Results Q2 2010

Investor Relations Presentation
August 13, 2010

Agenda

Overview

Losses reduced – Q2 2010 pre-tax loss at EUR -395 mio (Q2 2009: EUR -664 mio); loss after tax at EUR -413 mio

Main effects:

- ►Further additions to loan-loss provisions of EUR -194 mio required, but much lower than last year (Q2 2009: EUR -881 mio)
- ►Expenses related to necessary external liquidity support, which include EUR -120 mio expenses (net commission income) for SoFFin guarantees (Q2 2009: EUR -128 mio)
- ►Net trading income of EUR -173 mio includes EUR -108 mio counterparty risk adjustments on customer derivatives (Q2 2009: EUR -23 mio) and EUR -42 mio market value adjustments on Halcyon and Pegasus portfolio (Q2 2009: EUR +84 mio)
- ►General administrative expenses of EUR -137 mio (Q2 2009: EUR -121 mio) affected by higher expenses for professional services and IT, especially for the project of establishing a deconsoli-dated environment (‘Abwicklungsanstalt’) – however, personnel expenses reduced

Balance sheet has increased to EUR 385 bn (03/2010: EUR 366 bn; 12/2009: EUR 360 bn) due to market related effects – excluding these effects balance sheet would have decreased as repayments have exceeded new business

Overview (cont'd)

Utilisation of liquidity guarantees increased to EUR 89 bn (12/2009: EUR 75 bn), mainly driven by interest rate and FX effects, reduced lines with foreign central banks as well as increased haircuts for public sector bonds of countries currently in focus

- ►In total, EUR 102 bn SoFFin guarantees currently available (12/2009: EUR 95 bn)
  - ► EUR 3 bn repaid in March and June 2010
  - ► EUR 10 bn liquidity buffer activated by SoFFin in May 2010, necessary as a consequence of an increased market volatility
  - ► In June 2010, SoFFin extended the EUR 52 bn tranche of its framework guarantee for HRE (which was set to expire at the end of June 2010) until May 25, 2011
- ►External/SoFFin support continues to be essential – liquidity situation is subject to market movements

So far, SoFFin has provided total recapitalisation support of EUR 7.42 bn, including a further tranche of EUR 1.4 bn which was injected in May (based on the capitalisation tranches of up to EUR 1.85 bn approved in April 2010)

- ►Tier I ratio (SolvV) at 8.4% by end of June 2010 (12/2009: 9.4%)
- ►In Nov 2009, SoFFin reaffirmed its ongoing intention to sufficiently recapitalise the Group and to provide the necessary liquidity

Overview (cont'd)

Further significant progress made in restructuring process

- ►On July 8, the Financial Market Stabilisation Agency (FMSA) formally established a deconsolidated environment ('Abwicklungsanstalt') for HRE Group pursuant to section 8a FMStFG – a public law institution, which has been founded under the name of 'FMS Wertmanagement'[1]
- ►HRE submitted an application for the establishment of such an 'Abwicklungsanstalt' in Jan 2010 with the intention of transferring non-strategic assets and risk positions of up to EUR 210 bn

  The transfer is scheduled to take place during the second half of 2010, assuming that all necessary approvals have been obtained (FMSA and EU)

Total support package for HRE from the government is being reviewed by the European Commission within the scope of ongoing EU state aid proceedings

1 Statute of the FMS Wertmanagement: http://www.soffin.de/export/sites/standard/downloads/sonstige/20100707_Statut_der_FMS_Wertmanagement.pdf

