUR 22.5 mio
<b>Ratings</b>		
Fitch	AA+	
Moody's	Aa1	
S&P	AA+	

31/12/2010



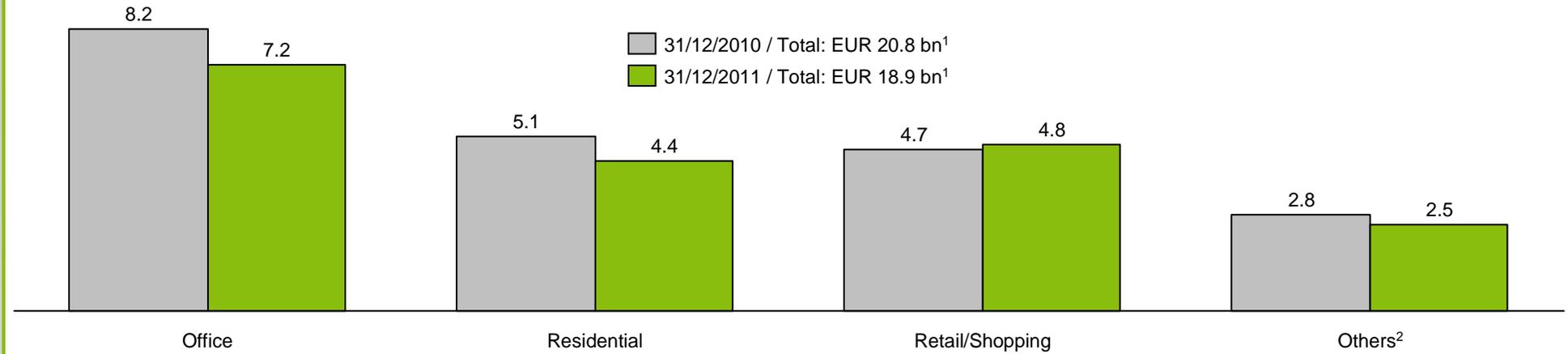
31/12/2011



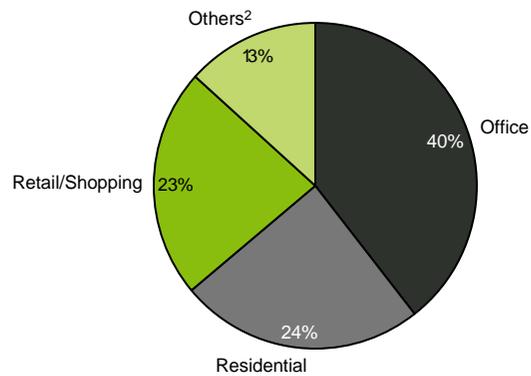
Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Excl. derivatives

### Cover funds by property type

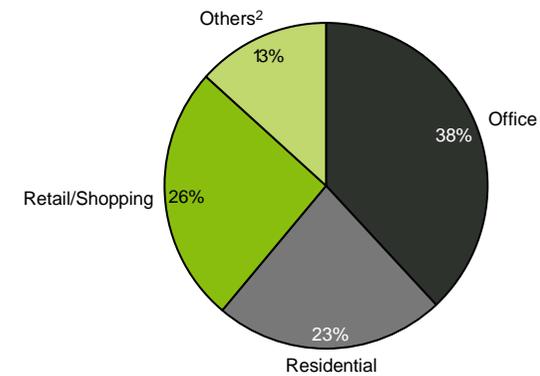
EUR billions (Nominal)



31/12/2010



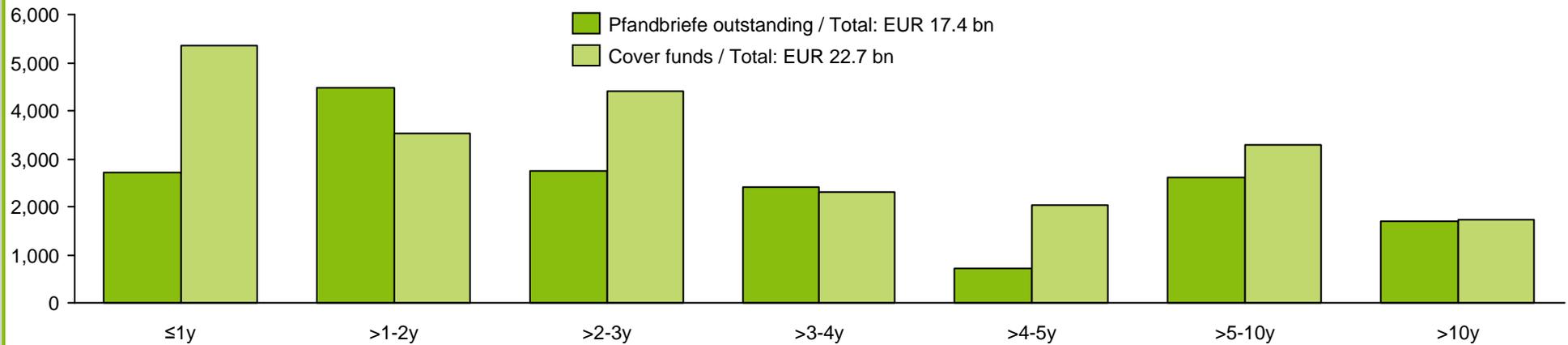
31/12/2011



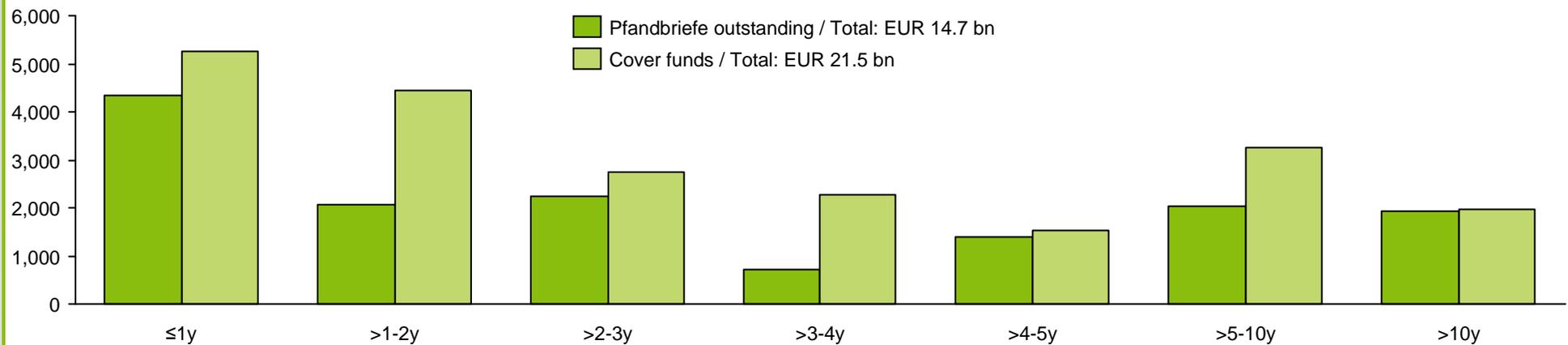
Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Incl. Industrial/Logistics

### Maturity profile<sup>1,2</sup>

31/12/2010: EUR millions (Nominal)



31/12/2011: EUR millions (Nominal)



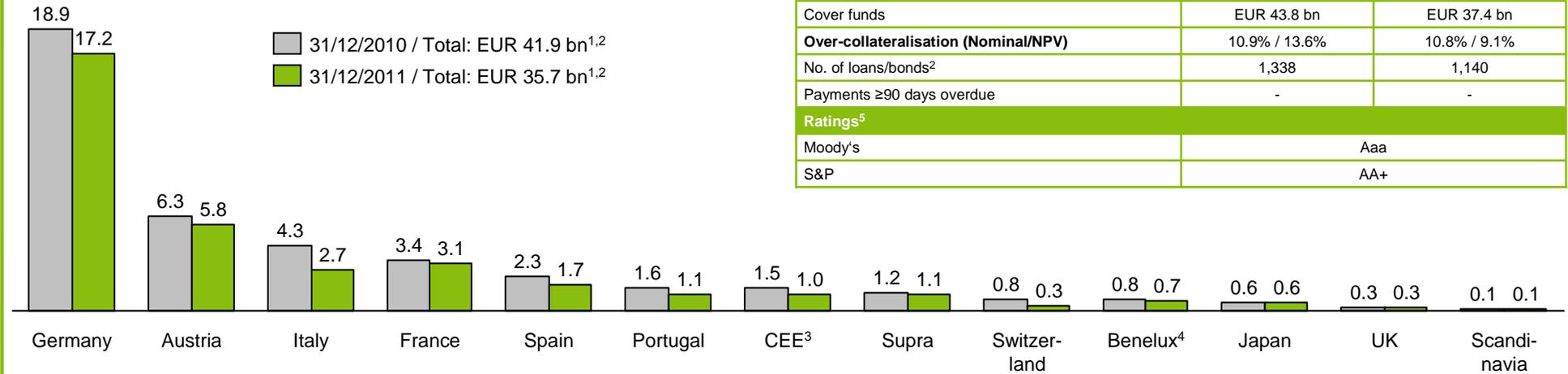
Note: Figures may not add up due to rounding 1 Assets to interest reset date; liabilities to legal maturity 2 Incl. additional cover assets (substitute collateral) and derivatives

# pbb Deutsche Pfandbriefbank Public Sector cover pool



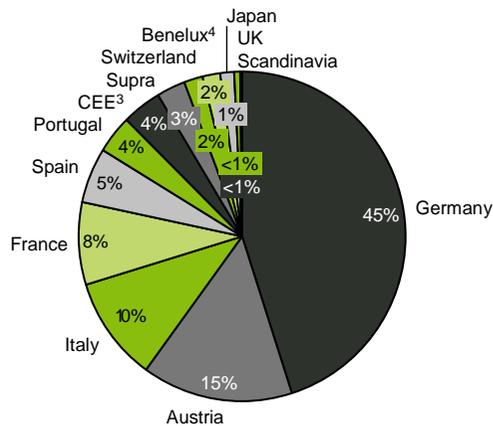
## Cover funds by region

EUR billions (Nominal)

