



Federal Republic of Germany
Finance Agency

German Government Securities

Characteristics of Bund Investments

December 2011



- ➔ **Primary Market**
- ➔ **Secondary Market**
- ➔ **Investment Characteristics**
- ➔ **Additional Information**



Germany

Stable Primary Market Appearance and Execution

German Government Securities:

6, 9 and 12M Bubills, 2Y Schatz, 5Y Bobl, 10Y & 30Y Bunds,
ILB: 10Y: Bund/ei; 5Y: Bobl/ei

- **Funding Volume 2011:** €275 bn.
- **Multi Price Auctions:** German Government Securities are sold via members of the “Bund Issues Auction Group” (currently 38 international banks).
- **Transparency:** clear and reliable issuance structure: announcement of detailed annual and quarterly issuance calendars.

<u>2011</u> € bn
30Y: 08
10Y: 54
5Y: 50
2Y: 69
12M: 29
9M: 12
6M: 53
Total: €275 bn



Germany

Current 38 members of the „Bund Issues Auction Group“ (alphabetical)

ABN-AMRO	ABN AMRO Bank N.V.	Jefferies	Jefferies International Limited
BANCA IMI	Banca IMI S.p.A.	J.P.Morgan	J.P. Morgan Securities Limited
BBVA	Banco Bilbao Vizcaya Argentaria S.A.	LB BW	Landesbank Baden-Württemberg
Santander CONSUMER BANK	Banco Santander S.A.	Helaba Landesbank Hessen-Thüringen	Landesbank Hessen-Thüringen Girozentrale
Bankhaus Lampe	Bankhaus Lampe KG	Bank of America Merrill Lynch	Bank of America Merrill Lynch
BARCLAYS	Barclays Bank PLC	MIZUHO	Mizuho International PLC
Bayern LB	Bayerische Landesbank	Morgan Stanley	Morgan Stanley & Co. International PLC
BHF BANK PRIVATE BANK	BHF-Bank AG	NATIXIS	Natixis
BNP PARIBAS	BNP Paribas S.A.	NOMURA	Nomura Bank (Deutschland) GmbH
citi <i>Citi never sleeps®</i>	Citigroup Global Markets Limited	Nordea	Nordea Bank Finland PLC
COMMERZBANK	Commerzbank AG	NORD/LB	Norddeutsche Landesbank Girozentrale
CRÉDIT AGRICOLE	Crédit Agricole Corporate and Investment Bank	RBC	Royal Bank of Canada Europe Limited
CREDIT SUISSE	Crédit Suisse Securities (Europe) Limited	Scotiabank	Scotiabank Europe PLC
.DekaBank	DekaBank Deutsche Girozentrale	STATE STREET.	State Street Bank and Trust Company London Branch
Deutsche Bank	Deutsche Bank AG	SOCIETE GENERALE	Société Générale S.A.
DZ BANK Zusammen geht's besser.	DZ Bank AG Deutsche Zentral-Genossenschaftsbank	RBS™ The Royal Bank of Scotland	The Royal Bank of Scotland PLC Niederlassung Frankfurt
goldman Sachs	Goldman Sachs International	UBS	UBS Deutschland AG
HSBC Trinkaus	HSBC Trinkaus & Burkhardt AG	UniCredit Group	UniCredit Bank AG
ING ING	ING Bank N.V.	WestLB	Westdeutsche Landesbank AG



Germany

Stable Primary Market Appearance and Execution

What's new on the primary market activities 2011 ?

- ➔ **Reduced Issuance volume:** € 275 bn (based on the announcement of September 2011 for nominal securities) compared to € 323 bn in 2010 (including ILB of € 11 bn).
- ➔ **Less capital market instruments** (minus € 15 bn) and less volume of money market instruments (minus € 22 bn).
- ➔ **10Y Bunds: continuation of three new issues.** The introduction of the additional redemption and coupon date (September 4 beside of January and July 4th) in 2010 did prove well and will be continued in 2011.
- ➔ **5Y Bobls: continuation of three new series.** The new interest and redemption date, introduced in 2010 will be continued with a new issue in Jan 2011.
- ➔ **30Y Bunds: the issuance volume has been reduced** by € 2 bn to € 8 bn.
- ➔ **Bubills: Monthly new issues of 6M (€5bn) and 12M (€3bn) maturities.** The 12M Bubills with remaining time to maturity of 9M will be tapped on a monthly basis by € 2bn to an outstanding volume of € 5bn.



Germany

Quarterly Issuance Calendar Q4 2011 (nominal bonds)

Q4 2011 Issuance Calendar Germany (N: New, R: Reopening)											
	Capital Market Instruments: € 39 bn						Money Market Instruments: € 13 bn				
	Date	Bond	Interest, Maturity	€ bn	N/R		Date	Bond	Maturity	€ bn	N/R
Oct	Wed. 05.10.	Schatz	0.75% 13. Sep. 2013	5	R	Mo. 10.10.	Bubill 6M	04. Apr. 2012	4	N	
	Wed. 12.10.	Bund	3.25% 04. July 2042	2	R	Mo. 31.10.	Bubill 12M	31. Oct 2012	2	N	
	Wed. 19.10.	Bund	2.25%, 04. Sep. 2021	5	R						
Nov	Wed. 02.11.	Bobl 161	14. Oct. 2016	5	R	Mo. 07.11.	Bubill 6M	16. May 2012	4	N	
	Wed. 16.11.	Schatz	13. Dec. 2013	6	N						
	Wed. 23.11.	Bund	04. Jan. 2022	6	N						
Dec	Wed. 07.12.	Bobl 161	14. Oct. 2016	5	R	Mo. 05.12.	Bubill 6M	13. June 2012	3	N	
	Wed. 14.12.	Schatz	13. Dec. 2013	5	R						