Agenda

Pre-tax loss at EUR -395 mio in Q2 2010 – market environment remains strained

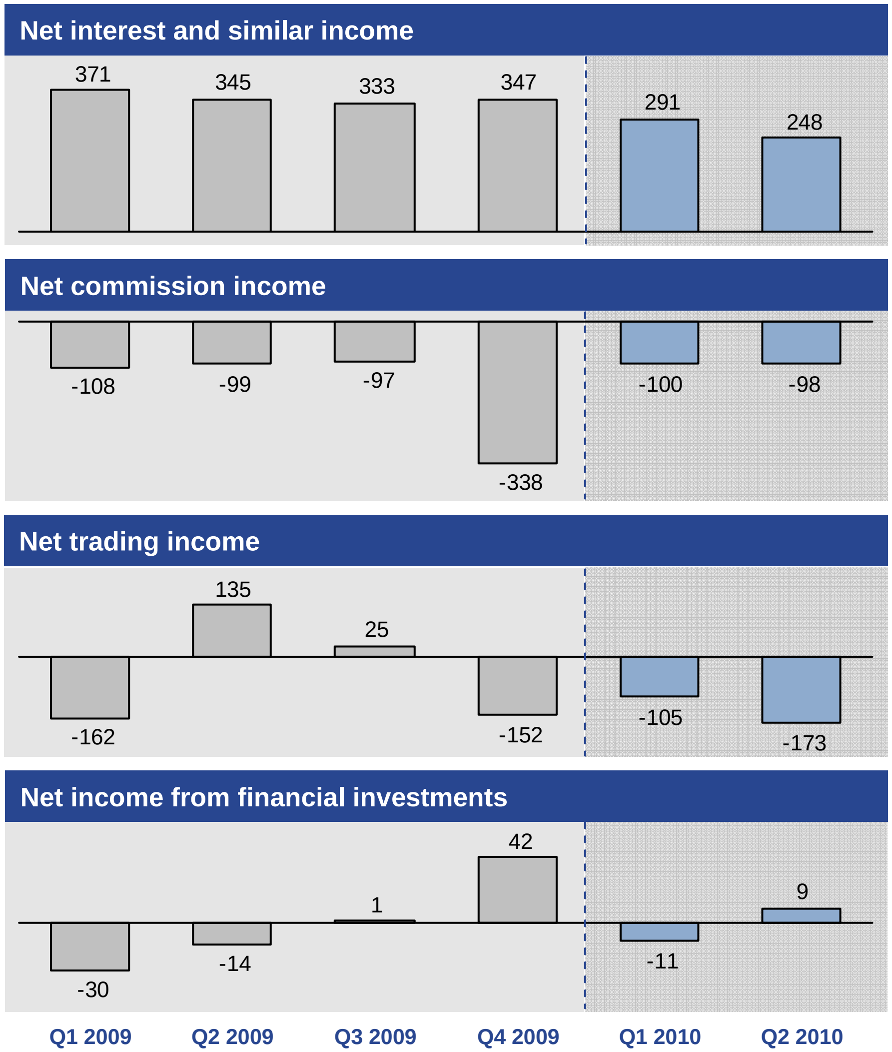
HRE Group (IFRS)
EUR millions

	Q2 2009	H1 2009	Q2 2010	H1 2010
Operating revenues	348	268	-66	-15
thereof:				
Net interest and similar income	345	716	248	539
Net commission income	-99	-207	-98	-198
Net trading income	135	-27	-173	-278
Net income from financial investments	-14	-44	9	-2
Net income from hedge relationships	3	-107	-44	-64
Balance of other operating income/expenses	-22	-63	-8	-12
Provisions for losses on loans and advances	-881	-1,077	-194	-454
General administrative expenses	-121	-251	-137	-252
Balance of other income/expenses	-10	-10	2	2
Pre-tax profit/loss	**-664**	**-1,070**	**-395**	**-719**

- Net interest income declined – last year net interest income benefited from two major positive effects (decreasing money market rates and US liquidity lines drawn by customers)
- Net commission income burdened by expenses for SoFFin liquidity support of EUR -120 mio (Q2 2009: EUR -128 mio)
- Net trading income includes following key effects:
  - EUR -108 mio counterparty risk adjustments on customer derivatives (Q2 2009: EUR -23 mio)
  - EUR -42 mio market value adjustments on CMBS portfolios Halcyon and Pegasus (Q2 2009: +84 mio)
  - No market valuation effects on synthetic CDOs in H1 2010 as significant parts have been sold in H2 2009
- Net income from financial investments slightly positive in Q2 2010 – last year's income was negatively affected by write-downs on CDOs/MBS (EUR -32 mio)
- Net income from hedge relationships remains volatile
- Other operating income primarily includes FX effects
- Further additions to loan-loss provisions required, primarily for real estate loans (Q2 2010: EUR -173 mio; Q2 2009: EUR -899 mio)
- General administrative expenses affected by higher expenses for professional services and IT, especially for the project of establishing FMS Wertmanagement – however, personnel expenses reduced

Operating revenue base in the last quarters affected by portfolio reduction, costs for external liquidity support and market valuation effects/write-downs on securities

EUR millions



- Net interest income declining due to a continuous portfolio reduction
- In 2009, net interest income benefited from decreasing money market rates as well as US liquidity lines drawn by customers
- Q4 2009 includes EUR 134 mio positive effect from devaluation of subordinated capital instruments
- Q1 2010 includes EUR 45 mio positive effect from sale of assets

- Net commission income burdened by expenses for SoFFin liquidity support; Q4 2009 includes additional performance-related fee of EUR 229 mio

- Net trading income mainly driven by counterparty risk adjustments on customer derivatives and market value adjustments on Halcyon and Pegasus portfolios
- No market valuation effects on synthetic CDOs in H1 2010 as significant parts have been sold in H2 2009

- Net income from financial investments includes write-downs on cash CDOs/MBS – however, only minor write-downs required in 2009 and H1 2010
- Q4 2009 includes EUR 160 mio reversals of write-downs on MBS

Further additions to loan-loss provisions of EUR -194 mio required in Q2 2010, primarily for real estate loans

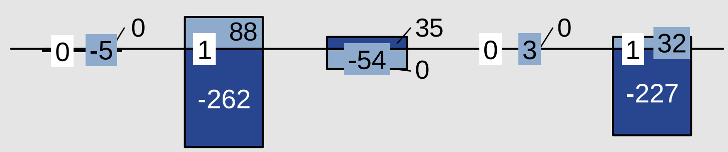
Loan-loss provisions (LLPs)

