

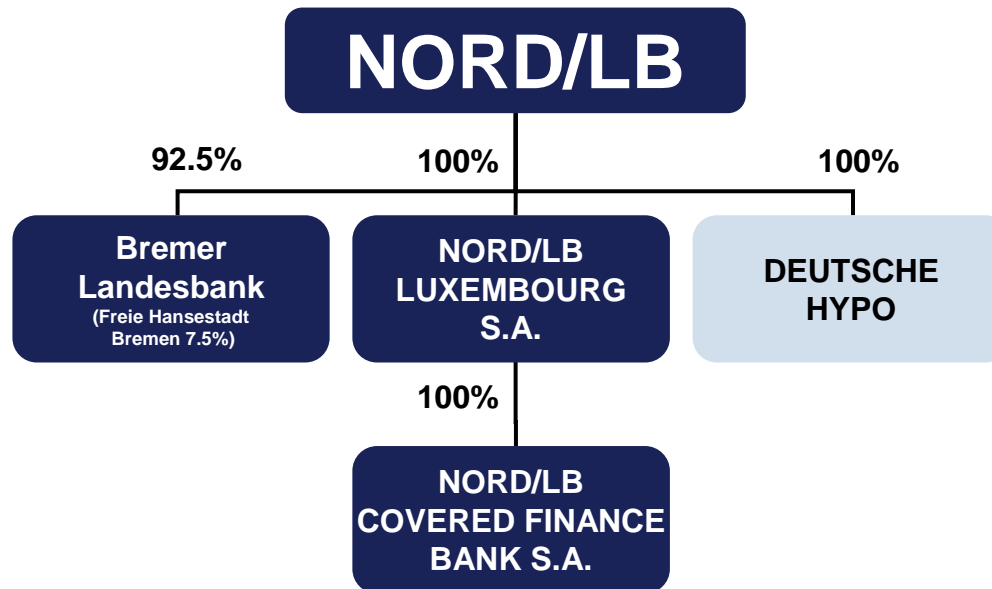


Data basis September 2009

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.. Owner Structure



**•• Integration of DEUTSCHE HYPO into NORD/LB Group**

**NORD/LB – Norddeutsche Landesbank Girozentrale**

- Leading Bank in Northern Germany
  - Part of Savings Bank Association
  - Private Banking and business clients
  - Structured Finance
  - Financial Markets

see also Annex

**DEUTSCHE HYPO**

- Center of competence and brand name for commercial real estate business in the NORD/LB Group
- National and international public finance business
- Mortgage law (“Pfandbriefgesetz”) as basis of its business model

**Bremer Landesbank**

- Biggest regional bank between the rivers Ems and Elbe
- Landesbank

**NORD/LB COVERED FINANCE BANK S.A.**

- Luxemburg Mortgage Law as basis of its business model (“Lettres de gage“)
- Medium and long-term covered bonds

## •• International Public Finance and Real Estate Financing Business

### Consistent strategy, i.e.:

- **Rule: “quality before quantity” and “stability before volatility”**
- 2 pillar strategy: Public Finance and Real Estate Financing
- Strict focus on DEUTSCHE HYPO's core competence
- Following our low risk strategy → low headline risk for investors
- Organic growth + transfer of NORD/LB portfolio
- Independent market approach

### Real Estate Business

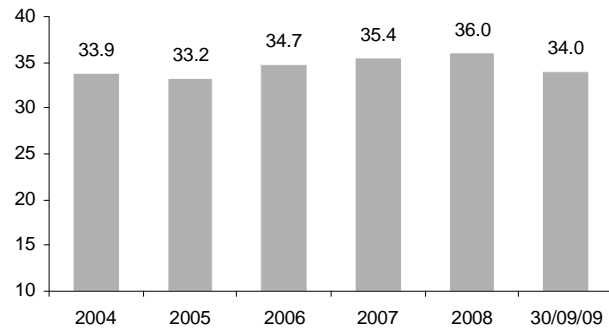
- Coverage of strategic core markets + regional focus
- Broad range of traditional and innovative financial products
- Increase in acquisition and analysis capacities
- Relationship approach: professional advice for target clients + client following into new markets
- High priority of direct real estate business to improve the client franchise
- Strengthening of DEUTSCHE HYPO's arranger business
- Broad range of Real Estate Investment Banking activities

### Public Finance

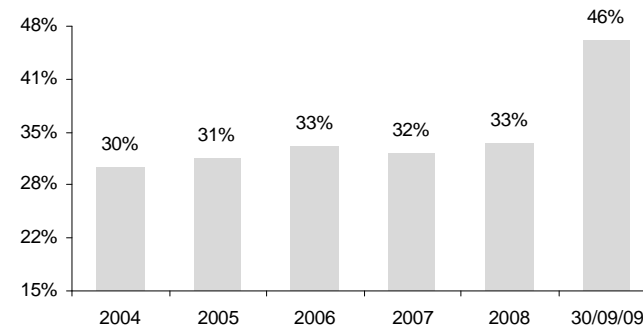
- Further diversification of credit portfolio
- Improvement of core competence in structured products in order to create spread pick-up
- Broad product variety
- Cautious expansion into new markets/regions