As of Sep 27th, 2011



Germany

Annual and Quarterly Issuance Calendars (nominal bonds)

Issuance Outlook of the Federal Government 2011 (€ bn)*															
Security Type	Share 2011 %	Change Prv. Yr. € bn	Volume 2011	Q1 2011			Q2 2011			Q3 2011			Q4 2011		
				Jan N R	Feb N R	Mar N R	Apr N R	May N R	Jun N R	Jul N R	Aug N R	Sep N R	Oct N R	Nov N R	Dec N R
Schatz 2Y	25%	-5	69	6	7	6	5	7	6	4	7	5	5	6	5
Bobl 5Y	18%	-2	50	6	5	5	6	6	6			6		5	5
Bund 10Y	20%	-6	54	5	4	4	6	5	4	4	6	5	5	6	
Bund 30Y	3%	-2	8	2			2			2			2		
Capital Market:	66%	-15	181	50			53			39			39		
Bubill 6M	19%	-7	53	5	5	5	5	5	5	4	4	4	4	4	3
Bubill 9M	4%	0	12	2	2	2	2	2	2	0	0	0	0	0	
Bubill 12M	11%	-15	29	3	3	3	3	3	3	3	3	3	2	0	0
Money Market:	34%	-22	94	30			30			21			13		
Year Total: € 275 bn				29	26	25	29	28	26	17	20	23	18	21	13
				80			83			60			52		

As of Sep 27th, 2011

* According to the adjusted annual planning as of Sep 2011 (€ -16 bn)

Highlighted: Volume cut by € -1bn each, except of Bubills: 6M Dec (-2) and 9M (tap) -2/-2 / 12M -1/-3/-2 bn (Oct/Nov/Dec)

N: new issue / R: reopening

Bund10 / Bund30: federal bonds with maturities of 10 or 30 years

Bobl: five year federal notes

Schatz: two year federal treasury notes

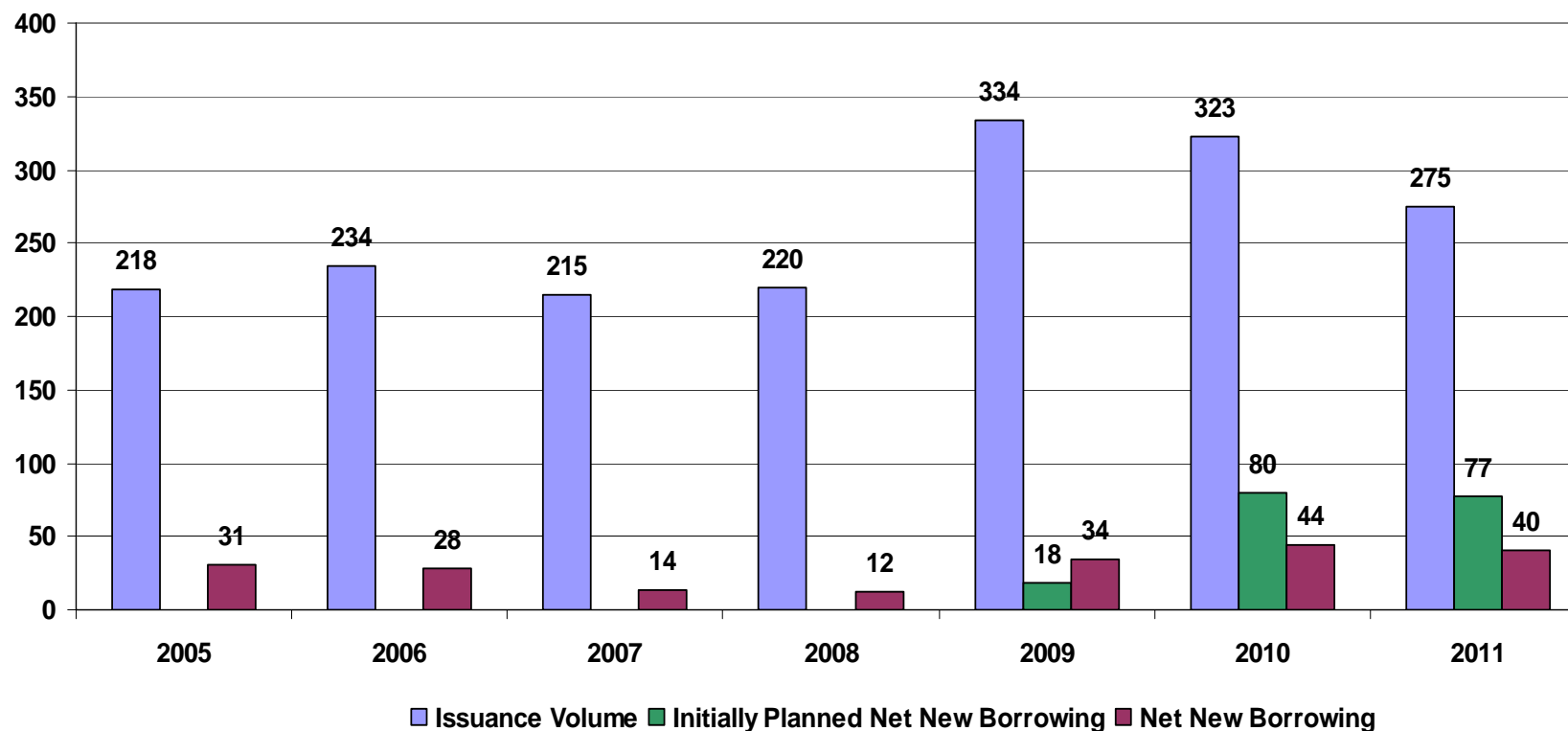
Bubills: treasury discount paper with maturities of 6, 9 and 12 months



