

Results 2009

Investor Relations Presentation
March 26, 2010

Agenda

1	Overview
2	Financial Results Q4/FY 2009
3	Liquidity and Capitalization
4	'Deconsolidated Environment', SoFFin and EU
5	pbb Deutsche Pfandbriefbank
6	Priorities 2010 and Outlook

Overview

Losses contained – Q4 2009 pretax loss of EUR -442 mio contributed to overall pretax loss of EUR -2.2 bn for FY 2009 (FY 2008: -5.4 bn); loss after tax at EUR -2.2 bn

Main effects in FY 2009:

- ▶ Additions to loan-loss provisions of EUR 2.1 bn – real estate markets continued to suffer
 - ▶ EUR 1,866 mio provisions on real estate loans (CRE¹); individual allowances now at EUR 2.4 bn – coverage on Real Estate problem loans at 34.8%
 - ▶ EUR 203 mio in PS&IF²; individual allowances now at EUR 295 mio – coverage on PS&IF problem loans at 20.0%
 - ▶ EUR 22 mio in Corporate Center
- ▶ Further fair value reductions / write-downs on CDOs (EUR -135 mio) nearly offset by reversals on MBS³ (EUR +131 mio) in CC⁴ – CDOs/MBS with a notional value of EUR 1.3 bn sold in 2009

Thus, the remaining exposures as of Dec 31, 2009 have been as follows (notional value/coverage ratio):

- ▶ US CDOs: EUR 14 mio (EUR 574 mio / 98%; 12/2008: 84%)
- ▶ European CDOs: EUR 377 mio (EUR 601 mio / 37%; 12/2008: 38%)
- ▶ MBS: EUR 2,442 mio (EUR 2,854 mio / 14%; 12/2008: 18%)
- ▶ Expenses related to external liquidity support, which include EUR -741 mio costs for SoFFin⁵/FRG⁶ guarantees (as part of net commission income)
 - ▶ EUR 512 mio guarantee fees
 - ▶ EUR 229 mio performance-related fee

Overview (cont'd)

Further steps taken in portfolio/risk management – balance sheet and RWAs further reduced

- ▶ Balance sheet: EUR -60 bn (-14%) to EUR 360 bn (12/2008: EUR 420 bn); negative fair value reserves (net) down from EUR 23 bn to EUR 17 bn
- ▶ RWA: EUR -14 bn (-15%) to EUR 81 bn (12/2008: EUR 95 bn)

Utilisation of liquidity guarantees reduced to EUR 75 bn as of Dec 2009, down from highest quarter-end utilisation of EUR 83 bn in March 2009

- ▶ After a further repayment of EUR 1.5 bn in March 2010, currently EUR 93.5 bn SoFFin guarantees available
 - ▶ In Nov 2009 SoFFin has extended the EUR 52 bn liquidity guarantee facility until Jun 30, 2010
 - ▶ In Dec 2009 SoFFin, HRE and the German financial consortium agreed on restructuring the liquidity support facility of initially EUR 50 bn, which has already been reduced by EUR 8.5 bn to currently EUR 41.5 bn due to repayments made; the facility has been prolonged until Dec 22, 2010
- ▶ EUR 7.5 bn funding obtained from the market in 2009; further progress made in 2010
 - ▶ pbb Deutsche Pfandbriefbank has placed two Jumbo Pfandbrief issues with a total volume of EUR 2.5 bn in the public market in Sep and Oct 2009; a further EUR 1.0 bn Jumbo Pfandbrief was successfully placed in Jan 2010
 - ▶ Banks have re-established credit lines and bilateral (cross-currency) repo transactions and private placements (unsecured and Pfandbrief) are taking place again
 - ▶ However, external/SoFFin support continues to be essential – liquidity situation is subject to market movements and central bank actions

First steps of recapitalisation undertaken – in total SoFFin has recapitalised HRE so far with EUR ~6 bn

- ▶ On Nov 4, 2009 SoFFin has approved a capital contribution of EUR 3 bn in a further tranche, which adds to the EUR ~3 bn capital injected in March and June 2009
- ▶ Tier I ratio (SolvV) at 9.4% by year-end 2009; including the regulatory balance sheet loss 2009, the pro-forma Tier I ratio (SolvV) would have been 7.8%
- ▶ Furthermore, in Nov 2009 SoFFin has reaffirmed its ongoing intention to sufficiently recapitalise the Group and to provide the necessary liquidity

Overview (cont'd)

Significant progress made in restructuring process – pbb Deutsche Pfandbriefbank established as strategic core bank within the Group

- ▶ Staff reduction in line with plan – total workforce reduced by 389 employees (-22%) to 1,397 as per end of Dec 2009 (Dec 2008: 1,786); reduction of personnel expenses by EUR 47 mio (-18%) to EUR 213 mio (2008: EUR 260 mio)
- ▶ 22 office locations closed by end of Dec 2009 – further 4 office locations envisaged to be closed until 2011
- ▶ First modules of new IT platform launched; IT infrastructure operations and management outsourced to Fujitsu
- ▶ pbb Deutsche Pfandbriefbank established as strategic core bank within the Group and with new brand
- ▶ EUR 4.0 bn new business written in 2009
 - ▶ Real Estate: EUR 3.3 bn, mostly extensions
 - ▶ Public Sector: EUR 0.7 bn

On Jan 21, 2010 HRE in co-ordination with the SoFFin has submitted an application to the German Financial Market Stabilisation Agency (FMSA) pursuant to section 8a of the FMStFG for the establishment of a deconsolidated environment aimed at reducing assets in a value preserving manner

