

Interim Report as of 30 June 2010

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

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Interim Management Report

1. Business and conditions

1.1. Macro-economic situation

From the macro-economic point of view, the first half of 2010 was characterised particularly by the severe problems associated with the debt crisis of Greece and the way in which the problems were handled. The financial markets consequently also questioned the solvency of further countries of the Euro zone, and in particular Spain, Ireland, Italy and Portugal. The situation calmed down somewhat only after massive intervention of the European Central Bank, which has intervened for the first time on the markets for government securities, as well as the governments of the European Union. Together with the International Monetary Fund, these governments decided to adopt a “rescue mechanism” in the form of guarantees for government securities of the countries in the Euro zone. So far, these efforts have been successful to the extent that it has been possible for the planned new issues of government securities to be placed on the markets – however, the spreads compared with the securities of other countries in the Euro zone have been considerable, although they have now become somewhat more moderate.

The need to take these measures in order to settle the financial markets further is also demonstrated by the heterogeneous nature of the national developments within the context of a global economy which is recovering again. Following the severe collapses seen in 2009, all major economies in the first half of 2010 have returned to growth. However, this growth is not sufficient, particularly in Europe, to enable the level of added value before the crisis to be attained again.

The national labour markets have also responded in a very different way to the crisis. Whereas in the USA the unemployment rate remained stubbornly at unusually high levels of just below the 10 % level in the first half of 2010, unemployment in Germany declined slightly in the same period, after having risen by a surprisingly minor extent during the crisis.

In Germany, the economy is currently following the pattern which has been familiar in previous cycles, namely that of an export-driven recovery. On the other hand, during the first quarter of 2010 for which data are avail-

able, private consumption and also investment demand again declined slightly compared with 2009. This is also applicable for construction spending, which is still reflecting the different conditions on the real estate markets.

The problems in Greece have resulted in a certain loss of confidence of international investors in the Euro and its role as a stable global currency. In consequence, the Euro weakened appreciably against all major currencies, down to a low of just below US-\$ 1.20 per Euro on 8 June (on 30 June 2010: approx. US-\$ 1.22); however, it has since recovered slightly from this level.

1.2. Sector-specific situation

Overall situation of the banking sector There has so far not been any indication of a uniform trend in the development of earnings in the banking sector. Whereas some investment banks are already generating good earnings, the recovery for the remainder of the banking sector is making a more moderate start. Traditional credit institutions in particular are having to continue to streamline their portfolios by eliminating distressed loans and high risk assets. This is being achieved by intense restructuring efforts, such as the establishment of deconsolidated environments which relieve non-performing assets or the sale of not strategically necessary assets. In the first half of the year, the market turmoil mentioned above meant that banks had to provide additional collateral for their portfolios of government bonds of countries which are currently the focus of attention.

Public sector financing The crisis in Greece has in recent months increased the sensitivity of financial markets for financial risks. The financial markets consequently evaluated the specific budget figures of the individual economies, thus focusing on the financial risks of additional countries. This increased level of attention, particularly in Europe, has meant that all economies (and not only the countries which have attracted attention as a result of a high state deficit) have defined and communicated detailed and credible budget consolidation measures. Particular attention is focusing on Spain as a result of the size its economy. Accordingly, the Spanish government has announced additional consolidation

measures and has initiated a labour market reform. France and Great Britain have also decided to adopt budget consolidation measures. There was a generally positive reception for the British emergency budget, but the implementation risks involved are considerable. France has also imposed ambitious consolidation measures in order to stop an increase in the debt ratio and accordingly to avoid any risk to its AAA rating. Many economies which have been hit hardest by the crisis are not able to access international capital markets and are reliant on multilateral financing (from the International Monetary Fund and EU commitments). It will be crucial in two respects to meet the financial objectives: In order to assure liquidity and ratings. The uncertainty on the markets has meant that customers from countries on which attention is focused (for instance Spain) have attempted to cover their financing requirement for 2010 and have thus tapped the market more quickly and for larger amounts.

The markets for covered government bonds have remained relatively stable (compared with the developments in margins seen for government bonds). Even within the context of central bank buying with the aim of supporting the markets, there has been a positive performance in terms of the overall volumes of issues (which have been higher than in previous years), because government bonds with a better rating and other conservative forms of investment (in particular Pfandbriefe) are becoming attractive for a wider range of investors in the current climate. As a result of the volatile markets for government bonds, banks which have portfolios of government paper in their balance sheets have also come under pressure.

Refinancing markets The refinancing markets have continued to stabilise in the initial months of 2010. At the beginning of the year, the market was characterised by a small number of successful benchmark transactions in a wide range of areas. Covered bonds and in particular Pfandbriefe were placed successfully. Smaller private placings have also taken place.

The beginning of the crisis of Greece within the European Union in May 2010 and the high levels of volatility in government bonds have resulted in a significant downturn in issuing activity. However, it has still been possible for some benchmark transactions to be success-

fully placed. Activity on the private placing markets declined appreciably; lending on the interbank market was also significantly reduced in certain phases.

The stabilisation measures of the ECB, taking the form of purchasing government bonds, have settled the markets to a certain extent; however, volatilities are still very high. At the same time, rates at the long end of the market have fallen to all-time lows and have been at a low level since May 2010.

1.3. Group and company-specific conditions

1.3.1. Conditions of the Hypo Real Estate Group (HRE)

Measures designed to secure liquidity The liquidity guarantee framework available to HRE amounted to a total of € 102 billion at the end of June 2010. This figure includes the scheduled and contractually agreed repayment of part of the liquidity guarantees since 31 December 2009 (of € 3 billion) as well as an additional liquidity guarantee of SoFFin (of € 10 billion) granted on 28 May 2010 due to the current situation on the financial markets. In addition to interest and exchange rate fluctuations, two factors in particular are relevant in this respect: Firstly, foreign central banks have cut refinancing facilities which have previously been available; secondly, it was necessary for additional collateral to be provided for government bonds of the European countries which are currently the focus of attention.

On 24 June 2010, the Special Financial Market Stabilisation Fund (SoFFin) extended that part of the guarantee framework for HRE of € 52 billion which originally expired at the end of June 2010 until 25 May 2011. Most of the liquidity guarantee framework of € 62 billion is thus available to HRE until May 2011, and the remaining liquidity guarantee framework is available until December 2010.

The same conditions are applicable for all liquidity guarantees which HRE has received from SoFFin: Deutsche Pfandbriefbank AG pays to SoFFin a proportionately calculated commitment commission of 0.1 % per annum in relation to that part of the guarantee framework which is not utilised. A commission of 0.5 % p.a. is payable for guarantees which are issued.

Recapitalisation measures As a further step in the direction of recapitalisation, HRE received a commitment from SoFFin on 30 April 2010 for the next recapitalisation tranches of up to € 1.85 billion. The capital is to be paid into additional paid-in capital of HRE Holding in at least two tranches as required. This capital measure still has to be given final approval by the EU Commission. In an initial tranche, a figure of € 1.4 billion was paid into the additional paid-in capital of HRE Holding on 20 May 2010. The primary purpose of the capital increase is to fulfil the minimum capital ratios of DEPPFA Bank plc. In the first half of 2010, HRE Holding increased the capital of DEPPFA Bank plc by € 550 million, and in July 2010 by an additional € 200 million. In total, HRE has thus received capital of € 7.42 billion from SoFFin in 2009 and in the first half of 2010. In addition, SoFFin has also promised to make available a further figure of € 450 million as required. HRE continues to assume a capital requirement of € 10 billion. SoFFin intends to take a final decision with regard to recapitalisation after the conclusion of the EU aid proceedings and the establishment of a deconsolidated environment for not strategically necessary or distressed assets of the companies of the HRE Group.

Restructuring measures The restructuring process of HRE in 2010 will focus primarily on transferring non-strategic assets to a deconsolidated environment. Further measures in this respect will be the continued reduction of locations in accordance with the restructuring plan, continued implementation of a harmonised IT platform as well as the introduction of a new staff compensation model.

On 21 January 2010, with the approval of SoFFin, HRE submitted an application to the Financial Market Stabilisation Institution (FMSA) for establishing a deconsolidated environment for winding down assets in a manner designed to impose minimum strain on value. On 8 July 2010, the FMSA established a deconsolidated environment under the name "FMS Wertmanagement AöR" to which assets and liabilities from HRE companies are to be transferred. The aim of establishing this deconsolidated environment is to remove not strategically necessary and high-risk portfolios from the balance sheets of the group companies and to further stabilise the Group. In addition, the core bank Deutsche Pfandbriefbank AG will be clearly separated from the non-strategic parts of the company. The pur-

| Liquidity support measures for HRE | | | | |
|---|------------------|---|--------------------------------------|--|
| Type of support | Date of granting | Maturity, taking account of prolongations | Original nominal amount in € billion | Nominal amount as of 30.06.2010 in € billion |
| Issue of SoFFin-guaranteed bearer bonds | 18.11.2009 | 25.05.2011 ¹ | 52.0 | 52.0 |
| Issue of SoFFin-guaranteed bearer bonds | 23.12.2009 | 22.12.2010 ² | 23.0 | 20.0 |
| Issue of SoFFin-guaranteed bearer bonds | 30.12.2009 | 22.12.2010 | 20.0 | 20.0 |
| Issue of SoFFin-guaranteed bearer bonds | 28.05.2010 | 25.05.2011 | 10.0 | 10.0 |
| Total liquidity support | | | | 102.0 |

¹ Prolonged on 24 June 2010

² In accordance with Section 5 (1) of the bond terms, partial repayments of € 1.5 billion must be made on each of the following dates: 23.3./23.6./23.9.2010.

pose of this separation is to enable Deutsche Pfandbriefbank AG to establish an independent presence on the market more easily and to facilitate its capital market operations. Notwithstanding the FMS Wertmanagement which has already been established, this transaction still has to be approved by the FMSA and the EU Competition Commission. The companies of the Group do not have any entitlement to transfer not strategically necessary and high-risk portfolios to the FMS Wertmanagement.

