

Interim Report as of 30 June 2009

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Interim Report

1. Business activity and general conditions

1.1. Macro-economic conditions

It is clear that the economic crisis became even more serious in the second quarter of 2009 even if single sectors are affected differently. The figures available for the months of April and May 2009 indicate that manufacturing output in Germany was around 20 % down compared with the corresponding prior year figure. This huge collapse again resulted in further downgrading of estimates for economic growth in the second quarter. Whereas it became clear in the first quarter of 2009 that the year 2009 would probably see not only a slowdown in growth but also a worldwide recession, it became increasingly clear last quarter that the recession will be of a very severe nature. Virtually all major economic regions – the only exception in the current analyses is China – will report a considerable contraction in real terms in 2009.

International trade in particular has been hit by an unexpectedly severe downturn. In May 2009, German exports fell by 24.5 % compared with May 2008. A further crisis indicator is the number of corporate insolvencies, which amounted to 2,979 in Germany in April 2009 alone, equivalent to an increase of 7.1 % compared with April 2008.

Despite the fact that monetary policy worldwide is very expansionary, inflation in all major economic regions is hovering around zero – in certain cases and depending on the particular index, it is even slightly lower than zero. By providing liquidity for the banking system, the volume of which is categorically limited only by the availability of collateral, the European Central Bank recently massively used the instrument of quantitative easing for one year with a rate of 1 %. Apart from providing direct finance from the central banks to the real economy – which indeed has already been considered –, this means that the ECB has used the entire range of monetary policy instruments for supporting the economy.

1.2. Sector-specific conditions

The financing markets continued to be very volatile in the first half of 2009. However, an increasing volume of successful capital market issues was reported in June and July of this year. The covered bond market has been positive in this respect – in particular the Pfandbrief market. In addition to Jumbo Pfandbriefe, securities have also been placed by way of private placings. The ECB's purchase programme announced for covered bonds of the ECB has also contributed towards stabilising this market. Other markets have not yet followed the positive development in spreads on the covered bond market, for instance senior unsecured bonds of banks.

The demand for public sector finance was shaped by the difficult market conditions. Nevertheless there is a high demand for follow-up financing of existing projects. Credit risk premiums for most countries increased significantly in the first quarter of 2009. In the second quarter, the trend declined slightly, for sovereign as well as subsovereign issuers. The following factors are the main reasons for the situation returning to normal in this way: The various countries and the ECB have taken measures which are intended to facilitate refinancing for banks (for instance by way of state-guaranteed issues or simplified access to ECB funds), and support measures for the market for covered bonds have also been introduced. Nevertheless, credit risk premiums on average have remained at a high level – compared with the period before September 2008, they are currently between 60 and 100 basis points higher. The available maturities have shortened, and are generally max. 10 years, with the exception of France. Some countries have been affected by numerous downgrades by at least one of the leading international rating agencies. For instance, Ireland and Hungary as well as other countries of central Europe were downgraded in the second quarter of 2009. Some competitors among lenders have currently withdrawn from the market.

1.3. Group and company-specific business conditions

1.3.1. Measures for stabilising the Hypo Real Estate Group

Hypo Pfandbrief Bank International S.A. is a member of Hypo Real Estate Group (HRE) as a 100 % subsidiary of the DEPPFA BANK plc. The Hypo Real Estate Group has been receiving substantial support measures since the culminating months of 2008 from a consortium from the German Finance Sector and the German Federal Central Bank, along with the federal government and the German Financial Market Stabilization Funds (SoFFin). Furthermore, on 4 April, 2009 the financial market stabilisation supplementary act became effective. It provided the legal basis for the take over bid and the recapitalisation which took place at the Extraordinary General Meeting on 2 June 2009 in favour of SoFFin.

The Bundestag adopted the “Law for continuing financial market stabilisation” on 3 July 2009. After the agreement of the Bundesrats on 10 July 2009 the act became operative on 23 July 2009. The aim of this law is to extend the framework of support for the German credit industry. The main intention is to ensure that credit institutions can remove non-strategic portfolios from their balance sheets. This is intended to stabilise the financial sector. A further intention is that the financial institutions should be able to achieve sustainably positive results of operations in future. HRE, together with SoFFin, is currently assessing ways of using the possibilities provided by this law for HRE.

Measures designed to assure liquidity In the second quarter, HRE continued to use liquidity aid provided by a syndicate of the financial sector and the SoFFin. The liquidity support amounted to € 98.9 billion as of 30 June 2009. As contractually agreed, a further € 1.4 billion of the liquidity support provided by the financial syndicate until the end of 2009 was repaid in the second quarter. Altogether € 3.1 billion have so far been repaid.

On 9 April 2009, SoFFin uniformly extended the entire guarantee framework of € 52 billion for HRE until 19 August 2009. The extension was necessary because part of the existing guarantees (€ 30 billion) expired as of 15 April 2009. On 20 July 2009 HRE filed a petition to extend the guarantee framework (€ 52 billion) beyond 19 August 2009.

The former Hypo Real Estate Bank AG which belongs to HRE (and which has been trading as Deutsche Pfandbriefbank AG since 20 June 2009) can continue to use the SoFFin guarantees as collateral for bonds to be issued. These bonds are due to be repaid by no later than 19 August 2009. The conditions of the guarantee are unchanged: Accordingly, Deutsche Pfandbriefbank AG will pay to the SoFFin a pro rata commitment commission of 0.1 % in relation to the unutilised part of the guarantee framework. A commission of 0.5 % p.a. is payable for guarantees which are issued.

Involvement of the SoFFin In an initial step, on 28 March 2009 SoFFin acquired 20 million ordinary shares for a consideration of € 60 million as part of a cash capital increase out of authorised capital. This was equivalent to approx. 8.65 % of the share capital and voting rights of HRE Holding. On 17 April 2009, the Federal Republic of Germany, acting via the SoFFin, which in turn is represented by the financial market stabilisation fund, published a takeover offer of € 1.39 per ordinary share to all external shareholders. The acceptance period ran until 4 May 2009. The takeover offer was taken up for 89.321,660 shares of HRE Holding. This is equivalent to around 38.65 % of the share capital and voting rights of HRE Holding. After the takeover offer, the SoFFin held 109.321,660 shares, corresponding to approx. 47.31 % of the share capital and voting rights of HRE Holding. The takeover offer was settled on 7 May 2009.

Action taken by the European Commission In a decision taken on 2 October 2008, the European Commission approved steps to cover the liquidity requirements of the HRE Group. As part of the decision the German government was committed to submitting a plan for the restructuring of the HRE Group by 1 April 2009 at the latest. The HRE Group put such a restructuring plan together and submitted it, via the German Ministry of Economic Affairs and within the deadline, to the European Commission. The restructuring plan is currently being examined by the European Commission. In a decision on 8 May 2009, the European Commission commenced the so called “official examination process”. The commencement of the official examination process is a normal procedure in the case of complex processes regarding such support. It is conducted in an open-ended manner by the European Commission and does not pre-empt any decisions. The HRE Holding

Management Board does not currently expect with a final decision on the part of the European Commission before autumn 2009.

Extraordinary General Meeting Around 2,000 shareholders attended the extraordinary general meeting of HRE Holding on 2 June 2009 in Munich. The only item on the agenda was as follows: "Adoption of a resolution concerning an increase in the share capital in accordance with Sections 182 et seq. AktG in conjunction with Section 7 FMStBG in return for cash contributions, excluding shareholders' subscription rights". The presence amounted to 74.06 % of the share capital at the point at which the vote was held in relation to the sole item on the agenda. The shareholders approved the capital increase proposed by the Management Board and Supervisory Board with a large majority (73.95 %).

Only the SoFFin was permitted to take up the new shares out of the capital increase. The statutory subscription right of shareholders was excluded. The SoFFin has exercised its subscription rights and taken up around 986.5 million shares for an issue amount of € 3. The Amtsgericht (local court) Munich, in its capacity as the relevant register court, entered the capital increase on 8 June 2009. The group's share capital is now € 3,652,885,800, and consists of 1,217,628,600 non-par value shares. The SoFFin now holds 90 % of shares in HRE Holding. The group received proceeds of around € 2.96 billion out of this capital increase.