Germany

Stable Primary Market Appearance and Execution

Issuance Volume: German Government Securities 2001 – 2011 in €bn*



* Including inflation linked bonds (2006: € 9 bn; 2007: € 6bn; 2008: € 7 bn; 2009: € 5 bn ; 2010: € 11 bn), excluding USD-bonds (2005: USD 5 bn 5Y; 2009: USD 4bn 3Y).



- ➔ **Primary Market**
- ➔ **Secondary Market**
- ➔ **Investment Characteristics**
- ➔ **Additional Information**



Secondary Market Volumes

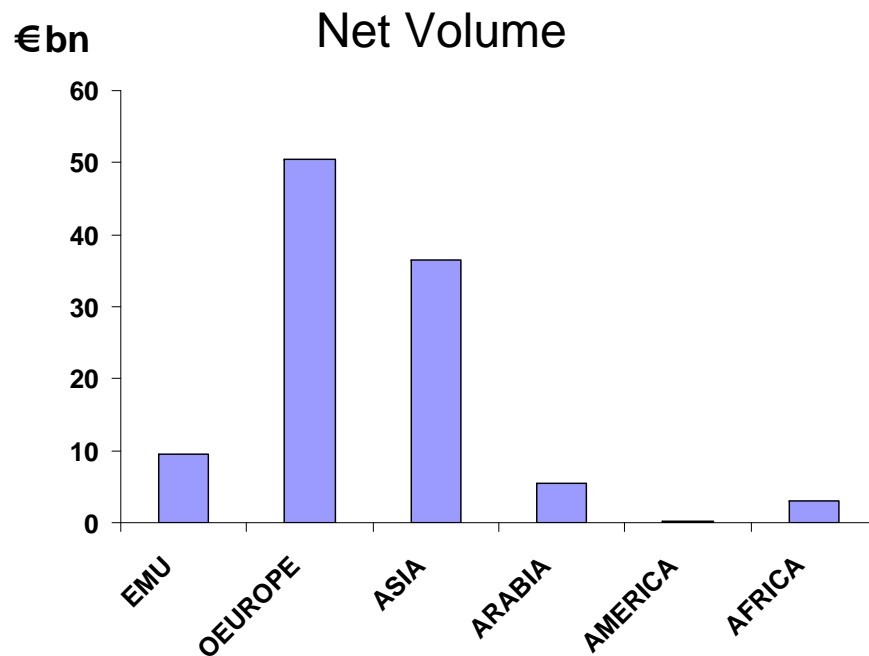
Secondary Market Volumes German Government Securities												
	Total						Monthly averages					
€ bn	<i>HY1 2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>HY1 2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Trading Volumes	3.196	5.679	4.609	5.961	6.418	6.818	497	473	392	496	534	568
Net Volumes	105	247	223	118	93	140	22.5	20.58	18.63	9.8	7.7	11.6

Source: secondary market flows reported from members of the „Auction Group Bund Issues“.
Securities: Bubills, 2Y Schatz, 5Y Bobls, 10Y and 30Y Bunds, USD Bund, Inflation Linked Bonds

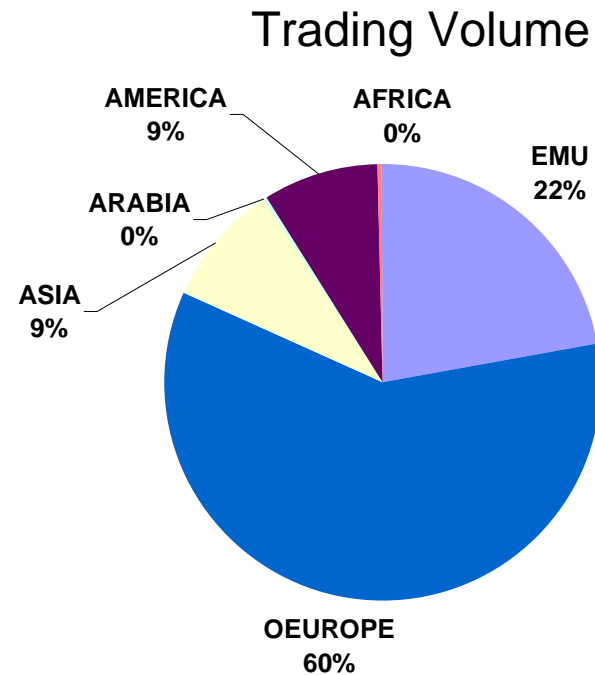


Additional Information: Secondary Market Distributions

Regions HY1 2011



- German government securities have seen increasing demand from Asia in HY1 2011.