The transfer to FMS Wertmanagement is expected to take place in the second half of 2010, after the approval of all necessary institutions and bodies has been obtained, and is expected to comprise assets of up to € 210 billion. Loans which accordingly no longer constitute the strategic focus of the core bank can thus be continued in the interest of customers in a manner designed to impose minimum strain on value. Parts of the Public Sector and Real Estate Finance portfolios of DEPPFA Bank plc and Deutsche Pfandbriefbank AG are to be transferred. The Public Sector Finance portfolio contains assets, sovereign borrowers or sub-sovereign borrowers with high credit quality but a low market valuation at present. Parts of the Real Estate Finance portfolio are being affected by the difficult climate in this segment at present. Assets of other group companies, in particular DEPPFA ACS Bank, Dublin, Hypo Pfandbriefbank International, Luxembourg and Hypo Public Finance Bank, Dublin, might also be transferred. They might also be accompanied by structured products and trading positions which are exposed to higher default risks and for which impairments have been recognised, where necessary, or which have been included in net trading income. Derivative positions which mainly constitute hedges and hedge asset as well as liability positions might also be transferred to the deconsolidated environment. Plans are being discussed to transfer not only assets but also selected refinancing funds to FMS Wertmanagement. There are no plans for transferring unsecured refinancing or Pfandbriefe or other covered bonds of group companies for refinancing purposes. The concept envisages that the group companies will support the portfolios and provide further services for the FMS Wertmanagement. In parallel with the above, the necessary IT infrastructure is to be established and the processes are to be separated.

In the first half of 2010, two further non-strategic locations (Singapore and Nicosia) were closed, and previously duplicate office locations in Tokyo were concentrated in one location.

The business and IT transformation program New Evolution successfully put projects into production as scheduled in the first half, e.g. a credit limit system used throughout the Group, personnel management software based on SAP and the implementation of the accounts statistics and interest statistics requirements specified by the bank regulator.

New remuneration system for employees The regulatory climate and the resultant requirements applicable for remuneration in the finance industry have meant that the existing remuneration systems for employees will also have to be fundamentally revised in the HRE Group. The new system will focus on the new regulatory and legal requirements as well as the requirements of owners in addition to the need to harmonise the remuneration approaches in the HRE group companies which have not been uniform as a result of historical reasons. All major committees have approved the new remuneration system. Implementation will start in the second half of 2010.

Ratings The following major rating actions took place with regard to the ratings of both the bank and covered bonds in the first half of 2010 and up to 3 August 2010.

In April 2010, as a result of the introduction of the new rating methodology for covered bonds, a methodology which (amongst other things) links the covered bond rating to that of the bank, Standard & Poor's downgraded the ratings of Deutsche Pfandbriefbank for public sector personnel expenses and mortgage Pfandbriefe, of DEPPFA ACS Bank for asset-covered securities and of Hypo Pfandbriefbank International for Lettres de Gages; these ratings were all downgraded from AAA and continue to be under review. In July 2010, Moody's completed the review of Irish asset-covered securities at DEPPFA ACS Bank and downgraded these ratings by one notch from Aa2 to Aa3. The current ratings of the Group's covered bonds are shown in the table below.

Personnel On November 10, 2009, the Supervisory Board of HRE Holding appointed Dr. Bernhard Scholz to the

Overview of the ratings of group companies and covered bonds as of 3 August 2010

| | | Standard & Poor's ¹ | Moody's | Fitch |
|---------------------------|------------|--------------------------------|------------------|------------------|
| Group companies | Long-term | BBB | A3 | A- |
| Group companies | Short-term | A-2 | P-1 | F1+ |
| Group companies | Outlook | Credit Watch Positive | Negative | Stable |
| Public Sector Pfandbriefe | | AA+ ² | Aaa | AAA |
| Mortgage Pfandbriefe | | AA+ ³ | Aa3 | AA+ ³ |
| Asset Covered Securities | | AA ² | Aa3 ³ | AAA |
| Lettres de Gage Publiques | | AA ³ | – | – |

¹ Ratings for Hypo Pfandbrief Bank International S.A. and its Lettres de Gage are issued only by Standard & Poor's

² Credit Watch Developing

³ Credit Watch Negative

Management Board with effect from 1 January 2010. He is responsible for the business segment Real Estate Finance, and since 19 July 2010, additionally for Public Sector Finance. The terms of his employment agreement which has been concluded for a period of five years (1 January 2010 to 31 December 2014) are equivalent to those applicable for the other members of the Management Board.

In the joint meeting of the supervisory boards of HRE Holding and Deutsche Pfandbriefbank AG of 25 March 2010, Dr. Axel Wieandt offered to resign from his offices in the HRE Group. The members of the supervisory boards accepted this offer in the same meeting. Dr. Axel Wieandt also laid down his mandate as non-executive Director of DEPFA Bank plc with effect from 25 March 2010. His employment with HRE Holding terminated with effect from 30 April 2010 as a result of the cancellation agreement of 21 April 2010. As a result of the termination of his mandate on the Management Board and the cancellation of his employment agreement, Dr. Axel Wieandt received his bonus claims of € 375,000.00 which he had earned for the period 1 January 2009 to 31 March 2009 and which had been guaranteed (on a pro-rata basis) in the employment agreement of 17 October 2008. No severance payment was made.

On 25 March 2010, the Supervisory Board appointed Manuela Better as chairperson of the Management Board of HRE Holding and Deutsche Pfandbriefbank on an interim basis. She will continue to carry out her duties as Chief Risk Officer. She will also perform the

function of chairperson on the Board of Directors of DEPFA Bank plc.

1.3.2. Company-specific conditions HPBI has responded to challenging conditions which continue to exist on the money and capital markets, the uncertainty regarding the future of HRE and closely related the future of HPBI by exercising a continuing conservative approach with regard to new lending business and issuing activity.

In the first half of 2010, the Bank again focussed on ensuring liquidity at all times. Because of the high quality of its investment portfolio, the Bank was able to secure most of its liquidity requirement within the framework of repo and tender transactions.

Because of the extent to which it is integrated in the Group, HPBI was not able to escape the negative implications of the financial market crisis and the related impact on HRE. Access to unsecured borrowing continued to be difficult in the first half of 2010. As a result of the good quality of assets, the Bank was able to utilise tender operations with the central bank to a greater extent and thus secure most of its refinancing.

The aid package of the German financial sector and SoF-Fin for the HRE Group (as described in point 1.3.1 in section "Measures designed to assure liquidity") continued to be utilised by HPBI in the first half of 2010 indirectly via DEPFA Bank plc and Deutsche Pfandbriefbank AG.

Rating of public Pfandbriefe Due to the application of the new rating methodology by Standard & Poor's, which also involves placing a new focus on management of the maturity profile and also on linking the Pfandbrief rating to the bank rating, the ratings of public Pfandbriefe (Lettres de Gage publiques) of HPBI were downgraded to AA with a negative outlook on 16 April 2010 despite the fact that credit quality in the cover funds was unchanged. This rating was the best possible rating available for the Lettres de Gage publiques of HPBI under the new system.

The long-term rating for HPBI, together with all other entities of HRE, has been BBB with outlook "Review for upgrade" since 1 April 2009. The short-term rating has been A-2 with the outlook "Review for upgrade" since 1 April 2009.

Legal changes As the sole shareholder of HPBI, DEPFA Bank plc has not prolonged the comprehensive guarantee which expired on 31 May 2010; however, all issues which took place before 31 May 2010 continue to benefit from the guarantee.

In the first half of 2010, in the course of several meetings and circular resolutions, the Administrative Board of

HPBI deliberated the transactions which are reportable in accordance with the articles of incorporation and rules of procedure of the Bank, and took relevant decisions in this respect. The main subjects in this respect were not only the adoption of the annual financial statements 2009 but also the continued existence of the Bank as a going concern, its strategic prospects as well as the disposal of non-strategic assets.

Ms. Daniela Obermeier stepped down from management of HPBI on 12 May 2010.

Mr. Hagen Schmidt laid down his positions as a member of the Administrative Board and management of HPBI as of 30 June 2010.

Dr. Matthias Achilles was appointed to the Administrative Board on 31 March 2010. He commenced his activity as a member of management of HPBI on 13 May.

Management at all times comprehensively and promptly notified the developments in the Group and in the Bank to the local regulatory authorities (Commission de Surveillance du Secteur Financier, CSSF and Banque Centrale du Luxembourg, BCL) as well as the external auditors and trustees.

2. Economic report

2.1. Development in earnings

The development in earnings in the period between 1 January and 30 June 2010 was characterised by the declining holdings in core business as well as the increased liquidity costs of refinancing. Accordingly, net income of € 2.2 million was € 5.5 million lower than the corresponding previous year figure (€ 7.7 million).

Net interest income declined by € 5.7 million compared with the corresponding previous year figure, because the exceptional earnings situation in money market operations during the previous year period no longer existed in the reporting period.

Net commission income deteriorated by € 1.2 million to € -1.6 million, mostly caused by fees of € 1.4 million for the financing facilities provided by SoFFin, which were recognised in the income statement.