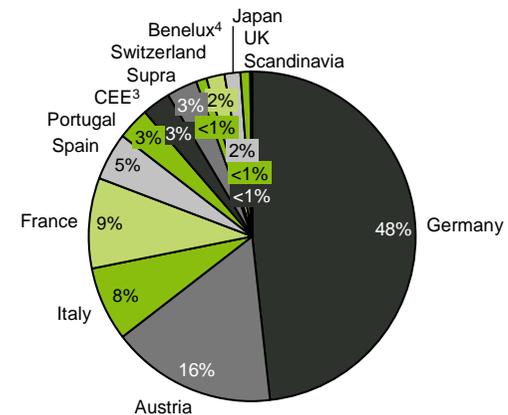


Public Sector cover pool (Nominal)	31/12/2010	31/12/2011
Pfandbriefe outstanding	EUR 39.5 bn	EUR 33.7 bn
Cover funds	EUR 43.8 bn	EUR 37.4 bn
<b>Over-collateralisation (Nominal/NPV)</b>	10.9% / 13.6%	10.8% / 9.1%
No. of loans/bonds <sup>2</sup>	1,338	1,140
Payments ≥90 days overdue	-	-
<b>Ratings<sup>5</sup></b>		
Moody's	Aaa	
S&P	AA+	

31/12/2010



31/12/2011



Note: Figures may not add up due to rounding

1 Excl. additional cover assets (substitute collateral)

2 Excl. derivatives

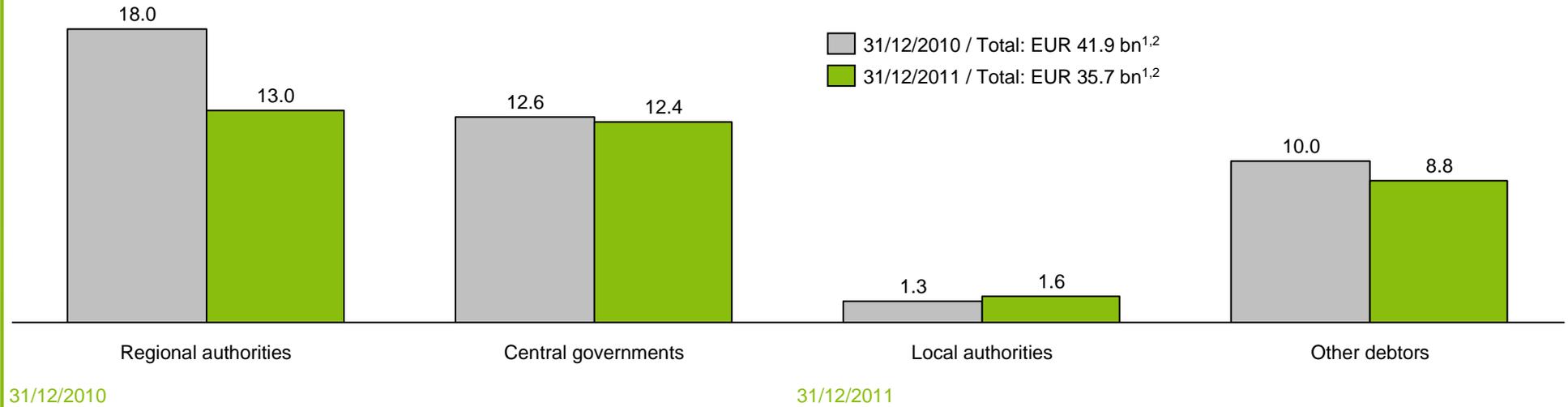
3 Incl. Hungary (31/12/2010: EUR 327 mio; 31/12/2011: EUR 120 mio)

4 Incl. Belgium (31/12/2010: EUR 715 mio; 31/12/2011: EUR 662 mio)

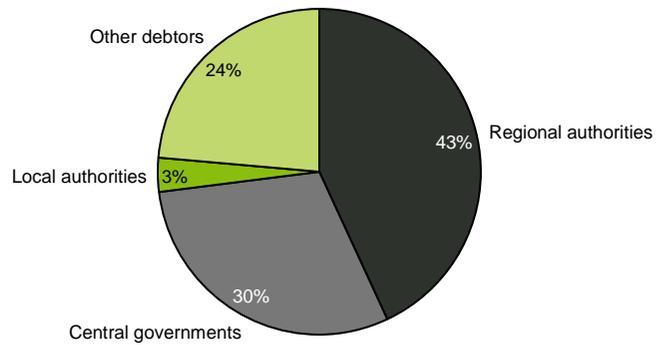
5 Following a review, Fitch required a considerably higher over-collateralisation in order for a AAA rating to be maintained. pbb views this over-collateralisation as not justifiable and therefore terminated the rating with effect as of 17th February 2012. At the same time as the withdrawal of the rating, Fitch has carried out a last assessment of the Public Sector Pfandbriefe with a rating of A+.

### Cover funds by counterparty type

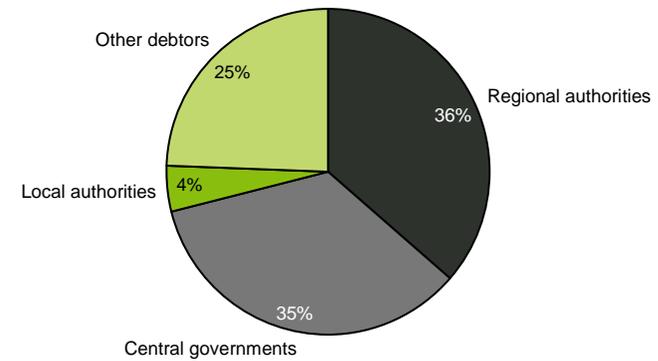
EUR billions (Nominal)



31/12/2010



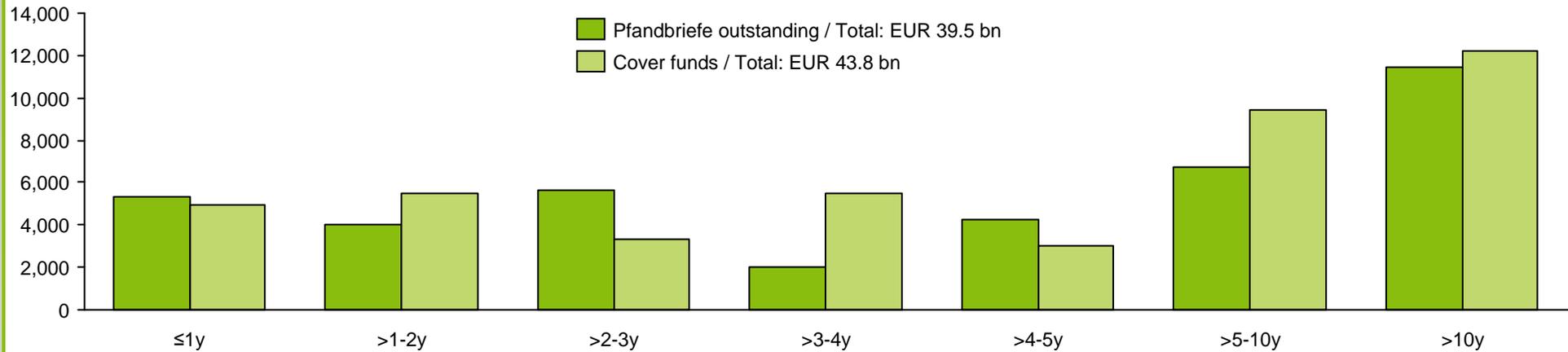
31/12/2011



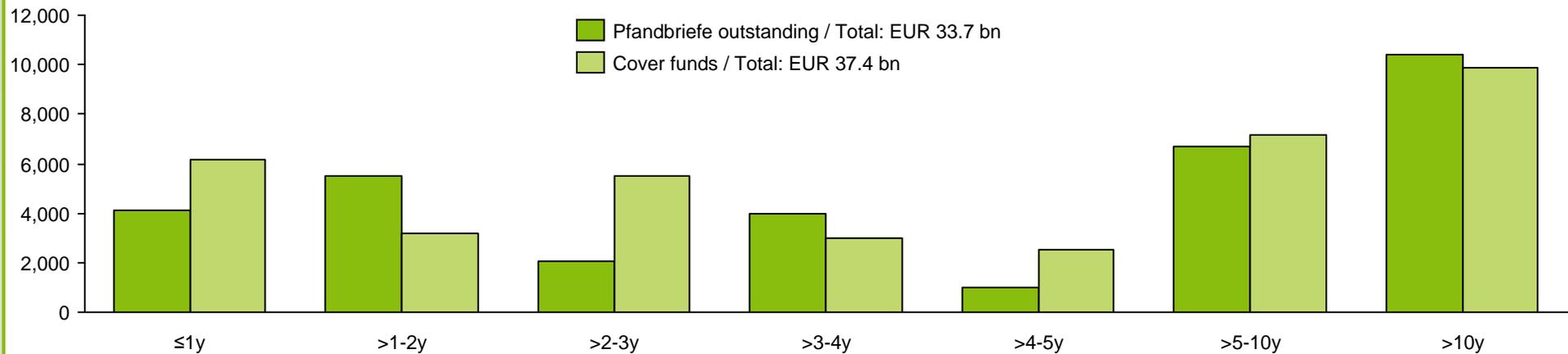
Note: Figures may not add up due to rounding 1 Excl. additional cover assets (substitute collateral) 2 Excl. derivatives

### Maturity profile<sup>1,2</sup>

31/12/2010: EUR millions (Nominal)



31/12/2011: EUR millions (Nominal)



Note: Figures may not add up due to rounding 1 Assets to interest reset date; liabilities to legal maturity 2 Incl. additional cover assets (substitute collateral) and derivatives