EUR millions

P&L

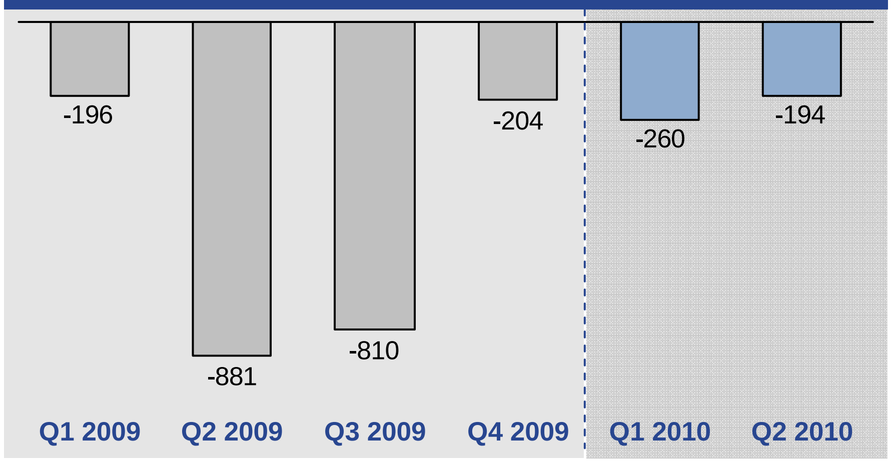
Individual
Portfolio-based
Other[1]

	Loan-loss provisions				Total addition
	PSF	REF	VP	C&A	



	PSF	REF	VP	C&A	Total addition
Q2 2010	-5	-173	-19	3	**-194**
H1 2010	-5	-395	-54	0	-454
FY 2009	-3	-1,884	-204	0	-2,091

P&L



- Total additions to loan-loss provisions (LLPs) of EUR -194 mio in Q2 2010 primarily required for real estate loans (REF) – 5 biggest cases account for 63% of total gross additions (H1 2010: 52%)
- EUR -262 mio additions to individual LLPs on real estate loans (H1 2010: EUR -422 mio)
- EUR 35 mio releases of individual LLPs on loans in the Value Portfolio (VP) relating to US student loans
- Releases of portfolio-based provisions of EUR 32 mio (H1 2010: EUR -68 mio) – additions on loans in the Value Portfolio (VP) more than offset by releases on real estate loans (REF)
  - PSF/VP: EUR -54 mio additions resulting from rating migrations
  - REF: EUR 88 mio releases resulting from cases which now require an individual LLP
- Significant additions to LLPs required over the last quarters, primarily for real estate loans – Q4 2009 includes EUR 323 mio positive effect from adjustment of rating parameters

1 Provisions for contingent liabilities & other commitments as well as recoveries from write-offs of loans and advances

Real estate loans in the USA and Spain over-proportionally represented in existing individual allowances

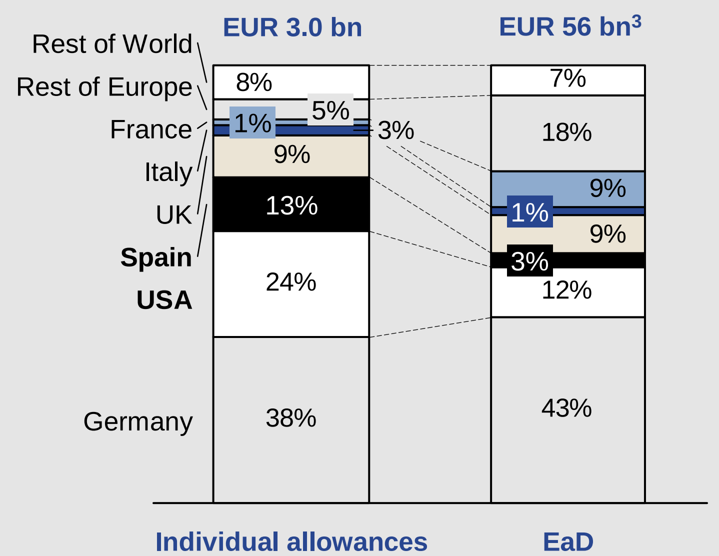
Loan-loss provisions (LLPs)

EUR millions

Balance sheet	12/2009	06/2010 PSF	REF	VP	C&A	Total
Individual allowances	3,072	0	2,956	348	21	3,325
Portfolio-based allowances	826	8	510	374	1	893
Provisions for contingent liabilities & other commitments	19	0	12	0	0	12
Total loan-loss provisions	**3,917**	**8**	**3,478**	**722**	**22**	**4,230**

- Total loan-loss provisions on the balance sheet increased to EUR 4.2 bn (12/2009: EUR 3.9 bn)
- Coverage ratios on problem loans[2] at end of June 2010 are as follows:
  - REF: 36.0% (12/2009: 34.8%)
  - PSF/VP: 20.9% (12/2009: 20.0%)

Real Estate Finance: Individual allowances vs. Exposure at Default
by region (06/2010)