On this basis, the SoFFin notified HRE Holding on 8 June 2009 that it will require the shares of the outstanding shareholders to be transferred in return for an adequate cash settlement. The decision concerning the exclusion of minority shareholders will be taken by a further Extraordinary General Meeting of the group. The date for this extraordinary general meeting still has to be set.

Restructuring and strategic refocusing of HRE HRE completed the previously announced merger of its two Pfandbrief banks on 29 June, and is thus pressing on ahead with restructuring HRE. The entry with the Amtsgericht (local court) Munich was made on 29 June 2009. The new entity now trades administration Deutsche Pfandbriefbank AG. The registered office of the group is located in Munich. Deutsche Pfandbriefbank

AG is the strategic core bank of HRE. It combines the strategic assets and the new business in the two operating segments of real estate financing and public sector finance. The name of the new bank underlines the importance of the Pfandbrief as a central refinancing instrument.

The Irish subsidiary DEPFA BANK plc, Dublin, which will be responsible for the so-called value portfolio of HRE, will continue to be a direct equity participation of the holding.

The law for continuing the process of financial market stabilisation came into force on 17 July 2009. Together with the SoFFin, HRE is considering a process of transferring non-strategic parts of business and assets of the group to a new public agency to be set up with partial legal capacity – a separate legal entity below the special financial market stabilisation fund (SoFFin). A project group commenced its work in mid-June, and has already prepared further initial analyses. These will be used as the basis for discussions with the government and the SoFFin. Hypo Pfandbrief Bank International S.A. is assigned to DEPFA BANK plc, Dublin, as a fully owned subsidiary.

The intended strategy of concentrating on new business eligible for Pfandbrief refinancing in selected core markets of the segments Real Estate and Public Sector Finance is being consistently implemented, and work on reducing the number of locations is making good progress as planned. Since January, 15 locations worldwide have already been closed (as of 31 July 2009), and these are to be followed by a further seven locations by the end of the year. The site at Luxembourg is currently not affected by this.

As part of the refocusing process and also to reduce its cost base, HRE plans to release around 1,000 employees worldwide in two stages. The subsidiary banks signed agreements for reconciliation of interests for the year 2009 for Germany with the corresponding works council committees in May 2009. The social plans will cover the entire period of the downsizing process up to the end of 2013. In May and June 2009 respectively, the banks and the workers' councils also agreed the social plans which are also required and which cover the entire period of staff cutbacks until the end of 2013.

These reconciliations of interests have not yet been initiated in Luxembourg.

1.3.2. Company-specific business conditions Hypo Pfandbrief Bank International S.A. continued to react to these continuing difficult conditions on the money and capital markets and the uncertainty about the future of HRE and thus ultimately Hypo Pfandbrief Bank International S.A. with reticence in the new credit business.

As in 2008, the bank's main focus in the first half of 2009 was on securing liquidity at all times. Due to the high quality of the investment portfolio, the bank was able to secure a large part of its liquidity requirements as part of pension and tender transactions. It has paid off once again that Hypo Pfandbrief Bank International S.A. has paid special attention not only on the quality but also to the liquidity (Repo/EZB capability) of the assets. In addition, it had issued its own covered bonds with a volume of € 582.5 million.

Hypo Pfandbrief Bank International S.A. cannot escape the negative implications of the financial market crisis and their effects on HRE due to its close integration in the group. The access to pension transactions with external partners continued to be difficult in the first quarter of 2009 but showed first signs of improvement in the second quarter of 2009. Due to the high quality of the assets, it was possible, however, to substantially expand the tender business with the central bank. The aid package of the German financial sector and the SoFFin for HRE were continued to be used indirectly in the first half of 2009 via DEPFA BANK plc, Dublin and/or Deutsche Pfandbriefbank AG, Munich.

As a result of the high quality of the cover stock, the public sector bonds (Lettres de Gage Publiques) of Hypo Pfandbrief Bank International S.A. continue to have an unchanged AAA rating from the rating agency Standard & Poor's. This rating was confirmed on 30 December 2008 – however, still as Watch negative due to the tense situation in the group. After the counterparty rating for Hypo Pfandbrief Bank International S.A. was reduced to BBB with the prospect 'developing' by Standard & Poor's in October 2008 within the framework of the financial crisis together with all other units of HRE, Standard & Poor's set the rating prospect as 'outlook positive' on 1 April 2009 due to the support measures for the Group

from the German state. The short-term rating was confirmed at A-2 on 24 October 2008 and has also born the outlook 'positive' since 1 April 2009.

The Board of Directors of Hypo Pfandbrief Bank International S.A. consulted on the transactions that needed to be reported in a meeting in the first half of 2009 and took decisions relating to these – in particular the adoption of the annual financial statement for 2008.

Dr. Fell has resigned from the Board of Directors as of 20 January 2009. Mr Matthew Cyril Dunne was appointed to the Board of Directors on 2 February 2009 and elected Chairman of the Board of Directors. Mr Stephane Rio and Mr Michael Schultheiss joined the Board of Directors on 23 February 2009. Ms Julia Hoggett left the Board of Directors at this time. Mr James William Campbell laid down his mandate in the Board of Directors on 27 April 2009.

Ms Fiona Gregan was appointed a new member of the Board of Directors in the general shareholders' meeting on 29 April 2009. Mr Matthew Cyril Dunne (as Chairman), Mr Hagen Schmidt, Mr Klaus Söllner and Mr Stephane Rio were confirmed as members of the Board of Directors; the mandate of Mr Michael Schultheiss expired with the date of the general shareholders' meeting.

The company management informed the local supervisory authorities (CSSF and Banque Centrale du Luxembourg) as well as the external auditors and trustees about the developments in the group in a timely and comprehensive manner at all times.

2. Economic report

2.1. Development of the earnings position

In the reporting period, Hypo Pfandbrief Bank International S.A. was able to continue the gratifying development of its results and with after-tax profits of € 7.7 million exceeded the result of the previous year period (€ 4.4 million) by 75.0 %. At € 9.8 million, the result before risk provision exceeded the same period in the previous year (€ 5.5 million) by 78.2 %. The accruals to risk provision (€ 0.5 million) were only done within the framework of fiscal provisions. Disruptions in performance were not detected and are also not expected in the future at the present time. No accruals were made in the previous year period.

The interest surplus increased to € 11.3 million, after € 7.6 million in the first six months of 2008. The increase of 48.3 % is primarily attributable to high revenues in the money market sector. The reductions in interest rates at the beginning of 2009 made it possible to make use of falling refinancing expenditure. With the administrative expenditure, there is a decline of 4.9 % compared to the same period in the previous year due to lower personnel costs. The cost-income ratio declined further to 17.1 % (30 June 2008: 26.8 %).

Profit and loss account in tabular form			
in thousand €			
		30.06.2009	31.12.2008
Net interest income		11,305	7,625
Net commission income		-418	-304
Net income from financial operations		144	44
Staff costs	-690		-863
Other administrative expenses	-1,183		-1,165
Depreciation in respect of property, plant and equipment	-78		-23
Administrative expenses		-1,951	-2,051
Other operation income/expenses		685	131
Operating result before risk provisions		9,765	5,445
Capital gains/losses in respect of investment holdings		-5	-
Risk provisions		-500	-
Operating result after risk provisions		9,260	5,445
Taxes		-1,567	-1,063
Total		7,693	4,382

2.2. Development of the assets situation

The balance sheet total of Hypo Pfandbrief Bank International S.A. was € 8,541 million on 30 June 2009, after € 9,211 million on 31 December 2008.

The receivables inventory including securities is € 7,535 million. This corresponds to a reduction of 7.3 % in comparison with 31 December 2008 (€ 8,125 million).

In the reporting year, the bank has not acquired any securities or bonds to date. Securities with a volume of € 20 million were sold. The decline is largely attributable to final maturities. Derivative financial instruments were only used to hedge against risks arising from market changes.