# Appendix 2 – DEPFA

## Preliminary unaudited Results Q4/FY 2011



# DEPFA

## Agenda

### Financial Results

Total Portfolio

ACS Cover Pool

HPBI Cover Pool

pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

Appendix 3 – HRE Group

# DEPFA

## Income statement

### Income statement (IFRS)

EUR millions

	FY 2010 <sup>1</sup>	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011
<b>Operating revenues</b>	<b>-480</b>	<b>151</b>	<b>45</b>	<b>45</b>	<b>-13</b>	<b>230</b>
Net interest and similar income	211	122	46	14	14	196
Net commission income	-310	-6	-4	-8	-1	-19
thereof: Intra-group refinancing <sup>2</sup>	-310	0	0	0	0	0
Net trading income	-457	2	8	3	6	19
Net income from financial investments	72	-19	-15	-2	-17	-53
Net income from hedge relationships	-11	12	-5	15	-18	4
Balance of other operating income/expenses	15	40	15	23	3	81
<b>Provisions for losses on loans and advances</b>	<b>-2</b>	<b>7</b>	<b>12</b>	<b>-2</b>	<b>14</b>	<b>31</b>
<b>General administrative expenses</b>	<b>-203</b>	<b>-33</b>	<b>-39</b>	<b>-33</b>	<b>-29</b>	<b>-134</b>
<b>Balance of other income/expenses</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>-2</b>	<b>-1</b>
<b>Pre-tax profit/loss</b>	<b>-680</b>	<b>125</b>	<b>19</b>	<b>10</b>	<b>-30</b>	<b>124</b>

- In Q4 2011, net interest income included EUR 8 mio positive effect from a re-classification of interest accruals on trading derivatives – previous quarters benefited from gains on buy-backs of debt instruments
- Net trading income positive, benefiting from gains on cross currency swaps from widening of EUR/USD basis spreads; re-classification of interest accruals on trading derivatives resulted in a EUR -8 mio negative one-off effect
- Net income from financial investments includes EUR -17 mio losses from sale of Italy bonds
- Net income from hedge relationships reflects the effects of applying fair value hedge accounting
- Other operating income lower than in previous quarters, including the following effects:
  - EUR 17 mio income from servicing for FMS-WM – Q3 2011 (EUR 34 mio) included EUR 11 mio retrospective shift of service allocation from pbb to DEPFA
  - EUR -8 mio provisions for the IT separation from pbb (Q3 2011: EUR -9 mio)
  - EUR -4 mio FX effects (Q3 2011: EUR -2 mio)
- Loan-loss provisions positive due to net release of portfolio-based allowances
- General administrative expenses include expenses relating to the servicing for FMS-WM

<sup>1</sup> Incl. P&L effects from reclassification of securities from 'Loans and advances to other banks/customers' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR

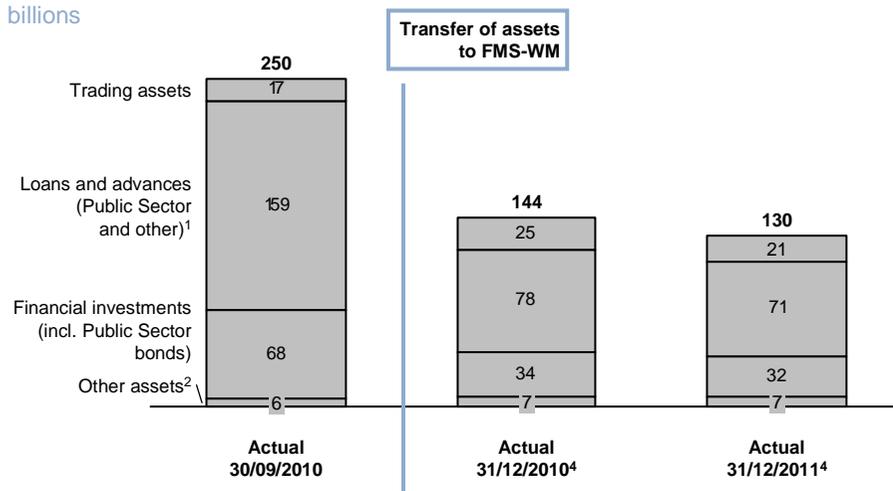
<sup>2</sup> SoFFin guaranteed refinancing provided by pbb

# DEPFA

## Balance sheet

### Total assets (IFRS)

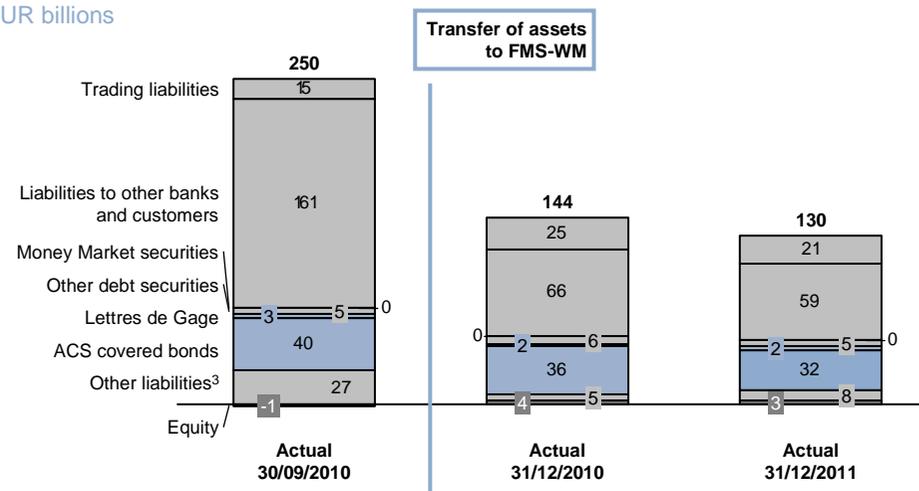
EUR billions



- In FY 2011, total assets are down by EUR 14 bn to EUR 130 bn, primarily as total counter-effects resulting from the asset transfer to FMS-WM have been significantly reduced
- The main counter-effects in relation to FMS-WM are as follows:
  - Pass-through funding for FMS-WM: FMS-WM does not have a banking status. Therefore, DEPFA provides access to the ECB for FMS-WM by entering into reverse repo transactions with FMS-WM (pass-through funding). In FY 2011, these reverse repo transactions with FMS-WM have been reduced by EUR 4 bn to EUR 33 bn (31/12/2010: EUR 37 bn)
  - Back-to-back derivatives were used to transfer market price risks of derivatives to FMS-WM by way of entering into derivative transactions with FMS-WM at counter-identical conditions. These derivative transactions resulted in an increase of the balance sheet. In FY 2011, these back-to-back derivatives have been reduced by EUR 2 bn to EUR 12 bn due to novations (31/12/2010: EUR 14 bn)
  - Moreover, the collateral positions provided and received have been reduced by EUR 3 bn to EUR 11 bn
  - These counter-effects will diminish over time as pass-through funding for FMS-WM is expected to decline and derivatives will get novated

### Total liabilities and equity (IFRS)

EUR billions



- Liquidity profile balanced – net liability maturities are anticipated to be financed from available cash, through the sale or maturities of assets or with cash generated from repo activities with the ECB and/or bilateral counterparties; in excess, more than 50% of cover pool assets are repoable
- Under the terms of the EU state aid approval, no new business allowed prior to re-privatisation
  - Business activities only in the framework of maintaining value, refinancing and hedging of existing portfolios as well as fulfilling legal obligations
  - Balance sheet continues to shrink through natural redemptions as well as balance sheet management
- Therefore, no capital market issuances planned

Note: Figures may not add up due to rounding

1 Incl. allowances for losses on loans and advances

2 Cash reserve, other assets (esp. positive market values of hedging derivatives), income tax assets

3 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities, subordinated capital

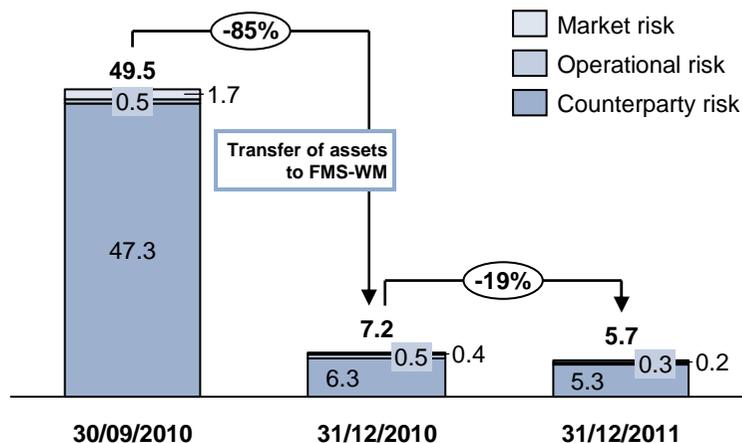
4 Incl. reclassification of securities from 'Loans and advances' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR in the same balance sheet position

# DEPFA

## Capitalisation

### Risk-weighted Assets (RWA)

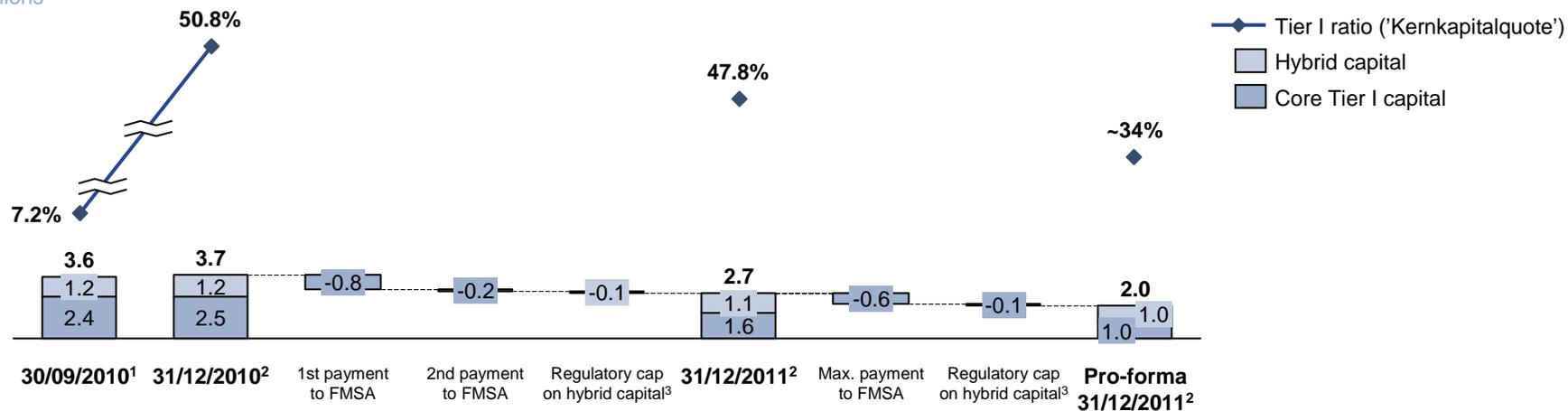
EUR billions



- DEPFA significantly de-risked after the asset transfer to FMS-WM – in FY 2011, RWA's further reduced by EUR 1.5 bn (-19%) to EUR 5.7 bn, primarily reflecting maturities (pre-/repayments)
- Tier I capital declined by EUR 1.0 bn to EUR 2.7 bn
  - Within the framework of the transfer of assets from HRE Group to FMS-WM the FMSA reserved the right to stipulate a required payment (purchase price adjustment) of up to EUR 1.59 bn in order to avoid distortion of competition
  - In August 2011, the FMSA has issued a respective decree that the full amount is to be borne by DEPFA sub-group
    - A first instalment of EUR 800 mio became due and payable in Sep 2011, a second instalment of EUR 167 in Nov 2011
    - The remaining amount of EUR 623 mio will not arise unless and until the conditions for payment can be satisfied
    - The purchase price adjustment does and will not affect the income statement
- Tier I ratio now at 47.8% – including the total required payment of EUR 1.59 bn, the pro-forma Tier I ratio of DEPFA sub-group would have been approx. 34%
- Additionally, the EU requires DEPFA sub-group on completion of the payment of the full purchase price adjustment to pay an annual fee until re-privatisation, limited by certain caps that provide for – inter alia – DEPFA neither having to record losses nor breaching regulatory or statutory provisions