## Financial Figures

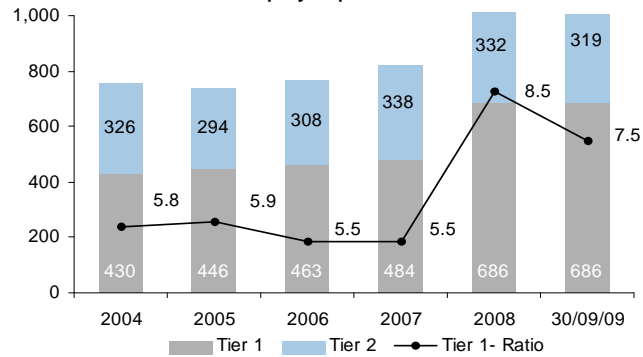
Balance sheet in € bn



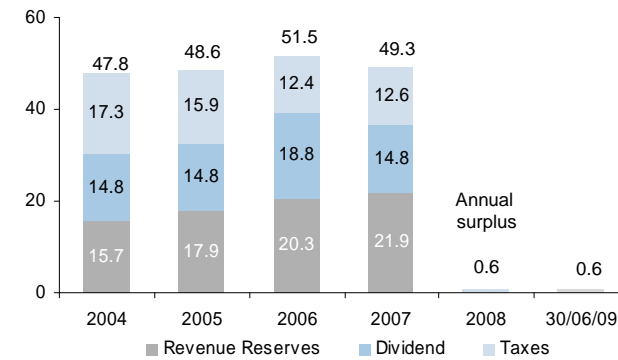
Cost Income Ratio



Equity Capital in € mn



Result from Ordinary Activities in € mn



## Ratings

•• Current rating situation as part of NORD/LB Group

	Moody's
Public Pfandbriefe	Aaa
Mortgage Pfandbriefe	Aaa
Senior Unsecured Rating	A1 (stable)
Short-term Bank Deposits	P-1 (stable)
Financial Strength	C- (negative)

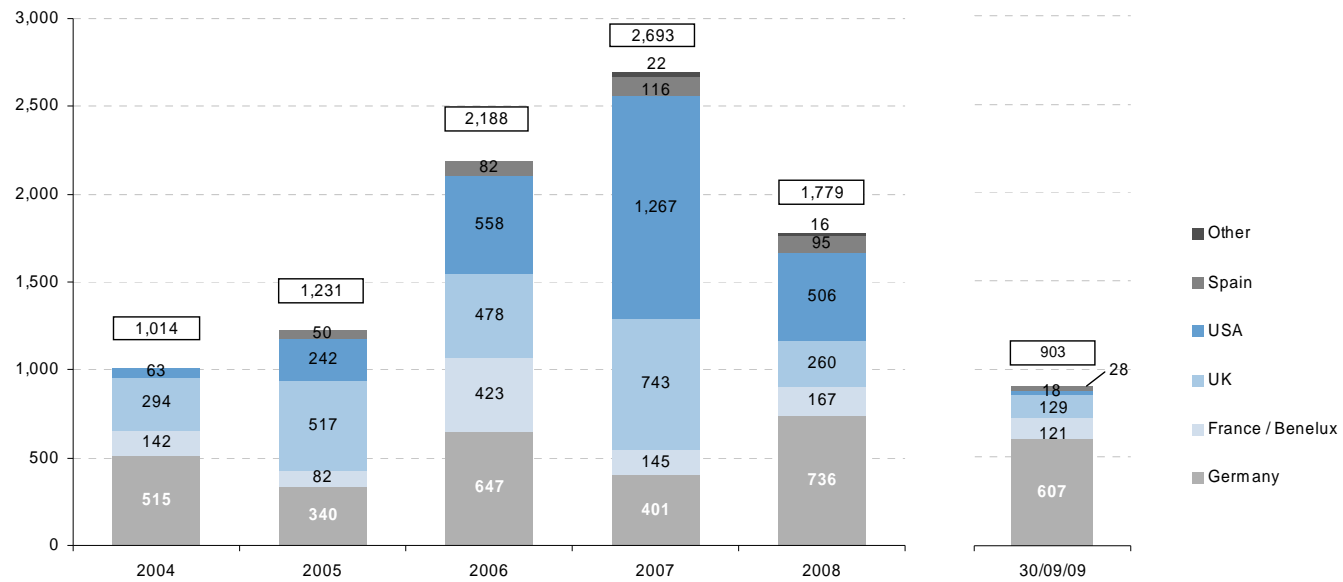
### .. Core markets + competition environment

- Coverage of professional real estate investors with a solid track record and a stable deal flow
- Broad product range to offer an up to date Real Estate Investment Banking
- Target markets: Germany, Benelux, France, UK, Spain, US
- Focus on mature target markets with high transaction volumes and positive long term performance
- Examination of markets regarding their future relevance for the bank's portfolio
- Rules:
  - Cash flow driven and risk averse financing
  - Close client coverage, flat hierarchy, quick and flexible decision-making
  - Portfolio approach: diversification by property type and by region
- The securitisation market (ABS/MBS) as “Competitor of the Pfandbrief“ is no longer functional
- Some competitors will disappear

**Effective and flexible banks with a quick response profile will have a chance in a competitive market environment - given a sound and effective capital market approach.**