General administrative expenses increased slightly to € 2.0 million. Whereas personnel expenses declined by a further 6.4 %, the other administrative expenses increased – particularly for consultancy services within the framework of the restructuring projects. The cost-income ratio in the period under review was 34.1 % (30 June 2009: 17.1 %).

| Profit and loss account in tabular form | | | |
|---|--------|-------------------|-------------------|
| in thousand € | | | |
| | | 30.06.2010 | 30.06.2009 |
| Net interest income | | 5,650 | 11,305 |
| Net commission income | | -1,644 | -418 |
| Net income from financial transactions | | 300 | 144 |
| Personnel expenses | -646 | | -690 |
| Other administration expenses | -1,322 | | -1,183 |
| Depreciation on property, plant and equipment | -61 | | -78 |
| General administrative expenses | | -2,029 | -1,951 |
| Other operating income / expenses | | 186 | 685 |
| Operating result before provisions for losses on loans and advances | | 2,463 | 9,765 |
| Capital gains / losses from asset holdings | | 2 | -5 |
| Provisions for losses on loans and advances | | — | -500 |
| Operating result after provisions for losses on loans and advances | | 2,465 | 9,260 |
| Tax | | -314 | -1,567 |
| Result for the reporting period | | 2,151 | 7,693 |

2.2. Development of net assets

Total assets of HPBI amounted to € 7,843 million as of 30 June 2010 (compared with € 8,054 million as of 31 December 2009).

Loans and receivables including securities amounted to € 6,935 million. This is equivalent to a decline of 2.2 % compared with 31 December 2009 (€ 7,091 million).

The Bank has not acquired or sold any securities or bonds during the period under review. Derivative financial instruments are used for hedging against risks attributable to market changes.

All securities are classified as investments, and are valued in accordance with the mitigated principle of measurement at the lower of cost or market value (adjusted). It was not necessary for any allowances to be recognised as a result of impairments which were of a probably permanent nature.

2.3. Development in the financial position

Refinancing funds amount to € 7,532 million. Compared with the end of the previous year (€ 7,725 million), this represents a further reduction of 2.5 %.

Registered Lettres de Gage with a nominal value of € 115.5 million were recognised in the first half of 2010. Pfandbriefe with a nominal value of € 761.8 million (previous year period: € 1,390 million) finally matured. No public Pfandbriefe were repurchased and retired in the period under review.

Equity amounted to € 125.9 million as of the reporting date, compared with € 123,8 million at the end of the previous year.

Regulatory ratios HPBI also has sound capital backing for regulatory purposes as of 30 June 2010. Liable equity increased from € 155.6 million as of 31 December 2009 to € 159.5 million. The equity ratio (minimum 8 %) was 15.7 % in mid-2010; the core capital ratio was 12.4 %.

Liquidity HPBI has always complied with the liquidity principles defined by the regulatory authorities. The ratio relates the liquid assets to the liabilities which are due. Liquidity is considered to be sufficient if liquid assets cover at least 30 % of the due liabilities. For the Bank, this ratio amounted to 50.7 % as of the reporting date (previous year: 47.3 %).

3. Risk report

3.1. Organisation, responsibilities and duties

As a member of HRE, HPBI is integrated in the methods / procedures of risk identification, measurement, limiting, controlling and management of the Group. Risk Controlling of the Bank monitors risks within the framework of these specifications and the local regulations. This entity, which reports directly to the member of management responsible for back-office operations, has the following core duties:

- Daily risk measurement and monitoring of the market, credit, counterparty, FX and liquidity risks (essentially on the basis of a value-at-risk approach)
- Daily calculation of the economic result
- Independent control of the parameters used for measuring risk and results
- Implementation of the management concepts specified by central Risk Controlling (in particular ICAAP)

In order to monitor and manage the individual risks, the Bank has set up appropriate reporting channels and management measures which ensure that not only management and the Administrative Board but also other levels within HRE are notified.

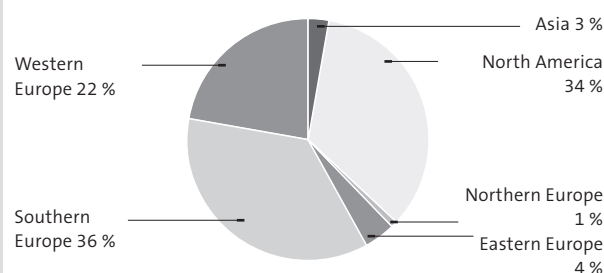
3.2. Risk measurement, control and management of major risk types in HPBI

3.2.1. Credit risks These risks comprise credit, counterparty, issuer and country risk, and define the potential loss in value which may occur as a result of the default or downgradings of customers in lending business, issuers of borrowers' note loans and securities as well as counterparties of money trading, security and derivative transactions.

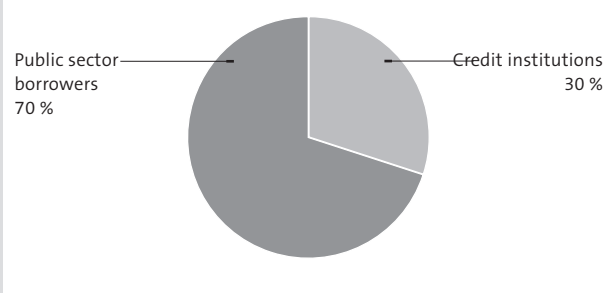
Credit risks are almost exclusively attributable to public sector borrowers and banks in OECD member countries. The utilisation of all credit lines is available online, based on market values, for each individual counterparty, and also on an aggregate basis.

The breakdown of the credit portfolio as of 30 June 2010 is shown in the following:

Breakdown of the credit portfolio according to regions



Breakdown of the credit portfolio according to borrowers



The organisational measures and the functional segregation of the credit processes not only ensure compliance with the legal conditions in Luxembourg; they also ensure that the Bank, as a member of HRE, also complies with the German Minimum Requirements for Risk Management (MaRisk).

Counterparty risks are defined as possible losses of value affecting interest rate and foreign currency derivatives and futures. Most of these transactions are carried out as hedge positions as part of asset/liability management. A value-at-risk approach based on a mark-to-market method and also based on potential future replacement costs is used for measuring the counterparty risk throughout the Group; The Group is exposed to external counterparty risks in derivative, security and money trading transactions with financial institutions, central banks and supranational organisations with above-average ratings on the basis of the assessment of external rat-

ing agencies and also on the basis of internal rating procedures which are used. In order to reduce the derivative-related counterparty risk, the Bank uses framework agreements with its business partners which enable contracts covered by the framework agreement to be pooled into a net receivable if the counterparty fails to meet its obligations (so-called close-out netting). In order to reduce risk further, collateral agreements are taken out in certain cases which may result in the cancellation of transactions if the counterparty fails to comply with a request to provide collateral.

HRE defines country risk as the risk of possible transfer and conversion problems encountered with contract partners domiciled abroad. The risk arises from the fact that a borrower who is fundamentally willing and able to pay is not able to meet his payment obligations if, as a result of government action, he is not able to obtain foreign currency or transfer assets to persons not resident in the territory. Risk Controlling is responsible for ongoing monitoring of country risks. Country risks are monitored by credit risk management on the basis of country limits. Depending on the results of the internal rating process of HRE, limits which restrict business activities are defined for

- Each individual country and
- Groups of countries in certain rating ranges;

All country ratings and country limits are reviewed at least once every year by Risk Management Committee of HRE. The internal risk assessments are also regularly compared with the assessments of the main rating agencies.

3.2.2. Market risk Market risk is defined as the potential loss which may be incurred as a result of changes in prices on the financial markets – due to changed market risk factors (in particular interest rates, exchange rates volatilities). All lending business, all own issues, all securities held as investments and liquidity instruments as well as all derivative transactions are taken into consideration for this purpose at all banks at HRE.

Within interest rate risks, a distinction is made between general and specific interest rate risks (credit spread risks). The former measure the potential changes in the present value of positions in the event of shifts of the no-risk interest rate curve (swap curve). The measurement of credit risk spreads takes account of potential

changes in present value if there are any changes in the rating mark-ups priced into the prices of securities and derivatives.

Currency risks at HPBI are to a large extent hedged, as is the case with all banks within HRE, and are accordingly present only to a limited extent.

HPBI uses value-at-risk approaches for daily quantification of the market risks. These determine a potential loss on the assumption that a position is held for ten days and also on the assumption of a confidence level of 99 %. The period of observation for historical data is 250 trading days. The value-at-risk is calculated daily by Risk Management & Control and reported to management, the Administrative Board and the responsible bodies in HRE. The value-at-risk for general interest rate risks was € 3.3 million as of 30 June 2010 (end of 2009: € 3.4 million); for the general FX risks, it was € 0.5 million (end of 2009: € 0.5 million).

Daily calculation, limitation and reporting of value-at-risk and the actual changes in present values which occur are complemented by regular stress testing. Whereas the value-at-risk measures the market risk under “normal” market fluctuations, the simulation of stress scenarios also measures the potential changes in present values under very extreme and unusual market movements, so that the continued existence of the company as a going concern can also be guaranteed at all times under these conditions. The measured market risk was within the “normal limits” even under these conditions.

Accordingly, the CSSF circular 08/338 of 19 February 2009 specifies that a stress test has to be carried out every six months for credit institutions and security companies constituted under the law of Luxembourg. The interest rate scenario to be used corresponds to an increase and decline of 200 basis points for all interest rates. For HPBI, the potential change in present value for general interest rate risks as of 30 June 2010 was € -19.7 million for the above increase in rates and € 26.4 million for the above decline in rates.

HPBI is not exposed to other market risks, e.g. equity risks or inflation risks.

3.2.3. Liquidity risk The overriding aim of managing liquidity risks is to ensure the unqualified solvency of the Bank at all times. In accordance with the internal limit system, probable payment inflows and outflows and possible liquidity-procuring measures, the so-called liquidity position, must be at least balanced at all times on each of the following five days. This is determined daily with due consideration being given to conservative haircuts; it is monitored by Risk Controlling and reported to management and the Group offices which are responsible for risk monitoring. However, it has not been possible for these requirements to be met at all times since the financial market crisis has been becoming more serious since the end of September. Since that time, the local regulatory authorities have been informed of the liquidity situation of the Bank at least once a week (and occasionally also on a daily basis).