All securities are assigned to the investment portfolio and are valued there according to the mitigation at lower cost or market principle. Value adjustments due to anticipated permanent reductions in value did not have to be made. As of 30 June 2009, there were lower market values amounting to € 4,000 million for securities of the investment portfolio with a book value of € 4,556 million. Of these value differences, € 617 million were attributable to credit spread changes. The remaining differences in value were covered by opposing interest derivative positions.

As a basic principle, market prices were used for the assessment of the securities. Due to the largely lacking active market, however, a volume of € 4,023 million had to be valued with prices that were derived from performance curves provided by brokers and/or prices of comparable, actively traded securities.

2.3. Development of the financial situation

The capital structure of Hypo Pfandbrief Bank International S.A. as of 30 June 2009 continues to be solid; all ongoing obligations can be fulfilled. The liabilities also demonstrated a balanced term structure.

The funds for refinancing are € 8,206 million. These were reduced by 6.8 % compared to the end of the previous year (€ 8,807 million).

In the first half of 2009, public bearer bonds (Lettres de Gage Publiques) with a volume of € 500 million were issued. Registered bonds were issued with a volume of € 82.5 million. Subordinated funds were not issued in the first half of the year.

Six issued covered bonds of a nominal of € 1,390 million became due in the period under review (previous year period: € 421.2 million). No public bonds were repurchased and dissolved in the reporting period.

The balance sheet equity was € 129.0 million on 30 June 2009 following € 121.3 million at the end of the previous year.

Key ratios under banking supervisory law Also under banking supervisory law, Hypo Pfandbrief Bank International S.A. also shows a solid equity basis. The liable equity capital (pursuant to the new reporting regulations – CoREP) increased from € 134.9 million as of 31 December 2008 to € 155.7 million. The equity quota (minimum 8 %) is at 21.7 % at the middle of the year; the core capital quota is 17.0 %.

Liquidity Hypo Pfandbrief Bank International S.A. has complied with the principles of liquidity specified under banking supervisory law at all times. This key ratio comprises the assets declared liquid in ratio to the liabilities due. The liquidity is deemed to be sufficient if the liabilities due are covered by at least 30 % of the assets. For the bank, this value was 49.5 % (previous year: 57.9 %) on the key date.

Despite fulfilling the regulations under banking supervisory law, a very close link with the liquidity situation of the parent company exists due to the close integration of Hypo Pfandbrief Bank International S.A. in the HRE (see also point 3.2.3.).

3. Risk report

3.1. Organisation, responsibilities and tasks

As a member of HRE, Hypo Pfandbrief Bank International S.A. is integrated in the risk identification, measurement, limiting, controlling and management of the group. Within the framework of these specifications and the local regulations, the risk controlling monitors the risks, in collaboration with the risk controlling of DEPFA BANK plc. Dublin. This unit that reports directly to the management member independent of the portfolio and risk management has accompanied the bank's progress in an appropriate manner and further developed the risk measurement and control systems with regard to the constantly changing internal and external requirements accordingly. The core tasks of this unit are:

- daily risk measurement and monitoring, the market, credit, counterparty, FX and liquidity risks (primarily on the basis of a value-at-risk approach)
- daily determining of the business result
- independent control of the parameters used for risk and result measurement
- Further development and implementation of the control concepts

The bank has set up corresponding reporting channels and control measures for the monitoring and control of the individual risks, which not only inform the company management and the board of directors of the bank but also other levels in the HRE.

3.2. Risk measurement, control and management with respect to major types of risk in Hypo Pfandbrief Bank International S.A.

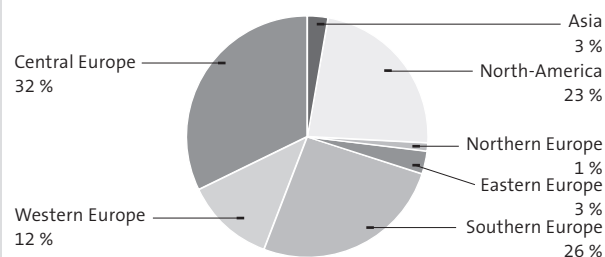
3.2.1. Address risks Address risks can be divided into credit, counterparty, issuer and country risks and refer to the potential value loss in each case that can arise through the shortfall or deterioration in credit standing of customers in the credit business, of issuers of promissory notes and securities as well as counterparties of money market, security and derivative transactions.

The credit risks are assigned almost exclusively to public borrowers and banks in OECD member states. The

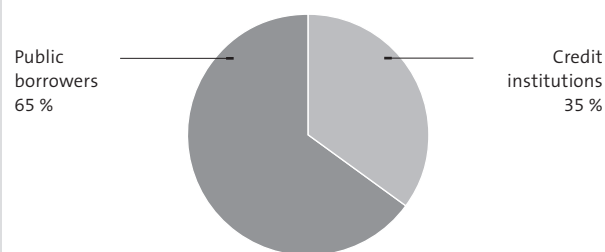
utilisation of all credit lines is available to every single counterparty and also in a summary online on a market value basis.

The breakdown of the credit portfolio as of 30 June 2009 is as follows:

Breakdown of credit portfolio according to region



Breakdown of credit portfolio according to borrower



With the organisational measures and the functional separation of the credit processes, not only the compliance with the legal boundary parameters in Luxembourg is ensured but as a member of the HRE the bank also follows the German minimum requirements for risk management (MaRisk).

Possible losses in value from interest-rate- and foreign-currency based derivative and forward transactions are

referred to as counterparty risks. These transactions are primarily concluded to hedge positions as part of asset/liability control. Throughout the Group, a value-at-risk approach based on the market valuation method is used as a benchmark for the counterparty risk. It is based on potential future replacement costs. The counterparty risks in derivatives, securities and money market business exist with credit institutions, central banks and supranational organisations whose credit rating can be referred to as above-average, both in accordance with the opinion of external rating agencies and pursuant to rating procedures used internally. To reduce the derivative-based counterparty risk, the bank uses master agreements with its business partners that make it possible to net the contracts covered by the master agreement as a net receivable if the counterparty does not comply with its obligations (so-called close-out netting). For the minimization of risks, collateral agreements may be concluded that can lead to the termination of transactions if the counterparty does not deliver sufficient collaterals.

The HRE refers to the risk of possible transfer and conversion problems with contractual partners with their registered office abroad as a country risk. The risk lies in that a debtor who is fundamentally able and willing to pay cannot meet his payment obligations because he is not able to acquire foreign currency or transfer assets to non-residents due to government measures. The continuous monitoring of the country risks is done by the risk controlling. The management of the country risks by the credit risk management is done on the basis of country limits. Depending on the results of the internal rating procedure of the HRE limits are allocated

- to each individual country and
 - groups of countries in certain rating corridors
- and these restrict the business activities. All country ratings and country limits are reviewed at least once a year by the Risk Management Committee of the HRE. In addition, the internal risk appraisals are regularly compared with the appraisals of the most important rating agencies.

3.2.2. Market risk By market risk, we mean the potential risk that can arise through the change of prices on the financial markets – due to changed market risk factors (in particular interest rates, currency rates, volatilities). In the process, the entire credit business, all the group's

own issues, the securities of the investment and liquidity provision portfolio as well as all transactions in derivatives at all banks in the HRE are taken into account.

Here, a differentiation is made between general and specific interest risks (spread risks). The former measure the possible present value changes in the positions with shifts in the non-risk interest rate (swap curve). The measurement of the spread risks takes into account possible present value changes if the credit rating premiums included in the prices of securities and derivatives should change.

At Hypo Pfandbrief Bank International S.A., like in all banks of the HRE, currency risks are largely covered and thus only exist to a low degree.

Hypo Pfandbrief Bank International S.A. uses value-at-risk approaches for the daily quantification of the market risks. These determine a potential loss under the assumption of a holding period of the position of ten days and a confidence level of 99 %. The observation period for the historical data is 250 trading days. The value-at-risk is determined on a daily basis by the local risk controlling and/or the risk controlling of DEPFA BANK plc, Dublin, and reported to the company management, the board of directors and the respective departments in the HRE. With this system, the bank is able at any time to control the consequences of potential market fluctuations in good time. The exposure for general interest risks as of 30 June 2009 was € 0.8 million (previous year: € 1.8 million); with the general currency risks € 0.6 million (previous year: € 0.1 million).