## Real Estate Business

### •• New business by region (in € mn)

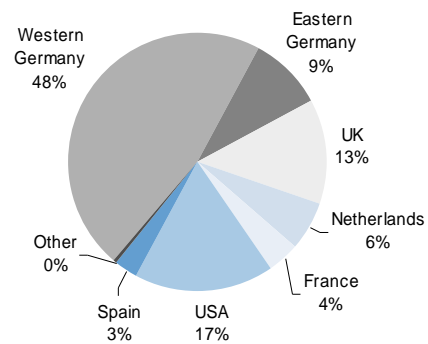


## Real Estate Business

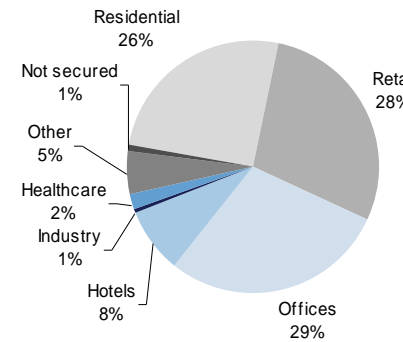
### •• Regional breakdown as at 30/09/09 (in € mn)

Region	Residential	Retail	Offices	Hotels	Industry	Healthcare	Other	Not secured	Total
Western Germany	1,439	1,584	998	78	15	116	199	0	4,429
Eastern Germany	471	267	56	8	2	45	27	0	877
UK	61	248	532	197	44	0	134	7	1,224
Netherlands	41	111	272	105	1	0	43	0	573
France	66	55	173	26	0	0	0	47	367
USA	336	278	583	311	0	26	98	15	1,646
Spain	0	142	81	48	0	0	0	9	280
Other	0	21	4	0	0	0	15	6	45
<b>Total</b>	<b>2,414</b>	<b>2,705</b>	<b>2,699</b>	<b>773</b>	<b>62</b>	<b>187</b>	<b>516</b>	<b>84</b>	<b>9,442</b>

Regional breakdown  
as at 30/09/09



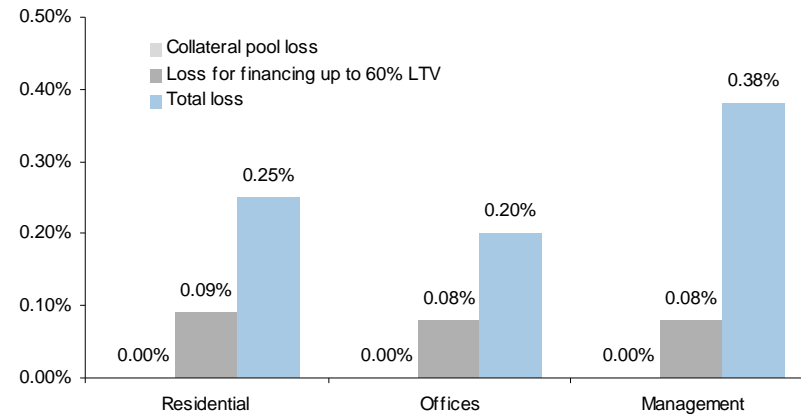
Breakdown by property type  
as at 30/09/09



### •• Average capital loss

- Very low loss ratio (0.09%) for financing up to 60% LTV
- No loss in cover pool assets underlining the high level of quality and security of the Pfandbrief
- Moderate level of loss regarding commercial (0.20%) and residential real estate (0.25%)
- Higher loss levels in management financing underline the low secondary market opportunities in this sector

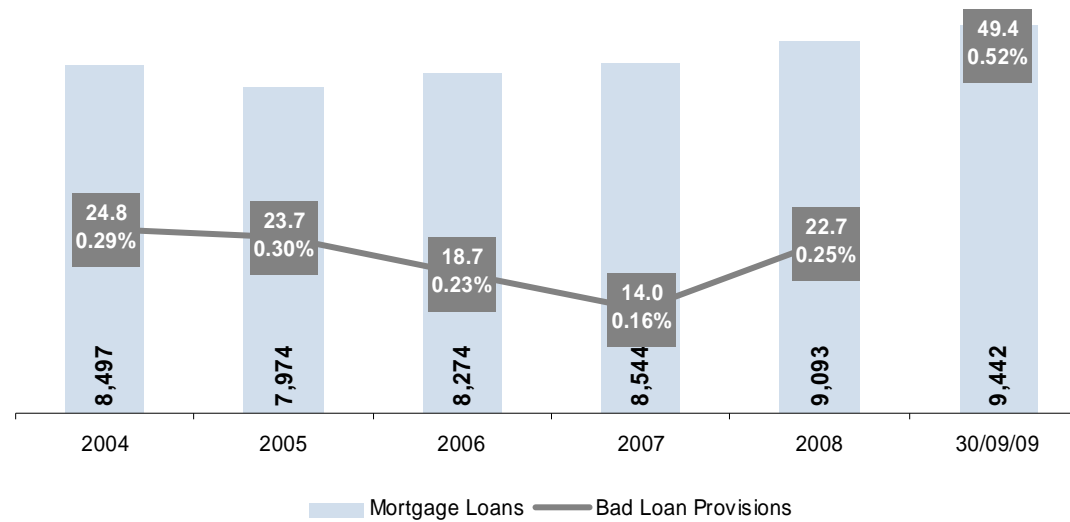
Ø Capital cost (eff.)\* in real estate business (1999 - 2009)



Capital cost \*): The capital cost shows the proportion of effective capital loss in relation to the real estate credit volume.