In addition, a liquidity preview covering 90 days is prepared (independently of trading activities) in order to identify any additional short-term re-financing needs at an early stage. This preview is used as the basis of active and forward-looking liquidity policy. In addition, a liquidity status based on the rolling 30-day horizon is also drawn up and reported daily; this comprises all future cash flows as well as the liquidity potential attributable to the securities which are not tied up as cover funds, and also permits precise liquidity management.

For short-term liquidity procurement, HPBI is reliant on tender/repo transactions – indirectly via DEPPFA Bank plc., Dublin and Deutsche Pfandbriefbank AG, Munich – and also on the package of aid provided by the German finance industry and SoFFin.

3.2.4. Operational risk / business risk HRE defines operational risk as the risk of losses caused by errored internal processes, human error, technology failure or external events. This definition includes legal risks. The business risk comprises the risk of losses arising from changes in the external business environment with a negative impact on the business model of the Bank.

Because all areas of the Group may be affected by operational risks, the Group has implemented a Basel-II-compliant framework for uniformly identifying and

managing these risks. This framework is applicable throughout the Group, and comprises the Group policy regarding the perception of this type of risk and also ways in which to proactively counter this type of risk, and also comprises roles, responsibilities, processes and instruments.

Identification, analysis and management are the responsibility of the individual segments in the banks. Operational risk events are therefore recorded locally in the loss database in accordance with specifications which are uniform throughout the Group. HPBI did not have to report any such instance in the first half of 2010.

3.2.5. ICAAP In 2010, the ICAAP (internal capital adequacy assessment process) again determined the overall risk position by way of aggregating major risk types and comparing this risk position with the risk cover funds in order to check the risk-bearing capacity of the Bank. In the Group, this process is the responsibility of the Risk Management & Control – Risk Methods department of Deutsche Pfandbriefbank AG, Munich.

The economic capital is used as the main parameter for measuring the aggregate risk positions and the capital base. It is defined as the capital necessary for maintaining a specific target rating over a one-year horizon (as of 30 June 2010: “A” and thus a confidence interval of 99.95 %).

The aim of the Group is to ensure that the level of equity and instruments which are similar to equity is such that it exceeds the economic capital at the Group level with a reasonable level of confidence.

The economic capital for HPBI contains the risk types described above. Where possible and meaningful, a statistical method, in general a value-at-risk method, is used for the risks. The methods which are used are standard in the sector and are constantly evaluated and adjusted by way of taking part in surveys, reviews and exchanging information with other market participants.

By far the most significant risk facing HPBI are the effects of increasing spread risks, as already reflected in the valuation of securities (see point 3.2.2).

Stress tests extend this approach in order to permit sound regulatory and economic management. The stress tests which are relevant for HPBI comprise

- Downgrade scenarios for the main counterparties
- Quality scenarios for counterparty risks
- Operation risk / business risk scenarios
- Funding scenarios

The results of the Group-wide ICAAP and the stress test are submitted for approval to the Group Management Board and Risk Committee of HRE every month. Every quarter, a specific ICAAP for HPBI is submitted to local management and is presented and discussed in the Administrative Board meetings.

4. Forecast report

4.1. Macro-economic situation

Following the considerable contraction of the world economy in 2009, which had not been experienced to that extent since the World Economic Crisis, economic forecasts for the whole of 2010 are predicting positive, albeit mostly moderate growth rates. At present, growth of 1.2 % is being predicted, and the corresponding predictions for the EU and the USA are 0.8 % and 3.3 % respectively. Only the Asian economies will probably be able to return to the growth seen before the crisis of 2008/2009, with growth of 5.9 %. Growth rates which are moderate in terms of a historical comparison are also being forecast for a longer time horizon world-wide. In many countries, particularly in Europe, it will probably be several more years before economic activity can return to the level seen before the crisis.

When making these predictions, it is necessary to take account of the risks which are still unusually high. Such risks relate to confidence in currencies, the sustainability of national fiscal policies and, in the final analysis, the solvency of highly indebted governments, and also confidence in the financial sector in general. It is necessary to consider the question of the extent of the financial market regulation which is expected to be implemented in many countries, and particularly in Europe. Because many measures in this particular field are only genuinely effective in conjunction with uniform treatment throughout the world, considerable differences of opinion, particularly between the USA and Great Britain on the one hand and the other European countries on the other - have so far prevented any far-reaching tightening of regulation. A further risk is that one of the European countries might indeed experience

payment difficulties, and the rescue facility adopted in May 2010 would have to be activated, with corresponding problems for the other countries.

A major component behind the uncertain and relatively moderate outlook is the expiry of the fiscal measures which are intended to support the economy and which were mostly adopted at the end of 2008. In particular, the debt problems in Greece have meant that many governments intend to, or indeed will have to, adopt a strict policy of savings. The overriding intention of this reorientation is to maintain or restore the confidence of the financial markets in the sustainability of state solvency. A corresponding declaration of intent was achieved by the G20 states at their summit held in Canada at the end of June. The reason why it is so difficult to predict the impact on the economy is that the negative effect of a reduction in state demand has to be offset against the positive effect resulting from (the perception of) greater sustainability of state budgets.

The fears of inflation which have occasionally been expressed recently can be considered to be relatively without foundation for at least the short and medium term. It is true that, until May 2010, the practise of the ECB since that time of directly purchasing government securities is explicitly not included in the range of instruments. However, it is not possible to speak of "government spending being financed by printing money" because only the ECB is responsible for taking decisions with regard to the nature, extent and duration of these exposures. The available indicators in the Euro zone are therefore also pointing in the medium term to inflation expectations in line with the ECB's target, i.e. just below 2 % per annum.

4.2. Sector-specific situation

Overall situation of the bank sector The bank sector is still facing major challenges in the second half of 2010. However, the extent of such challenges depend on future economic developments and also on the extent to which the money, capital and currency markets will settle down or return to normal. Whereas investment banks might again benefit in the second half of the year particularly from the economy returning to normal, most traditional credit institutions will have to cope with a high volume of loans which are to be refinanced but for which the parameters have not yet returned to the level seen before the point at which the loans were originally extended. The real estate markets which have not yet recovered and other high-risk assets in particular might result in further problems in this sector. Banks will respond to this situation by intensifying their restructuring methods. If there is no improvement in the ratings of the countries which are currently the focus of attention, it will be necessary for further collateral to be provided for such bonds in the bank portfolios.

Public sector financing In the strategic core markets of HRE, such as Germany, France, Italy and Spain, local and regional credit institutions have assumed the main role in the public sector financing market. They will use the second half of 2010 to shape the markets according to their needs. In France and Germany, this will result in lower margins only initially. In other countries such as Spain and Italy, discrepancies are expected in the second half of 2010 between the margins which external banks and investors hope to achieve and the margins for public sector loans which will be offered by local providers (in particular government-owned credit institutions).

Even if the financial requirement will remain at a high level, the self-imposed measures in many European countries designed to reduce the high budget deficits have had an impact on demand. In Spain, demand will be limited by a recently imposed ban on Spanish municipalities raising new debt, and this is likely to have a positive impact on the positioning of other investors in other market segments. For the second half of the year, it remains to be seen to what extent the countries which are currently the focus of attention will make progress with the consolidation efforts, and whether this will be recognised by the capital markets in the form of higher prices for the

government bonds of these countries. The greater the progress achieved in this respect, the greater will be extent to which banks with large state finance portfolios will benefit.

Refinancing markets The refinancing markets have been very volatile in recent months. The future development depends on the overall market and specific factors in the individual markets. Individual markets will probably continue to selectively achieve a stable development – particularly if the government support programs take effect. The focus in this respect is on the ECB program for buying up government bonds. The more stable markets will probably also include the Pfandbrief market, even if the ECB program for buying up covered bonds has expired in this respect. However, in view of the current volatilities, it is questionable whether it will be possible for the risk premiums in the market for unsecured bank issues to stabilise further or even decline. Moreover, it is not likely that there will be a very rapid increase in the volumes on the money market. Overall, it is possible that there might be longer-term problematical phases for specific sub-markets or the overall market.

The debt situation of the so-called peripheral countries in the Euro zone is the crucial factor which will determine the further development of interest rates in the second half of the year. As long as the future budget deficits are not reduced in a credible and sustainable manner, it is likely that the yield spreads of these countries compared with the swap market will continue to widen. In this context, it is likely that the ECB will hold leading interest rates at a low level for longer than originally expected, which means that rates at the short end of the market will not move.

Nor are there any indications of any significant changes in rates at the longer end of the swap market in the near future. Interest rates are currently at historically very low levels. A continuation of positive economic data might lead to higher long-term rates in the medium term and might thus result in a steeper slope of the rate structure curve.

4.3. Group and company-specific situation

4.3.1. Group-specific situation The forecasts for the future development of HRE 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 companies in HRE continued to be threatened in the first half of the year 2010.

The HRE Group continues to assume that it will be able to continue its activities as a going concern under the following conditions (exogenous factors / endogenous factors); based on a careful assessment using the information available, the Management Board currently considers that the existence or occurrence of such conditions is mostly probable.