Intention to transfer operations that are no longer strategically required, as well as additional balance sheet items totalling up to EUR 210 bn

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

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Losses contained – pretax loss of EUR -2.2 bn significantly improved compared to last year

Hypo Real Estate Group (IFRS) EUR millions

	Q4 2008	FY 2008	Q4 2009	FY 2009
Operating revenues	-660	-585	-93	419
thereof:				
Net interest and similar income	676	1,633	347	1,396
Net commission income	-72	32	-338	-642
Net trading income	-574	-1,009	-152	-154
Net income financial investments	-881	-1,409	42	-1
Net income hedge relationships	120	86	20	-117
Other operating income/expenses	71	82	-12	-63
Provisions for losses on loans and advances	-1,409	-1,656	-204	-2,091
General administrative expenses	-181	-605	-148	-541
Impairment on DEPFA goodwill/intangibles	0	-2,482	0	0
Other income/expenses	-227	-47	3	-8
Pretax profit	-2,477	-5,375	-442	-2,221

Comments

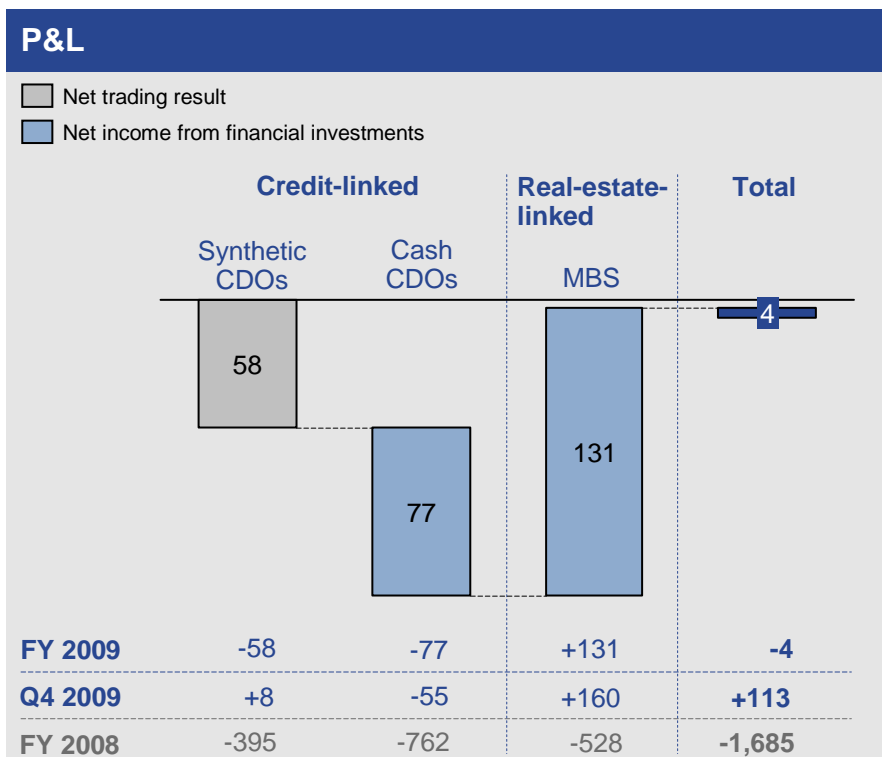
- ▶ Net interest income lower, primarily due to reduced portfolio as well as less effects from money markets and US liquidity lines drawn by customers; however, FY 09 includes EUR 138 mio (Q4/FY 08: EUR 353 mio) positive effect from devaluation of subordinated capital instruments
- ▶ Net commission income includes costs for SoFFin liquidity support of EUR -741 mio
 - ▶ EUR 512 mio guarantee fees (Q4 09: EUR -130 mio)
 - ▶ In addition, recognition of EUR 229 mio performance-related fee¹ in Q4 09 (EUR 27 mio related to Nov/Dec 08)
- ▶ Net trading income less negative, including following effects:
 - ▶ EUR -58 mio fair value reductions on synthetic CDOs (FY 08: EUR -395 mio)
 - ▶ EUR -29 mio market value adjustments on Halcyon and Pegasus portfolio (FY 08: EUR -237 mio)
 - ▶ EUR -228 mio counterparty risk adjustments on customer derivatives (FY 08: -33 mio)
 - ▶ Lehman claims sold at small book gain (FY 08 incl. EUR -150 mio expense on Lehman related derivative positions)
- ▶ Net income from financial investments includes lower write-downs – write-downs on Cash CDOs were even more than offset by reversals on MBS:
 - ▶ Cash CDOs: EUR -77 mio (FY 08: -762 mio)
 - ▶ MBS: EUR +131 mio (FY 08: -528 mio)
- ▶ Negative net income from hedge relationships in FY 09 reflects reversal of effects in Q4 08
- ▶ Other operating income predominantly consists of FX effects
- ▶ Further additions to loan-loss provisions required, primarily for real estate loans; Q4 09 incl. positive effect of EUR 323 mio from adjustment of rating parameters for portfolio-based provisions
- ▶ General administrative expenses down due to staff reduction, but include higher IT costs

¹ In Dec 2009 SoFFin, HRE and the German financial consortium agreed on restructuring the liquidity support facility of initially EUR 50 bn granted in Nov 2008; FRG in its capacity as guarantor has not yet waived the profit-related fee, therefore a liability of EUR 229 mio was recognised in Q4 2009