## Real Estate Business

•• Bad loan provisions in € mn



## Mortgage Collateral Pool

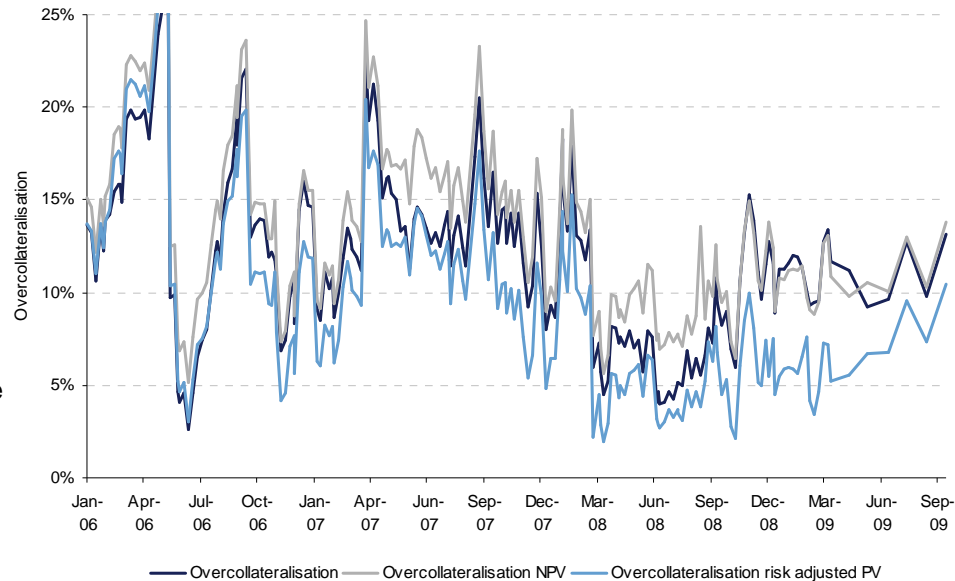
### .. Overcollateralisation

#### Average overcollateralisation since 2006

- Nominal  $\varnothing$  11.93%
- NPV  $\varnothing$  13.61%
- Risk adjusted PV \*)  $\varnothing$  9.77%

#### Risk adjusted present value \*):

The risk adjusted present value is the lowest collateral PV regarding a simulation of interest and currency shifts according to section 5 and 6 PfandBarwertV (dynamic approach).



Overcollateralisation	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Risk adjusted present value
Nominal in %	5.75	5.63	11.68	13.59	11.77	12.90	14.03	Sep-09
NPV in %	7.06	8.75	14.30	15.00	10.95	13.60	14.99	11.01%

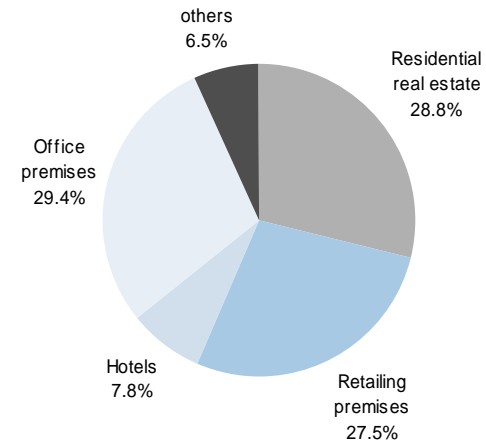
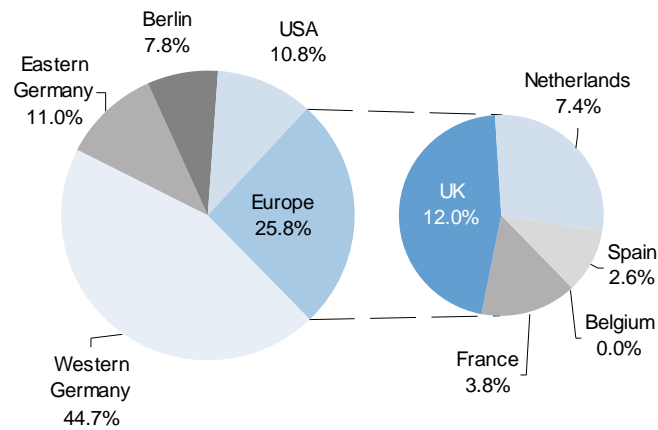
## Mortgage Collateral Pool