### Tier I capital/ratio (Central Bank of Ireland)

EUR billions



Note: Figures may not add up due to rounding 1 Incl. year-to-date result/adjustments 2 Incl. full-year result/adjustments 3 To be included in Tier II capital

# DEPFA

## Agenda

Financial Results

**Total Portfolio**

ACS Cover Pool

HPBI Cover Pool

pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

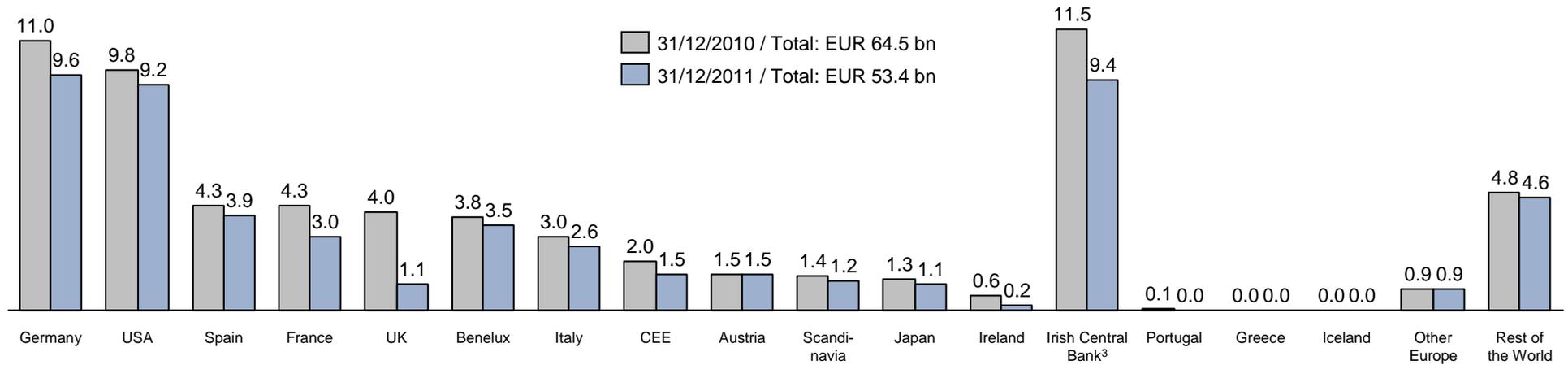
Appendix 3 – HRE Group

# DEPFA

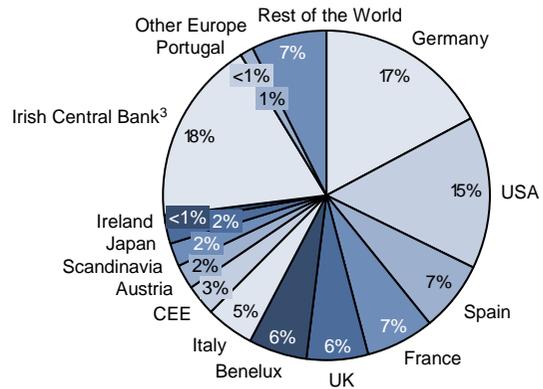
## Total portfolio

### Exposure by region

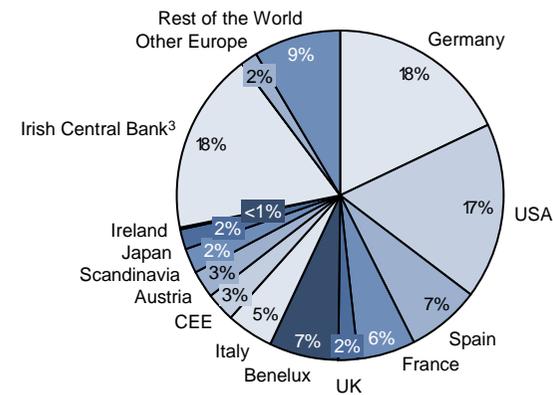
EUR billions (EaD)<sup>1,2</sup>



31/12/2010



31/12/2011



Note: Figures may not add up due to rounding

1 Excl. FMS-WM guaranteed exposure/compensation claims

2 Incl. intra-group exposure

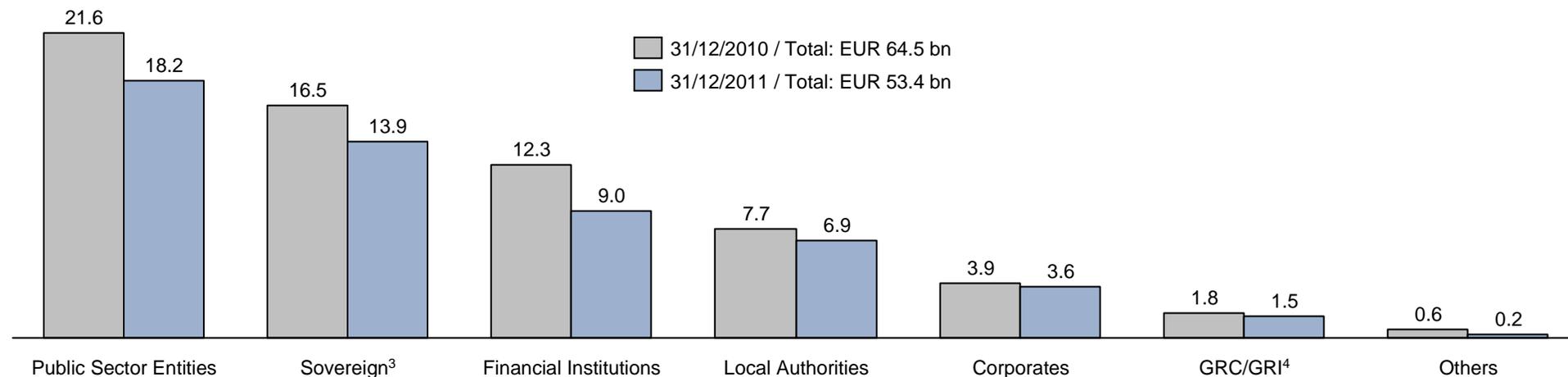
3 Claims against the Irish Central Bank out of secured refinancing (repo) transactions for FMS-WM

# DEPFA

## Total portfolio

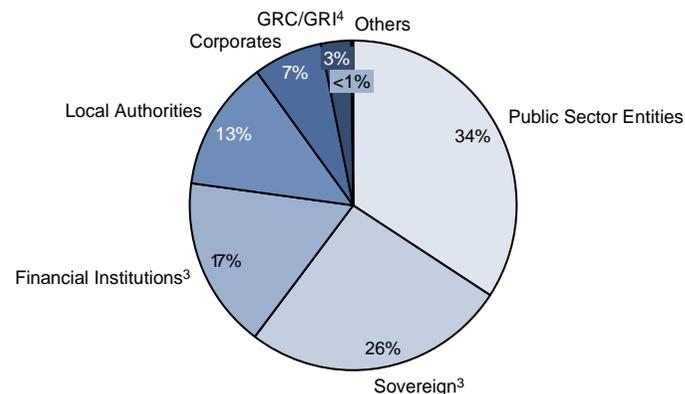
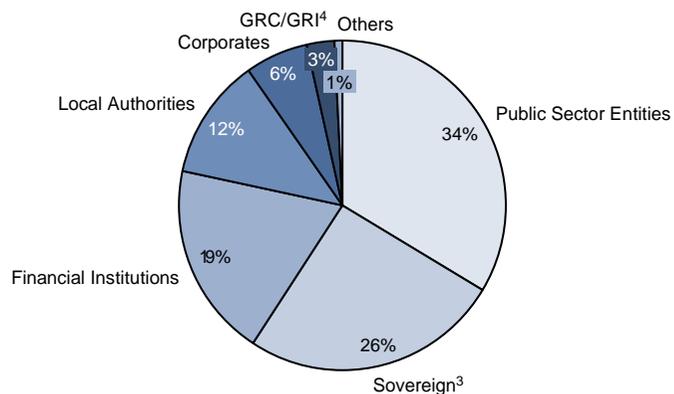
### Exposure by counterparty type

EUR billions (EaD)<sup>1,2</sup>



31/12/2010

31/12/2011



Note: Figures may not add up due to rounding

1 Excl. FMS-WM guaranteed exposure/compensation claims

2 Incl. intra-group exposure

3 Incl. claims against the Irish Central Bank out of secured refinancing (repo) transactions for FMS-WM (31/12/2010: EUR 11.5 bn, 31/12/2011: EUR 9.4 bn)