Risk measurement systems for credit spreads exist for all relevant positions of Hypo Real Estate. Through the increase in volatility in the spreads due to the financial market crisis, the corresponding value-at-risk key ratio has expanded considerably, although the structures and portfolios do not show any fundamental changes. As, however, the business model of Hypo Pfandbrief International S.A. generally envisages holding until the final maturity date (primarily in the cover pool), this risk indicator is only of limited information value.

The daily determination, limiting and the reporting of the value-at-risk and the actual present value changes are

supplemented by regular stress tests. Whereas the value-at-risk measures the market risk with 'normal' market fluctuations, the potential present value changes with very extreme and exceptional market movements are measured through the simulation of stress scenarios.

The CSSF circular 08/338 dated 19 February 2009 thus makes provisions for a half-yearly stress test for credit institutions and securities companies under Luxembourg law. The interest scenario to be used corresponds to an increase and decline of all interest rates by 200 basis points. For Hypo Pfandbrief Bank International S.A., the potential present value change for general interest risks as of 30 June 2009 with the increase in interest mentioned was € -6.0 million and a decline in interest of € +8.4 million.

Other market risks such as e.g. share risks or inflation risks do not exist for Hypo Pfandbrief Bank International S.A.

3.2.3. Liquidity risk The overriding goal of the control of liquidity risks is the unlimited guaranteeing of the bank's ability to pay at all times. Pursuant to the internal limit system, the balance of anticipated incoming and outgoing cash flows and possible liquidity-procuring measures, the so-called liquidity position, must be at least balanced out on the five following days at any one time. This is determined on a daily basis, taking into account conservative safety deductions ('haircuts'), monitored by the risk controlling and reported to the country management and the group departments entrusted with the risk controlling. It has, however, not been possible to comply with these specifications at all times since the intensification of the financial market crisis since the end of September 2008. The local supervisory authorities have since been informed once a week about the bank's liquidity situation.

In order to also recognise short-term refinancing requirements at an early stage, a liquidity outlook, expanded to 90 days, is created independently of trading that serves as a basis for an active and anticipatory liquidity policy. In addition, a liquidity status based on a rolling 30-day horizon is determined and reported on a daily basis and which includes all future cash flows and liquidity potential that results from non-cover pool securities and facilitates a precise control of liquidity.

For the short-term procurement of liquidity, Hypo Pfandbrief Bank International S.A. is dependent on the aid package of the German financial sector and the SOFFin, indirectly via the DEPPFA BANK plc, Dublin, and Deutsche Pfandbriefbank AG, Munich, in addition to tender/repo transactions.

3.2.4. Operational risk / business risk The operational risk is defined in the HRE as the risk of losses, caused by erroneous internal processes, human error, technological failure or external events. This definition includes legal risks. The business risk incorporates the loss risks due to changes in the external business environment that has a negative influence on the business model of the bank.

As all divisions of the group can be affected by operational risks, the group has implemented framework documents compliant with Basel II in order to provide uniform identification and control of these risks. The group-wide framework documents incorporate the Group policy to aid understanding and as a proactive encounter with this type of risk, as well as roles and responsibilities and processes and instruments respectively.

Identification, analysis and management are the responsibility of the individual divisions within the banks. Operational risk incidents are therefore recorded centrally in the loss database according to specifications standardised within the Group. Hypo Pfandbrief Bank International S.A. reported an incident with damage amounting to € 25,000 in 2009.

4. Forecast report

4.1. Macro-economic situation

At present, forecasts of future developments are still very cautious even if there has been a slight recovery in expectations compared with previous months. By far the majority of players is very sceptical with regard to the future. Most institutions are not expecting to see a return to positive (albeit very moderate) growth rates before 2010. Much will depend on the impact of the economic programmes, some of which are only at the implementation stage, or the extent of the impact of any expiry of support programmes.

In the second quarter of 2009, the economy stabilised as a result of further cuts of leading interest rates implemented by the European Central Bank – in May from 1.5 % to 1.25 %, and in mid-June to the current level of 1 %. However, it is also necessary to mention the huge increase of liquidity supply provided by banks beyond interest rate policy. This is the reason for the speculation regarding imminent inflation risks which has been seen for quite some time. And indeed, in this connection, very much will depend on the willingness of central banks to cut back the liquidity expansion seen in recent months if there is an actual turnaround in economic activity.

As is the case with monetary policy, fiscal policy in all major countries is also very expansionary. Accordingly, in June, the Federal Cabinet adopted a budget plan for 2010 involving record new government debt of € 86 billion. The massive collapse in added value will also result in further problems on the labour market. It is true that temporary measures are currently still having an impact in many areas, in particular short-time working, which in Germany has been expanded in the crisis by the legislative authorities. However, there are fears that this will be followed in the near future by massive redundancies if this short-term flexibility instrument is no longer sufficient. In the USA, the unemployment rate has already risen appreciably, and the unemployment figures for Germany are also expected to rise appreciably for the winter of 2009/10. Indeed, the OECD pessimistic forecast is assuming that the figure will rise to 5 million – compared with 3.41 million in June 2009.

4.2. Sector-specific situation

4.2.1. Financial markets The financial markets are still characterised by a considerable amount of uncertainty, and the future development depends on a very large number of factors. Selected individual markets will probably continue to stabilise. Particularly if the state support programmes start to take effect. On the basis of all predictions, the Pfandbrief market may be reckoned to be one of the more stable markets, not least as a result of the ECB purchase programme. Overall, however, it is possible that further volatility might occur.

4.2.2. Public sector finance Experience has shown that the third quarter is relatively quiet in the public sector finance market. The restructuring efforts for the bank sector, for instance by way of outsourcing non-performing assets to bad banks or easier access to long-term refinancing funds for the market for covered bonds, will probably enable the markets to continue to return to normal. This assistance on the assets as well on the liabilities side of the balance sheet should help some players to provide more active support to their public finance customers. Altogether, stronger demand for finance from central, regional and local governments for supporting the economic revival as well as procyclical demand patterns in the public finance markets of many countries in the fourth quarter might result in stronger demand for long-term financing. This might lead to a further increase in risk premiums towards the end of the year.

4.3. Group- and Company-specific situation

4.3.1. Group-specific situation The forecasts to the future development of the HRE (and thus of Hypo Pfandbrief Bank International S.A.) are estimates which have been made on the basis of information available at present. If the assumptions underlying these forecasts fail to materialise, or if risks (such as those addressed in the risk report) occur to an extent which has not been calculated, the actual results may differ considerably from the results which are currently expected.

The existence of most companies in the HRE Hypo Pfandbrief Bank International S.A. continued to be threatened in the first half of 2009. The HRE assumes

unchanged that it is a going concern and will continue in operation under the following described conditions (External factors / Internal factors). Based on present information, the Management Board considers it currently as predominantly probable that these conditions are in existence or will occur.

External factors

- The HRE will receive further essential liquidity support from SoFFin in respect of terms and total volume. Moreover, the HRE will receive necessary capital support from SoFFin to strengthen its capital base. These supports will be granted under reasonable conditions.
- The capital markets environment will begin to stabilise from 2010 to 2012, particularly if there is no further serious deterioration of the financial market crisis from unforeseeable consequences, for instance triggered by external shocks such as the collapse of numerous major states or major banks and the crisis of the real estate markets does not result in defaults of loans and securities to an extent which would pose a threat to existence of the Group.
- The interbank market and other short-term unsecured refinancing markets as well as the long-term secured and unsecured refinancing markets will start to recover from 2010. The ratings of the companies in the HRE will stabilise or slightly increase. The support can be covered by own funding in the following years.

Internal factors

- The HRE succeeds in regaining the confidence of customers and successfully writes new business subject to adequate volumes and adequate margins.
- There are no significant delays or obstructions of the implementation of the restructuring of the HRE that aims to improve efficiency, profitability and streamlining of business processes.
- Work-out or restructuring of non-performing loans throughout the HRE can be implemented as currently scheduled.