•• Apart from auxiliary collateral under section 19 PfandBG

Collateral pool by region

Collateral pool by property type

Total volume € 5,986 mn as at 30/09/09

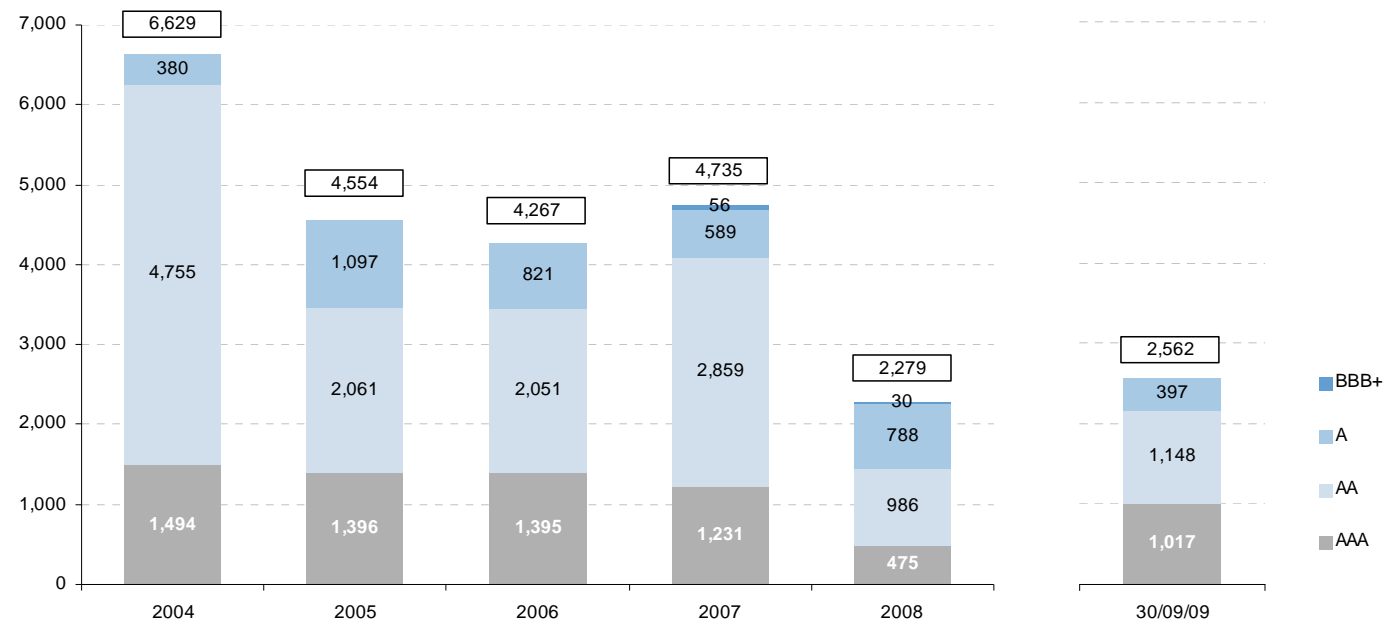


### .. Targets and strategy

- International public finance business
- Generating profit and immunization against profit volatility
- Geographical focus:
  - Germany
  - EEA, US, Canada, Japan and Switzerland
- Quality guidelines:
  - High degree of creditworthiness
  - Improvement of performance by active portfolio management
  - Low interest rate risk
- Product cross-selling in DEUTSCHE HYPO's asset as well as in its funding mix
- Using our stable, reliable network of capital market partners
- Concentration on profitable new business + no volume targets
- Broad product range to cover all possible investor needs
- High flexibility allows new and modified products
- Competitive advantage by high transaction speed
  - Flat hierarchy, quick decisions
  - Lean New Product Processes (NPP)

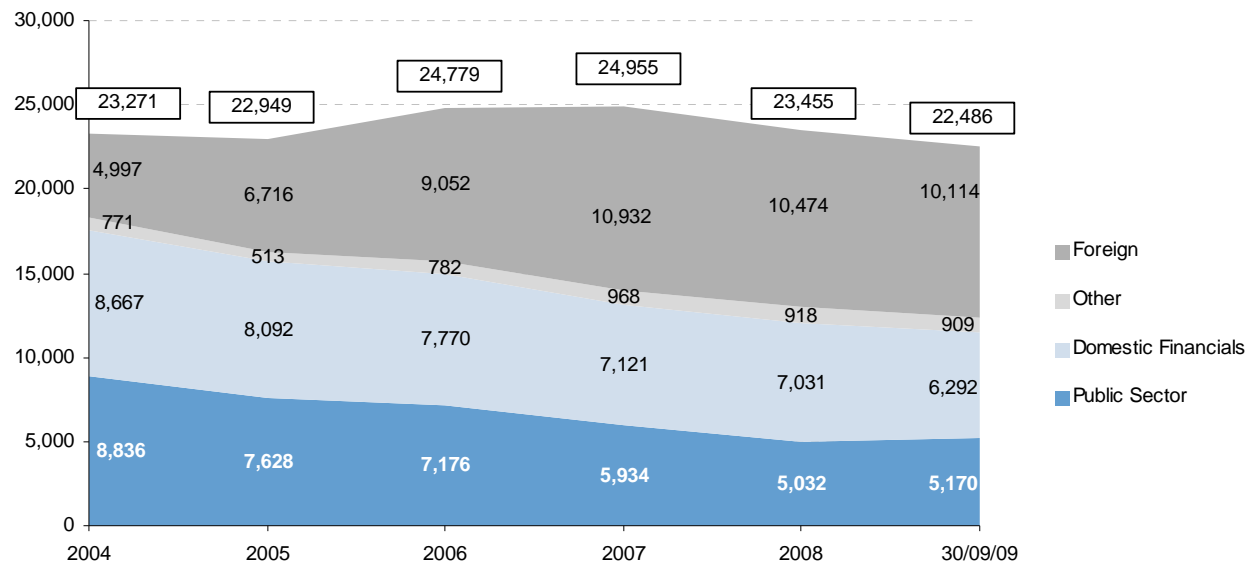
## Public Finance

### •• New business by ratings (in € mn)



## Public Finance

### .. Development of public finance business\* (in € mn)



\*incl. auxiliary collateral under section 19 PfandBG

### .. Credit quality

#### Pool management criteria

- Securing of AAA rating for Public Pfandbriefe
- Only issuers with first class ratings comply with DEUTSCHE HYPO's cover pool criteria (i.e. EC/EEA members, north American and Japanese public issuers)
- Target: average credit rating in the public sector cover pool => AA
- High granularity
- Horizontal (international/regional) and vertical (State/Region/City) diversification
- Daily surveillance of nominal and PV overcollateralisation (i.e. interest rate and currency risk, anticipation of possible rating change)
- Regular reporting concerning cover pool quality
- Close cooperation of Treasury and Controlling regarding pool management activities