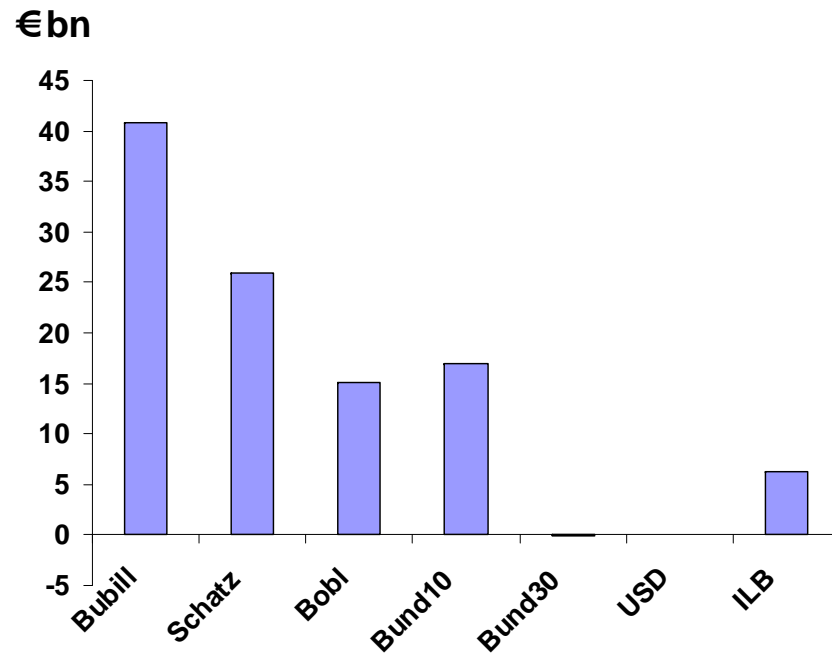


- The major part of the total trading volume in HY1 2011 was transacted in Europe again, the Federal Government's home market (EMU countries and non-EMU-countries).



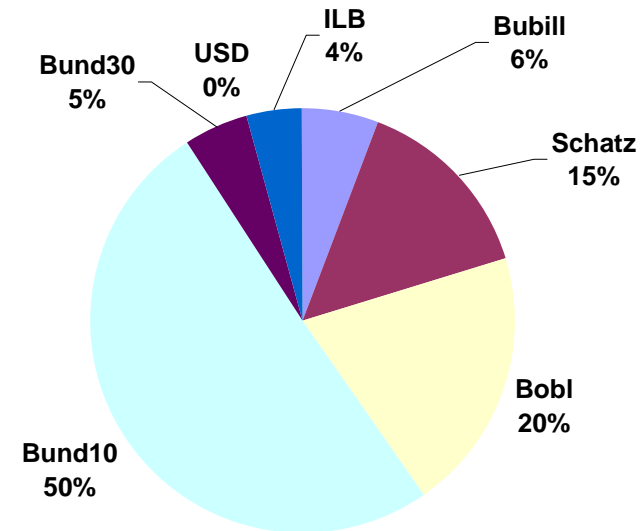
Additional Information: Secondary Market Distributions Funding Tools HY1 2011

Net Volume



➡ More demand in ILB and Schatz.

Trading Volume

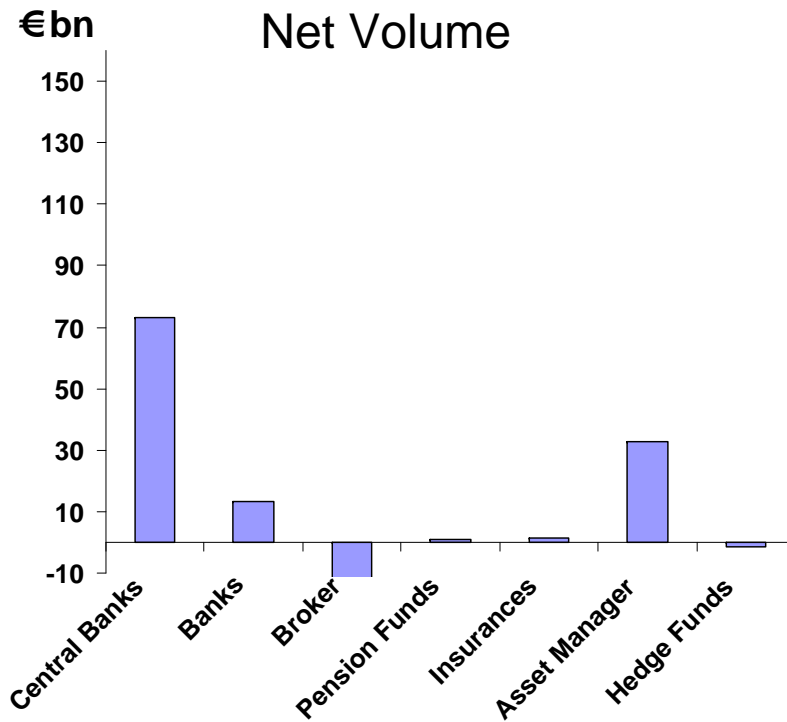


➡ The majority of turnover was traded in 10Y Bunds again.