On 28 March 2009, the German Finanzmarktstabilisierungsfonds confirmed in written form to HRE Holding and to Deutsche Pfandbriefbank AG (formerly Hypo Real Estate Bank AG) that it intends to stabilise the HRE Holding in a sustainable manner by way of adequate

recapitalisation and Deutsche Pfandbriefbank AG by further sufficient extensions of guarantees.

The precondition for the intended recapitalisation of the HRE by the German Finanzmarktstabilisierungsfonds is the acquisition of complete control over HRE Holding by the German Finanzmarktstabilisierungsfonds or the German Federal Government. As the first step towards recapitalising the HRE, the German Finanzmarktstabilisierungsfonds took up 20 million HRE Holding shares on 28 March 2009 for a legal minimum price of € 3.00 per share, with shareholders' subscription rights excluded. As the second step of recapitalisation of HRE, the shareholders adopted a resolution regarding a capital increase of around € 2.96 billion in return for a cash contribution at the extraordinary general meeting held on 2 June 2009. The round 986.5 shares were issued at the nominal value and legal minimum price of € 3.00 specified in the articles of incorporation. Only the German Finanzmarktstabilisierungsfonds was permitted to take up the new shares out of the capital increase, and the statutory shareholders' subscription rights were excluded. After the registration of the capital increase on 8 June 2009, the German Finanzmarktstabilisierungsfonds holds round 90 % of the Company's share capital, and has initiated a squeeze-out procedure under the German Law on Stock Companies (Aktienrecht). The Management Board of HRE Holding has provided a commitment to the German Finanzmarktstabilisierungsfonds that it will take the steps necessary for implementing the recapitalisation process. HRE is also assessing whether to transfer loans from its real estate business, which are either non-performing or no longer consistent with overall strategy, as well as significant parts of its asset portfolio and the structured security portfolio to a work-out entity.

Risks threatening the existence The future existence of the HRE Holding as a going concern is dependent on the assumption that sufficient equity will be provided to the HRE Holding and its significant subsidiaries to fulfil regulatory capital requirements as well as to avoid a situation of sustained over-indebtedness. External liquidity support is necessary to avert insolvency due to illiquidity of the significant subsidiaries of HRE Holding or the HRE Holding itself. These liquidity supports must be available until the HRE Holding and its significant subsidiaries are capable to raise sufficient liquidity on

the money and capital market by themselves, and until the agreed restructuring arrangements are implemented and the equity capital increase is performed as scheduled.

To ensure the future existence of the HRE Holding and its significant subsidiaries as a going concern it is thus particularly necessary that

- the German Finanzmarktstabilisierungsfonds provides sufficient support in form of equity capital
- the German Finanzmarktstabilisierungsfonds and the Deutsche Bundesbank maintain their liquidity support and, if necessary, provide further liquidity assistance
- refinancing with sustainable conditions on the money and capital market occurs
- the restructuring arrangements will be implemented as scheduled
- the appropriate authorities do not take regulatory actions and
- no legal reservations (especially EU legal actions) will be successfully enforced.

The HRE has reported a negative pre-tax profit for the first half of 2009; this was mainly attributable to significant impairments recognised in relation to real estate loans and other assets. HRE expects that it will continue to have to recognise significant impairments and accordingly a negative result during the remainder of the year. In particular, the difficult situation on the commercial real estate markets might result in further payment shortfalls, so that considerable additions to provisions for losses on loans and advances will probably again be necessary in the second half of 2009. These will probably be due to higher vacancy rates, an increasing number of enforced sales as well as a deterioration in the market values of the properties. In view of the global recession, it is also likely that there will be an increase in infrastructure finance impairments as well as significant delays and possible deficits in payments of municipalities in emerging markets but also in the USA and Spain. In addition, further problems are expected to occur as a result of the specific extremely severe situation of the Group. Net interest income will probably also not benefit to the same extent as in the first half of 2009 from the effects in the money market field and the US liquidity facilities which were drawn. Overall, a substantial negative pre-tax profit is expected for 2009.

Presumably in the second half of 2009 HRE respectively Deutsche Pfandbriefbank AG will therefore be reliant on additional capital increases.

4.3.2. Company-specific situation

A reliable prognosis relating to the future development of the earnings, assets and financial situation cannot be rendered in light of the risk or other influencing factors given above. Despite the continuing capital market crisis, the Board of Directors and the business leadership sees no need to undertake specific provisions on the existing claims.

The future of the Hypo Pfandbrief Bank International S.A. is completely dependant on the performance of the Hypo Real Estate Group and its role in the strategic new orientation of the Group. As a fully owned subsidiary of DEPFA BANK plc, Hypo Pfandbrief Bank International S.A. is part of the so-called 'Value-Business', which focuses on the management and value-retaining reduction in the inventories (see point 1.3.1.). The Board of Directors of Hypo Pfandbrief Bank International S.A. is currently assuming that the business activities will continue.

5. Miscellaneous

Ms Fiona Gregan and Mr Klaus Söllner resigned from the bank's Board of Directors as of 13 August 2009 and 1 September 2009 respectively. Mr Markus Fels was appointed a member of the Board of Directors as of 13 August 2009.

Other transactions of particular significance for the assets, financial and profits situation of the last financial year did not occur after the reporting date.

Luxembourg, 31 August 2009

Board of Directors

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Interim Accounts

Balance Sheet as of 30 June 2009

Assets			
in €		30.06.2009	31.12.2008
Cash in hand, balances at central banks and postal check offices		6,159,007	10,900,496
Treasury bills and other bills eligible for refinancing with central banks		355,564,594	405,564,594
Treasury bills and similar securities	355,564,594		405,564,594
Loans and advances to credit institutions		593,954,949	713,354,120
Municipal loans and loans guaranteed by public institutions	556,709,327		607,683,343
Other loans and advances	37,245,622		105,670,777
of which: payable on demand	37,036,229		63,149,442
Loans and advances to customers		269,365,561	273,027,026
Municipal loans and loans guaranteed by public institutions	269,365,561		273,027,026
Other loans and advance	-		-
Bonds and other fixed-interest securities		6,310,318,038	6,722,284,232
Public sector issuers	1,870,277,499		1,925,210,586
Other issuers	4,400,437,589		4,659,282,294
Own bonds	39,602,950		137,791,352
Property, plant and equipment		270,892	348,613
Other assets		9,351	73,109
Prepayments and accrued income		1,005,722,961	1,085,211,514
Total assets		8,541,365,353	9,210,763,704

Liabilities				
in €			30.06.2009	31.12.2008
Amounts owed to credit institutions			2,307,029,485	2,054,062,996
Issued public-sector registered Pfandbriefe		5,000,000		5,000,000
of which: with agreed maturity dates or periods of notice		5,000,000		5,000,000
Other liabilities		2,302,029,485		2,049,062,996
of which: payable on demand		40,105,226		286,689,977
of which: with agreed maturity or periods of notice		2,261,924,259		1,762,373,019
Amounts owed to customers			1,450,296,661	1,367,796,661
Other liabilities		1,450,296,661		1,367,796,661
Issued public-sector registered Pfandbriefe	1,450,296,661			1,367,796,661
of which: with agreed maturity dates or periods of notice	1,450,296,661			1,367,796,661
Debts evidenced by certificates			4,448,298,958	5,384,750,633
Issued bonds		4,448,298,958		5,384,750,633
Public sector Pfandbriefe	4,448,298,958			5,384,750,633
Other		-		-
Other liabilities			654,544	298,359
Accruals and deferred income			167,481,637	242,692,136
Provisions			4,589,712	5,841,077
Provisions for taxation		3,051,086		3,966,059
Other provisions		1,538,626		1,875,018
Subordinated liabilities			34,000,000	34,000,000
Subscribed capital			66,000,000	66,000,000
Offering premiums			15,000,000	15,000,000
Reserves			40,321,842	33,021,842
Result		7,692,514	7,300,000	
Total liabilities			8,541,365,353	9,210,763,704