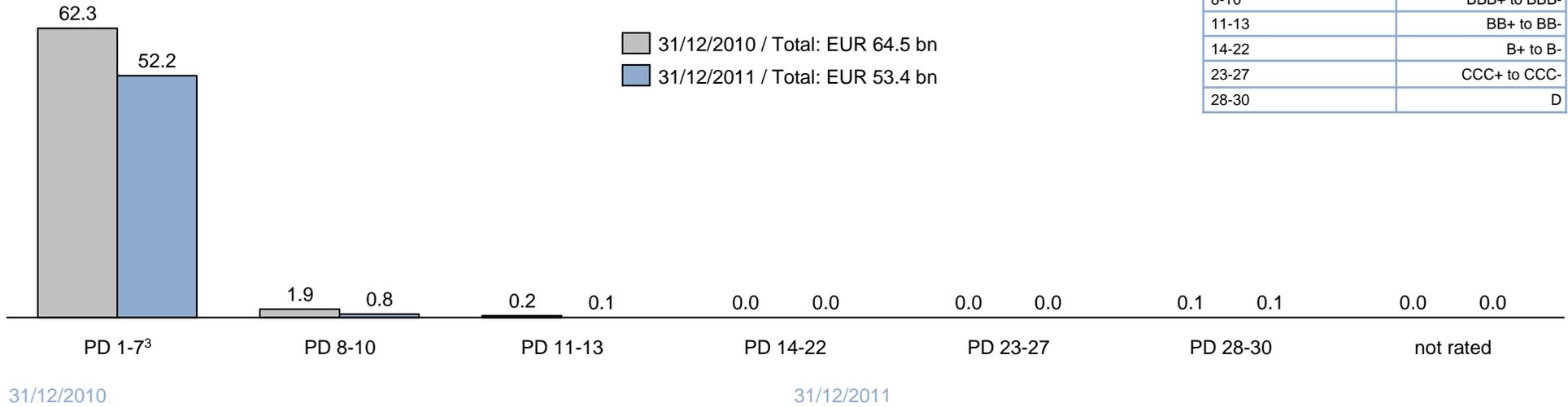
4 Government Related Companies/Institutions (e.g. airports, healthcare, private/public education, water/sewage)

# DEPFA

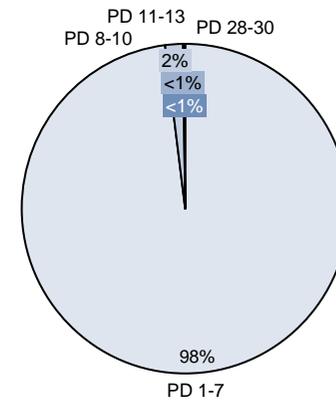
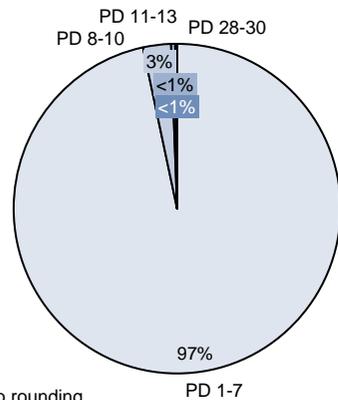
## Total portfolio

### Exposure by PD class

EUR billions (EaD)<sup>1,2</sup>



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 Incl. intra-group exposure

3 Incl. claims against the Irish Central Bank out of secured refinancing (repo) transactions for FMS-WM (31/12/2010: EUR 11.5 bn, 31/12/2011: EUR 9.4 bn)

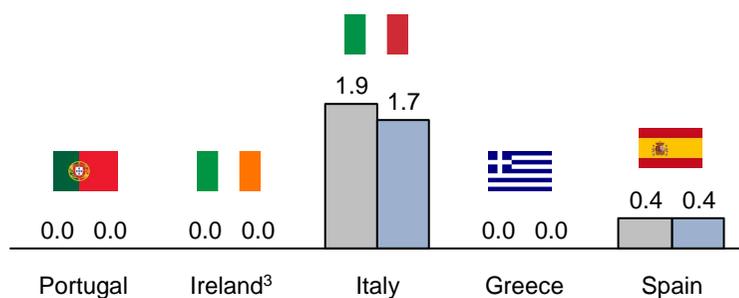
# DEPFA

## Exposure in selected countries

### Sovereign exposure

EUR billions (EaD)<sup>1,2</sup>

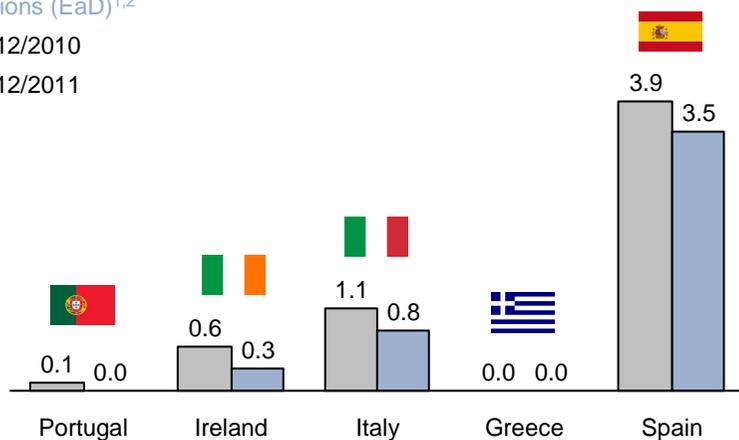
31/12/2010  
31/12/2011



### Non-sovereign<sup>4</sup> exposure

EUR billions (EaD)<sup>1,2</sup>

31/12/2010  
31/12/2011



Note: Figures may not add up due to rounding

1 Excl. FMS-WM guaranteed exposure/compensation claims

2 Excl. intra-group exposure

3 Excl. claims against the Irish Central Bank out of secured refinancing (repo) transactions for FMS-WM (31/12/2010: EUR 11.5 bn, 31/12/2011: EUR 9.4 bn)

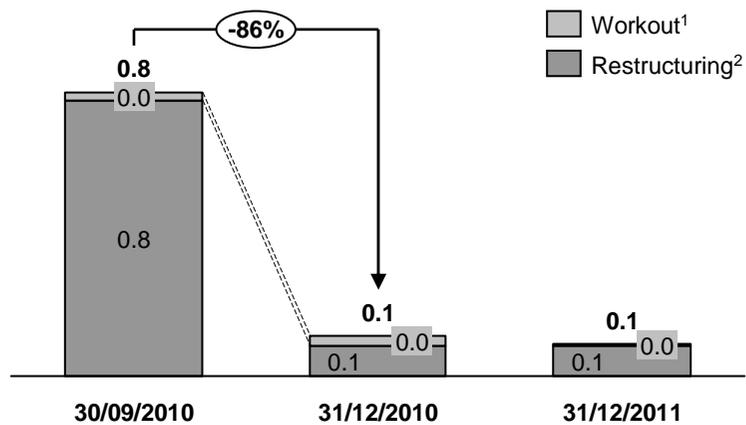
4 Sub-sovereign (Local/Regional Authorities, Municipalities), Financial Institutions (FI), Public Sector Entities (PSE), Government Related Companies/Institutions (GRC/GRI), Corporates, Others

# DEPFA

## Total problem loans

### Total problem loans

EUR billions (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

Preliminary unaudited Results Q4/FY 2011, 1<sup>st</sup> March, 2012

# DEPFA

## Agenda

Financial Results

Total Portfolio

**ACS Cover Pool**

HPBI Cover Pool

pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

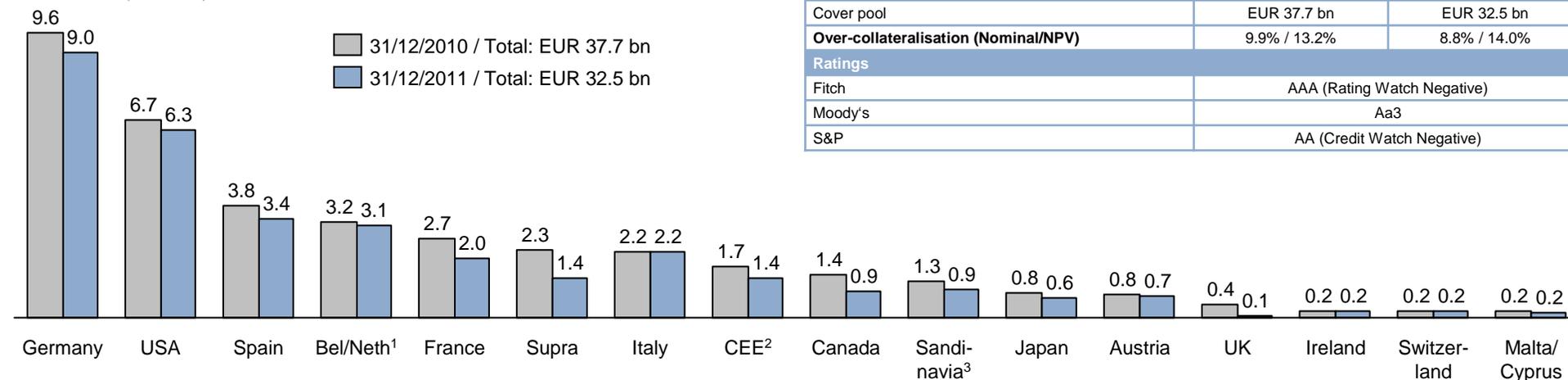
Appendix 3 – HRE Group

# DEPFA ACS Bank

## ACS cover pool

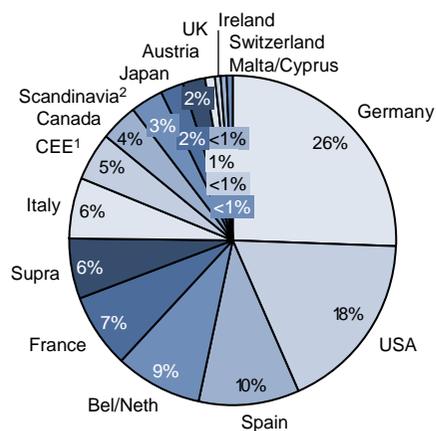
### Cover pool by region

EUR billions (Nominal)