External factors

- HRE will receive further essential liquidity support from SoFFin both in terms of timing and also in terms of overall volume. In addition, HRE will receive adequate capital support from SoFFin in order to strengthen its capital base. These support measures will be provided subject to viable conditions.
- HRE will be given the possibility of winding down assets without a severe impact on value and of transferring balance sheet items to a deconsolidated environment.
- No legal reservations, especially EU legal actions, against the liquidity support from SoFFin and the strengthening of the capital base provided by SoFFin and the transfer of assets to the deconsolidated environment will be successfully enforced.
- The climate on the capital market will begin to stabilise, in particular, there will be no further serious deterioration of the financial market crisis with unforeseeable consequences, for instance triggered by external shocks such as the collapse of 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 the Group's existence.

- The interbank market and other short-term unsecured refinancing markets as well as the long-term secured and unsecured refinancing markets continue to recover. The ratings of the companies in HRE will stabilize or recover slightly. The support can be covered by own funding in the following years.

Internal factors

- HRE further succeeds in regaining the confidence of customers and successfully writes new business with adequate volumes and adequate margins.
- The process of implementing the restructuring of HRE with the aim of enhancing efficiency and profitability and streamlining overall procedures will not be the subject of any major delays or obstacles.
- The work-out or restructuring of non-performing loans throughout HRE can be carried out essentially as planned at present.

HRE is able to keep and / or to hire staff in key positions despite specific restrictions, for example on compensation.

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 HRE Holding by way of adequate recapitalisation and Deutsche Pfandbriefbank AG by further sufficient extensions of guarantees. The German Finanzmarktstabilisierungsfonds renewed its statement of intent on 6 November 2009. In particular, the German Finanzmarktstabilisierungsfonds has confirmed that it will provide adequate capital to ensure at least the continued existence of HRE Holding and its main subsidiaries as going concerns as well as the necessary viable business model, particularly that of Deutsche Pfandbriefbank AG. The support which HRE overall receives from the federal government depends on the result of a final review as to whether a deconsolidated environment will be established for non-strategic or non-performing assets of HRE. In addition, the German Finanzmarktstabilisierungsfonds will provide further guarantees to assure the liquidity of the Group. These as well as all further measures are conditional on meeting the aid law requirements of the EU Commission.

As the first step towards recapitalising HRE, the German Finanzmarktstabilisierungsfonds took up 20 million HRE Holding AG 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 around 986.5 million shares were issued at the nominal value and legal minimum price of € 3.00 specified in the articles of incorporation. Only SoFFin 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, SoFFin held 90 % of the company's share capital. On 5 October 2009, a resolution for transferring the shares of the minority shareholder to SoFFin was adopted at an extraordinary general meeting. The Amtsgericht (local court) Munich entered the transfer resolution on the commercial register on 13 October 2009, so that SoFFin became the only shareholder of HRE Holding. As the third step in the recapitalisation process, HRE received a further capital contribution of a total of € 3.0 billion from SoFFin in November 2009. This tranche consists of a silent participation of € 1.0 billion to Deutsche Pfandbriefbank AG, a contribution of € 1.3 billion to the reserve of Deutsche Pfandbriefbank AG and a contribution of € 0.7 billion to the reserve of HRE Holding.

As the fourth stage of recapitalisation, HRE received the commitment from the Financial Market Stabilisation Fund SoFFin for the next recapitalisation tranches of up to € 1.85 billion on 30 April 2010. The capital is to be paid in at least two tranches into additional paid-in capital of HRE as required. This capital measure still has to be given final approval by the EU Commission. In an initial tranche, a figure of € 1.4 billion was paid into the additional paid-in capital of HRE Holding on 20 May 2010.

HRE Holding and Deutsche Pfandbriefbank AG have provided a commitment to the German Finanzmarktstabilisierungsfonds that they will take the necessary steps for implementing the recapitalisation process.

Risks threatening the existence of the Group as a going concern The future existence of HRE Holding as a going concern is dependent on the assumption that sufficient equity will be provided to HRE Holding and its significant subsidiaries even in the event of defaults and impairments recognised in relation to receivables and securities as a result of the financial crisis affecting individual states and corporations, to fulfil regulatory capital requirements as well as to avoid a situation of sustained over-indebtedness. External liquidity support is necessary in order to avert insolvency as a result of the illiquidity of the significant subsidiaries of HRE Holding or HRE Holding itself. This liquidity support must be made available until Hypo Real Estate Holding and its major subsidiaries are able to obtain sufficient liquidity on an independent basis on the money or capital markets and until the adopted restructuring measures and also the recapitalisation process have been implemented as planned.

In order to ensure the continued existence of HRE Holding and its significant subsidiaries as a going concern, it is therefore still necessary that

- the Finanzmarktstabilisierungsfonds (SoFFin) provides adequate equity support,
- SoFFin and the Deutsche Bundesbank maintain their liquidity support and, if necessary, also provide further liquidity aid,
- refinancing subject to viable conditions is increasingly obtained via the money and capital markets,
- the restructuring measures will be implemented as scheduled,
- the relevant authorities do not take any regulatory measures,
- no legal reservations (especially EU legal proceedings) are / will be successfully enforced.

Development in earnings HRE has reported a negative pre-tax profit / loss for the first half of the year 2010. However, pre-tax profit / loss was better than the corresponding figure for the first half of 2009 which reflects signs of a stabilisation of HRE. HRE expects that earnings will continue to be negatively affected in future, resulting in an ongoing loss-making situation. The extent of the expected loss-making situation will in particular be influenced by the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise.

- The extent of the existing portfolio will decline as a result of streamlining and disposals as well as the planned transfer of assets and liabilities to a deconsolidated environment, with a resultant negative impact on net interest income. In addition, the negative market values which might result in the case of disposals would depress net interest income or net income from financial investments.
- HRE will continue to be very much dependent on liquidity support provided by SoFFin at least until the assets and liabilities are transferred to the deconsolidated environment. The corresponding costs will have a very negative impact on net commission income. In the second half of 2010, the additional guarantee means that the costs of liquidity support will probably exceed the figure from the first half of the year. However, the costs would decline as a result of assets and liabilities being transferred to the deconsolidated environment.
- In accordance with IAS 39, changes in the market values of trading portfolios have to be recognised directly in the income statement. The difficult situation affecting some markets has meant that there have been considerable fluctuations in the values of the trading portfolios, and these have declined in previous periods. Net trading income may also be very much affected and may be very volatile in the second half of 2010. For instance, the development in the market value of the Halcyon and Pegasus portfolios is also dependent on the development of spreads within the CMBS market. Default risks and other deteriorations in market conditions may also result in lower fair values of customer derivatives and other trading portfolios. The planned transfer of assets and liabilities to the deconsolidated environment would reduce the potential losses and the volatility.
- Net income from financial investments may be affected by additional impairments recognised in relation to securities. For instance, further widening of credit spreads and a deterioration in the security pool might result in additional impairments in relation to the CDOs which are still held in the portfolio. It may also be necessary for impairments to be recognised in relation to the holdings which have been reclassified as loans and receivables whereas previously they had been classified as available for sale in accordance with IAS 39. The potential impact on earnings will be considerably reduced, because a significant percentage of the holdings is to be transferred to the deconsolidated environment.
- The difficult situation on some markets and the uncertain macro-economic situation might result in significant impairments recognised in relation to receivables. It is probable that considerable impairments will again have to be recognised in relation to Real Estate Financing in the second half of 2010 mainly as a result of the difficult economic conditions on the commercial real estate markets. Overall, provisions for losses on loans and advances will probably continue to be at a higher level in the second half of 2010. HRE intends to transfer some holdings to the deconsolidated environment, which would probably reduce additions to provisions for losses on loans and advances.
- High fiscal deficits mean that refinancing has become much more difficult for some states; in certain cases, refinancing is only possible with external assistance. It is possible that some states might not be able to service their interest and repayment obligations. In such a case, it might be necessary for considerable impairments to be recognised in relation to securities or loans, and this would mainly have an impact on net income from financial investments and provisions for losses on loans and advances.
- The restructuring of HRE and the harmonisation of the IT infrastructure and processes will result in further costs which will mainly have an impact on general administrative expenses.
- The establishment of a deconsolidated environment with a subsequent transfer of assets will result in additional consultancy service costs and other administrative expenses also in the second half of 2010. Requirements from the European Commission possibly include a service and user fee for the deconsolidated environment.
- Litigation which is currently pending and which might become pending in future might have a considerably negative impact on the results of HRE. This litigation relates mainly to lawsuits of former shareholders on the grounds of alleged inaccurate capital market information, lawsuits in conjunction with the ad hoc releases of 15 January 2008 and the liquidity of DEPFA Bank plc, lawsuits of former shareholders against the capital increase adopted in the extraordinary general meeting on 2 June 2009, lawsuits of former shareholders against the squeeze-out adopted

in the extraordinary general meeting on 5 October 2009, lawsuits of former members of the Management Board with regard to payment, lawsuits of employees with regard to payment of variable compensation for the years 2008 and 2009, and lawsuits of some local authorities for damages.

- As a result of the rating downgrades, several ISDA master agreements as well as guaranteed investment contracts have been terminated or could be terminated in the future; this has resulted in additional costs due to premature contract termination and may also result in costs to repurchase hedges. Further rating downgrades would result in further terminations of ISDA master agreements. The Bank might also incur additional costs as a result of the limited choice of counterparties due to their current long-term ratings.
- HRE is exposed to operational risks as a result of its restructuring, such as the reliance on key positions, technology risks due to the large number of entry systems, increased staff fluctuation levels and risks in connection with change management activities. These risks might result in major losses.

Development in assets The development in assets of HRE will in particular be affected by the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise.