Fair value reductions / write-downs on CDOs partly offset by reversals on CMBS and RMBS

Structured products (Corporate Center)

EUR millions



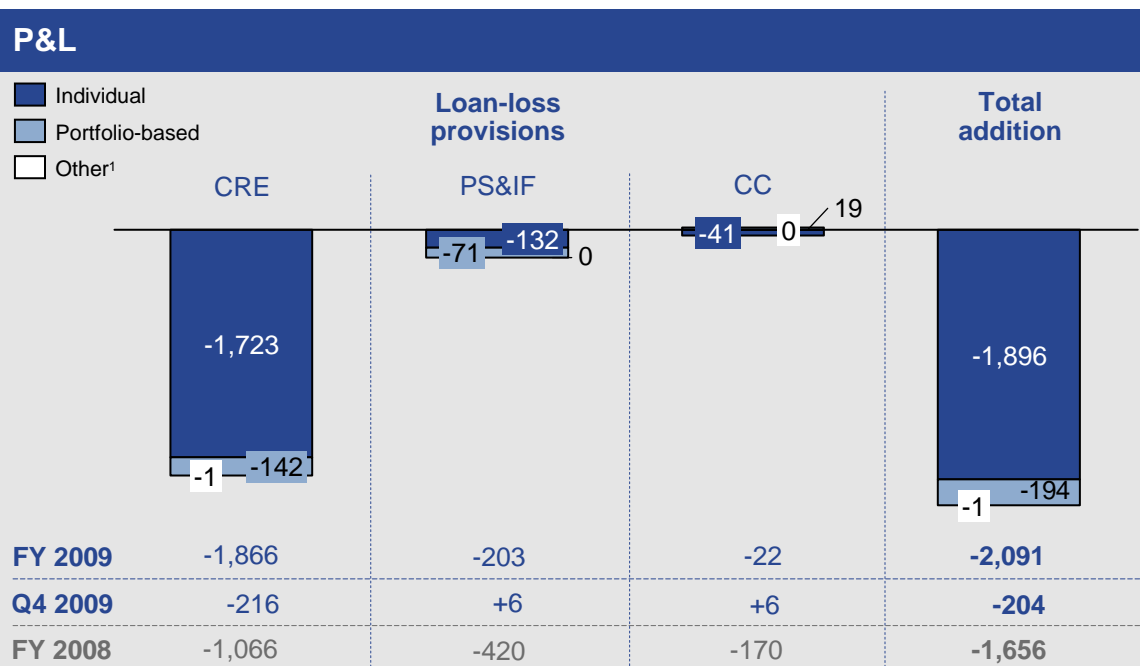
	12/2009			Coverage ratio ¹
	Notional	Book value	Fair value	
Credit-linked investments	1,175	391	402	67%
Synthetic CDOs	225	0	0	100%
US	225	0	0	100%
Europe	0	0	0	-
Cash CDOs	950	391	402	59%
US	349	14	11	96%
Europe	601	377	391	37%
Real-estate-linked investments	2,854	2,442	1,666	14%
CMBS US	495	400	348	19%
CMBS Europe	1,653	1,416	780	14%
RMBS Europe	706	626	538	11%
Total (12/2009)	4,029	2,833	2,068	30%
Total (12/2008)	6,053	3,726	3,068	38%

► In total, CDOs and CMBS/RMBS with a notional value of EUR 1.3 bn sold in 2009 (US CDOs: EUR 0.8 bn; synthetic CDOs: EUR 0.5 bn)

Additions to loan-loss provisions of EUR 2.1 bn required, primarily for real estate loans

Loan-loss provisions

EUR millions



Comments

- ▶ Even if some economic indicators have improved, real estate markets continued to suffer – thus, total additions to loan-loss provisions of EUR 2.1 bn primarily required for real estate loans (CRE)
- ▶ PS&IF – individual allowances mainly resulting from downgrading of bank bonds (US student loans) and notes (benefit trusts of US school districts) as well as selected infrastructure/asset finance deals (e.g. railway waggons/harbours, esp.in the USA)
- ▶ Total additions to individual provisions of EUR 2,037 mio partly offset by releases of EUR 141 mio
- ▶ In addition, further portfolio-based provisions required (higher expected losses), but partly offset by positive effect from adjustment of rating parameters (EUR 323 mio)

Balance sheet

	12/2008		12/2009		Total
	Individual	Portfolio-based	CRE	PS&IF	
Individual allowances	1,628	2,444	295	333	3,072
Portfolio-based allowances	649	502	279	45	826
Provisions for contingent liabilities & other commitments	11	10	8	1	19
Total loan-loss provisions	2,288	2,956	582	379	3,917

- ▶ EUR 410 mio allowances used out of existing allowances – individual EUR 406 mio; portfolio-based EUR 4 mio (2008: EUR 218 mio)
 - ▶ Coverage ratios on problem loans² now as follows:
 - ▶ Real Estate: 34.8% (12/2008: 34.5%)
 - ▶ PS&IF: 20.0% (12/2008: 35.8%)
- Relatively low loan-loss provisions required, whereas problem loans increased