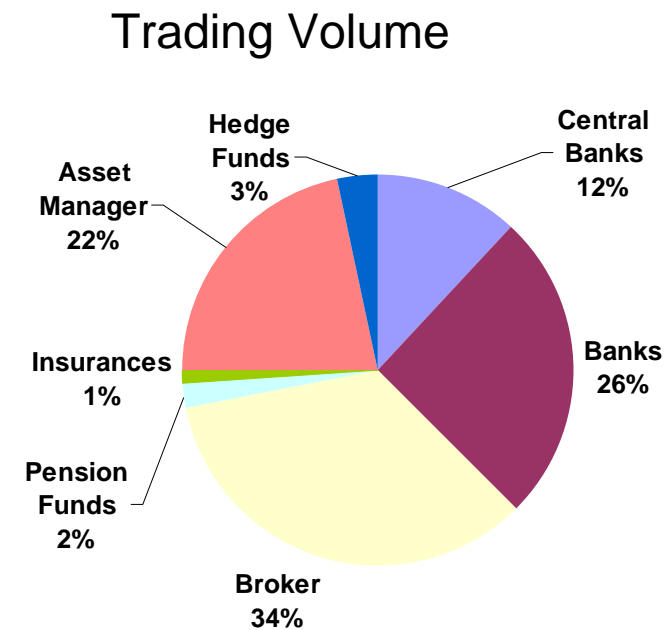


Additional Information: Secondary Market Distributions

Institutions HY1 2011



- ➔ Central banks again represented the largest source of demand for German Government securities.



- ➔ More trading volume from Asset Managers and Hedge Funds.



- ➔ **Primary Market**
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Investment Characteristics

- ⇒ **Transparent and reliable issuance policy**
- ⇒ **High liquidity**
- ⇒ **Best hedging opportunities**
- ⇒ **Complete coverage of yield curve**
- ⇒ **No credit risk**



Investment Characteristics

Liquidity

It's not only a definition, it's all about:

- Width:** Tight bid/ask spreads (= low transaction costs)
- Depth:** Large volumes executable at given bid/ask spreads
- Immediacy:** Speed of execution for any desired volumes
- Resiliency:** Speed of price reflections based on execution activities or new informations available (efficient markets hypothesis)

„A security shows the attribute of liquidity when it can at every time immediately be bought or sold in small or large amounts without any remarkable bid or ask spreads to the fair market price.“ Smith/Iversen 1991



Investment Characteristics

Liquidity for Bunds comes along with:

Width

0.048 average ask/bid spread of current quotations for outstanding german capital market securities (55) across the €curve (Nov 2011 – July 2012).

Source: Bloomberg PXGB

Depth

>€20 bn daily trading volume in German government securities.

Source: Secondary market data Finance Agency for 2010 from Banks of the Bund Issues Auction Group.

Resiliency

38 Members of the Bund Issues Auction Group are the minimum of potential **international partners for trade execution**. Furthermore positions can be hedged via **Eurex futures contracts** where a daily average trading volume of 2.6 mn contracts (Schatz, Bobl, Bund, worth €100,000 each) is executed (equivalent of €226.3 bn daily).

Source: Finance Agency and Bloomberg

Immediacy

Prices for german government securities are **quoted every second** on individual screens on the main capital market information systems. This is based on large turnaround volumes from banks and brokers. The related Eurex futures markets quote with the same pace and reflect market informations immediately.

Source: Bloomberg screens i.e. PXGB / PXGE



Investment Characteristics

High liquidity starting with the first issue of a security

Initial Issuance	First Issue	Total Outstanding Volume
	(€ bn)	(€ bn)
6M Bubill	5	around 5
2Y Schatz	7	around 19
5Y Bobl	7	around 19
10Y Bund	6	around 25
30Y Bund	4	around 23