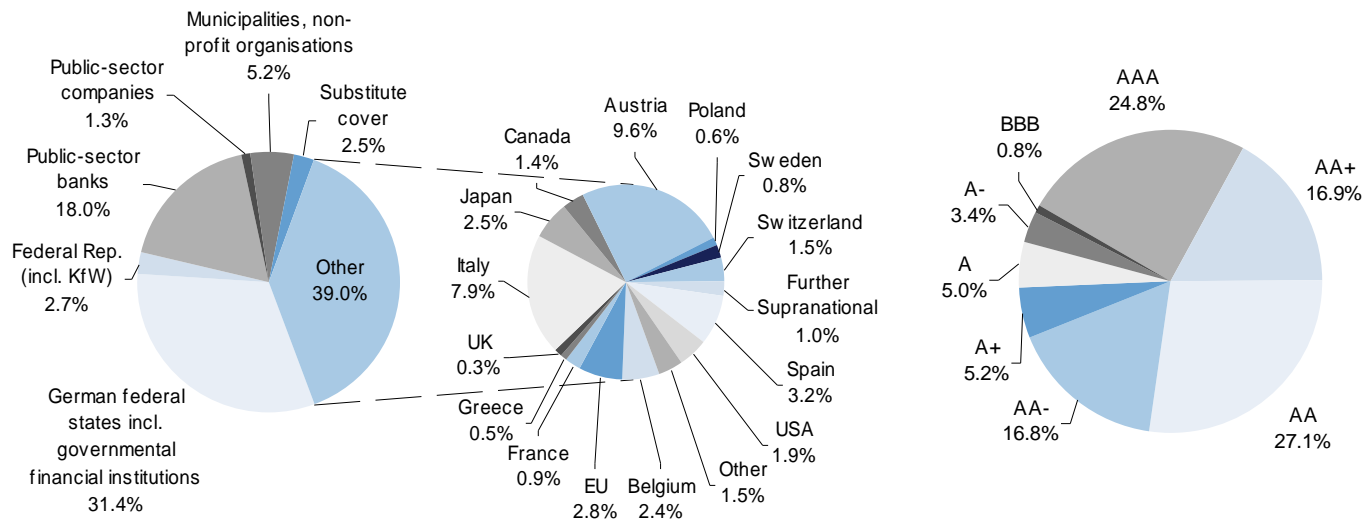
**No loss in Public Sector Collateral Pool**

## Public Sector Collateral Pool

### Collateral pool by borrower

### Collateral pool by rating

Total volume € 16,478 mn as at 30/09/09



## Public Sector Collateral Pool

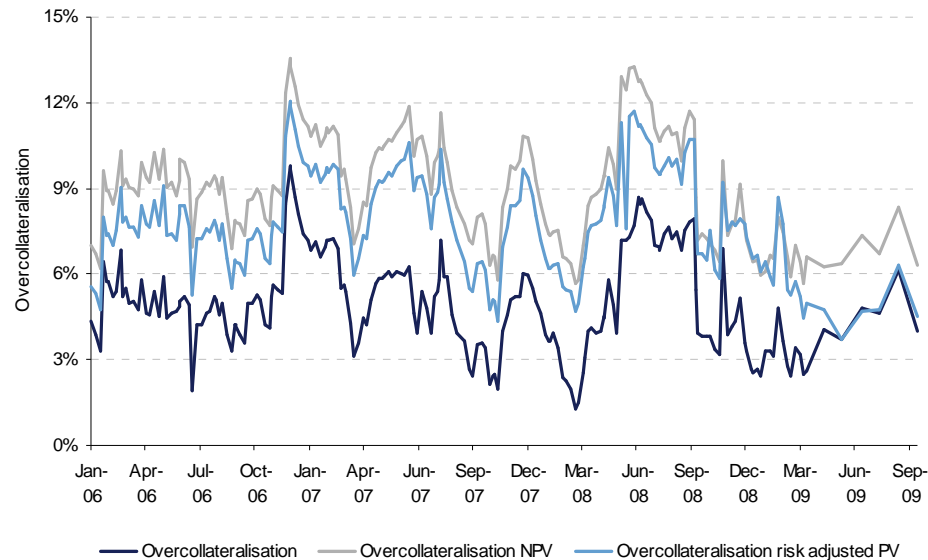
### .. Overcollateralisation

#### Average overcollateralisation since 2006

- Nominal  $\varnothing$  4.97%
- NPV  $\varnothing$  9.04%
- Risk adjusted PV \*)  $\varnothing$  7.80%

#### Risk adjusted present value \*):

The risk adjusted present value is the lowest collateral PV regarding a simulation of interest and currency shifts according to section 5 and 6 PfandBarwertV (dynamic approach).