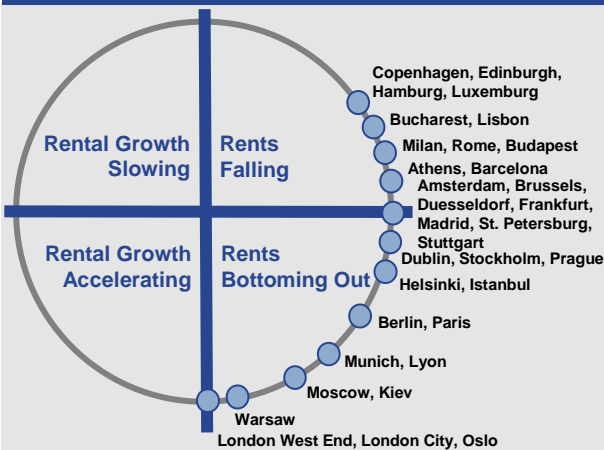
1 Provisions for contingent liabilities & other commitments as well as recoveries from write-offs of loans and advances

2 Deals in foreclosure or with payments overdue >90 days (based on commitments, incl. interest and costs in arrears); Real Estate (CRE+CC): EUR 8.9 bn; PS&IF: EUR 1.4 bn

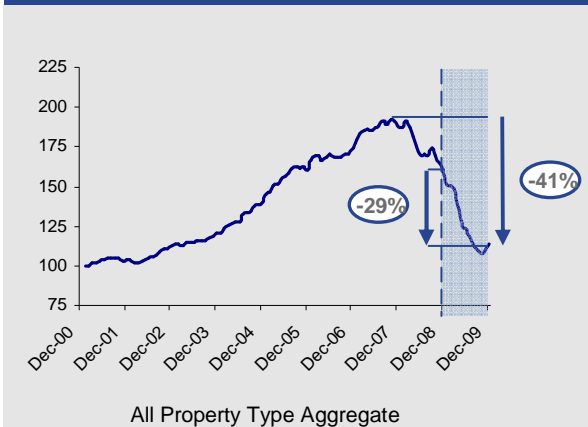
3 Incl. EUR 274 mio individual and EUR 30 mio portfolio-based allowances on real estate loans (former German legacy portfolio)

Real estate markets continued to suffer, in particular USA, UK and Spain, but also in Germany

European Office Property Clock¹ Q4 2009



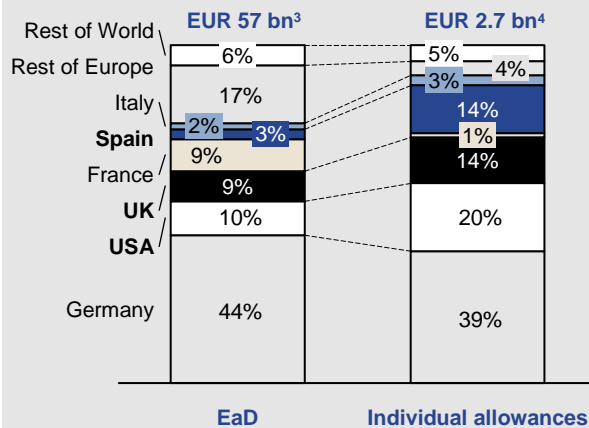
Moody's/REAL CPPI Commercial Property Price Index (USA)



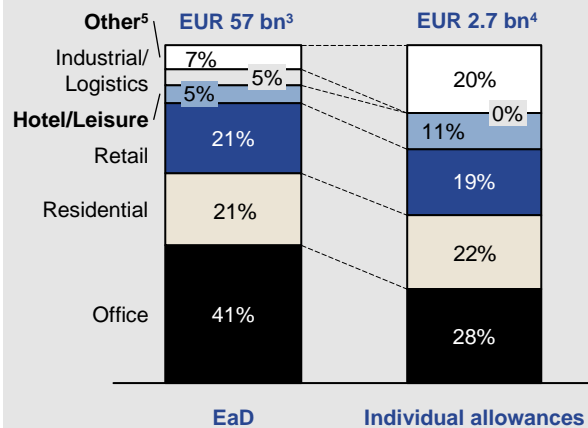
Comments

- ▶ Even if some economic indicators have begun to recover, the time lag between the wider economy and the office occupier markets remains evident¹
- ▶ In Q4 2009 prime office rents further stabilised across the majority of the European markets, standing 14% below the level 2008; however, downward pressure remains present and some markets expect their peak in rental fall to come¹
- ▶ Office demand was 26% lower than in 2008; although Q4 2009 showed signs of recovering demand, future supply prospects remain a risk for many markets¹
- ▶ Commercial property prices in the USA have fallen rd. 29% in 2009 and rd. 41% since the peak in Oct 2007²
- ▶ Accordingly, real estate loans in the USA, UK and Spain over-proportionally represented in individual allowances
- ▶ Most individual allowances in Germany (39%), but under-proportionally represented vs. exposure of 44%
- ▶ Furthermore, asset class 'Hotel/Leisure' and development loans over-proportionally represented

Exposure at Default vs. Individual allowances Real Estate (CRE+CC) – by region (12/2009)



Exposure at Default vs. Individual allowances Real Estate (CRE+CC) – by asset class (12/2009)



