



# TRANSPARENCY INITIATIVE

1.

## What is the vdp Transparency Initiative?

According to § 28 of the Pfandbrief Act (Pfandbriefgesetz, PfandBG), all Pfandbrief Banks are obliged to publish detailed information about their Pfandbrief outstanding and the pertaining cover pools. Within the scope of the vdp Transparency Initiative the transparency reports of vdp member institutions according to this legal obligation will be published for the first time

- in a **uniform format**,
- that **can be processed electronically**,
- using a **uniform understanding** of the legal requirements, and
- on one, **central website** (the vdp's).

2.

## What Kinds of Information on Cover Pools and Pfandbrief do Pfandbrief Banks Have to Publish?

§ 28 PfandBG demands that issuers publish detailed data on their **Pfandbrief outstanding** and the **composition and structure of the pertaining cover pools**. These include

- The total volume of Pfandbrief outstanding as well as the related cover pools in terms of nominal, net present value and stressed net present value;
- The share of derivative financial instruments in the cover assets;
- The share of further cover assets;
- The maturity structure of the Pfandbrief and cover assets;
- Information on the granularity of the cover assets;
- Information on the mortgages by
  - type of usage of the financed property
  - region/state;
- Information on the claims against the public sector by
  - state;
  - type of issuer;
- Information on the ship mortgages/aircraft registered liens by register country;
- Information on non-performing cover assets.

### 3. Uniform Understanding of Legal Requirements

In order to enable investors to make meaningful comparisons, the vdp bodies have reached a uniform understanding of those passages of the law that are open to interpretation:

- § 28 para. 1 no. 1** | **Report of the stressed net present value of Pfandbrief outstanding and the respective cover pools** | Only one stressed net present value each for assets and liabilities is to be reported. This should be the one stressed net present value which produces the lowest over-collateralisation amount. Every issuer should disclose whether they use the dynamic or static approach or an internal model to calculate the stressed net present value.
- § 28 para. 1 no. 2** | **How to deal with floating-rate loans** | Floating-rate mortgage loans should be allocated to the maturity bands based on the date of the next margin adjustment.
- | **How to deal with redemptions of cover assets** | Allocation to maturity bands should be based on the scheduled redemption tranches, applying a cash flow approach.
- | **Maturity structure of Pfandbrief outstanding: Pfandbrief where the bank has a call option** | It is not necessary to take a call option into consideration.
- | **Fixed interest rate terms for cover pools: Cover assets where the bank has a call option** | Allowance for a call option of the bank can be made on the assets side.
- § 28 para. 1 no. 3** | **Reporting on derivatives** | Interest rate derivatives are stated at their net present value netted over all master agreements. This means that only one net present value is stated, either as a liability or an asset, per type of covered bond.
- § 28 para. 2 no. 1a** | **Reporting on the cover assets of Mortgage Pfandbrief by lending volume** | Only regular cover assets should be reported.
- § 28 para. 2 no. 1c** | **Segregation of residential and commercial real estate** | The assets must be segregated solely according to their usage. It is insignificant on the other hand whether the borrower is a natural or legal person.
- § 28 para. 3 no. 1** | **Treatment of claims against banks that do not constitute further cover assets pursuant to § 20 para. 2 PfandBG** | Claims against agencies and Landesbanks (grandfathering) must be assigned to the category “other public-sector borrowers”. It is planned that they will be reported in an “of which” position.

#### 4. Where, when and in what Format will the §28-Reports be Available?

The reports of all Pfandbrief issuers that are members of the vdp as well as an aggregate report of all vdp members will be published on the vdp website ([www.pfandbrief.de](http://www.pfandbrief.de)) under “Statistics”. Each report will be available in three formats:























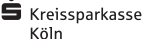

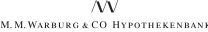











- as a reading version in the **pdf** format,
- suitable for further direct processing in **xls** (Excel) and **csv** format. Automatic links to investor data bases are possible.
- **At the end of every quarter** the Pfandbrief Banks have **two months** in which to transfer the data for the quarter just ended to the association. For the last quarter of the year the period allowed is three months. Should legal time limits be introduced, they will also be valid for the vdp Transparency Initiative.
- The website will offer **sorting possibilities** for the reports both by reporting date and bank name.
- All reports will be published in **English and German language** versions.
- There will be a **data history** available right from the start. In September 2010, not only the reports for the second quarter 2010 will be published, but also those for the two previous quarters. The vdp website will thus have data available that goes back to 31 December 2008.

#### 5. How Investors Benefit from the vdp Transparency Initiative

The vdp Transparency Initiative provides investors with even better resources to analyse Pfandbrief cover pools themselves.

The Pfandbrief Banks that form the membership of the vdp represent 97 % of the German Pfandbrief market. By making available their §28-reports in a central repository, in a standardised lay-out, based on a common understanding of the content and in formats that allow further direct processing of the data, the vdp enables investors to get a comprehensive impression of Pfandbrief Cover Pool quality in a short period of time. At the same time, the dependence on rating agencies for quality assessments is further reduced.

## Member Banks of the vdp

 Aareal Bank	 Bayern LB	 Berlin Hyp	 BREMER LANDESBANK	 COMMERZBANK	 COREALCREDIT
 DekaBank	 deutsche apotheker- und ärztebank	 Deutsche Genossenschafts-Hypothekenbank	 DEUTSCHE/HYPO Ein Unternehmen der NORD/LB	 DKB Deutsche Kreditbank AG	 pbb DEUTSCHE PFANDBRIEFBANK
 Deutsche Schiffsbank	 DEXIA Kommunalbank Deutschland	 Düsseldorfer Hypothekenbank	 DVE	 EURO HYPO	 Haspa <sup>®</sup> Hamburger Sparkasse
 Helaba Landesbank Hessen-Thüringen	 HSH NORDBANK	 HypoVereinsbank UniCredit Group	 IKB Deutsche Industriebank	 Kreissparkasse Köln	 LB BW Landesbank Baden-Württemberg
 M.M. WARBURG & CO. HYPOTHEKENBANK	 Münchener Hypothekenbank eG	 NORD/LB	 Postbank	 Postbank FIRMIENKUNDEN	 SEB
 Sparkasse KölnBonn	 VALOVIS BANK PFANDBRIEFBANK	 WestImmo	 WestLB	 WL BANK	 wüstenrot Partner der Württembergischen



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