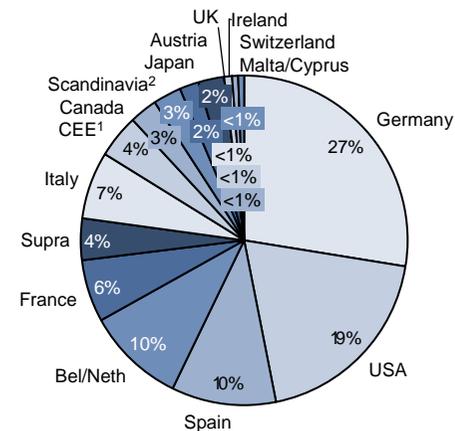


ACS cover pool (Nominal)	31/12/2010	31/12/2011
Public Sector ACS outstanding	EUR 34.3 bn	EUR 29.9 bn
Cover pool	EUR 37.7 bn	EUR 32.5 bn
<b>Over-collateralisation (Nominal/NPV)</b>	9.9% / 13.2%	8.8% / 14.0%
<b>Ratings</b>		
Fitch	AAA (Rating Watch Negative)	
Moody's	Aa3	
S&P	AA (Credit Watch Negative)	

31/12/2010



31/12/2011



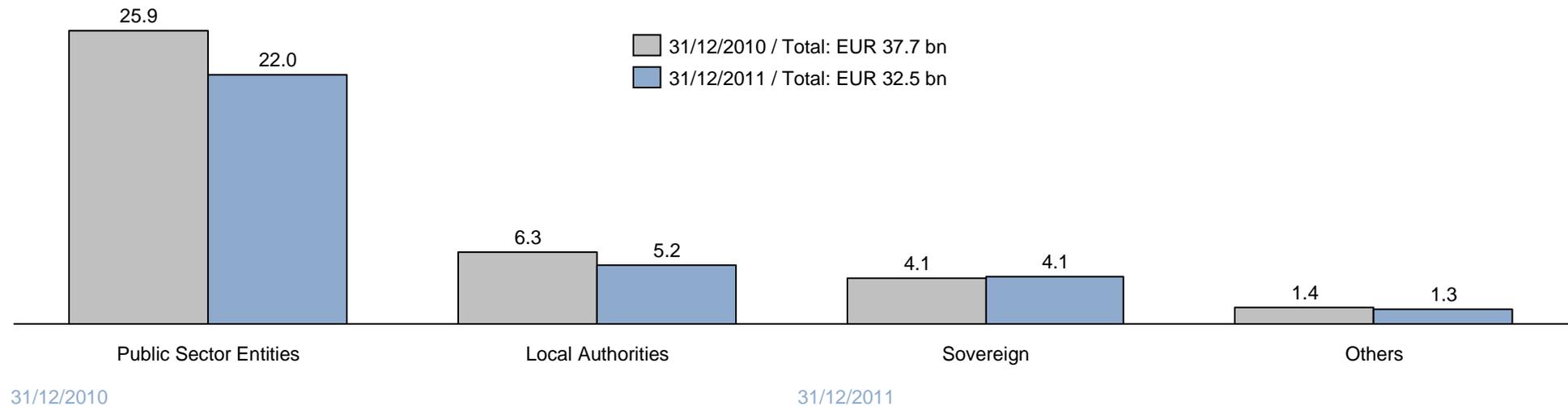
Note: Figures may not add up due to rounding 1 Incl. Belgium EUR 1.8 bn 2 Poland, Slovenia, Czech Republic, Slovakia and Estonia (in order of exposure) 3 Sweden, Finland and Denmark (in order of exposure)

# DEPFA ACS Bank

## ACS cover pool

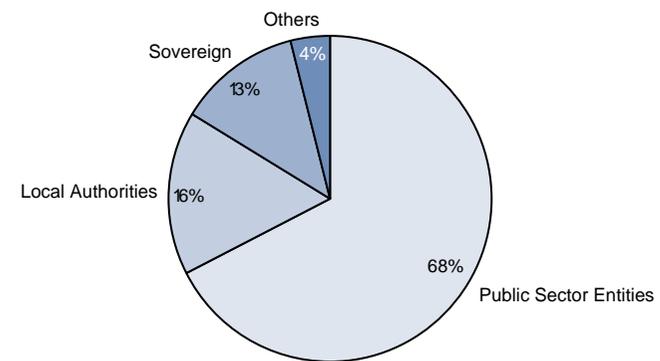
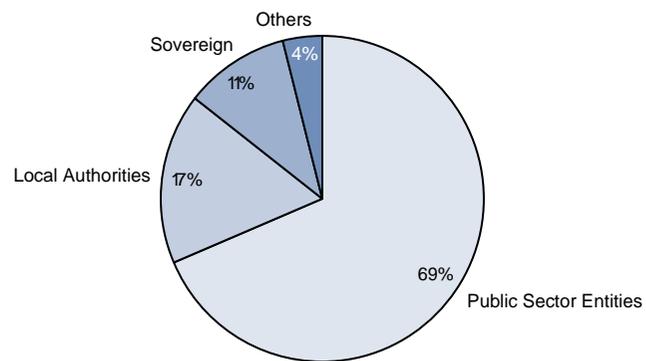
### Cover pool by counterparty type

EUR billions (Nominal)



31/12/2010

31/12/2011



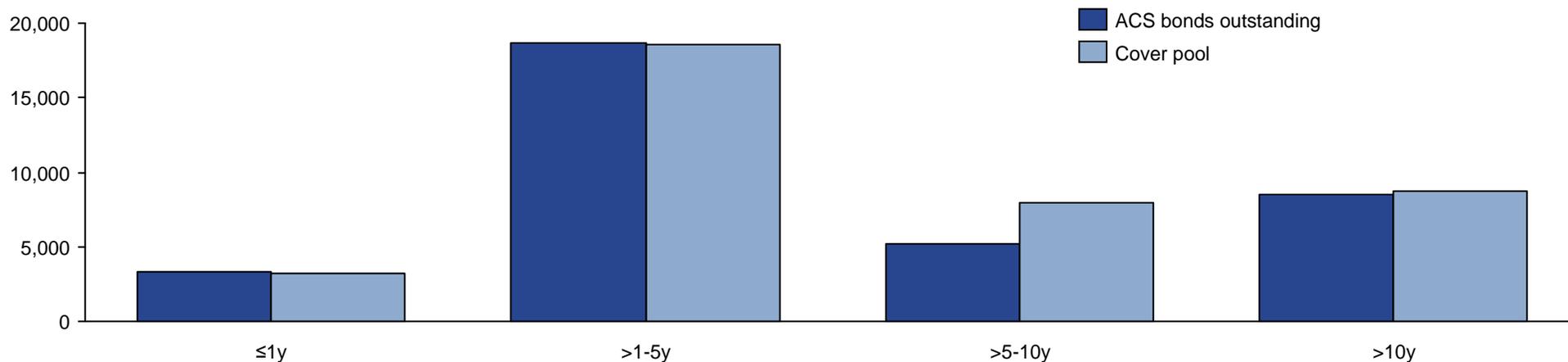
Note: Figures may not add up due to rounding

# DEPFA ACS Bank

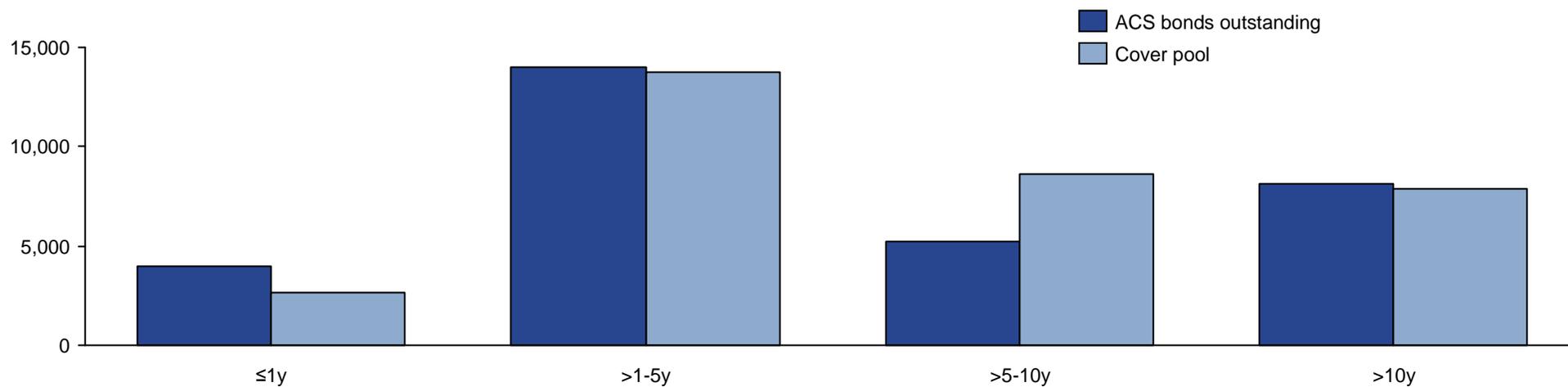
## ACS cover pool

### Maturity profile<sup>1</sup>

31/12/2010: EUR millions (Nominal)



31/12/2011: EUR millions (Nominal)



Note: Figures may not add up due to rounding <sup>1</sup> Assets and liabilities considered on a nominal basis, excl. optionality, interest flows and derivatives; zero bonds treated as bullets

# DEPFA (sub-group)

## Agenda

Financial Results

Total Portfolio

ACS Cover Pool

**HPBI Cover Pool**

pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

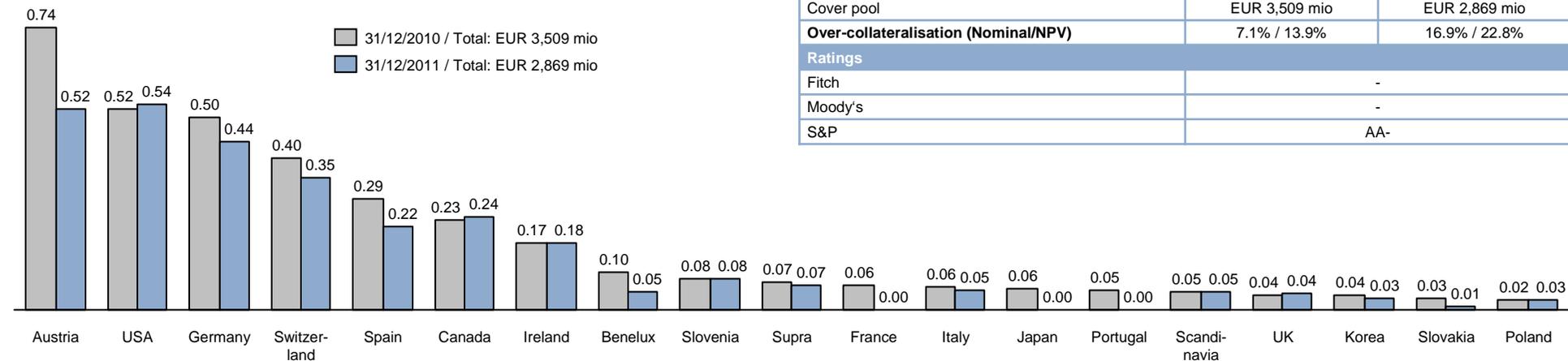
Appendix 3 – HRE Group

# Hypo Pfandbrief Bank International (HPBI)

## HPBI cover pool

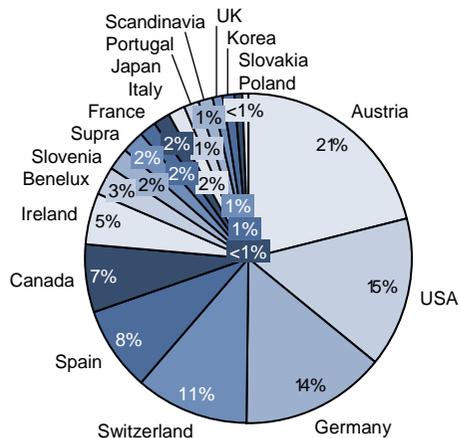
### Cover pool by region

EUR billions (Nominal)

