



Federal Republic of Germany
Finance Agency

German Inflation Linked Government Bonds

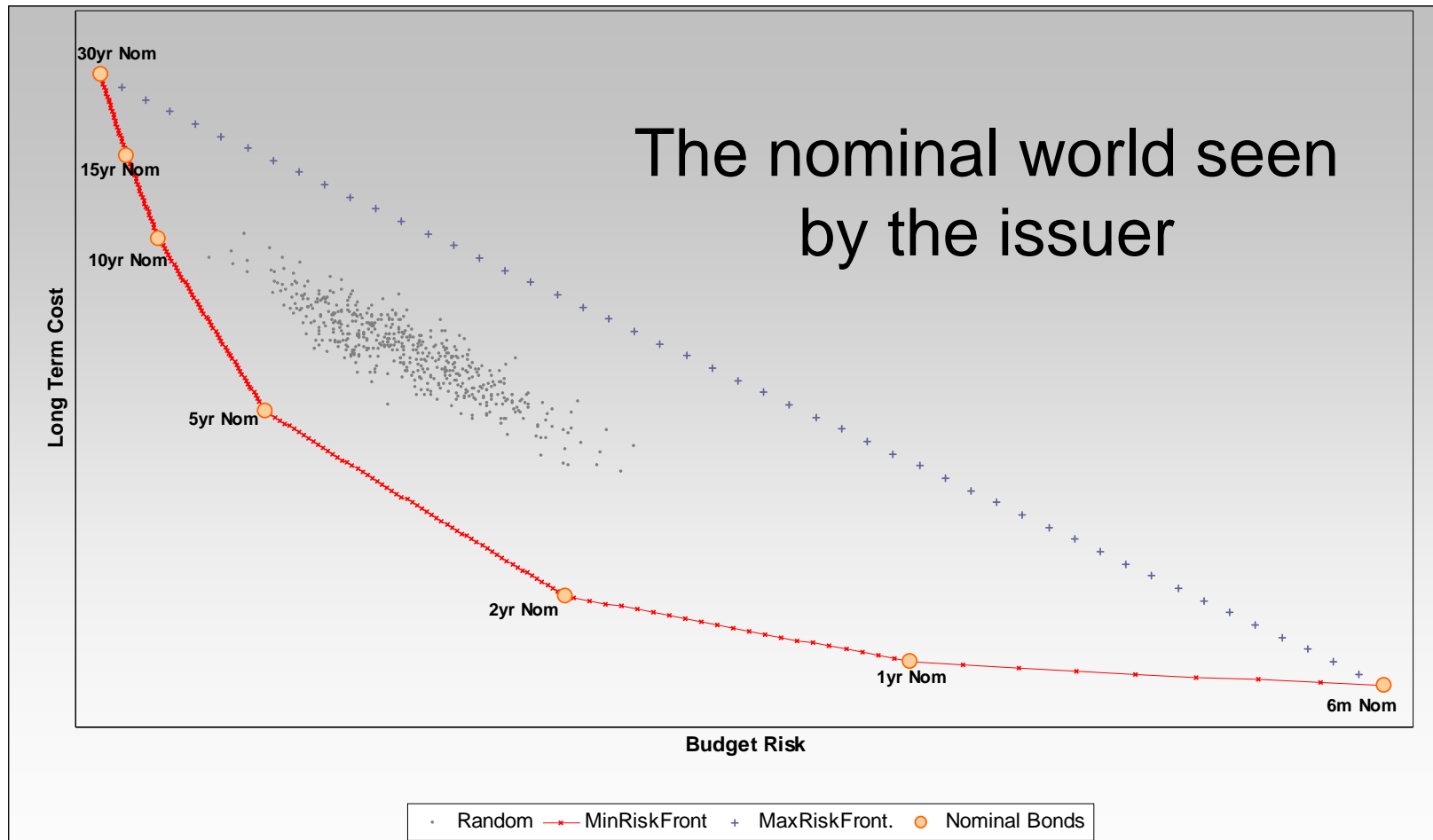
November 2011

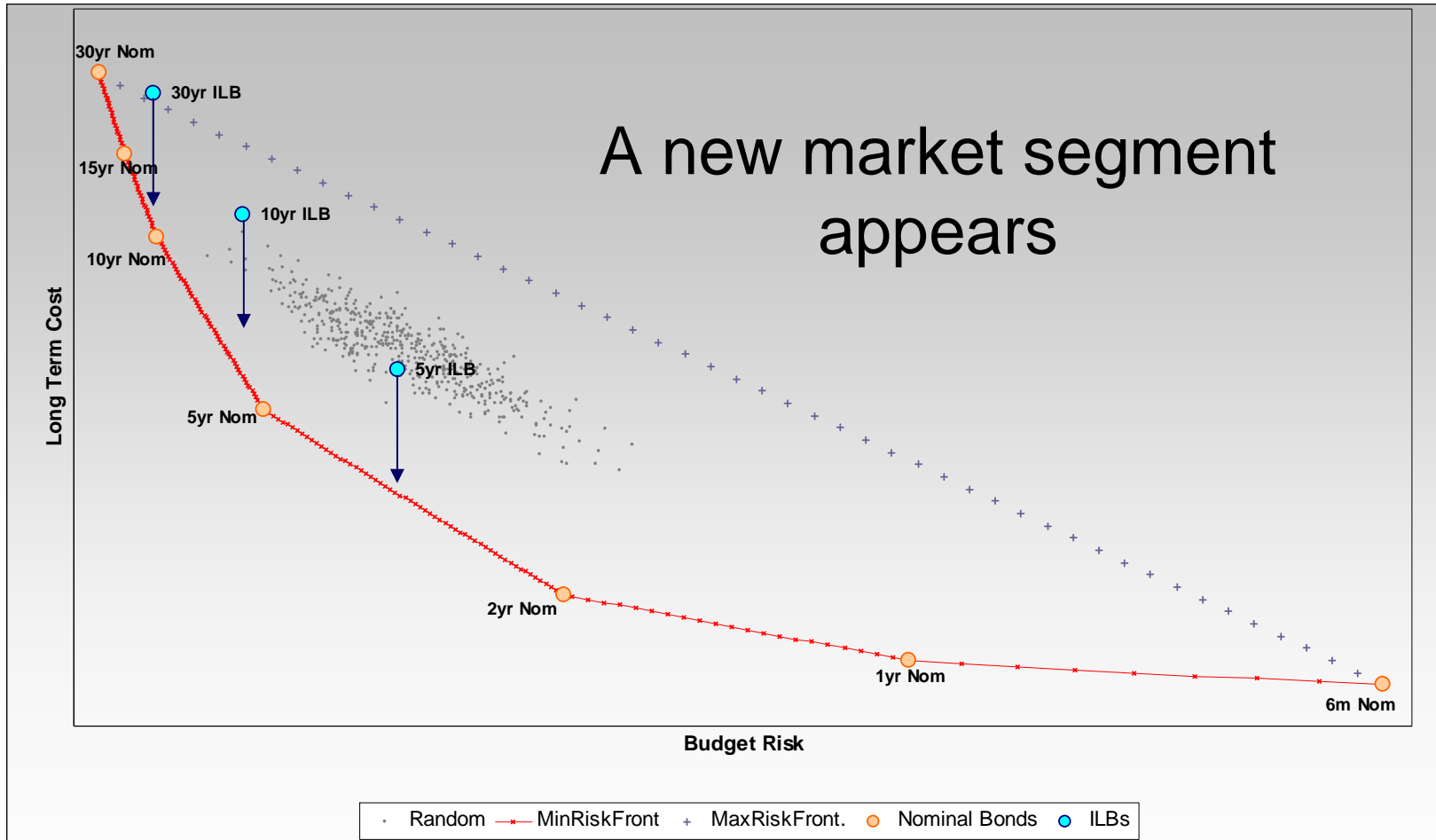