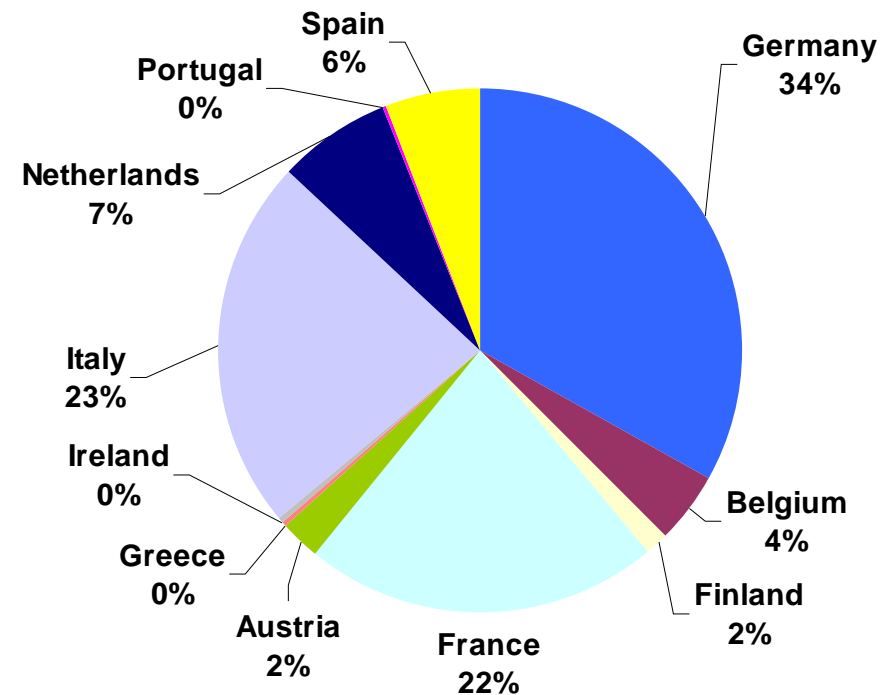


Investment Characteristics

High Liquidity International

Eurozone Trading Volumes

- ➔ Bunds have been proven to be the most **liquid** assets especially in times of uncertainty
- ➔ Sharper regulatory **requirements for liquidity** result in larger Bund positions
- ➔ Bunds are **underlying the Eurex future contracts**: the most liquid in the world and used as cost-efficient hedging tools by investors and banks



Source: Trade Web Data for September 2011



Investment Characteristics

Best Hedging Opportunities

Eurex Bund Futures	Maturity Buckets	Daily Turnover (Avg. 2011)		Bid/Ask Spread Ticks
		Contracts	€ bn	
Bund Future	8.5 - 10.5 Y	972783	97.27	≤ 2
Bobl Future	4.5 - 5.5 Y	590827	59.08	1
Schatz Future	1.75 - 2.25 Y	691822	69.18	1

Source: Bloomberg Oct 25th, 2011

„One reason for the spread widening is the existence of a liquid futures market in Germany, which traders use to hedge investments and which has created a natural demand for German Bunds over other eurozone debt, particularly during times of market uncertainty. “

Financial Times



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Additional Information

Unternehmen

- **Liquiditätssicherung**
- **Frühzeitige Vor- und Refinanzierung**
- **Investorennachfrage nach höheren Renditen**
- **Tendenz zur Verlagerung der Fremdfinanzierung vom Loan- zum Bondmarkt, da**
- **Kreditvergabe der Banken restriktiver**
- **Hohe Gebühreneinnahmen der Banken bei Bondplatzierungen**

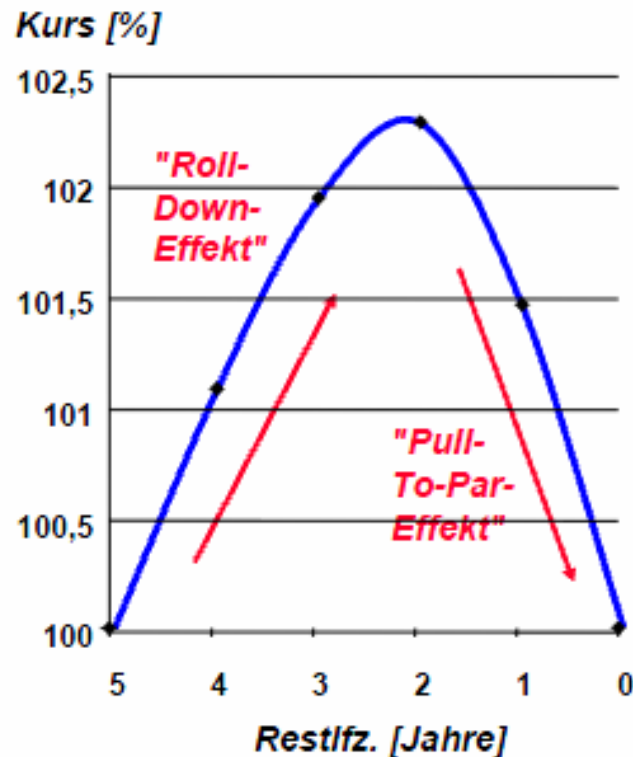
Staaten

- **Haushaltsdefizite**
- **Rettungsmaßnahmen**
- **Konjunkturpakete**
- **Investoren fragen mehr Sicherheit nach**



Additional Information

"Roll-Down-" und "Pull-To-Par-Effekt"



- geg.: 5-jährige Par-Anleihe mit 5% Kupon
- Parallelverschiebung der Zinskurve mit abnehmender Restlaufzeit:

Restfz.	5J	4J	3J	2J	1J
flache Zinskurven	5,0%	4,7%	4,3%	3,8%	3,5%

- Auch bei unveränderter Zinskurve ändert sich der Anleihekurs im Zeitablauf (Zeiteffekt "Theta")
- ➔ "Roll-Down-Effekt": z.B. Anleihe mit 5% Kupon nach 1 Jahr über pari (Rendite für 4-jährige Restfz.: 4,7%)
- ➔ "Pull-To-Par-Effekt": Für eine Restlaufzeit gegen Null tendiert der Kurs bei Fälligkeit gegen 100%