1 Source: Jones Lang LaSalle
3 Excl. EUR 1.6 bn derivatives

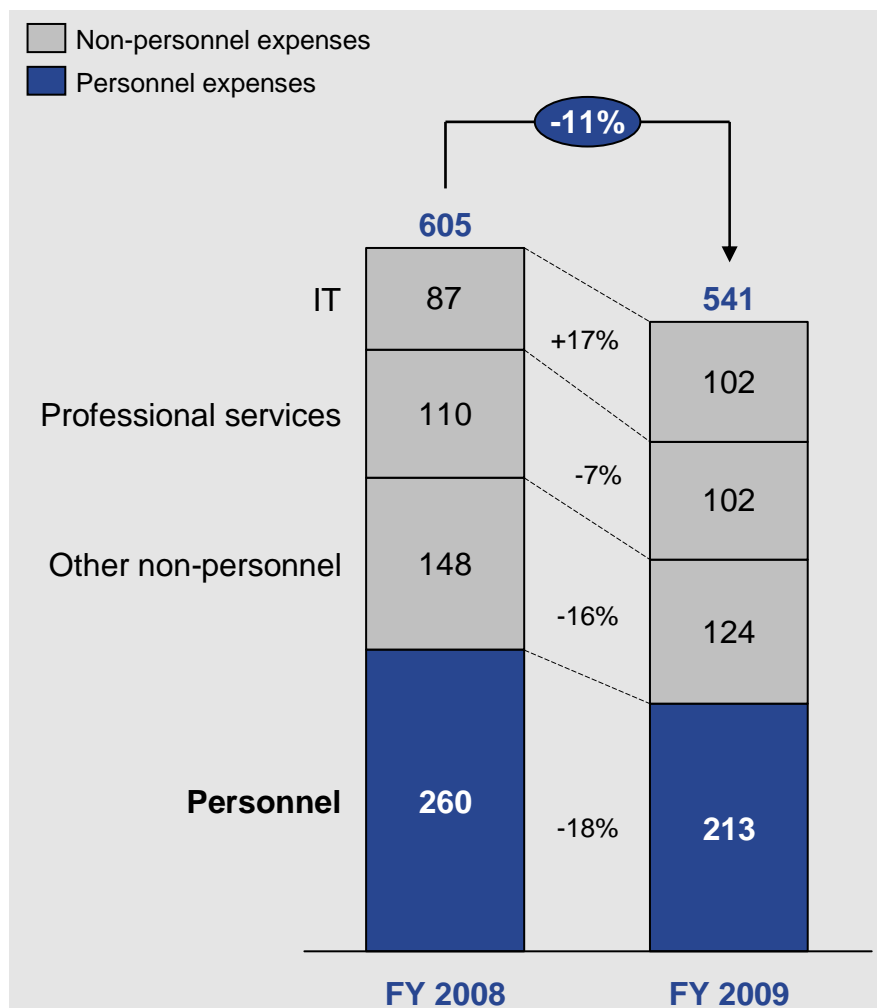
2 Moody's/REAL CPPI (USA) – All Property Type Aggregate
4 EUR 2,444 mio (CRE) + EUR 274 mio (CC)

5 Incl. mixed use

Significant progress made in restructuring process – personnel expenses down by 18%

