



Association of German Pfandbrief Banks

Representing Germany's Pfandbrief Issuers



**VERBAND DEUTSCHER
PFANDBRIEFBANKEN**

Association of German Pfandbrief Banks

vdp | REPRESENTING GERMANY'S PFANDBRIEF ISSUERS

The Association of German Pfandbrief Banks (vdp) represents the Pfandbrief-specific interests of its member institutions in dealings with legislators, supervisory authorities, rating agencies and other market participants. It places its specialized services at the disposal of all Pfandbrief-issuing banks in Germany. The character of the Pfandbrief as a homogeneous asset class and its positioning on the international capital markets require such a pooling of strengths in the form of a product-oriented, uniform representation of interests. It also reflects the common legal basis for all Pfandbrief issuers since 19 July 2005: the Pfandbrief Act.



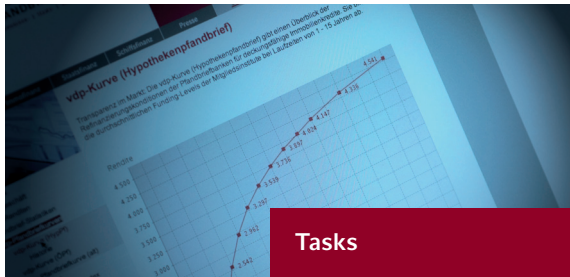
Profile

The Association of German Pfandbrief Banks – Product-oriented Representation of Interests

The vdp is one
of the five leading
associations of the
German banking
industry

The Association's member institutions number among the most important providers of capital for the construction of residential and commercial properties as well as for the public sector and its institutions. The vdp's members come from all German banking groups. The bundling of the specific interests of Pfandbrief Banks is a crucial prerequisite for active involvement in shaping the overall statutory and market-relevant framework for the Pfandbrief and cover business fields. As the representative of its member banks, the vdp performs this function at all political levels and vis-à-vis all executive bodies of politics – on both the national and the international stage including the European Union. The vdp is one of the five top associations of the German banking industry. At EU level, the vdp performs its tasks in Brussels through its own office, through the European Mortgage Federation and through the European Covered Bond Council. Further, the vdp maintains close contacts with other professional associations, in particular those representing the housing and banking sectors, both inside and outside of Germany, and makes use of these contacts in the performance of its duties.

The business interests of the vdp members are also served by the market- and product-oriented investor relations activities conducted by the Association both inside and outside of Germany. The effectiveness of these measures explains in part the success of the German Pfandbrief Banks.



Tasks

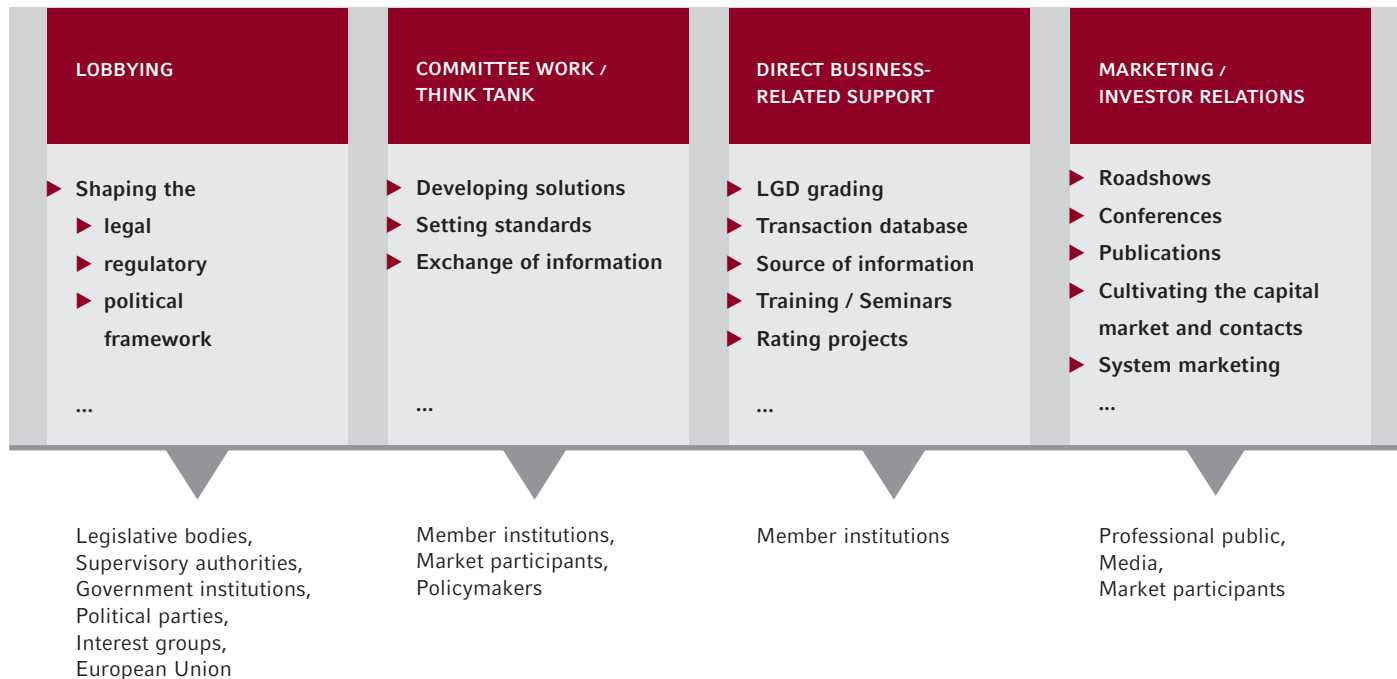
The philosophy and objective of the Association's work is to ensure the long-term success of German Pfandbrief Banks