Profit and loss account for the period from 1 January to 30 June 2009

Expenses				
in €			1.1. - 30.06.2009	1.1. - 30.06.2008
Interest paid and similar expenses			244,409,996	396,689,782
Commissions payable			417,957	349,721
Result from financial operations			-	-
General administrative expenses			1,873,369	2,028,666
Staff costs		690,497		863,439
of which: wages and salaries	601,626			755,661
of which: social security	88,312			107,058
of which: relating to pensions	61,221			83,573
Other staff expenses	559			720
Other administrative expenses		1,182,872		1,165,227
Depreciation and value adjustment in respect of intangible assets and property, plant and equipment			77,721	22,970
Other operating expenses			286	1,569
Depreciation and value adjustment in respect of loans and advances and provisions for contingent liabilities and credit risks			500,000	-
Depreciation and value adjustment in respect of securities held as financial assets			7,148	4,150
Taxes on income from ordinary activity			1,566,586	1,062,677
Result			7,692,514	4,382,032
Total expenses			256,545,577	404,541,567

Income				
in €			1.1. - 30.06.2009	1.1. - 30.06.2008
Interest receivable and similar income			255,714,736	404,315,225
arising from fixed-interest securities		120,313,705		165,283,457
Profit from financial business			143,864	43,664
Commissions receivable			-	45,400
Other operating income			684,888	133,128
Income in respect of write-backs of value adjustments in respect of securities held as financial assets, in respect of participating interest and shares held in affiliated companies			2,089	4,150
of which: profits from the sale of fixed-interest securities held as financial assets		1,013,369		4,150
Total income			256,545,577	404,541,567

Report on Review of Interim Financial Information We have reviewed the accompanying condensed balance sheet of Hypo Pfandbrief Bank International S.A. ("the Bank") as at 30 June 2009, the related condensed statement of income for the six-month period then ended, and the condensed notes (the "interim financial information") as at 30 June 2009. The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with Luxembourg legal and regulatory requirements. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Luxembourg legal and regulatory requirements.

Without qualifying the result of our review, we draw attention to note 2 "Balance sheet accounting and valuation methods" of the condensed notes to the interim statement.

This note explains that the continued existence of Hypo Real Estate Holding and its key subsidiaries is dependent on the following factors, namely that

- the financial market stabilisation fund (SoFFin) provides a sufficient amount of equity support
- the SoFFin and the German Bundesbank maintain their liquidity support and make additional liquidity assistance available if necessary
- the refinancing is done at sustainable conditions increasingly via the money and capital markets
- the restructuring activities are implemented as planned
- the responsible authorities do not take any measures under supervisory law, and
- no legal reservations (in particular EU proceedings) are successfully asserted.

This note also explains that securities with a book value amounting to € 4,556 million are included in the investment portfolio, that have a lower market value amounting to € 4,000 million. Value adjustments to this lower market value were not made as disruptions in performance have not occurred to date, nor are they expected.

In order to avoid a loss resulting from this situation it is particularly necessary that:

- the company has sufficient cash flow in future in order to be able to uphold the securities (holding power), and
- the overall continuation of the company is guaranteed.

These conditions, along with other matters described in Note "Balance Sheet and valuation methods", indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Report on the interim management report The interim management report, which is the responsibility of the Board of Directors, is in accordance with the interim financial information.

Luxemburg, 31. August 2009

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

T. Feld C. Brüne

(This English version of the review report is a translation purely for information purposes of the German original, which is the legally binding version.)

We give assurance to the best of our knowledge that in line with the accounting principles to be applied for the interim reporting, the half-yearly report conveys an accurate picture of the company's assets, financial and profits situation. The business development including the business result and the situation of the company are depicted in the interim report in such a way that an accurate picture is portrayed of the actual circumstances and the risks of the company's anticipated development in the rest of the financial year are described.

Luxembourg, 31 August 2009

Klaus Söllner

Hagen Schmidt

General Manager
Member of the
Board of Directors

General Manager
Member of the
Board of Directors

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Notes

1. General notes

Hypo Pfandbrief Bank International S.A. (HPBI) was established on 27 July 1999 in Luxembourg under its original name Pfandbrief Bank International S.A. (PBI). On 14 September 1999, the Finance Minister of the Grand Duchy of Luxembourg issued the licence for the bank to operate as a mortgage credit bank according to Luxembourg law (Banque d' émission de lettres de gage).

The entry in the commercial register was made on 16 August 1999 under the number 71104 (Section B). The legal basis for the operation of a mortgage credit bank is laid down in Sections 12-1 to 12-9 of the "Law of 5 April 1993 on the Financial Sector" (in its current version).

The Bank was originally founded by Bayerische Hypo- und Vereinsbank AG (HVB) and its German mortgage bank subsidiaries, each with equal shares in the capital via a holding scheme.

As part of the reorganisation of HVB Group in 2003, HPBI became a subsidiary within the Hypo Real Estate Group. Since 31 March 2008, all capital shares of the bank are in their entirety by DEPFA BANK plc, Dublin, DEPFA. The bank's subscribed capital is fully paid.

Hypo Pfandbrief Bank International S.A. is incorporated in the consolidated statement of Hypo Real Estate Holding AG, Munich, and in the sub-group statement of DEPFA BANK plc, Dublin. The statements are available from the headquarters of the respective companies.

2. Balance Sheet and valuation methods

The interim statement as of 30 June 2009 was drawn up in compliance with the valid regulations in the Grand Duchy of Luxembourg and in particular with the law dated 17 June 1992 regarding the annual financial statement and the group statement for credit institutions ('Law'). The structuring of the balance sheet, which deviates from that stipulated by the Law, is based on the recommendation drawn up by the Commission de Surveillance du Secteur Financier (CSSF) regarding the annual financial statement for mortgage credit banks.

The same accounting and valuation principles that were applied to our financial statements 2008 were applied to the first half year of 2009.

The company's continued existence is threatened by risks that are depicted in Section "4.3 Group- and Company-specific situation" of the interim management report. It is stated there that the continued existence of the HRE Holding and key subsidiaries is dependent on the following factors, namely that

- the financial market stabilisation fund (SoFFin) provides a sufficient amount of equity support
- the financial market stabilisation fund and the German Bundesbank uphold their liquidity support and make additional liquidity assistance available if necessary
- the refinancing is done at sustainable conditions increasingly via the money and capital market
- the restructuring activities are implemented as planned
- the responsible authorities do not take any measures under supervisory law and
- no legal reservations (in particular EU proceedings) are successfully asserted.

The financial investment portfolio of the company is valued under the mitigation of lower cost or market principle. The unrealised losses contained in the port-

folio are detailed in Section 3.5 of the Appendix 'Bonds and other fixed interest securities'. It is stated there that securities with a book value amounting to € 4,556,224 thousands are included in the investment portfolio totalling € 6,310,318 thousands, that have a lower market value amounting to € 3,999,777 thousands. Value adjustments to this lower market value were not made as disruptions in performance have not occurred to date, nor are they expected.

In order to avoid a loss resulting from this situation it is particularly necessary that

- the company has sufficient cash flow in future in order to be able to uphold the securities (holding power) and
- the overall continuation of the company is guaranteed.

Against the background of the support measures of the financial market stabilisation fund and the German financial sector and the transfer of the majority of shares to the German state and other initiatives that have been commenced by the Federal German government and the future opportunities depicted in the interim report, the management is assuming at the time of reporting that the Hypo Real Estate Group and the bank will continue to exist.

The capital currency is Euro (€).

3. Notes on the asset items**3.1 Presentation of assets as at 30 June 2009**

Maturity schedule	Treasury bills eligible for refinancing with central banks		Loans and advances to credit institutions (including central bank balances)		Loans and advances to customers	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008	30.06.2009	31.12.2008
in thousand €						
Payable on demand	-	-	43,194	74,510	-	-
Up to 3 months	-	30,000	52,617	85,529	-	-
Over 3 months and up to 1 year	200,565	45,000	32,557	66,429	50,000	-
Over 1 year and up to 5 years	75,000	250,565	246,236	270,447	160,407	212,421
Over 5 years	80,000	80,000	225,509	227,340	58,959	60,606
Total	355,565	405,565	600,113	724,255	269,366	273,027
Of which: subordinated claims	-	-	-	-	-	-

The receivables from credit institutes that are due daily include credit balances with the central bank amounting to € 6,158 thousands (previous year € 10,900 thousands).