General administrative expenses

EUR millions



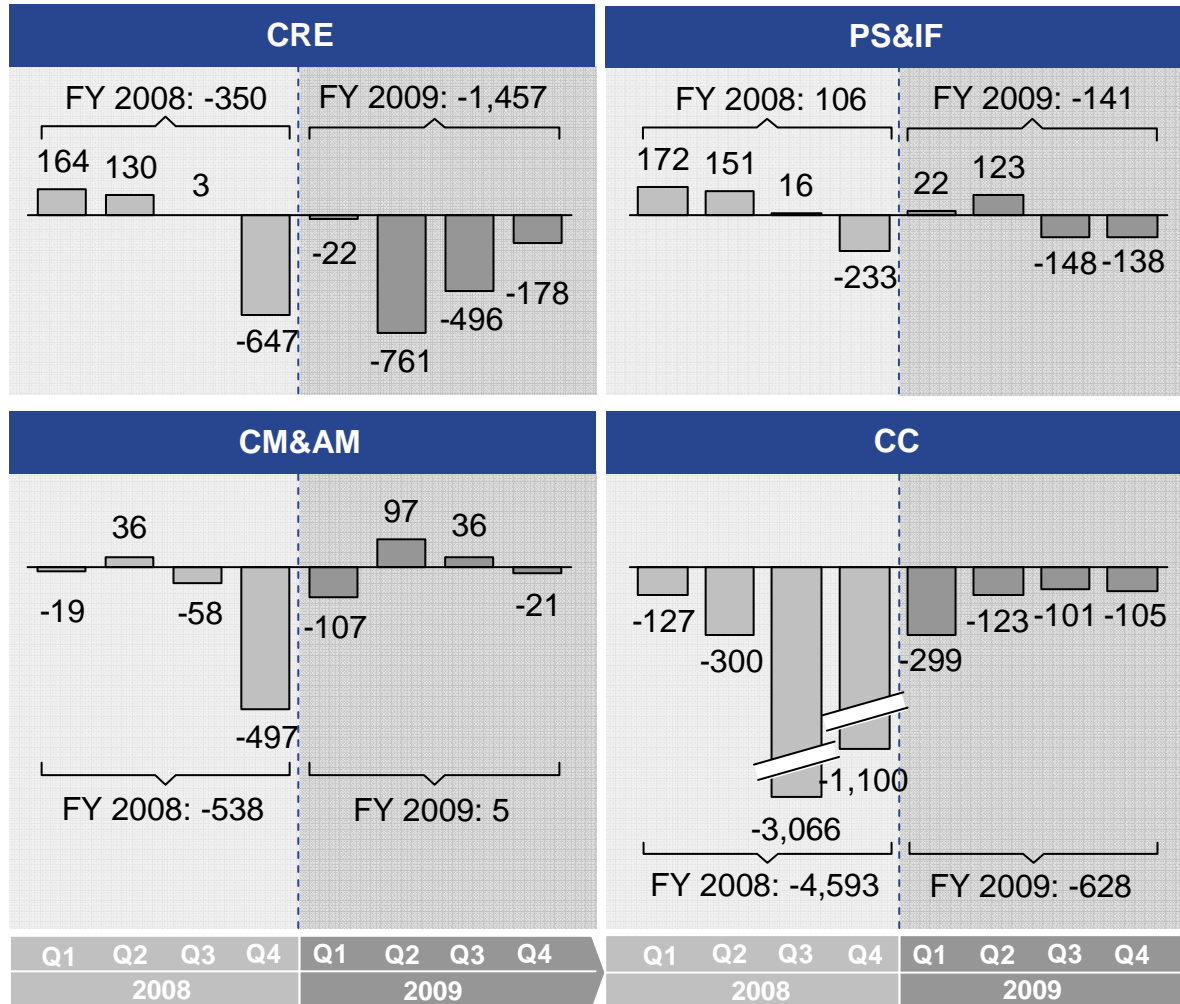
Comments

- ▶ General administrative expenses reduced by 11%, primarily resulting from reduction of personnel expenses (-18%)
- ▶ Personnel expenses down due to reduced workforce/compensation
 - ▶ Staff reduction in line with plan – since Nov 1, 2008 staff reduction by 523 FTE (12/2009) secured in course of the restructuring program
 - ▶ Total workforce reduced by 389 employees (-22%) to 1,397 as per end of Dec 2009 (Dec 2008: 1,786)
- ▶ Non-personnel expenses down by 5% – reduced operational as well as consultancy costs partly offset by higher IT costs
 - ▶ First waves of location closures completed
 - ▶ 22¹ office locations closed by end of Dec 2009
 - ▶ Further 4 office locations envisaged to be closed until 2011, mainly outside Germany – 9 office locations will remain
 - ▶ In addition, first offices consolidated at locations with multiple office buildings (Dublin, London, Madrid, Paris, New York)
 - ▶ Professional services include costs relating to e.g. outsourced services, legal issues, risk valuation, SoFFin and EU process
 - ▶ First modules of new IT platform launched; IT infrastructure operations and management outsourced to Fujitsu

¹ Sao Paulo, Tel Aviv, Lisbon, Sacramento, Chicago, Frankfurt, Copenhagen (2 offices), Amsterdam, Stockholm, Hamburg, Manchester, Mexico City, Istanbul, Athens, Dortmund, Hong Kong (2 offices), Bucharest, Berlin, Warsaw, Mumbai

Segment performance – less fair value reductions/write-downs on securities, but significantly higher loan-loss provisions

Pretax profit
EUR millions



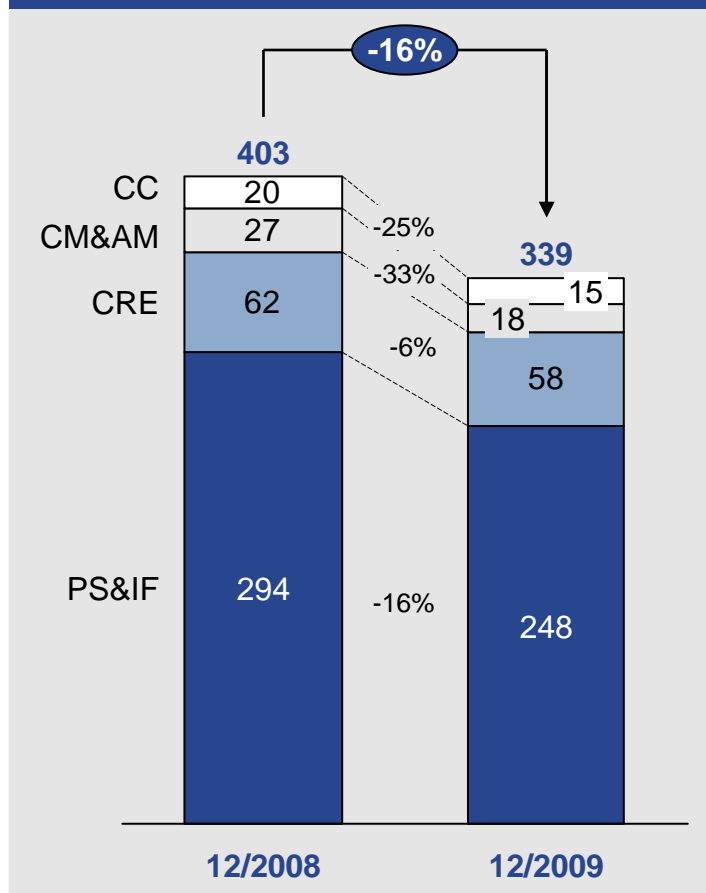
Comments

- ▶ CRE – since Q4 2008 pretax profit significantly affected by loan-loss provisions
- ▶ PS&IF – pretax profit affected by costs for SoFFin guarantees and higher loan-loss provisions in FY 2009; furthermore, less effects from money markets and US liquidity lines drawn by customers in H2 2009
- ▶ CM&AM – counterparty risk related market value adjustments volatile
- ▶ Corporate Center (CC) – less fair value reductions/write-downs on CDOs and CMBS/RMBS in 2009; Q3/FY 2008 includes impairment on DEPFA goodwill/ intangibles of EUR 2.5 bn