- If the credit spreads of states and banks widen further, the value of the securities issued by them will decline. HRE has reclassified most of the available-for-sale securities into the measurement category “Loans and receivables” in accordance with the amendments to IAS 39 “Reclassification of Financial Assets” which was published in October 2008. However, for the remainder of the available-for-sale securities, widening of credit spreads would have a further negative impact on the market values and therefore on the AfS reserve. The risk would be reduced by transferring the assets to the deconsolidated environment.
- The portfolio will probably significantly decline as a result of streamlining or disposals, and the possible transfer of assets and liabilities to a deconsolidated environment; this is in line with the process of focussing on functioning group areas of activity. Together with the loans and advances, the corresponding provisions for losses on loans and advances would also be transferred to the deconsolidated environment.

es would also be transferred to the deconsolidated environment.

- The difficult situation and the subsequent action taken to stabilise HRE have resulted in debates on the political scene, in the media and in the public. Overall, the image of HRE has suffered. Even if success has already been achieved as a result of the Bank re-entering markets, it is possible that there may be negative consequences for future business and customer relations.

Development in the financial position The development in the financial position of HRE is particularly influenced through the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise.

- The support measures received and the establishment of the deconsolidated environment are being reviewed by the EU Commission in the ongoing state aid proceedings. In its final decision, the European Commission will very probably impose some major covenants on HRE, including a major reduction in the balance sheet total and the commitment of a timeline for reprivatizing Deutsche Pfandbriefbank AG. However, if the European Commission concludes that the state aid is not consistent, or is not completely consistent, with the EC Treaty, it is possible that it might oblige Germany to suspend or restructure this aid by a certain deadline, or it may order the aid to be repaid.
- The refinancing of HRE will continue to be reliant on the support measures provided by SoFFin, at least until the assets and liabilities are transferred to the deconsolidated environment. The repayment of the support measures will depend on various factors, including the access of the Deutsche Pfandbriefbank Group to the refinancing markets and its rating.
- HRE has issued irrevocable loan commitments and liquidity facilities. Drawings may result in additional outflows of liquidity. In addition, further rating downgrades would result in further terminations due to ISDA framework agreements, and this may lead to outflows of liquidity. Transferring the items to the deconsolidated environment would lower the risk.
- The capital backing of HRE Holding and its subsidiaries has improved as a result of the support provided by SoFFin. In the second half of the year 2010, IFRS equity and the regulatory core capital may

decline again as a result of the factors detailed above. Based on the assumed support measures by the German Finanzmarktstabilisierungsfonds, it is expected that there will be no doubt concerning the ability of HRE to continue its operations as a going concern.

- At present, the regulations of the Basel Committee on Banking Supervision are being revised under the designation Basel III. The aspects which are being discussed are tighter regulations with regard to capital backing by way of raising minimum capital ratios. In addition, a new capital ratio which is not related to the risk weighting of the assets is to be introduced in the form of the so-called leverage ratio. There are also plans for new parameters for measuring liquidity backing. For HRE, the revised regulations might result in a higher requirement for shareholders' equity and liquidity. Profitability might also decline as a result of the higher capital requirement.

The new business model may be an opportunity for HRE. Numerous competitors in the field of public sector finance are affected by the financial market crisis. In the field of commercial real estate financing, many competitors will probably also withdraw from the market or will be seriously weakened. The granting of loans is becoming more restrictive in general. In consequence, margins on the real estate financing market may rise. Globalisation of financial flows and investors of large-volume projects will appreciate a specialist commercial real estate financier such as HRE as a result of its special market and product knowledge, whose expertise is recognised on the market and who has succeeded in signing new business in 2009 and in the first half of 2010. Numerous competitors in the field of public sector finance have also been affected by the financial market crisis. The experience of HRE in Pfandbrief business may be an advantage. In this context, HRE will continue to search for market opportunities in the second half of 2010 and conclude new business with attractive margins. In line with overall strategy, the focus will be on Pfandbrief-eligible follow-up funding and newly acquired business in the Public Sector Finance and Real Estate Finance segments.

On 21 January 2010, and following liaison with SoFFin, HRE Holding submitted an application to the German Financial Market Stabilisation Authority (FMSA) for establishing a deconsolidated environment aimed at

reducing assets in a value-preserving manner. The deconsolidated environment FMS Wertmanagement AöR was founded on 8 July 2010. There is no legal right to transfer the assets; instead, any transfer of assets is subject to the discretionary authority of the FMSA. For HRE, the transfer may be an opportunity because non-strategic positions will be removed from the balance sheet and because core business can be freed up more quickly. On the other hand, operational risks and risks of losing reputation may arise in connection with the deconsolidated environment.

The result for the second half of 2010 will probably be considerably affected by further impairments in relation to receivables and securities and the costs of the liquidity support measures. In addition, the expenses arising in the course of the establishment of a deconsolidated environment with a subsequent transfer of assets will depress general administrative expenses and net income. Transferring assets to the deconsolidated environment, HRE is losing interest-bearing assets, which might put pressure on net interest income and similar income. HRE is assuming that it will also report a loss in the second half of 2010.

4.3.2. Company-specific situation HPBI has so far been integrated as a provider of public sector finance in the business model of the HRE Group, and has operated its segment profitably and with good regulatory capital backing.

The restructuring plan of the Group presented in December 2008 essentially comprises the simplification of the Group structure, which has to a large extent already been implemented, as well as concentration on business eligible for use as cover funds. As the next step in the direction of restructuring the Group, HRE Holding submitted an application to the German Financial Market Stabilisation Authority (FMSA) for establishing a deconsolidated environment aimed at reducing assets in a value-preserving manner; this application was submitted on 21 January 2010 with the approval of SoFFin. The deconsolidated environment has since been founded on 8 July 2010 under the name FMS Wertmanagement AöR. HRE intends to transfer to this deconsolidated environment those balance sheet items which are not strategically necessary for the refocusing of the Group. The transfer is expected to take place in the second half of

2010 after approval has been obtained from all necessary institutions and bodies, and is expected to comprise assets of the HRE Group with a volume of up to € 210 billion. However, there is no legal right to transferring the assets; on the contrary, any transfer of assets is subject to the discretion of the FMSA.

Although the core business of HPBI would essentially be compatible with concentrating on business eligible for cover fund purposes, it has not yet been possible for the future role of HPBI and thus the role of Luxembourg in the Group to be definitively defined, one of the reasons being that the review of the aid proceedings by the European Commission has not yet been completed. However, in order to prepare and facilitate a strategy refocusing, HPBI is also considering whether to transfer some of its assets and derivatives positions to the deconsolidated environment. In its meeting held on 28 January 2010, the Administrative Board of HPBI decided to support this project. However, the necessary committee resolutions regarding a possible transfer have not yet been taken at this time.

It will still not be possible for HPBI to independently refinance its operations via money and capital markets in the remainder of the financial year 2010. Accordingly, HPBI will continue to be dependent on internal refinancing within the Group until further notice. In view of the factors and risks detailed above, it is very difficult to make a reliable prediction concerning the future development of net assets, financial position and results

of operations. In particular however, HPBI expects to see an impact on its net interest income depending on the specification and definition of the extent of the transfer of its assets to the deconsolidated environment. The costs for the liquidity which has been made available to HRE and which has been forwarded to HPBI will continue to have a significant impact on the results of operations of HPBI in 2010. In addition, the results of operations of HPBI might also be affected by costs incurred for reviewing the transfer of assets to the deconsolidated environment, for instance consultancy services and other administration costs. Nevertheless, the general administrative expenses of HPBI will tend to be relatively constant in 2010. Despite the volatile markets for government bonds described in point 1.2 and despite the fact that bank analysts are critical with regard to some government paper, the Administrative Board and management consider that, on the basis of internal credit analyses, there is no need for any individual allowances to be recognised in relation to the loans and receivables of HPBI.

If some of the assets of HPBI are indeed transferred to the deconsolidated environment, there would be a corresponding reduction in the balance sheet total of HPBI. This would in particular also achieve a reduction of the reliance of HPBI on internal refinancing within the Group. Overall, HPBI expects that the streamlining achieved as a result of transferring some of its assets will tend to simplify its strategic refocusing.

5. Other information

No major events for the net assets, financial position and results of operations of last year have occurred since the reporting date.

Luxembourg, 31. August 2010

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Interim Accounts

Balance Sheet as of 30 June 2010

| Assets | | | |
|--|---------------|----------------------|----------------------|
| in € | | 30.06.2010 | 31.12.2009 |
| Cash in hand, balances at central banks and postal check offices | | 2,036,518 | 391 |
| Treasury bills and other bills eligible for refinancing with central banks | | 155,000,000 | 355,564,594 |
| Treasury bills and similar securities | 155,000,000 | | 355,564,594 |
| Loans and advances to credit institutions | | 626,760,243 | 537,416,662 |
| Municipal loans and loans guaranteed by public institutions | 488,945,607 | | 497,996,516 |
| Other loans and advances | 137,814,636 | | 39,420,146 |
| of which: payable on demand | 137,814,636 | | 39,420,146 |
| Loans and advances to customers | | 238,915,287 | 273,154,117 |
| Municipal loans and loans guaranteed by public institutions | 238,915,287 | | 273,154,117 |
| Other loans and advances | - | | - |
| Bonds and other fixed interest securities | | 5,914,010,430 | 5,925,165,414 |
| Public sector issuers | 1,778,668,961 | | 1,781,009,532 |
| Other issuers | 4,095,197,105 | | 4,104,568,713 |
| Own bonds | 40,144,364 | | 39,587,169 |
| Property, plant and equipment | | 120,753 | 181,590 |
| Other assets | | 11,572 | 31,477 |
| Prepayments and accrued income | | 906,317,738 | 962,881,515 |
| Total assets | | 7,843,172,542 | 8,054,395,760 |

