



Rating Action: Deutsche Pfandbriefbank AG - Public Sector Pfandbriefe

Moody's affirms ratings of Deutsche Pfandbriefbank's Pfandbriefe following merger of HRE and Depfa

London, 09 July 2009 -- Moody's has taken the following rating actions on the Pfandbriefe issued by Hypo Real Estate Bank AG ("HRE") and Depfa Deutsche Pfandbriefbank AG ("Depfa"):

- Public Sector Covered Bonds (Oeffentliche Pfandbriefe) originally issued by HRE; affirmed at Aaa; previously on 11 February 2009 affirmed at Aaa;
- Public Sector Covered Bonds (Oeffentliche Pfandbriefe) originally issued by Depfa affirmed at Aaa; previously on 11 February 2009 affirmed at Aaa;
- Mortgage Covered Bonds (Hypothekenspfandbriefe) originally issued by HRE affirmed at Aa3; previously on 11 February 2009 affirmed at Aa3; and
- Mortgage Covered Bonds (Hypothekenspfandbriefe) originally issued by Depfa assigned new definitive Aa3 long-term ratings.

The above affirmations follow the merger of Depfa into HRE on 29 June 2009 which has resulted in the legal mergers of the respective cover pools.

HRE has since been renamed Deutsche Pfandbriefbank AG (the Issuer), and continues to be rated A3/Prime-1/E+, see separate press release dated 7 July 2009. All outstanding Pfandbriefe originally issued by HRE and Depfa or their predecessors are now full recourse to the Issuer.

Moody's notes that as a result of the merger, the assets included in the cover pool backing both Depfa and HRE's Public Sector Covered Bonds (rated Aaa) are now backing the public sector Covered Bonds of the Issuer on a pari passu basis. The same applies to the assets in the mortgage cover pools and the Mortgage Covered Bonds (rated Aa3).

Moody's has also assigned definitive ratings to the following Mortgage Covered Bonds, which were originally issued by Depfa and have been assumed by the combined Mortgage Covered Bond programme as a result of the merger:

- DEM11.2 million 6.7% Mortgage Covered Bonds due 28 February 2011 issued on 11 June 1996;
- DEM5 million 6.7% Mortgage Covered Bonds due 28 February 2011 issued on 11 June 1996;
- DEM20 million 6.7% Mortgage Covered Bonds due 30 January 2012 issued on 23 January 1997;
- DEM50 million 6.7% Mortgage Covered Bonds due 30 January 2012 issued on 24 January 1997;
- EUR5 million 5.13% Mortgage Covered Bonds due 21 July 2009 issued on 19 July 1999; and
- EUR5 million 5.13% Mortgage Covered Bonds due 21 July 2009 issued on 19 July 1999.

The TPI assigned to the Public Sector Covered Bonds is "High", and "Probable-High" for the Mortgage Covered Bonds. At the Issuer's current rating level, the TPIs do not restrain the ratings of the Covered Bonds.

Moody's initially analysed and will monitor these transactions using the rating methodology for EMEA Covered Bond transactions as described in the Rating Methodology reports: "Moody's Rating Approach to European Covered Bonds" published in June 2005, "Timely Payment in Covered Bonds following Sponsor Bank Default", published in March 2008 and "Assessing Swaps as Hedges in the Covered Bond Market", published in September 2008. All can be found on www.moodys.com in the Credit Policy & Methodologies directory, within the Ratings Methodologies subdirectory. Other methodologies and factors that may have

been considered in the process of rating this issue can also be found in the Credit Policy & Methodologies directory.

The rating assigned by Moody's addresses the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield and/or payments to investors.

Headquartered in Munich, HRE Group reported consolidated total assets of EUR420 billion and a pre-tax loss of EUR5.375 billion as of 31 December 2008

Madrid
Juan Pablo Soriano
Managing Director
Structured Finance Group
Moody's Investors Service Espana, S.A.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Martin Rast
Vice President - Senior Analyst
Structured Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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