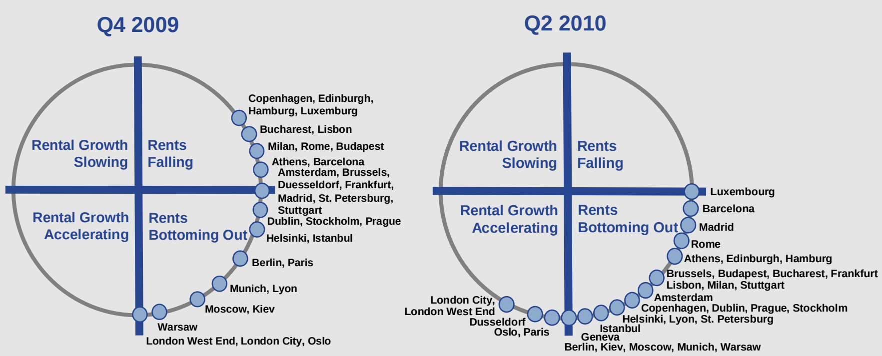


- Real estate loans in the USA and Spain over-proportionally represented in individual allowances
- However, most individual allowances in Germany (38%), but under-proportionally represented vs. exposure of 43%

1 Provisions for contingent liabilities & other commitments as well as recoveries from write-offs of loans and advances
2 Deals in foreclosure or with payments overdue >90 days (based on commitments, incl. interest and costs in arrears); REF: EUR 9.3 bn; PSF/VP: EUR 1.5 bn
3 Excl. EUR 1.8 bn derivatives

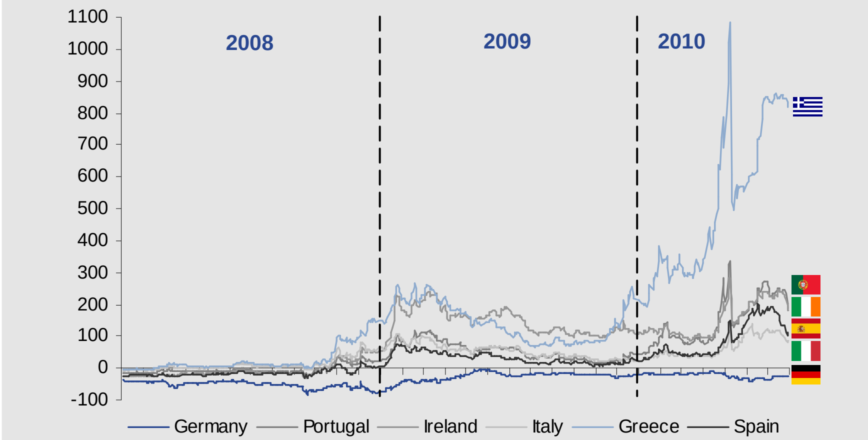
Market environment remains strained

European Office Property Clock[1]



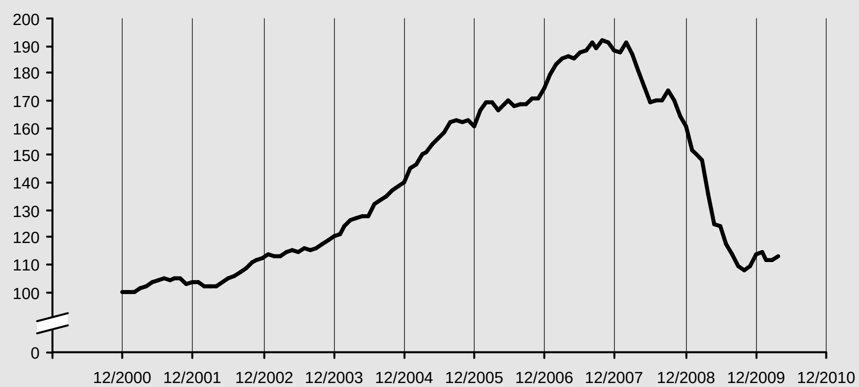
Government CDS spreads (10Y)

bps



Moody's/REAL CPPI

Commercial Property Price Index (USA) – All Property Type Aggregate



Ratings Outlook/Watch

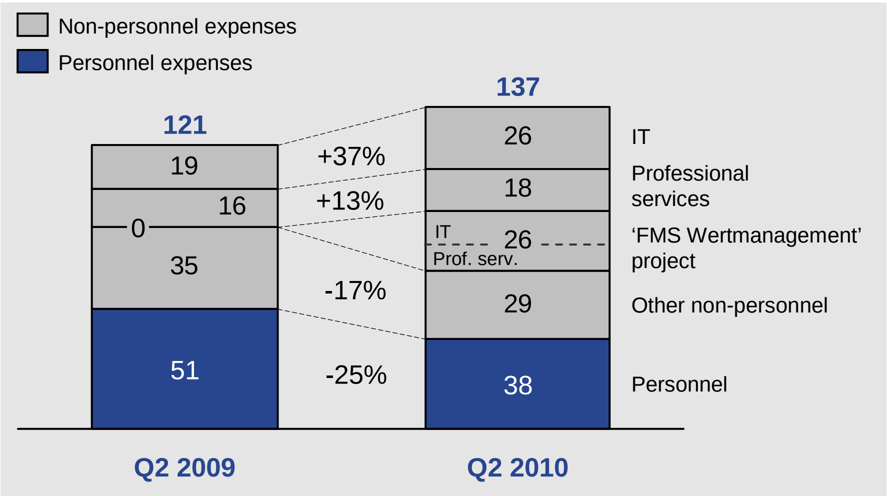
	Moody's	S&P	Fitch
Germany	Aaa / stable	AAA / stable	AAA / stable
Portugal	A1 / stable	A- / negative	AA- / negative
Ireland	Aa2 / stable	AA / negative	AA- / stable
Italy	Aa2 / stable	A+ / stable	AA- / stable
Greece	Ba1 / stable	BB+ / negative	BBB- / negative
Spain	Aaa / Watch negative	AA / negative	AA+ / stable