| Liabilities | | | 30.06.2010 | 31.12.2009 |
|---|---------------|---------------|----------------------|----------------------|
| in € | | | | |
| Amounts owed to credit institutions | | | 2,597,765,882 | 2,369,378,187 |
| Issued public-sector registered Pfandbriefe | | - | | 5,000,000 |
| of which: with agreed maturity dates or periods of notice | | - | | 5,000,000 |
| Other liabilities | | 2,597,765,882 | | 2,364,378,187 |
| of which: payable on demand | | 530,000,000 | | 166,054,019 |
| of which: with agreed maturity or periods of notice | | 2,067,765,882 | | 2,198,324,168 |
| Amounts owed to customers | | | 1,602,096,661 | 1,582,796,661 |
| Other liabilities | | 1,602,096,661 | | 1,582,796,661 |
| Issued public-sector registered Pfandbriefe | 1,602,096,661 | | | 1,582,796,661 |
| Of which: with agreed maturity dates or periods of notice | 1,602,096,661 | | | 1,582,796,661 |
| Debts evidenced by certificates | | | 3,332,266,621 | 3,772,946,321 |
| Issued bonds | | 3,332,266,621 | | 3,772,946,321 |
| Public sector Pfandbriefe | 3,332,266,621 | | | 3,772,946,321 |
| Other | | - | | - |
| Other liabilities | | | 811,113 | 401,303 |
| Accruals and deferred income | | | 145,132,254 | 165,906,727 |
| Provisions | | | 5,160,971 | 5,178,933 |
| Provisions for taxation | | 449,900 | | 1,424,283 |
| Other provisions | | 4,711,071 | | 3,754,650 |
| 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 | | | 42,787,628 | 40,321,842 |
| Profit for the financial period | | | 2,151,411 | 2,465,786 |
| Total liabilities | | | 7,843,172,542 | 8,054,395,760 |

Profit and loss account for the period from 1 January to 30 June 2010

| Expenses | | | | |
|---|---------|-----------|--------------------------|--------------------------|
| in € | | | 1.1. - 30.06.2010 | 1.1. - 30.06.2009 |
| Interest paid and similar expenses | | | 160,812,547 | 244,409,996 |
| Commissions payable | | | 1,644,159 | 417,957 |
| Result from financial operations | | | - | - |
| General administrative expenses | | | 1,967,474 | 1,873,369 |
| Staff costs | | 645,709 | | 690,497 |
| of which: wages and salaries | 535,675 | | | 601,626 |
| of which: social security | 70,868 | | | 88,312 |
| of which: relating to pensions | 49,599 | | | 61,221 |
| Other staff expenses | 39,166 | | | 559 |
| Other administrative expenses | | 1,321,766 | | 1,182,872 |
| Depreciation and value adjustment in respect of intangible assets and property, plant and equipment | | | 60,837 | 77,721 |
| Other operating expenses | | | 1,994 | 286 |
| 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 |
| Taxes on income from ordinary activity | | | 314,376 | 1,566,586 |
| Profit for the financial year | | | 2,151,411 | 7,692,514 |
| Total expenses | | | 166,952,799 | 256,545,577 |

| Income | | | | |
|---|--|------------|--------------------------|--------------------------|
| in € | | | 1.1. - 30.06.2010 | 1.1. - 30.06.2009 |
| Interest receivable and similar income | | | 166,462,646 | 255,714,736 |
| arising from fixed-interest securities | | 83,740,170 | | 120,313,705 |
| Profit from financial business | | | 300,021 | 143,864 |
| Other operating income | | | 187,812 | 684,888 |
| 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 | | | 2,320 | 2,089 |
| of which: profits from the sale of fixed-interest securities held as financial assets | | 2,320 | | 2,089 |
| Total income | | | 166,952,799 | 256,545,577 |

We have carried out an audit review of the enclosed short interim financial statements for the period ending 30 June 2010, consisting of the balance sheet and income statement for the period 1 January to 30 June 2010 and the notes to the financial statements for the period from 1 January 2010 to 30 June 2010 ("interim financial statements") of Hypo Pfandbriefbank International S.A. The preparation of the short interim financial statements in accordance with the legal requirements and regulations in Luxembourg is the responsibility of the Administrative Board. Our task is to provide a report on the short interim financial statements on the basis of our audit review.

Extent of the audit review We have carried out the audit review of the short interim financial statements in accordance with the International Standard on Review Engagements 2410 applicable for audit review orders for audit reviews of interim financial statements by the auditor, the regulations and announcements applicable in the Grand Duchy of Luxembourg as well as the professional principles and recommendations issued by the Institut des Réviseurs d'Entreprises (IRE). An audit review of interim financial information consists of the survey of employees of the company, primarily employees responsible for finance and accounting, as well as analytical and other measures of the audit review. The scope of an audit review is much more limited than the scope of a full audit of financial statements, and accordingly does not provide the certainty that we will recognise all major aspects which would have been identified as part of a full audit of financial statements. We have not carried out an audit, and for this reason we have not issued an auditor's report.

Result of the audit review On the basis of our audit review, we have not identified any aspects which would give us grounds to assume that the enclosed short interim financial statements for the period ending 30 June 2010 has not been presented in material aspects in compliance with the legal requirements and regulations in Luxembourg.

Details of a specific issue Without qualifying the result of our audit review, we wish to point to the comments of the company in the section "Accounting policies" of the short notes to the financial statements and also in the section "Risks threatening the existence of the Group as a going concern" in the short interim management report.

The above information states that the continued existence of the company as a going concern is dependent on sufficient volumes of equity for complying with regulatory capital requirements and also for avoiding a sustainable situation of overindebtedness being made available to Hypo Real Estate Holding as well as major subsidiaries (including Hypo Pfandbrief Bank International S.A.), even in the event of defaults and impairments of loans and receivables and securities as a result of the financial crisis affecting individual states and corporations.

It is also stated that external support in the form of liquidity aid is necessary in order to avert bankruptcy as a result of the insolvency of Hypo Real Estate Holding or major subsidiaries.

This liquidity support must be made available until Hypo Real Estate Holding and its major subsidiaries are able to obtain sufficient liquidity on an independent basis on the money or capital markets and until the adopted restructuring measures and also the recapitalisation process have been implemented as planned.

In order to ensure the continued existence of Hypo Real Estate Holding and major subsidiaries as going concerns, it is therefore in particular necessary that

- the Finanzmarktstabilisierungsfonds (SoFFin) provides adequate equity support,
- SoFFin and the Deutsche Bundesbank maintain their liquidity support and, if necessary, also provide further liquidity aid,
- refinancing subject to viable conditions is increasingly obtained via the money and capital markets,
- the restructuring measures will be implemented as scheduled,
- the relevant authorities do not take any regulatory measures,
- no legal reservations (especially EU legal proceedings) are / will be successfully enforced.

The above circumstances point to the existence of a major uncertainty indicating that there are considerable doubts concerning the ability of the company to continue to operate as a going concern.

Section 3.3 of the short notes of the financial statements also states that the assets include securities with a carrying amount of T € 3,919,490 with a market value of T € 3,594,045 and for which no impairments have been recognised to write down the carrying amount to the lower market value because no payment problems have so far occurred and indeed are not expected. In order to avoid future losses, it is particularly necessary that

- the company in future has sufficient liquidity in order to be able to hold the securities and
- that the continued existence of the company as a going concern is overall guaranteed.

Report on the interim management report The interim management report, which is the responsibility of the Administrative Board, is consistent with the short interim financial statements.

Luxembourg, 31. August 2010

KPMG Audit S.à r.l.
Cabinet de révision agréé

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.)

32 **1. General notes**

32 **2. Balance-sheet and valuation methods**

32 **3. Notes on the asset items**

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33 3.2 Overview of capital requirements in accordance with CSSF circular 06/273

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33 **4. Notes on the liability items**

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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). The license of operating the Bank as a Pfandbrief bank constituted under the law of Luxembourg (banque d'émission de lettres de gage) was issued by the Finance Minister of the Grand Duchy of Luxembourg on 14 September 1999.

The entry in the commercial register was made on 16 August 1999 under the number 71104 (Section B). The legal basis for operating a Pfandbrief bank is set out in articles 12-1 to 12-9 of the "Law of 5 April 1993 for the Finance Sector" (in its currently valid version).

The Bank was originally established by Bayerische Hypo- und Vereinsbank AG (HVB) and its German mortgage bank subsidiaries, each with identical capital holdings, via a holding construction.

As part of the restructuring of the HVB Group in 2003, HPBI became a subsidiary within the Hypo Real Estate Group. Since 31 March 2008, all shares of the Bank have been held completely by DEPPFA Bank plc, Dublin (DEPPFA). The subscribed capital of the Bank is fully paid up.

Hypo Pfandbrief Bank International S.A. is included in the consolidated financial statements of Hypo Real Estate Holding AG, Munich, and also in the sub-group financial statements of DEPPFA Bank plc, Dublin. The financial statements are available at the registered offices of the respective companies.

2. Balance-sheet and valuation methods

The interim financial statements for the period ending 30 June 2010 have been prepared in accordance with the applicable rules in the Grand Duchy of Luxembourg and in particular in accordance with the law of 17 June 1992 relating to the financial statements and consolidated financial statements of credit institutions ("law"). The structure of the balance sheet, which differs from that specified by the law, is based on the recommendation for the annual financial statements of Pfandbrief banks prepared by the Commission de Surveillance du Secteur Financier (CSSF). The interim financial statements have been prepared in line with the going concern assumption. With regard to the assessment of the going concern assumption, significant uncertainties are known in connection with events and conditions which cast considerable doubt on the going concern assumption for the

company. The risks and conditions applicable for the going concern assumption are detailed in the management report in Section 4.3 "Group and company-specific situation".