3.2 Presentation of loans and advances and /or bonds and other fixed-interest securities vis-à-vis affiliated companies

in thousand €	30.06.2009	31.12.2008
Loans and advances to credit institutions	209	42,061
Bonds and other fixed-interest securities	88,103	186,291
Total	88,312	228,352
Of which: own bonds	39,603	137,791

3.3 Overview of the equity capital in accordance with the CSSF Circular 07/273

in thousand €	Capital requirements
Equity capital requirements for loans and advances which are subject to the standard approach	
Loans and advances from central banks and banks	-
Loans and advances from institutions	4,602
Loans and advances from companies	824
Retail loans and advances	-
Shares	-
Other assets	29
Equity capital requirements for loans and advances which are subject to the IRB approach with own estimation of losses in the event of deficit (advanced IRB approach)	
Loans and advances from central banks and banks	10,304
Loans and advances from institutions	7,364
Loans and advances from companies	-
Retail loans and advances	-
Liabilities in the framework of securitisation	31,089
Equity capital requirements to cover the currency risk	1,065
Equity capital requirements to cover the operational risk	2,205
Total	57,482
Liable equity capital	155,698
Equity capital quota (in %)	21.7

3.4 Information regarding the credit risk

The receivables and the bonds and other fixed-interest securities (after deduction of value adjustments) are structured per 30 June 2009 as follows:

Remaining maturity in thousand €	≤ 1 year	> 1 year ≤ 5 years	> 5 years ≤ 10 years	> 10 years	Total
Credit institutions					
Europe	397,674	812,973	1,277,226	-	2,487,873
Japan	7,514	47,403	-	-	54,917
Canada	16,200	-	9,936	-	26,136
South Korea	17,369	10,613	26,847	-	54,829
USA	8,330	-	3,910	-	12,240
Total	447,087	870,989	1,317,919	-	2,635,995
Public sector borrowers (not including credit institutions)					
Europe	466,729	464,727	869,587	1,276,682	3,077,725
Japan	3,724	51,267	-	-	54,991
Canada	66,122	35,376	4,500	195,872	301,870
South Korea	-	-	32,500	-	32,500
USA	6,078	10,898	20,900	1,388,246	1,426,122
Total	542,653	562,268	927,487	2,860,800	4,893,208
Overall total	989,740	1,433,257	2,245,406	2,860,800	7,529,203

3.5 Bonds and other fixed-interest securities (after deduction of value adjustments)

in thousand €	30.06.2009	31.12.2008
Listed securities	5,646,781	6,022,631
Unlisted securities	663,537	699,653
Total	6,310,318	6,722,284

The bonds and other fixed-interest securities that become due within a year amount to € 449,891 thousands (previous year € 485,633 thousands).

Bonds of a member state of the European Union that participates in the EURO and which are permitted for refinancing with a central bank of the Euro Zone come to a nominal amount of € 3,966 million as of 30 June 2009 (previous year € 4,511 million).

The 'Bonds' holding breaks down as follows:

in thousand €	30.06.2009	31.12.2008
Financial assets	6,310,318	6,722,284
Liquid assets	-	-
Total	6,310,318	6,722,284

The cumulated amount of delimited premiums as of 30 June 2009 is € 1,793 thousands (previous year € 1,623 thousands); delimited cumulated discounts are posted amounting to € 4,286 thousands (previous year € 4,761 thousands). Redemption obligations from pension transactions amounting to € 119,154 thousands (previous year € 581,023 thousands) existed as of 30 June 2009; € 1,596,863 thousands (previous year € 956,108 thousands) were made available for tenders. Securities amounting to € 32,500 thousands (previous year € 32,500 thousands) were assigned to the German Bundesbank and the Federal German government as part of the granting of a liquidity facility for the Hypo Real Estate Group by a financial consortium.

For securities of the financial investment portfolio with a book value amounting to € 4,556,224 thousands (market value € 3,999,777 thousands) value corrections on the lower share price were not carried out as no shortfalls or disruptions to development have occurred previously or are expected.

Market values are used as far as possible for the market values given here. Due to the current financial market crisis, a volume of € 4,023 million was valued with prices that were derived from performance curves provided by brokers and/or from prices of comparable, actively traded securities.

3.6 Other assets

The other assets (€ 9 thousands; previous year € 73 thousands) primarily include receivables towards the tax authorities due to surpluses from the VAT declaration.

3.7 Prepayments and accrued income

The accruals and deferred items primarily include interest accruals and premium or discount write-offs respectively from the issue and loan business. Here, the discounts from the issue and loan business amount to € 701,493 thousands (previous year € 707,949 thousands).

4. Notes on the liability items

4.1 Presentation of liabilities as at 30 June 2009

Maturity schedule in thousand €	Amounts owed to credit institutions		Amounts owed to customers	
	30.06.2009	31.12.2008	30.06.2009	31.12.2008
Payable on demand	40,105	286,690	-	-
Up to 3 months	1,621,098	1,555,900	-	-
Over 3 months and up to 1 year	195,826	206,473	95,700	-
Over 1 year and up to 5 years	450,000	5,000	67,000	142,700
Over 5 years	-	-	1,287,597	1,225,097
Total	2,307,029	2,054,063	1,450,297	1,367,797

From the liabilities towards credit institutions result € 1,716,017 thousands (previous year € 1,537,131 thousands) from pension transactions.

Debts evidenced by certificates as at 30.06.2009 in thousand €	Public-sector Pfandbriefe	Other bonds	Total
Payable on demand	-	-	-
Up to 3 months	147,319	-	147,319
Over 3 months and up to 1 year	1,200,979	-	1,200,979
Over 1 year and up to 5 years	1,842,826	-	1,842,826
Over 5 years	1,257,175	-	1,257,175
Total	4,448,299	-	4,448,299

The secured liabilities due in the following year amount to € 1,348,298 thousands (previous year € 2,082,478 thousands).

4.2 Presentation of amounts owed to affiliated companies or companies, in which participating interest is held

Liabilities towards affiliated companies exist to the amount of € 548 million (previous year € 488 million) from short-term money market transactions.

4.3 Other liabilities

The other liabilities (€ 655; thousands previous year € 298 thousands) primarily include as of 30 June 2009 outstanding payments for IT costs, as well as VAT, income tax and social insurance contributions that need to be paid.

4.4 Accruals and deferred income

The accruals and deferred income primarily include interest accruals and premiums or discounts respectively.

4.5 Provisions

The other reserves indicated were formed for obligations existing on the key date towards personnel and obligations from the period ended towards third parties (audit costs, consulting costs, etc.). In addition, due to the planned restructuring activities in the group, an amount of € 706 thousands was retained in 2008 that has not yet been used.

5. Notes on the off-balance-sheet items

Transactions in derivative instruments are made solely for hedging purposes as part of the asset/liability management in the OTC market. No trading operations involving derivatives were conducted. As a basic principle, netting agreements for risk reduction were made with the trading partners in the derivatives business.

In the reporting period, interest and currency swaps amounting to € 131 million were incorporated into the coverage. We have come to contractual agreements with the relevant counterparties, which define the information and other cooperating obligations. The procedure is agreed under banking supervisory law and with the trustee.

The nominal volume of the open transactions that do not have an effect on the balance sheet amounted to € 7,735 million as per 30 June 2009, of which € 3,944 million was accounted for by affiliated companies. The address risk arising from derivatives was determined, inter alia, on the basis of the gross replacement costs.

4.6 Equity capital

The subscribed capital is € 66,000 thousands and is divided into 66,000 no-par value bearer shares.

According to the Luxembourg law dated 10 August 1915 regarding trading companies, the bank must allocate an amount of at least 5 % of the annual net profits every year to a statutory reserve until this reaches 10 % of the subscribed capital. No distribution must be made from the statutory reserve. As of 30 June 2009, there was a statutory reserve amounting to € 2,195 thousands and a free reserve amounting to € 38,127 thousands.