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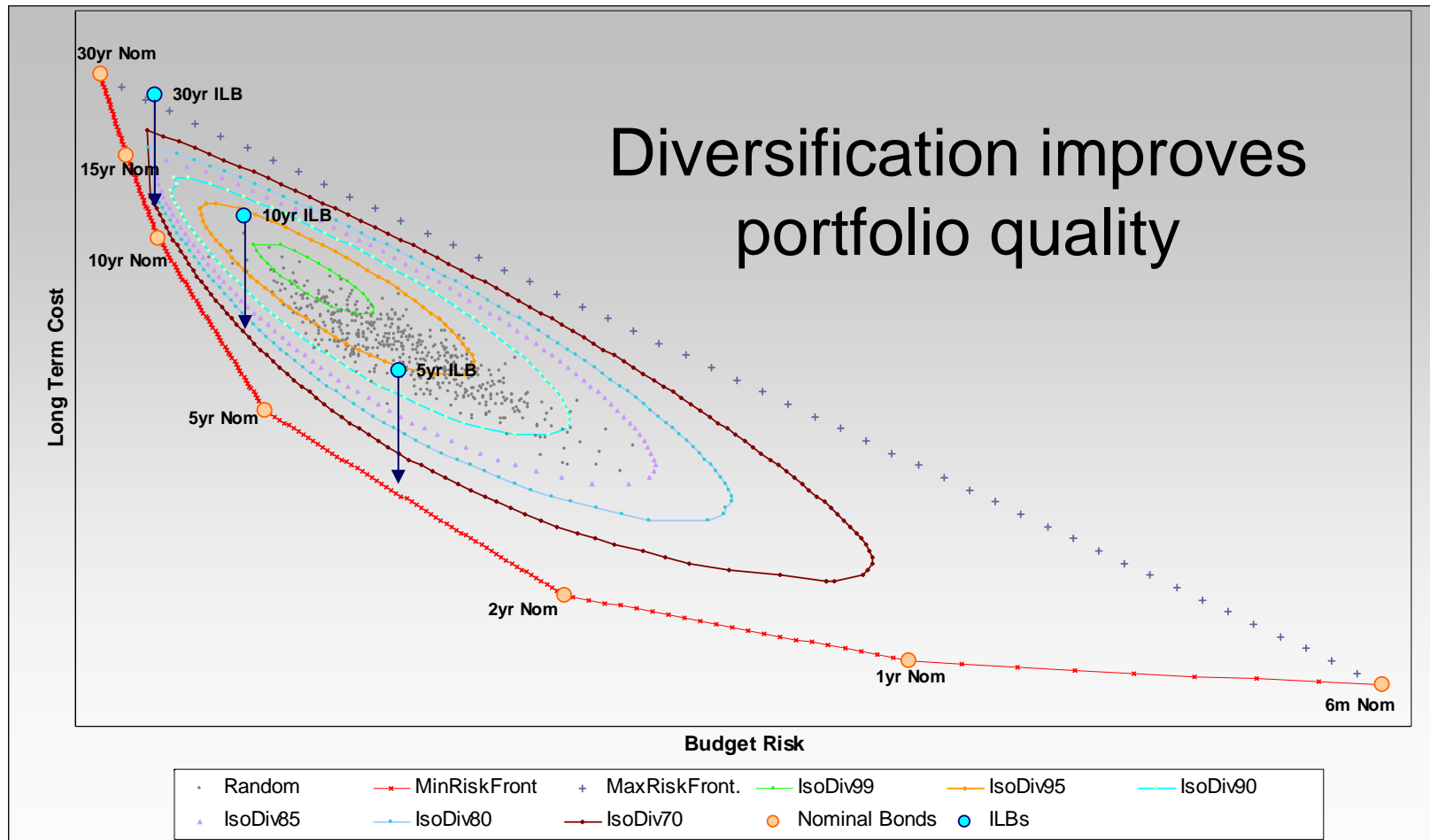