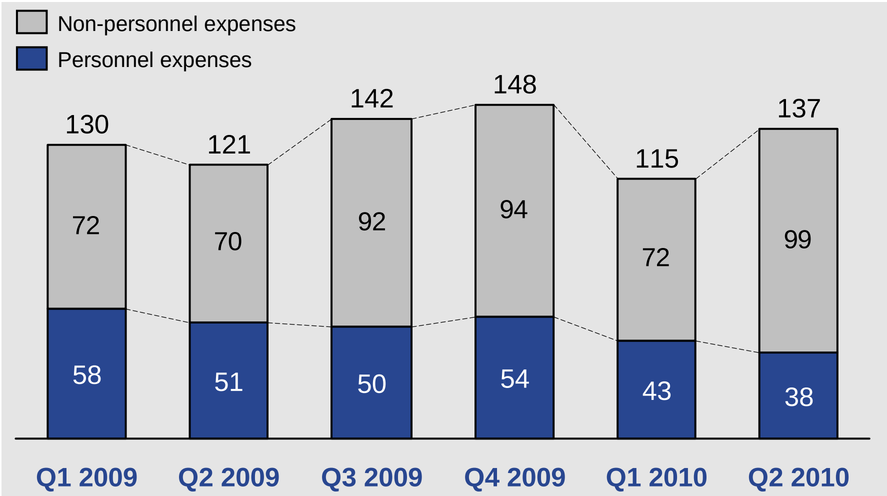
1 Source: Jones Lang LaSalle

General administrative expenses affected by higher expenses for professional services and IT – however, personnel expenses reduced

General administrative expenses

EUR millions





- ► Personnel expenses reduced due to staff reduction (06/2010: 1,374; 06/2009: 1,582)
- ► Non-personnel expenses increased – reduced operational expenses, but higher expenses for professional services and IT, especially for the project of establishing FMS Wertmanagement
  - ► Office location closures in line with plan
    - ► Singapore branch closed[1] – now 24[2] office locations closed in total by end of June 2010
    - ► In addition, consolidation of Tokyo offices completed
  - ► Q2 2010 includes EUR 26 mio (H1 2010: EUR 35 mio) expenses for the FMS Wertmanagement project – total expenses of EUR 95 mio expected for 2010
  - ► Professional services include costs relating to e.g. outsourced services, legal issues, risk valuation, SoFFin and EU process

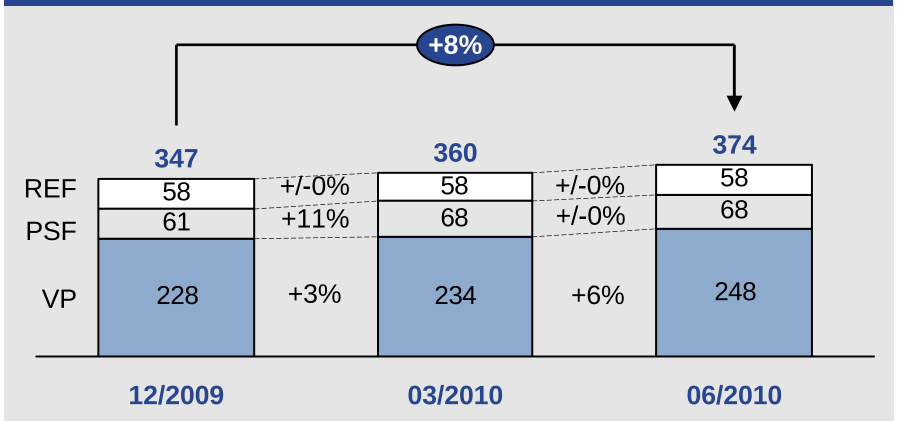
- ► Personnel expenses declined over the last quarters due to staff reduction
- ► However, it is expected that personnel as well as non-personnel expenses will increase in the next quarter relating to the project of establishing FMS Wertmanagement

1 Liquidation of legal entity expected in Q3 2010
2 Sao Paulo, Tel Aviv, Lisbon, Sacramento, Chicago, Frankfurt, Copenhagen (2 offices), Amsterdam, Stockholm, Hamburg, Manchester, Mexico City, Istanbul, Athens, Dortmund, Hong Kong (2 offices), Bucharest, Berlin, Warsaw, Mumbai, Nicosia, Singapore