Further steps taken in portfolio/risk management – total exposure reduced by EUR 64 bn (-16%)

Total exposure
EUR billions

Exposure/Exposure at Default (EaD)^{1,2}
by business segment



Comments

- ▶ PS&IF – exposure reduced by EUR 46 bn
 - ▶ EUR 16 bn decline due to repayments
 - ▶ EUR 13 bn reduction in counterparty risks in repo and repo- related transactions
 - ▶ EUR 7 bn cutback of US liquidity facilities
 - ▶ EUR 5 bn reduction in swap transactions
 - ▶ FX effects: EUR 0.7 bn (net)
- ▶ Real Estate exposure (CRE) down by EUR 4 bn – only selective new business
- ▶ CM&AM – in line with strategy to discontinue trading activities (except hedging) exposure reduced by EUR 9 bn (-33%)
- ▶ CC – total exposure reduced by EUR 5 bn (-25%), including following sub-portfolios:
 - ▶ EUR 10.6 bn positions, taken by former DEPFA in the context of interest rate positioning (12/2008: EUR 12.1 bn)
 - ▶ EUR 2.2 bn structured products in bank book and consolidated special purpose vehicles (12/2008: 4.9 bn)
 - ▶ EUR 2.0 bn ALM portfolio (DEPFA), mostly macro-hedged (12/2008: EUR 2.7 bn)
 - ▶ EUR 0.5 bn (12/2008: EUR 0.4 bn) fully bank guaranteed real estate portfolio (DEPFA)
- ▶ Global workout unit established and operating; EUR 232.5 mio Lehman claims sold
- ▶ First asset sales completed – EUR 1.3 bn CDOs and CMBS/RMBS (notional) as well as EUR 0.5 bn student loans (notional)

¹ Difference to balance sheet: Total assets additionally incl. other positions such as positive market values of derivatives, income tax assets, accrued interest, etc.

² Exposure applies to PS&IF, CM&AM, CC; 'Exposure at Default' (EaD) applies to CRE

'Exposure' = current utilisation, committed credit lines, derivatives (current market value plus regulatory add-on) and guarantees less hedging instruments used for the credit risk

'EaD' = according to Basel II IRBA regulations

Exposure reduced in all countries currently in focus

Exposure – countries currently in focus

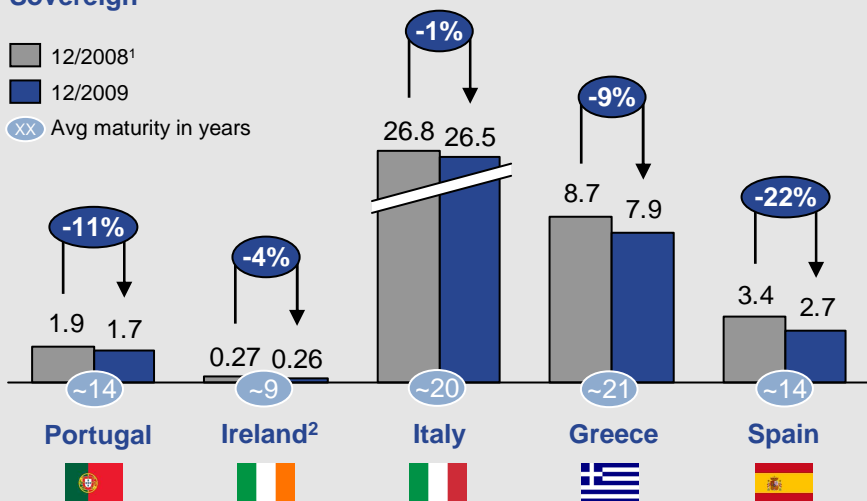
Exposure at Default (EaD) / EUR billions

Sovereign

■ 12/2008¹

■ 12/2009

ⓧ Avg maturity in years



In addition, Non-Sovereign³:

3.9 3.7 3.1 2.7 15.0 12.8 2.1 2.0 22.6 20.4

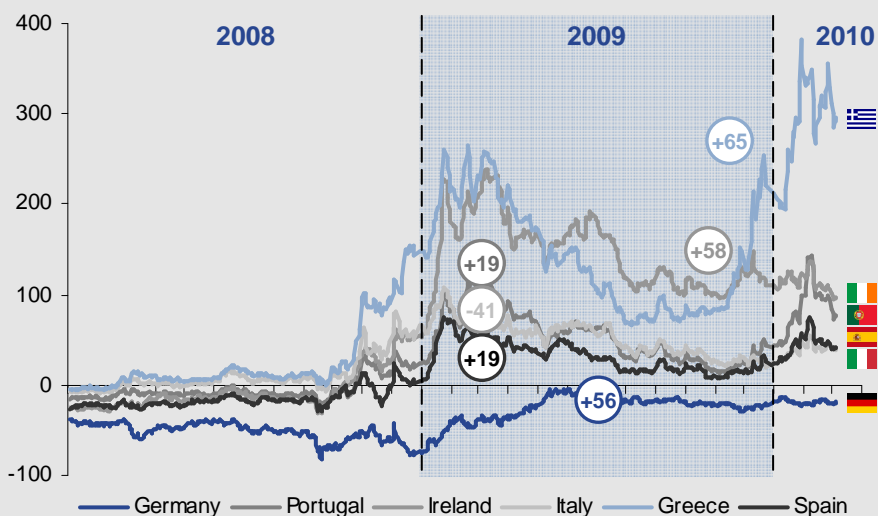
thereof Commercial Real Estate (CRE):