Issuance Strategy and Targets

- ➔ **Issuance model similar to nominal German government securities: benchmark volume at first issue followed by a small number of taps up to a liquid volume**
- ➔ **Building a real rate curve on a long term perspective**
- ➔ **Secondary market liquidity in the secondary market supported by the Finance Agency**
- ➔ **Better debt portfolio diversification**
- ➔ **Save risk and reducing liquidity premia on the long run**
- ➔ **Increase funding flexibility**
- ➔ **Broaden investor base**
- ➔ **Primary placements via auctions and syndicates**









- With the announcement of the issuance plans for 2011 a quarterly supply of € of 2-3 bn ILB the issuer continues its market commitment.
- German inflation-linked bonds in a volume of €46 bn are currently outstanding across three issues:
 - €11 bn in a 5Y Obl/ei due April 15th, 2013. Initial issue in Oct 2007 (€4bn) with the recent tap in April 2010 (€2bn).
 - €5 bn in a 5Y Obl/ei due April 15th, 2018. Initial issue in Apr 2011 (€3bn) with the recent tap in November 2011 (€2bn).
 - €15 bn in the 10Y due April 15th, 2020. Initial issue in June 2009 with the recent tap in January 2011 (€1bn).
 - €15 bn in the 10Y due April 15th, 2016. Initial issue in March 2006 with the recent tap in September 2010 (€2 bn). This bond did mark the step into the ILB-segment for the Bund.
- The Finance Agency supports market makers in the secondary market by providing additional liquidity.



German Inflation Linked Bonds

Outline of Current German Inflation Linked Securities (by Maturity)

Security	Maturity	Coupon	Outstanding	1st Launch / Prev. Tap	ISIN
5Y ILB (Bobl/ei)	Apr 13	2.25%	€ 11 bn	Oct 07 / Apr 10	DE0001030518
10Y ILB (Bund/ei)	Apr 16	1.50%	€ 15 bn	March 06 / Sep 10	DE0001030500
5Y ILB (Bobl/ei)	Apr 18	0.75%	€ 5 bn	Nov 11	DE0001030534
10Y ILB (Bund/ei)	Apr 20	1.75%	€ 15 bn	Sep 09 / Apr11	DE0001030526

As of Nov 18th, 2011



FAQ's

In which way does the redemption amount and coupon calculation of inflation linked German government bonds react to deflation?

The nominal value of an inflation linked security is adjusted by the development of the inflation index (European HICP ex tobacco). At maturity at least the original nominal value will be paid back. The real coupon is always paid on basis of the capital, indexed by the inflation. In case of deflation the indexation coefficient could quote below 1. Therefore the nominal amount could theoretically quote below 100 during the life time of the bond. Regarding to the interest payment this means that a coupon payment amount could be below the coupon related to the original nominal amount (100).

Could the coupon of an inflation linked German government security be 0 or negative?

The coupon is always fixed and defined in the terms and conditions of the individual securities. The interest payment could vary based on the fact that the coupon is paid on the inflation indexed capital. The calculation of the interest amount stems from nominal amount \times indexation-coefficient \times coupon. The indexation-coefficient results from inflation index at T_n / inflation index at T_0 . For an interest payment of 0 or negative the indexation-coefficient would need to be 0 or negative. Though the inflation index at time T_0 is fixed, variable is only the inflation index at time T_n . And this is the value of the underlying basket of goods where the inflation index is calculated from, which always has to be >0 . Therefore the indexation-coefficient and the interest payment can not be below 0 or negative.



Annual Issuance Calendar 2011 (Basic Funding Tools)

Issuance Outlook of the Federal Government 2011 (€ bn)*																				
Security Type	Share 2011 %	Change Prv. Yr. € bn	Volume 2011 € bn	Q1 2011			Q2 2011			Q3 2011			Q4 2011							
				Jan		Feb	Mar		Apr	May		Jun	Jul		Aug	Sep	Oct		Nov	Dec
				N	R	N	R	N	R	N	R	N	R	N	R	N	R	N	R	N
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	5	4	4	4	4	4	4	4	3		
Bubill 9M	4%	0	12	2	2	2	2	2	2	2	0	0	0	0	0	0	0			
Bubill 12M	11%	-15	29	3	3	3	3	3	3	3	3	3	3	3	2	0	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



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