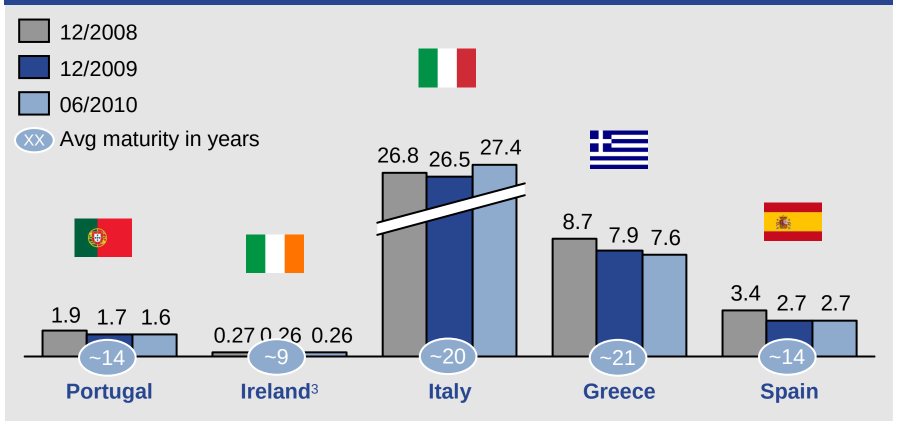
Total exposure further up in Q2 2010 – repayments more than offset by FX effects

Exposure at Default (EaD)[1]
EUR billions

Total exposure
by business segment

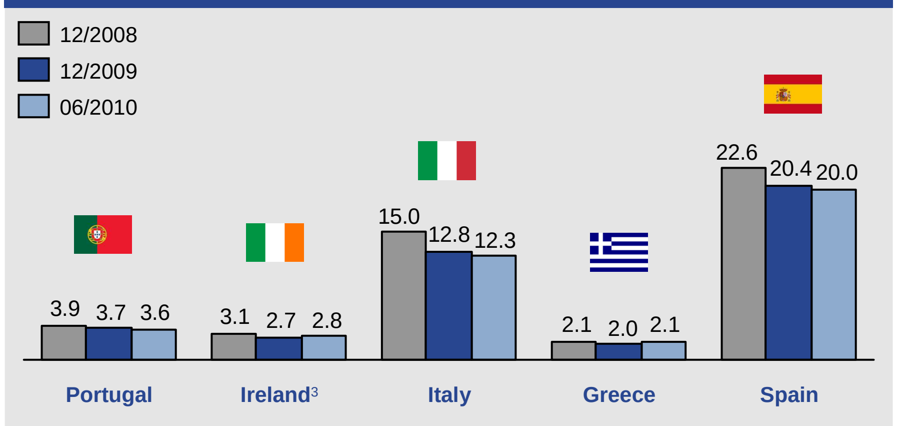


Exposure of countries in focus
Sovereign exposure



- ► Total exposure (EaD) further up in Q2 2010 – repayments more than offset by FX effects
- ► In addition, the total exposure as per 06/2010 includes effects from implementation of IRBA in DEPFA for derivatives/repos
- ► Only selective new business[2]:
  - ► Q2 2010: EUR 0.7 bn (REF: EUR 0.5 bn; PSF: EUR 0.2 bn)
  - ► H1 2010: EUR 1.4 bn (REF: EUR 1.0 bn; PSF: EUR 0.4 bn)
- ► Sovereign exposure reduced in all countries in focus, except Italy – Italy sovereign exposure up in H1 2010 due to USD FX effects as part of the exposure is granted in USD
- ► No individual loan-loss provisions required on sovereign exposures of countries in focus so far

Exposure of countries in focus
Non-Sovereign exposure[4]

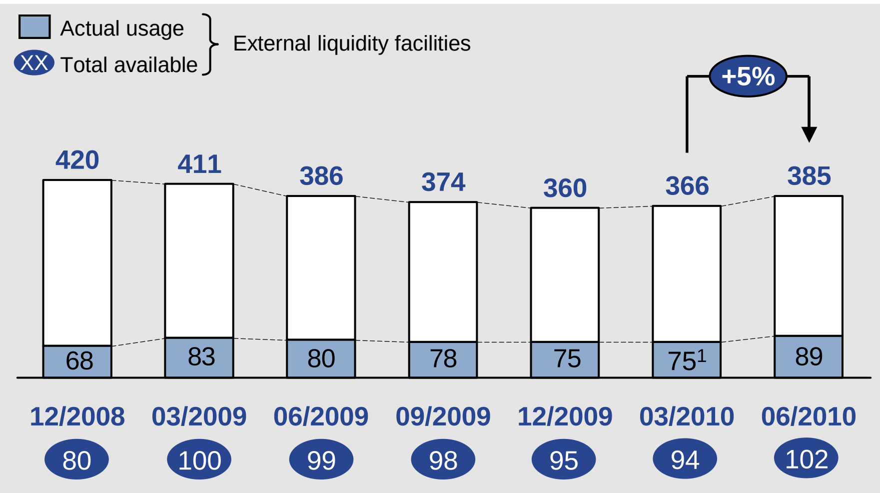


1 According to Basel II IRBA regulations
2 Total volume of deals closed, excl. extensions <= 1 year
3 Excl. claims against the Irish Central Bank
4 Other Public Sector (e.g. Public Sector Entities, Local Authorities, Financial Institutions, Government Regulated Companies), IF, REF, C&A

Agenda

Balance sheet further up in Q2 2010 – market related effects prevail over asset reduction