Overcollateralisation	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Risk adjusted present value
Nominal in %	3.24	8.49	5.60	2.74	3.02	4.75	3.94	Sep-09
NPV in %	7.59	12.80	8.90	6.69	7.02	7.32	6.27	4.47%

•• Interest Rate Risk/VaR

**Interest Rate Risk (IRR):**

Average per month in € mn PV shift of 100 BPs (parallel shift)

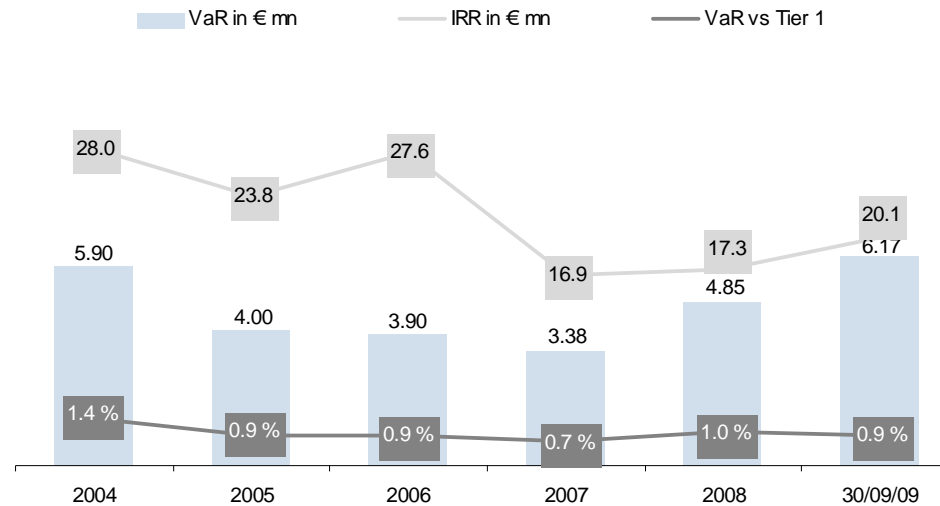
Average IRR Jan. 2004 - Sep. 2009: € 22.28 mn

**Value at Risk (VaR) :**

Average per month in € mn

The maximum potential loss based on a confidence level of 99% and a holding period of 10 days

Average VaR Jan. 2004 - Sep. 2009: € 4.70 mn



### .. AAA ratings for Pfandbriefe are the basis of our funding activities

#### Funding philosophy

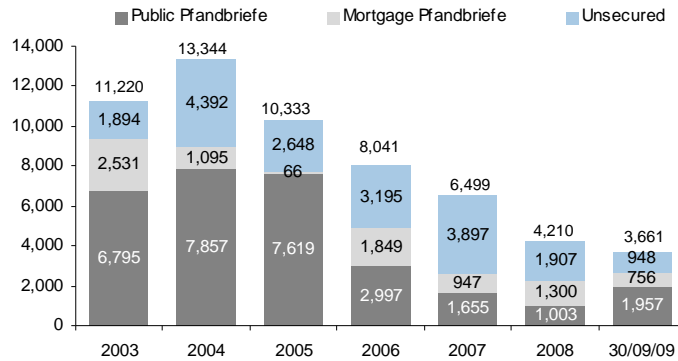
- Debt Issuance Programme attracts international investors
- Reliable issue spreads
- Broad variety of products esp. in interest rate structures
- DEUTSCHE HYPO's good reputation and high issuer standing support our placement activities (esp. in senior unsecured notes)
- Our funding policy consistently meets market demand and complies with market requirements
- Jumbo-, benchmark- or other high volume issues optionally remain a source of funding
- Generating funding pick-up by high rating quality
- Visibility by being a permanent issuer of Public and Mortgage Pfandbriefe

#### Funding instruments

- Funding by
  - Public Pfandbriefe
  - Mortgage Pfandbriefe
  - Senior Unsecured Notes
- Products
  - Traditional domestic issues
  - Tailor made (structured) products
  - Jumbo-Pfandbriefe or other high volume (benchmark) issues
- Platforms
  - Debt Issuance Programme
  - Registered bonds
- Stable funding based on our reliable network of capital market partners

**DEUTSCHE HYPO's cost effective funding is the competitive edge in its credit business**

## Funding

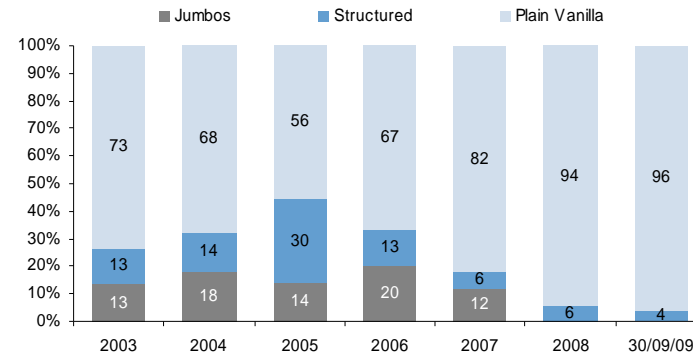


### Funding mix (in € mn)

- New business expansion in 2003 and 2004 stimulated refinancing significantly
- Cost effective funding by competitive funding mix
- Thus generating relevant profit