The financial investment holdings of the company are valued in accordance with the mitigated principle of measurement at the lower of cost or market value. The unrealised losses included in security holdings are detailed in Section 3.3 of the Notes "Bonds and other fixed-income securities".

The capital currency is the Euro (€).

The accounting policies applied for the previous published financial statements have been applied unchanged.

3. Notes on the asset items

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

| in thousand € | 30.06.2010 | 31.12.2009 |
|---|---------------|---------------|
| Loans and advances to credit institutions | 9,900 | 506 |
| Bonds and other fixed-interest securities | 78,644 | 88,087 |
| Total | 88,544 | 88,593 |
| Thereof own bonds | 40,144 | 39,587 |

3.2 Overview of capital requirements in accordance with CSSF circular 06/273

| in thousand € | Capital requirements |
|--|----------------------|
| Capital requirements for receivables subject to the standard approach | |
| Loans and advances to central administrative authorities and banks | 840 |
| Loans and advances to institutions | 2,618 |
| Loans and advances to companies | 828 |
| Other assets | 17 |
| Capital requirements for receivables subject to the IRB approach, with own estimates, of losses in the event of default and / or conversion factors (advanced IRB approach) | |
| Loans and advances to central administrative authorities and banks | 22,893 |
| Loans and advances to institutions | 19,190 |
| Loans and advances as part of securitisation | 31,292 |
| Capital requirements for covering the currency risk | 1,423 |
| Capital requirements for covering the operational risk | 2,205 |
| Total | 81,306 |
| Liable capital | 159,517 |
| Equity ratio (in %) | 15.7 |

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

| in thousand € | 30.06.2010 | 31.12.2009 |
|---------------------|------------------|------------------|
| Listed securities | 5,159,853 | 5,295,820 |
| Unlisted securities | 754,157 | 629,345 |
| Total | 5,914,010 | 5,925,165 |

The bonds and other fixed-income securities falling due within one year amounted to € 363,750 k.

Securities held in the financial investment portfolio with a carrying amount of € 3,919,490 thousands (market value € 3,594,045 thousands) have not been written down by way of impairments to the lower market value because no defaults or payment problems have so far occurred or are expected.

Market prices or prices / curves provided by brokers have been used for the above market values. Valuation methods using market-based parameters which are directly or indirectly observable have been used for securities for which such values were not available (€ 2,809 million).

4. Notes on the liability items

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

Of the figure shown for liabilities due to affiliated companies, € 1,379 million consist of current money market transactions (previous year: € 547 million)..

4.2 Equity

Subscribed capital is stated as € 66,000 thousands, and consists of 66,000 no-par-value registered shares.

In accordance with the Luxembourg law of 10 August 1915 regarding trading companies, the Bank has to pay every year an amount of not less than 5 % of its annual

net profit to a legal reserve until the legal reserve amounts to 10 % of its subscribed capital. The legal reserve is not permitted to be paid out in the form of dividends. As of 30 June 2010, the legal reserve amounted to € 2,320 thousands and a free reserve amounted to € 40,468 thousands.

The Bank takes advantage of the option available under tax law for netting its wealth tax liability; this requires that a figure equivalent to five times the wealth tax liability has to be paid into a special item of retained earnings. It is not permitted for this item to be paid out for a period of five years if the wealth tax liability is to be avoided. The reserves include a figure of € 13,910 thousands for netting the wealth tax.

5. Notes on the off-balance-sheet items

Transactions in derivative instruments are carried out in the OTC market exclusively for hedging purposes within the framework of asset/liability management. Derivatives are not used for trading purposes. Netting agreements are made with the trading partners for derivative business in order to reduce risk.

The nominal volume of the outstanding off-balance-sheet transactions amount to € 6,280 million as of 30 June 2010; of this figure, € 3,725 million was attributable to affiliated companies. The gross replacement costs

are one of the factors determined for the credit risk resulting from derivatives. These costs are calculated as the sum of all positive market values disregarding netting agreements.

If the add-ons for future potential risk and also the counterparty-related risk weighting are also taken into consideration in accordance with regulatory standards, the credit risk using the market value method amounted to € 116 million as of 30 June 2010. All counterparties for derivative business are 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 | Credit risks |
|--------------------------------------|--|---|---|-------------------------|---------------------------|---------------------------|-----------------|
| Interest-rate transactions | | | | | | | |
| Interest-rate swaps (same currency) | 846 | 1,104 | 3,187 | 5,137 | 271 | 580 | – |
| Interest-rate options – purchases | 23 | 29 | – | 52 | 4 | – | – |
| Other interest-rate contracts | – | – | – | – | – | – | – |
| Foreign exchange transactions | | | | | | | |
| Currency swaps | 285 | – | – | 285 | 4 | 11 | – |
| Cross-Currency swaps | 40 | 239 | 527 | 806 | 195 | 21 | – |
| Total | 1,194 | 1,372 | 3,714 | 6,280 | 474 | 612 | 116* |

*) Not divisible due to netting agreements

Derivatives are taken out only for hedging purposes. The above negative market values are opposed by corresponding hidden reserves in the hedged underlyings.

6. Special information

Cover fund statement for the existing cover funds in accordance with Art. 12-1 to 12-9 of the Law of 5 April 1993 on the Finance Sector The information is limited to providing details of public Pfandbriefe. No mortgage Pfandbriefe have been issued. Derivative financial instruments with an existing value of € 99,188 thousands were used for cover purposes on the balance sheet date.

6.1 Statement of cover assets for public Pfandbriefe

| in thousand € | 30.06.2010 |
|--|------------------|
| Cover assets | 4,577,061 |
| Substitute cover assets | |
| Securities | 45,400 |
| Cash at banks | – |
| Total cover | 4,622,461 |
| Circulation | |
| Bearer securities | 3,289,515 |
| Registered securities | 923,305 |
| Total circulation (requiring cover) | 4,212,820 |
| Excess cover | 409,641 |

6.2 Further breakdown**6.2.1 Cover assets**

| Ordinary cover in thousand € | 30.06.2010 |
|--|-------------------|
| Loans and advances to credit institutions Municipal loans or loans guaranteed by public institutions | 488,946 |
| Loans and advances to customers Municipal loans or loans guaranteed by public institutions | 393,915 |
| Bonds of public sector issuers or guaranteed by public institutions | 3,437,658 |
| Covered public bearer Pfandbriefe | 157,354 |
| Covered public registered Pfandbriefe | - |
| Derivatives | 99,188 |
| Subtotal | 4,577,061 |
| Substitute cover | |
| Other loans and advances to credit institutions | - |
| Bonds in accordance with Art, 42 (3) OGAW-law ¹ | 45,400 |
| Total | 4,622,461 |

¹ OGAW law = law concerning organisms for joint investments

6.2.2 Cover breakdown of municipal loans

| Breakdown according to size in thousand € | Anzahl | 30.06.2010 |
|---|---------------|-------------------|
| Up to € 25 million | 41 | 552,572 |
| Up to € 50 million | 39 | 1,364,077 |
| Up to € 100 million | 26 | 1,697,065 |
| Over € 100 million | 8 | 1,008,747 |
| Total | 114 | 4,622,461 |

| Breakdown according to country | in thousand € | in % |
|---------------------------------------|----------------------|--------------|
| USA | 1,245,995 | 27.0 |
| Germany | 632,430 | 13.7 |
| Austria | 519,940 | 11.2 |
| Canada | 452,469 | 9.8 |
| Spain | 400,508 | 8.7 |
| Germany | 383,949 | 8.3 |
| Portugal | 158,000 | 3.4 |
| Italy | 149,137 | 3.2 |
| Ireland | 92,659 | 2.0 |
| Great Britain | 81,195 | 1.8 |
| Slovenia | 80,000 | 1.7 |
| France | 77,000 | 1.7 |
| Int, organisations | 73,220 | 1.6 |
| Luxembourg | 63,854 | 1.4 |
| Japan | 56,299 | 1.2 |
| Finland | 45,400 | 1.0 |
| South Korea | 40,292 | 0.9 |
| Belgium | 38,347 | 0.8 |
| Poland | 22,585 | 0.5 |
| Slovakia | 8,000 | 0.2 |
| Sweden | 1,182 | - |
| Total | 4,622,461 | 100.0 |

6.2.3 Present-value statement of cover

| in million € | Cover fund | Public Pfandbriefe² requiring cover | Excess cover | in % |
|---|-------------------|---|---------------------|-------------|
| Nominal value | 4,623 | 4,213 | 410 | 9.7 |
| Present value ³ | 5,143 | 4,527 | 616 | 13.6 |
| Present value with a shift in the interest rate curve | | | | |
| of + 100 bp | 4,860 | 4,319 | 541 | 12.5 |
| of - 100 bp | 5,468 | 4,757 | 711 | 14.9 |

² Lettres de gage publiques; ³ calculated with original credit spreads

38 **Board of Directors**

38 **Management**

38 **Réviseur Spécial**

Executive Bodies

Board of Directors

| | |
|---|---|
| Cyril Dunne , Dublin Chairman | Board member (CEO) of DEPFA Bank plc |
| Stephane Rio , Soisy sur Seine | Board member of DEPFA Bank plc |
| Markus Fels , Rosenheim | Head of Group Finance of Deutsche Pfandbriefbank AG |
| Hagen Schmidt , Trier until 30 June 2010 | Administrateur-Délégué |
| Dr. Matthias Achilles , Oberursel since 31 March 2010 | Administrateur-Délégué |

Management

| | |
|---|------------------------|
| Hagen Schmidt , Trier until 30 June 2010 | Administrateur-Délégué |
| Dr. Matthias Achilles , Oberursel since 13 May 2010 | Administrateur-Délégué |
| Daniela Obermeier , München until 12 May 2010 | Directeur-Délégué |

Réviseur Spécial

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