Balance sheet (IFRS)
EUR billions



- ► Balance sheet has further increased by EUR 19 bn (+5%) in Q2 2010 due to market related effects
  - ► Increased market values of derivatives, due to FX and interest rate effects (assets: EUR +6.7 bn; liabilities: EUR +12.2 bn)
  - ► Fair-value adjustments on underlying transactions in fair-value hedge accounting (assets: EUR +4.2 bn; liabilities EUR +2.1 bn)
  - ► Increased haircuts (higher collateral requirements) in ECB and bilateral repo transactions, resulting from fair-value reductions of bonds from countries currently in focus
  - ► Excluding these effects balance sheet would have decreased vs. year-end 2009
- ► Utilisation of liquidity guarantees increased to EUR 89 bn, mainly driven by interest rate and FX effects, reduced lines with foreign central banks as well as increased haircuts for public sector bonds of countries currently in focus
- ► In total, EUR 102 bn SoFFin guarantees currently available (03/2010: EUR 93.5 bn; 12/2009: EUR 95 bn)
  - ► EUR 3 bn repaid in March and June 2010
  - ► EUR 10 bn liquidity buffer activated by SoFFin in May 2010, necessary as a consequence of an increased market volatility
  - ► In June 2010, SoFFin extended the EUR 52 bn tranche of its framework guarantee for HRE (which was set to expire at the end of June 2010) until May 25, 2011
- ► External/SoFFin support continues to be essential – liquidity situation is subject to market movements

1 April 1, 2010 2 Source: Bloomberg, May 6, 2010; relative value vs. swap curve

Assets and liabilities identified for transfer to HRE's 'Abwicklungsanstalt' (FMS Wertmanagement) have been classified as 'disposal group'

Assets EUR millions	30.06.2010	31.12.2009	Change EUR mio	Change %
Cash reserve	535	1,824	-1,289	-70.7
Trading assets	12,289	10,749	1,540	14.3
Loans and advances to other banks	31,630	37,521	-5,891	-15.7
Loans and advances to customers	95,179	198,344	-103,165	-52.0
Allowances for losses on loans and advances	-1,343	-3,898	2,555	65.5
Financial investments	26,346	94,808	-68,462	-72.2
Property, plan and equipment	10	15	-5	-33.3
Intangible assets	40	44	-4	-9.1
Other assets	20,539	15,399	5,140	33.4
Income tax assets	5,417	4,870	547	11.2
Disposal group	194,229	-	194,229	>100.0
Total assets	**384,871**	**359,676**	**25,195**	**7.0**

- On July 8, the Financial Market Stabilisation Agency (FMSA) formally established a deconsolidated environment ('Abwicklungsanstalt') for HRE Group pursuant to section 8a FMStFG – a public law institution, which has been founded under the name of 'FMS Wertmanagement'

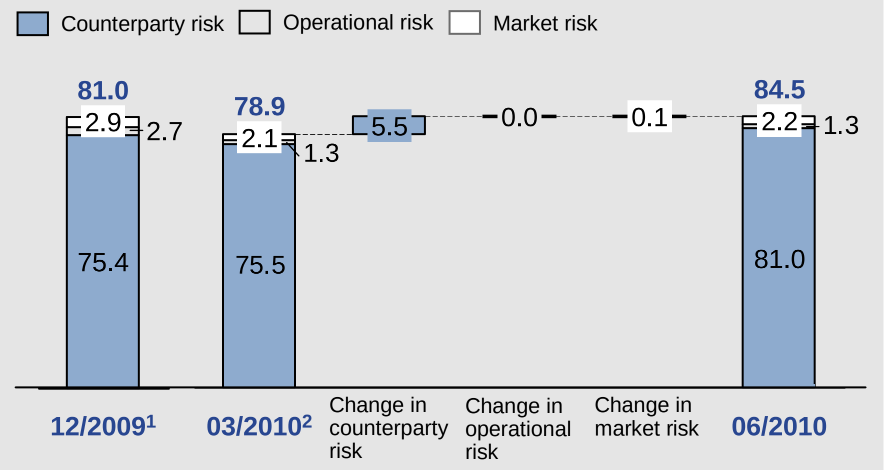
  HRE submitted an application for the establishment of such an 'Ab-wicklungsanstalt' in January 2010 with the intention of transferring non-strategic assets and risk positions
- The transfer is scheduled to take place during the second half of 2010, assuming that all necessary approvals have been obtained (FMSA and EU) – FMS Wertmanagement will thereby become the beneficial owner of the financial instruments
- Accordingly, as of 30.06.2010, HRE has classified all assets and liabilities identified for transfer as 'disposal group' in accordance with IFRS 5
- However, the actual assets and liabilities which are transferred may differ from those mentioned