The vdp is pressing ahead with the task of positioning the Pfandbrief as a trademark for credit quality, pick-up on yield and liquidity

To maintain the high quality of the Pfandbrief, and to consolidate and expand the international market leadership of this important German export through the ongoing development of the legal framework and of voluntary quality standards, is the objective of the vdp. Thus, the vdp assists its issuers in the efficient structuring of their underlying business fields. Additionally, the Association supports its member institutions by demonstrating to the public their expertise in property finance, public-sector lending, ship and aircraft finance as well as in the funding of all these operations using the Pfandbrief in particular.

With the strengths pooled within the Association, the vdp is pressing ahead with the task of positioning the Pfandbrief as a trademark for credit quality, return and pick-up on yield on the capital market. The main focus of these efforts is on safeguarding and constantly expanding the sales potential of the Pfandbrief Banks' traditional funding instrument among domestic and foreign investors. The German Pfandbrief Banks can acquire business suitable for Pfandbrief cover within the European Union, the European Economic Area, the European OECD states and the non-European G7 states.

Range of services of the vdp



It is the vdp's
aim to maintain
the Pfandbrief's
position as the
benchmark

The Pfandbrief's success has given rise to the creation of numerous similar products in other countries. In the Jumbo segment of large-volume issues in particular, the Pfandbrief faces growing competition. It is the vdp's aim to maintain the Pfandbrief's position as the undisputed benchmark in this segment. For this reason the Association actively participates in shaping the overall framework in Europe for Covered Bonds and their cover assets. With this in mind, the Association initiated at the end of 2004, with the support of other non-German associations and institutions, the foundation of the European Covered Bond Council (ECBC). The ECBC is a platform under the roof of the European Mortgage Federation, and its purpose is to formulate the joint positions on legal, regulatory, financial-technical and capital market-specific aspects of Covered Bonds and to represent them vis-à-vis EU institutions and the market.



Efficient member institutions

Pfandbrief Banks – Link between real estate sector and capital market.

Pfandbrief Banks act as the main link between real estate sector and capital market. It is in this context that the economic role of the Pfandbrief is of significance. The Pfandbrief makes possible an extremely efficient, capital market-driven refinancing of housing and commercial property construction, even in times of crisis and without state support. Margins that are sufficient for Pfandbrief Banks in real estate finance are rarely undercut on the international market.

The member institutions of the vdp together hold sizeable market shares in their core business fields. A good quarter of home loans, more than three-fifths of commercial property loans and roughly half of public-sector lendings in Germany are accounted for by vdp members. The members active in ship finance belong to the top league in this segment worldwide.

The classical refinancing instrument of Pfandbrief Banks, the Pfandbrief, is one of the largest segments in the European bond market, representing approximately three-quarters of a trillion euros in volume outstanding. At the end of 2008, vdp members and their subsidiaries accounted for more than 97 % of both Public Pfandbriefe and Mortgage Pfandbriefe outstanding and for all Ship Pfandbriefe outstanding.

The Pfandbrief
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European bond
market

The Pfandbrief owes its quality to the multi-layered safety net that consists, in particular, of stringent regulations governing the cover pools and the special monitoring by the supervisory authorities. Factors that explain the Pfandbrief's success, apart from its high standard of safety, are its standardisation, its transparency, liquidity and its pick-up on yield. These are characteristics that have made the Pfandbrief an investment preferred by the international investment community.

In lending, too, foreign customers are gaining increasingly in importance to Pfandbrief Banks. Most of the vdp member institutions now operate in the main countries of Europe as well as in the USA. Today, cross-border lendings account for over half of commercial loan commitments. Also in public-sector lending, the importance of foreign loans is rising continuously. By its very nature, ship finance is traditionally a highly international business. The same is true of aircraft finance, which can be refinanced through Pfandbriefe since the amendment of the Pfandbrief Act in March 2009.

Member institutions of vdp: Aareal Bank ... apoBank ... BayernLB ... Berlin Hyp ... Bremer Landesbank ... Commerzbank ... COREALCREDIT BANK
DekaBank ... Deutsche Hypo ... Deutsche Kreditbank ... Deutsche Pfandbriefbank ... Deutsche Postbank ... Deutsche Schiffsbank ... Dexia Kommunalbank
DG HYP ... Düsseldorfer Hypothekenbank ... DVB Bank ... Eurohypo ... Hamburger Sparkasse ... Helaba Landesbank Hessen-Thüringen ... HSH Nordbank
IKB Deutsche Industriebank ... Kreissparkasse Köln ... LBBW ... Münchener Hyp ... NORD/LB ... PB Firmenkunden ... SEB ... Sparkasse KölnBonn ... UniCredit Bank
VALOVIS BANK ... WarburgHyp ... WestImmo ... WestLB ... WL BANK ... Wüstenrot Bank

(As at November 2010)

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