The bank makes use of the fiscal option of offsetting the property tax burden which necessitates that five times the property tax burden is paid into a special profits reserve. No distribution of this reserve is possible for five years in so far as it becomes final that wealth tax is no longer to be paid. The reserves include € 13,210 thousands for the offsetting of the property tax.

4.7 Assets deposited as security for own liabilities

Assets with a nominal value of € 1,823,176 thousands were deposited with the central bank as security. Securities amounting to € 32,500 thousands were assigned as part of the granting of a liquidity facility for the Hypo Real Estate Group by a financial consortium.

These are calculated as the sum of all positive market values, not taking netting agreements into account. The address risk defined in this way (maximum shortfall risk) amounted to € 350 million or 4.52 % of the outstanding nominal volume as per 30 June 2009. After taking the net agreements into consideration, the address risk is reduced to € 234 million.

If the add-ons and also the risk weighting are used for future potential risk according to banking supervisory regulations, the address risk according to the market value method as per 30 June 2009 is € 92 million. The HPBI shall also in future pay strict attention to ensuring that the counterparty risk is kept within tight confines through active management. Counterparts in the derivative business are solely OECD banks.

in million €	Nominal amount Remaining maturity ≤ 1 year	Nominal amount Remaining maturity ≤ 5 years	Nominal amount Remaining maturity > 5 years	Total Nominal amount	Positive market values	Negative market values	Address risks
Interest-rate transactions							
Interest-rate swaps (same currency)	1,373	1,712	3,246	6,331	166	447	–
Interest-rate options – purchases	31	51	–	82	2	–	–
Other interest-rate contracts	–	–	–	–	–	–	–
Foreign exchange transactions							
Currency-swaps	416	–	–	416	13	–	–
Cross-Currency-Swaps	204	244	458	906	169	12	–
Total	2,024	2,007	3,704	7,735	350	459	92*

*) on account of netting agreements not being apportionable

The derivatives are concluded solely for hedging purposes. As against the negative market values shown above, these are corresponding undisclosed reserves in the hedged underlying transactions.

6. Other explanatory notes

6.1 Staff

The average workforce up to 30 June 2009 is as follows:
 Management including department heads: 3.0
 Other staff: 10.0
 As of 30 June 2009, the management consisted of two people. The workforce also included another 11 employees.

6.2 Items not denominated in the Balance Sheet currency

The overall amount of assets in foreign currency (excluding EUR currencies) amounts to € 2,388 million. At the end of the year liabilities in foreign currencies amounted to € 2,351 million. These items are almost fully hedged by currency and interest/currency swaps.

7. Asset overview

in thousand €	Acquisition costs	Accruals financial year	Disposals financial year	Depreciation financial year	Accumulated depreciation	Residual cost 30.06.2009	Residual cost previous year
Office and business equipment	1,054	–	–	–78	–783	271	349
Of which: IT equipment	953	–	–	–73	–697	256	328
Investment securities	6,722,284	10,875	–422,841	–	–	6,310,318	6,722,284
Total	6,723,338	10,875	–422,841	–78	–783	6,310,589	6,722,633

8. Special information

Cover fund for the cover portfolio existing pursuant to Art. 12-1 to 12-9 of the law dated 5 April 1993 regarding the financial sector The information is restricted to the depiction of public bonds. No mortgage-backed Pfandbriefe were issued. Derivative financial instruments were incorporated as coverage with a portfolio value of € 131,066 thousands on the key date.

8.1 Statement of cover assets for public-sector Pfandbriefe

in thousand €	30.06.2009
Cover assets	5,493,723
Substitute cover assets	
Securities	45,400
Bank balances	-
Total cover	5,539,123
In circulation	
Bearer securities	4,405,337
Registered securities	766,756
Total circulation (requiring cover)	5,172,093
Excess cover	367,030

8.2 Additional breakdown

8.2.1 Cover assets

Standard cover in thousand €	30.06.2009
Loans and advances to credit institutions	
Municipal loans or	
Loans guaranteed by public institutions	546,709
Loans and advances to clients	
Municipal loans or	
Loans guaranteed by public institutions	624,930
Bonds of public sector issuers or guaranteed by public institutions	3,985,490
Covered public bearer Pfandbriefe	195,528
Covered public registered Pfandbriefe	10,000
Derivatives	131,066
Subtotal	5,493,723
Substitute cover assets	
Other loans and advances to credit institutions	-
Bonds pursuant to article 42(3) of the UCITS Act	45,400
Total	5,539,123

8.2.2 Cover holding for municipal loans

Breakdown according to orders of magnitude in thousand €	Number	30.06.2009
Up to € 25 million	55	656,355
Up to € 50 million	45	1,545,186
Up to € 100 million	36	2,325,739
Over € 100 million	7	1,011,843
Total	143	5,539,123

Breakdown by country	in thousand €	in %
USA	1,228,090	22.2
Germany	1,034,404	18.7
Austria	662,750	12.0
Spain	547,826	9.9
Canada	434,367	7.8
Switzerland	399,607	7.2
Italy	198,149	3.6
Portugal	158,000	2.9
Int. Organisations	116,071	2.1
Japan	109,040	2.0
France	105,000	1.9
Belgium	100,799	1.8
Ireland	83,412	1.5
Slovenia	80,000	1.4
Great Britain	76,364	1.4
Luxembourg	62,028	1.1
South Korea	54,987	1.0
Finland	45,400	0.8
Poland	19,653	0.3
Bulgaria	14,150	0.3
Slovakia	8,000	0.1
Sweden	1,026	-
Total	5,539,123	100.0

8.2.3 Statement of cover assets in terms of present value

in million €	Cover fund	Public sector Pfandbriefe* requiring cover	Excess cover	in %
Nominal value	5,539	5,172	367	7.1
Present value ²	5,890	5,351	539	10.1
Present value, in case of shift of the interest-rate curve				
by + 100 bp	5,669	5,186	483	9.3
by - 100 bp	6,136	5,522	614	11.1

1 Lettres de gage publiques; 2 Calculated using original credit spreads

8.3 Accrued and deferred items

in thousand €	30.06.2009
Prepayments and accrued income	
Accrued interest	146,740
From issuing and lending business	701,493
Others	157,490
Total	1,005,723
Accruals and deferred income	
Deferred interest	135,017
From issuing and lending business	3,262
Others	29,203
Total	167,482

8.4 Redemption of own public-sector Pfandbriefe

In the reporting period, no public bonds were repurchased and dissolved for the purpose of upholding the share price. Public bonds worth € 98.2 million became due in the reporting period. As of 30 June 2009, a portfolio with a book value of € 39.6 million is posted.

8.5 Interest arrears

Interest due during the year under review from loans and advances and securities have been received in full.

There are no arrears; no write-offs or value adjustments have been made on interest.

38 **Board of Directors**

38 **Management**

38 **Réviseur Spécial**

Executive Bodies

Board of Directors

Dr. Markus Fell Chairman until 20 January 2009	Board member of Hypo Real Estate Holding, Munich
Cyril Dunne Chairman since 2 February 2009	CEO of DEPFA BANK plc, Dublin
Julia Hoggett until 23 February 2009	Board member of DEPFA ACS Bank, Dublin
James Campbell until 27 April 2009	Board member of DEPFA BANK plc, Dublin
Fiona Gregan since 29 April 2009	Credit Officer Public Sector, IFU and Structured Products of DEPFA BANK plc, Dublin
Stephane Rio since 23 February 2009	Board member of DEPFA BANK plc, Dublin
Michael Schultheiss since 23 February 2009 until 29 April 2009	Head of Treasury of Hypo Real Estate Bank, Munich
Hagen Schmidt	Administrateur-Délégué, Trier
Klaus Söllner	Administrateur-Délégué, Trier

Management

Hagen Schmidt	Administrateur-Délégué, Trier
Klaus Söllner	Administrateur-Délégué, Trier

Réviseur Spécial

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