### Structure breakdown

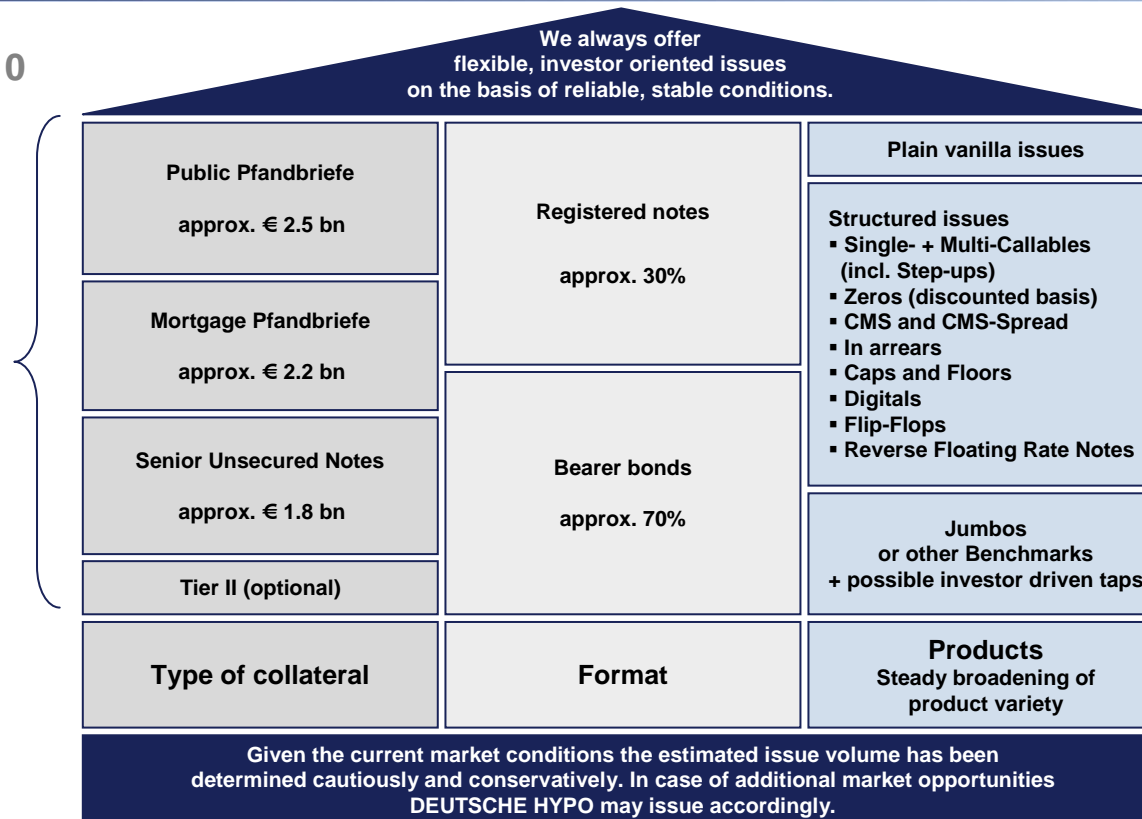
- Broad variety of structured products due to highly developed IT solutions
- DEUTSCHE HYPO meets individual investor demand
- Broadening of investor basis
- Permanent and flexible adjustment of funding activities according to market requirements



## Funding

### .. Outlook 2010

We expect an issue volume of approx. **€ 6.5 bn** in all major currencies as EUR, CHF, USD, JPY, GBP, ...



### •• Good reasons for buying DEUTSCHE HYPO bonds

- Broad product range
- Reliable, stable issue levels + flexible handling of issue platforms and products (consistent funding strategy)
- “Core“ segment of Covered Bond market
- Well-established name “DEUTSCHE HYPO“
- Low headline risk
- Relatively low spread volatility
- High issue volume, if needed
  - Jumbos
  - Other benchmark issues or formats
  - Large private placements
- Stable Group
- Letter of comfort by NORD/LB
- Profitable franchise by clearly defined group responsibilities
- Part of the Savings Banks’ guarantee system (“Haftungsverbund der Sparkassen-Finanzgruppe“)
  - Unlimited guarantee volume
  - Professional investors are protected as well
  - Liquidity and solvency protection
  - The protection system allows the continuation of the bank’s business
  - The protected bank complies with its obligations

## Contact

### Members of the Board

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Chairman of the Management Board		
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Juergen Morr		-313
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## •• **NORD/LB – portrait of a leading regional bank with international business approach**

- One of the biggest banks in **Germany**
- Business focus on **northern Germany**
- **Landesbank** for Lower-Saxony (Niedersachsen) and Saxony-Anhalt (Sachsen-Anhalt)
- **Saving Banks' central bank** in Lower-Saxony, Saxony-Anhalt and Mecklenburg-Vorpommern (Mecklenburg-Vorpommern)
- One of the **leading German Banks in national and international Bond Syndication**
- **Broad variety of products** for private, business, institutional and public clients
- **Business Focus** of NORD/LB:
  - Financial Markets
  - Agricultural Banking
  - Real Estate Banking
  - Structured Finance
  - Ship Financing
  - Aircraft Financing
  - Private Banking
  - Savings Bank in Brunswick area (Braunschweig)
- **International** bank
- **Presence in all relevant financial and business centres** (e.g. London, Singapore, New York)
- **World-wide network** of branches and service offices
- **Contact to 1,500 banks** world-wide



## Disclaimer

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Any possible investment decision – if any – should be taken on the basis of this instrument or trade documentation.

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