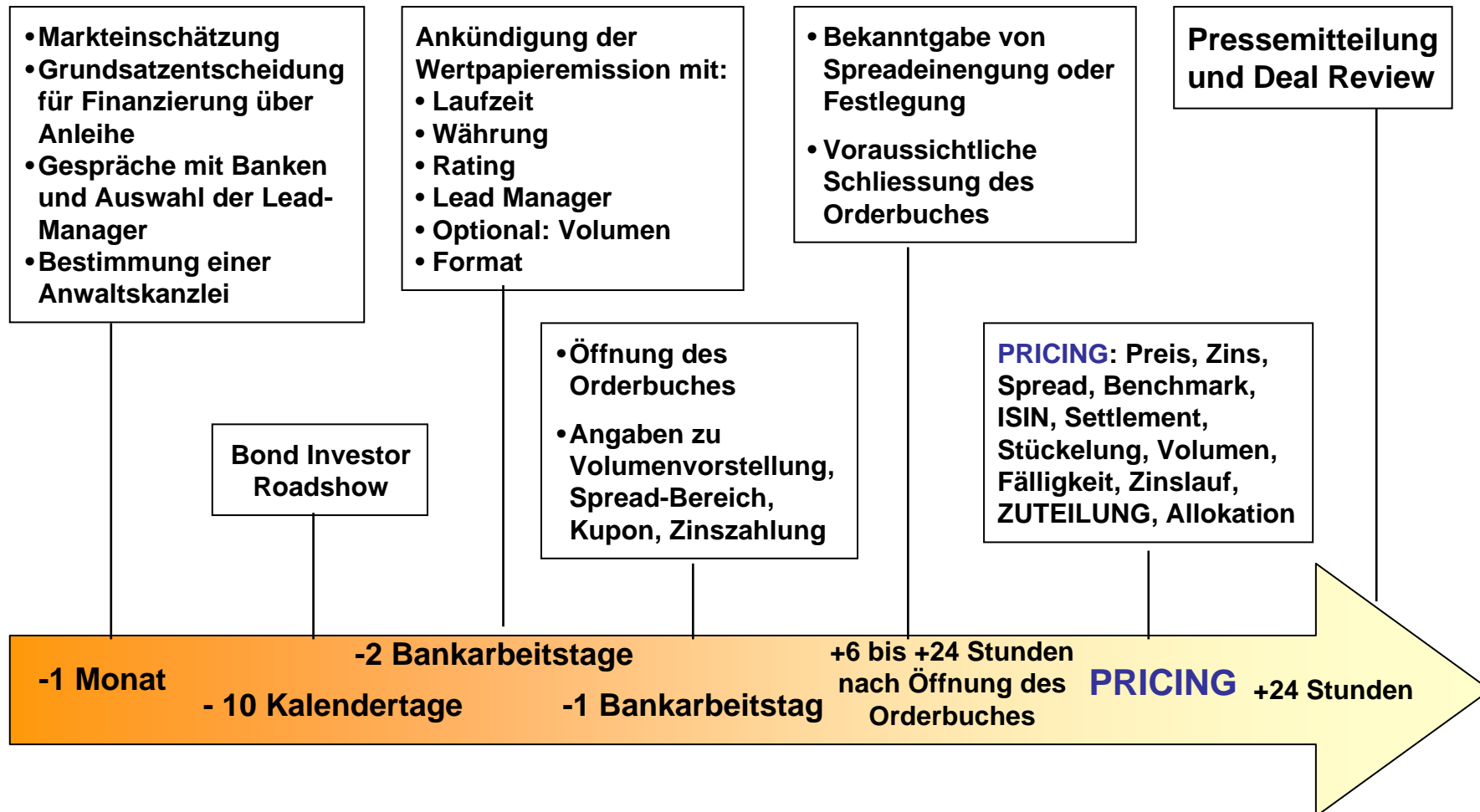


Additional Information

16:44		GERMANY – GOVERNMENT BONDS					PAGE 1 / 2	
Bloomberg GENERIC	Price		Yield		Yld	Ysterday's	Time	
	Bid	Ask	Bid	Ask	Chg	Close		
BENCHMARKS								
1)	BUBILL 0 03/12 _{3M}	99.97	100.11	0.094	-0.393	+.001	100.04	16:42
2)	BUBILL 0 06/12 _{6M}	99.97	100.07	0.048	-0.135	-.028	100.01	16:43
3)	BKO 1 12/12 _{1Y}	100.94	100.96	.069	.040	-.012	100.94	16:44
4)	BKO 0 ¹ / ₄ 12/13 _{2Y}	99.90	99.93	.300	.285	-.042	99.83	16:44
5)	OBL 2 ¹ / ₂ 10/14 _{3Y}	105.69	105.71	.471	.461	-.052	105.56	16:44
6)	OBL 1 ³ / ₄ 10/15 _{4Y}	103.81	103.83	0.737	0.729	-.067	103.57	16:43
7)	OBL 1 ¹ / ₄ 10/16 _{5Y}	101.09	101.12	1.018	1.013	-.089	100.68	16:44
8)	DBR 4 01/18 _{5Y}	115.40	115.44	1.338	1.333	-.088	114.88	16:44
9)	DBR 3 ³ / ₄ 01/19 _{7Y}	114.20	114.26	1.606	1.599	-.090	113.60	16:44
10)	DBR 3 ¹ / ₄ 01/20 _{8Y}	110.92	110.96	1.784	1.779	-.097	110.18	16:44
11)	DBR 2 ¹ / ₂ 01/21 _{9Y}	104.71	104.76	1.928	1.923	-.100	103.89	16:43
12)	DBR 2 01/22 _{10Y}	99.30	99.37	2.077	2.070	-.110	98.35	16:44
13)	DBR 6 ¹ / ₂ 07/27 _{15Y}	149.20	149.46	2.611	2.595	-.117	147.47	16:44
14)	DBR 5 ¹ / ₂ 01/31 _{20Y}	140.37	140.73	2.750	2.731	-.119	138.41	16:44
White = Benchmark Bonds								