Equity and liabilities EUR millions	30.06.2010	31.12.2009	Change EUR mio	Change %
Liabilities to other banks	155,808	137,349	18,459	13.4
Liabilities to customers	15,172	13,259	1,913	14.4
Liabilities evidenced by certificates	125,184	156,376	-31,192	-19.9
Trading liabilities	16,121	11,391	4,730	41.5
Provisions	227	249	-22	-8.8
Other liabilities	40,289	29,250	11,039	37.7
Income tax liabilities	4,175	3,976	199	5.0
Subordinated capital	3,122	3,217	-95	-3.0
Disposal group	21,569	-	21,569	>100.0
Liabilities	**381,667**	**355,067**	**26,600**	**7.5**
Subscribed capital	3,649	3,649	-	-
Hybrid capital instruments[1]	1,043	1,043	-	-
Silent participation[2]	999	999	-	-
Additional paid-in capital	9,751	8,351	1,400	16.8
Retained earnings	-6,594	-4,368	-2,226	-51.0
Revaluation reserve	-864	-2,829	1,965	69.5
Afs reserve	-812	-2,267	1,455	64.2
Cash flow hedge reserve	-52	-562	510	90.7
Consolidated loss 2009	-	-2,236	2,236	100.0
Consolidated loss H1 2010	-700	-	-700	<-100.0
Amounts recognised in equity relating to disposal group	-4,080	-	-4,080	<-100.0
Equity	**3,204**	**4,609**	**-1,405**	**-30.5**
Total equity and liabilities	**384,871**	**359,676**	**25,195**	**7.0**

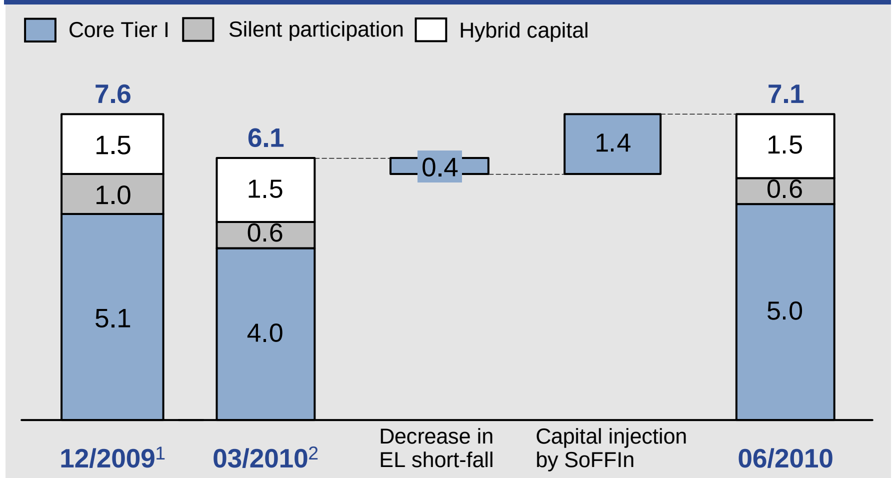
1 Hybrid capital instruments of the subsidiary DEPFA Bank plc which had to be reclassified according to IAS 32 under equity instead of under subordinated capital (non-controlling interest)
2 Silent participation of SoFFin in the subsidiary Deutsche Pfandbriefbank AG (non-controlling interest)

RWA up in Q2 2010, mainly due to FX effects and rating changes – Tier I ratio (SolvV) at 8.4% by end of June 2010

Risk-Weighted Assets (RWA)
EUR billions



Tier I capital (SolvV, German GAAP/HGB)
EUR billions



- RWA up by EUR 5.6 bn (+7%) in Q2 2010, mainly due to FX effects and rating changes
  - Counterparty risk increased by EUR 5.5 bn, in particular driven by FX effects and rating changes
  - Operational risk remained unchanged
  - Market risk increased only slightly (EUR +0.1 bn) due to FX effects
- Tier I capital (SolvV) up EUR 1.0 bn, including a further recapitalisation by SoFFin (but not yet including H1 2010 loss)
  - In April, SoFFin approved further recapitalisation tranches of up to EUR 1.85 bn for HRE Holding – of this, EUR 1.4 bn were paid into the capital reserve in May
  - So far, SoFFin has provided total recapitalisation support of EUR 7.42 bn; in addition EUR 0.45 bn have been approved and will be provided if necessary
- EUR 550 mio capital has been passed from HRE Holding to DEPFA Bank plc's capital reserves in H1 2010 to meet the Irish regulatory capital requirements (Q2 2010: EUR 350 mio; Q1 2010: EUR 200 mio) – a further EUR 200 mio was passed to DEPFA Bank plc in July
- The regulatory capital ratios (SolvV) for the Group as of June 2010 were as follows:

	30.06.2010
Core Tier I ratio[3] (SolvV)	5.8%
Tier I ratio[3] (SolvV)	**8.4%**
Own funds ratio[3] (SolvV)	10.1%

- In Nov 2009, SoFFin reaffirmed its ongoing intention to sufficiently recapitalise the Group and to provide the necessary liquidity

1 Before approved annual financial statements and before profit distribution
2 Incl. year-end adjustments 2009 (incl. regulatory balance sheet loss 2009)
3 Based on counterparty, operational and market risk

Agenda

Outlook 2010

- Market environment remains strained – results expected to be further burdened by
  - ► market valuation effects/write-downs on loans and securities
  - ► expenses for external liquidity support
  - ► expenses relating to the project of establishing FMS Wertmanagement

- Balance sheet reduction in a value-preserving manner – intention to transfer non-strategic assets and risk positions with a total of up to EUR 210 bn to FMS Wertmanagement

  The transfer is scheduled to take place during the second half of 2010, assuming that all necessary approvals have been obtained (FMSA and EU)

- Continue to establish pbb Deutsche Pfandbriefbank as the strategic core bank within the Group – in the Real Estate and Public Sector lending markets as well as the secured and unsecured funding markets

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