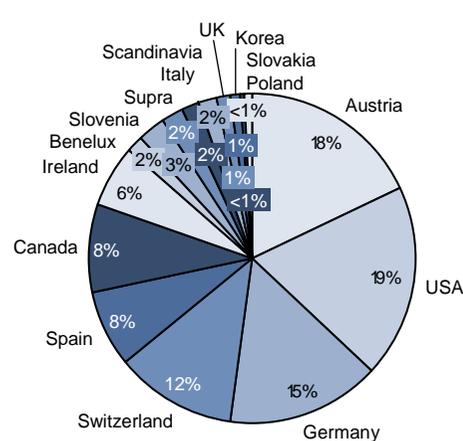


LdG cover pool	31/12/2010	31/12/2011
Lettres de Gage outstanding	EUR 3,276 mio	EUR 2,454 mio
Cover pool	EUR 3,509 mio	EUR 2,869 mio
<b>Over-collateralisation (Nominal/NPV)</b>	<b>7.1% / 13.9%</b>	<b>16.9% / 22.8%</b>
<b>Ratings</b>		
Fitch		-
Moody's		-
S&P		AA-

31/12/2010



31/12/2011



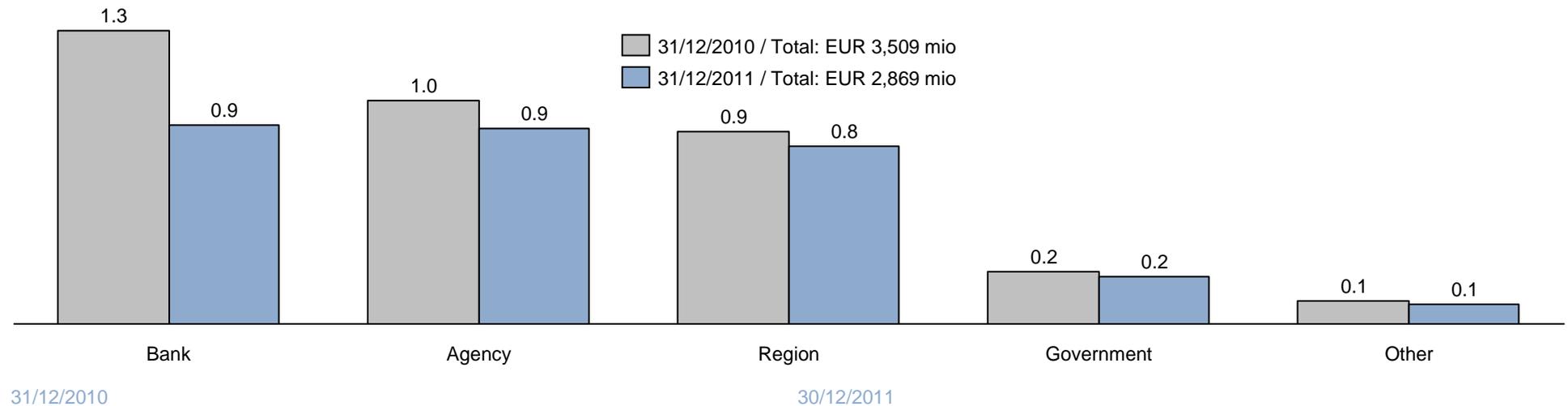
Note: Figures may not add up due to rounding

# Hypo Pfandbrief Bank International (HPBI)

## HPBI cover pool

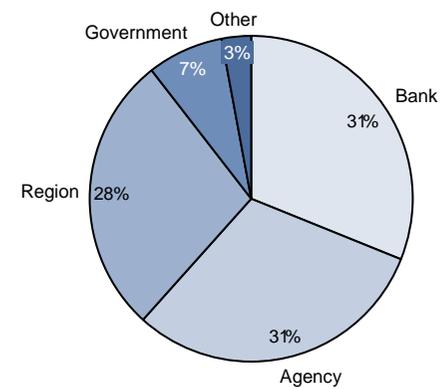
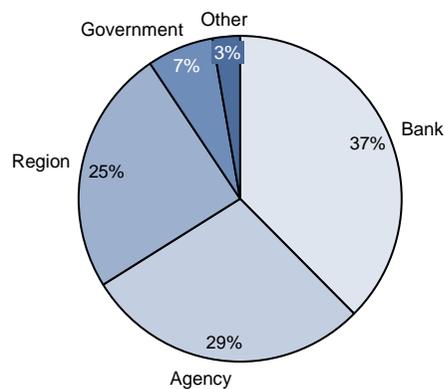
### Cover pool by counterparty type

EUR billions (Nominal)



31/12/2010

30/12/2011



Note: Figures may not add up due to rounding

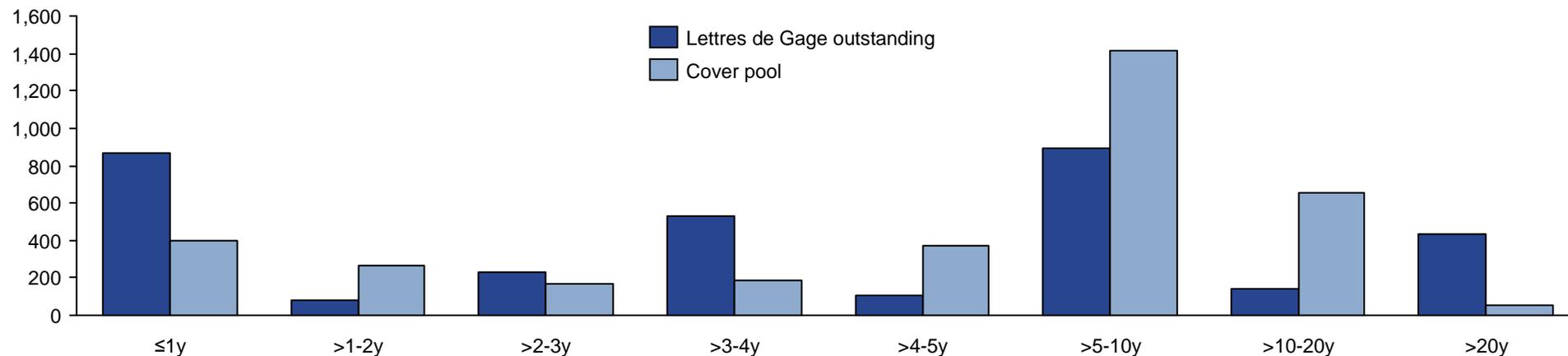
Preliminary unaudited Results Q4/FY 2011, 1<sup>st</sup> March, 2012

# Hypo Pfandbrief Bank International (HPBI)

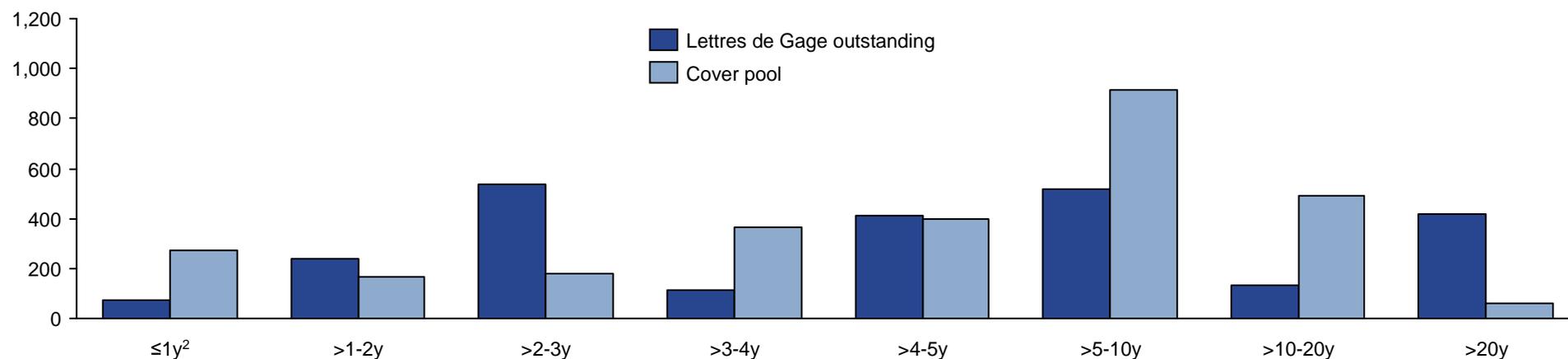
## HPBI cover pool

### Maturity profile<sup>1</sup>

31/12/2010: EUR millions (Nominal)



31/12/2011: EUR millions (Nominal)



Note: Figures may not add up due to rounding 1 Zero bonds include quarterly amortisation adjustment 2 EUR 500 mio benchmark matured on 21/04/2011 and USD 500 mio benchmark matured 04/10/2011