Möglicher Ablauf einer Bondbegebung





Die Bondbegebung auf der Website des Unternehmens

Inhalte davor, während und danach (zusätzlich zu gängigen IR-Infos):

Analysen

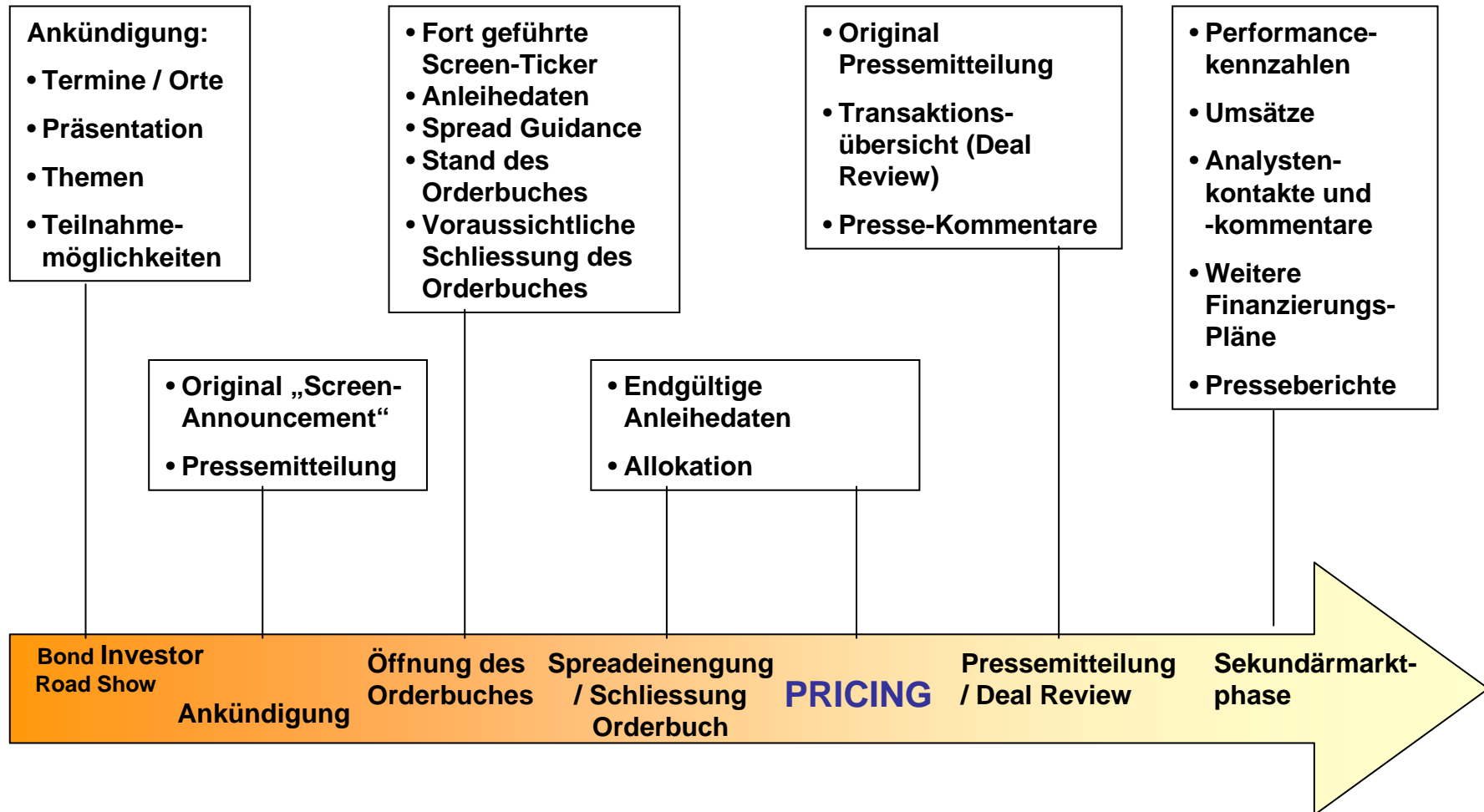
- Menüpunkt „Anleihen“
- Anleihespektrum: Auflistung, Kennzahlen
- Performanewerte
- Ratinginformationen (auch Originaltext der Ratingagenturen)
- Begebungsstrategie: Häufige Emissionen oder Ausnahme
- Finanzierungsprofil: Fälligkeiten, Finanzierungsinstrumente
- Verwendung der Gelder
- Analysteninformationen (Kontakte)

Dokumente

- Wertpapierprospekte
- Presseberichte (Generelle und zur Anleihebegebung)
- Deal Review/s: Allokationsstatistik, Highlights der Begebung
- Analysteninformationen (Researchpapiere)



Fixed Income relevante **Web-Inhalte** vor, während und nach Bondbegebung





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