# Appendix 3 – HRE Group

## Preliminary unaudited Results Q4/FY 2011



# HRE Group

## Income statement

### Income statement (IFRS)

EUR millions

	FY 2010 <sup>1</sup>	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011
<b>Operating revenues</b>	<b>89</b>	<b>260</b>	<b>177</b>	<b>152</b>	<b>96</b>	<b>685</b>
Net interest and similar income	798	218	141	114	93	566
Net commission income	-319	8	0	-1	5	12
thereof: SoFFin guarantees	-384	0	0	0	0	0
Net trading income	-364	-7	12	9	-5	9
Net income from financial investments	56	-20	-15	-2	-13	-50
Net income from hedge relationships	-56	-4	-17	7	-39	-53
Balance of other operating income/expenses	-26	65	56	25	55	201
<b>Provisions for losses on loans and advances</b>	<b>-445</b>	<b>9</b>	<b>11</b>	<b>-1</b>	<b>24</b>	<b>43</b>
<b>General administrative expenses</b>	<b>-516</b>	<b>-106</b>	<b>-136</b>	<b>-115</b>	<b>-120</b>	<b>-477</b>
<b>Balance of other income/expenses</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>6</b>
<b>Pre-tax profit/loss</b>	<b>-859</b>	<b>163</b>	<b>53</b>	<b>36</b>	<b>5</b>	<b>257</b>

<sup>1</sup> Incl. P&L effects from reclassification of securities from 'Loans and advances to other banks/customers' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR

Preliminary unaudited Results Q4/FY 2011, 1<sup>st</sup> March, 2012

pbb

Appendix 1 – pbb

Appendix 2 – DEPFA

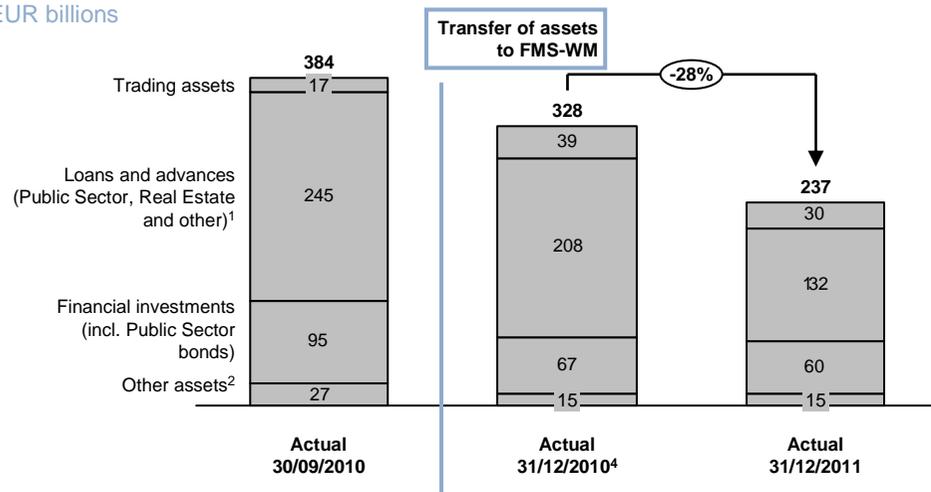
Appendix 3 – HRE Group

# HRE Group

## Balance sheet

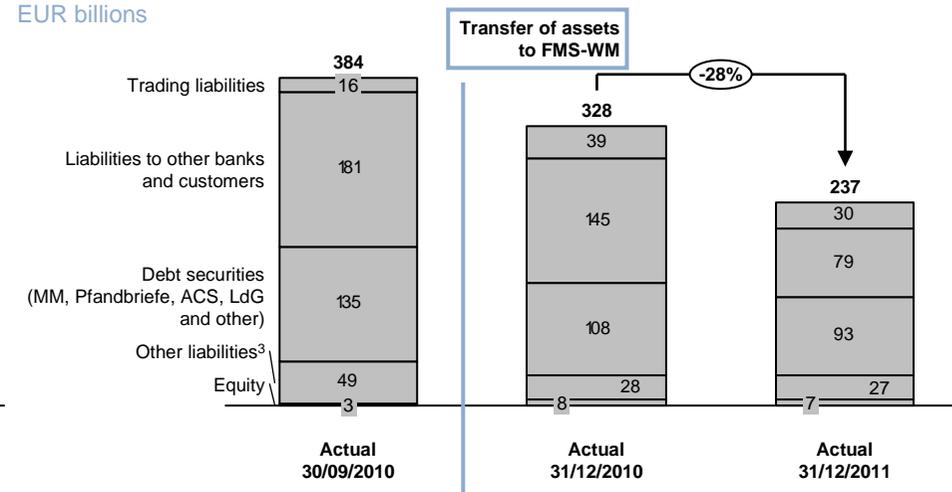
### Total assets (IFRS)

EUR billions



### Total liabilities and equity (IFRS)

EUR billions



- In FY 2011, total assets are down by EUR 91 bn (-28%) to EUR 237 bn, primarily as total counter-effects resulting from the asset transfer to FMS-WM have been significantly reduced
- The main counter-effects in relation to FMS-WM are as follows:
  - Pass-through funding for FMS-WM: FMS-WM does not have a banking status. Therefore, HRE provides access to the ECB for FMS-WM by entering into reverse repo transactions with FMS-WM (pass-through funding). In FY 2011, reverse repo transactions with FMS-WM have been reduced by EUR 64 bn to EUR 33 bn (31/12/2010: EUR 97 bn)
  - Back-to-back derivatives were used to transfer market price risks of derivatives to FMS-WM by way of entering into derivative transactions with FMS-WM at counter-identical conditions. These derivative transactions resulted in an increase of the balance sheet. In FY 2011, these back-to-back derivatives have been reduced by EUR 8 bn to EUR 20 bn due to novations (31/12/2010: EUR 28 bn)
  - These counter-effects will diminish over time as pass-through funding for FMS-WM is expected to decline and derivatives will get novated

Note: Figures may not add up due to rounding

1 Incl. allowances for losses on loans and advances

2 Cash reserve, other assets (esp. positive market values of hedging derivatives), income tax assets

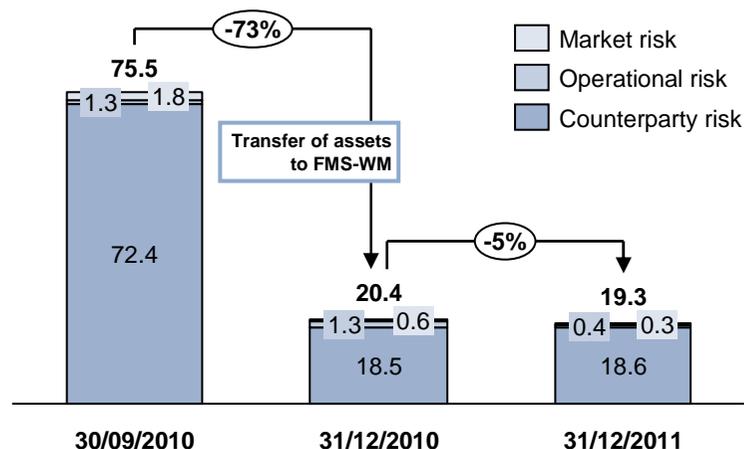
3 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities, subordinated capital

4 Incl. reclassification of securities from 'Loans and advances' to 'Financial investments' for the purpose of consistent reporting of all securities with IFRS category LaR in the same balance sheet position

# HRE Group Capitalisation

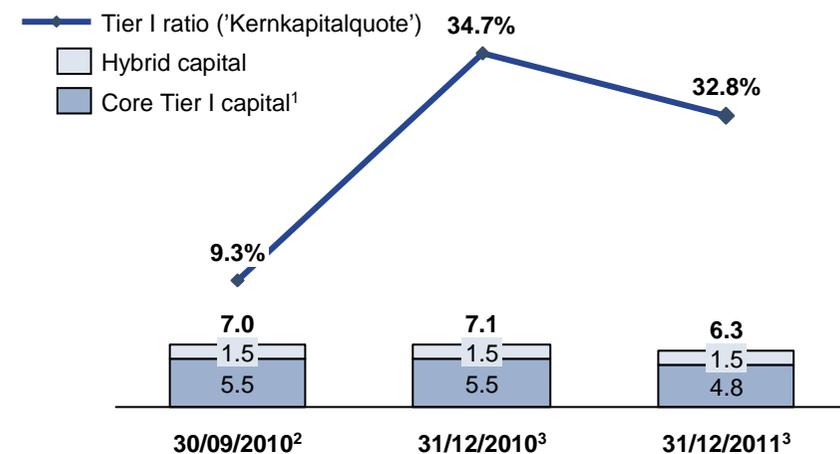
## Risk-weighted assets (RWA)

EUR billions



## Tier I capital/ratio (SolvV, German GAAP/HGB)

EUR billions



Note: Figures may not add up due to rounding 1 Incl. silent participation 2 Incl. year-to-date losses/adjustments 3 Incl. full-year result/adjustments

Preliminary unaudited Results Q4/FY 2011, 1<sup>st</sup> March, 2012

- HRE Group significantly de-risked after the asset transfer to FMS-WM – in FY 2011, RWA's further reduced by EUR 1.1 bn (-5%) to EUR 19.3 bn, primarily reflecting maturities (pre-/repayments)
- Tier I capital declined by EUR 0.8 bn to EUR 6.3 bn
  - Within the framework of the transfer of assets from HRE Group to FMS-WM the FMSA reserved the right to stipulate a required payment (purchase price adjustment) of up to EUR 1.59 bn in order to avoid distortion of competition
  - In August 2011, the FMSA has issued a respective decree that the full amount is to be borne by DEPFA sub-group
    - A first instalment of EUR 800 mio became due and payable in Sep 2011, a second instalment of EUR 167 mio in Nov 2011
    - The remaining amount of EUR 623 mio will not arise unless and until the conditions for payment can be satisfied
  - The purchase price adjustment does and will not affect the income statement
- Tier I ratio now at 32.8% – including the total required payment of EUR 1.59 bn, the pro-forma Tier I ratio of HRE Group would have been approx. 30%
- Additionally, the EU requires the following:
  - A full retention of profits at pbb until re-privatisation to pay back the silent participation of SoFFin
  - DEPFA sub-group on completion of the payment of the full purchase price adjustment to pay an annual fee until re-privatisation, limited by certain caps that provide for – inter alia – DEPFA neither having to record losses nor breaching regulatory or statutory provisions