0.2 0.2 0 0 1.0 0.9 0 0 2.0 1.9

► Exposure reduced in all countries currently in focus – reductions attributable to maturities which have not been extended

Government spreads (10Y)

bps



Ratings / Outlook	Moody's	S&P	Fitch
Germany	Aaa / stable	AAA / stable	AAA / stable
Portugal	Aa2 / negative	A+ / negative	AA- / negative
Ireland	Aa1 / negative	AA / negative	AA- / stable
Italy	Aa2 / stable	A+ / stable	AA- / stable
Greece	A2 / negative	BBB+ / negative	BBB+ / negative
Spain	Aaa / stable	AA+ / negative	AAA / stable

¹ EaD calculated by upscaling the Exposure as of 12/2008 on basis of the relation Exposure vs. EaD 12/2009

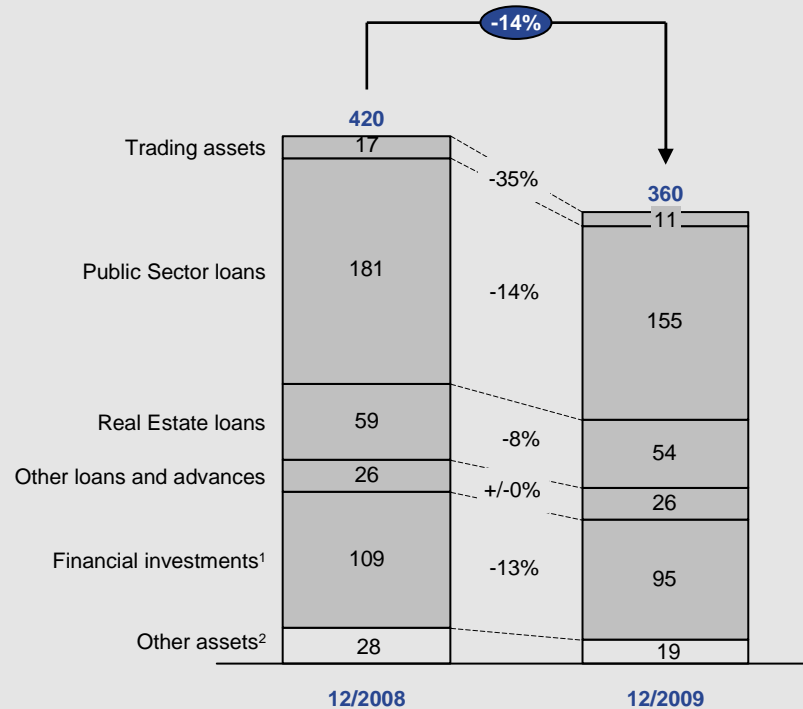
² Excl. claims against the Irish Central Bank

³ Other Public Sector (e.g. Public Sector Entities, Local Authorities, Financial Institutions, Government Regulated Companies), IF, CRE, CM&AM, CC

Balance sheet reduced by 14% – negative fair value reserves (net) down from EUR 23 bn to EUR 17 bn

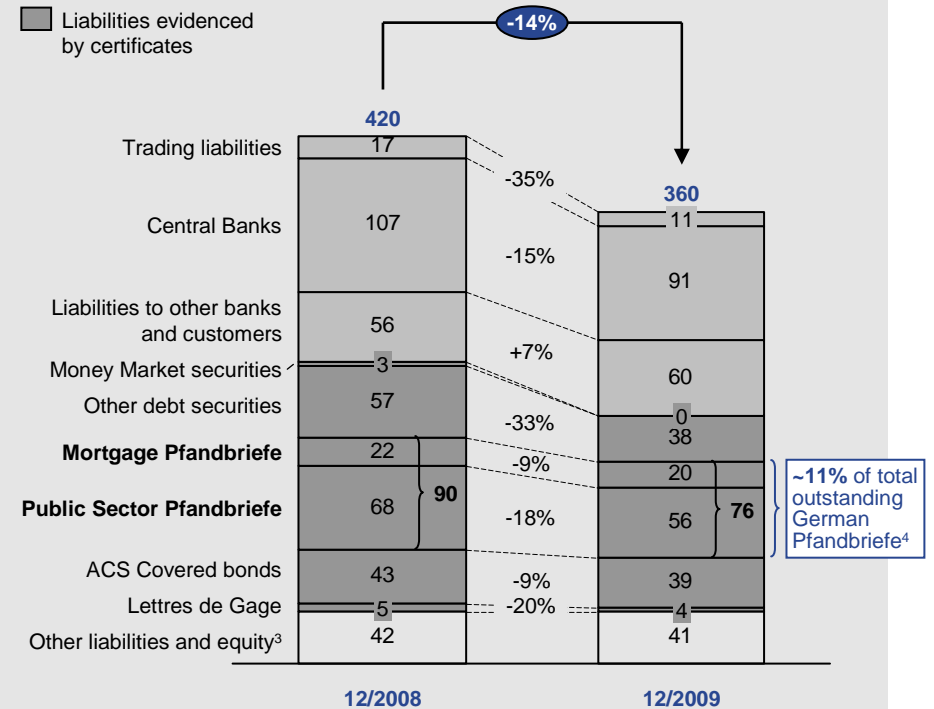
Total assets (IFRS)

EUR billions



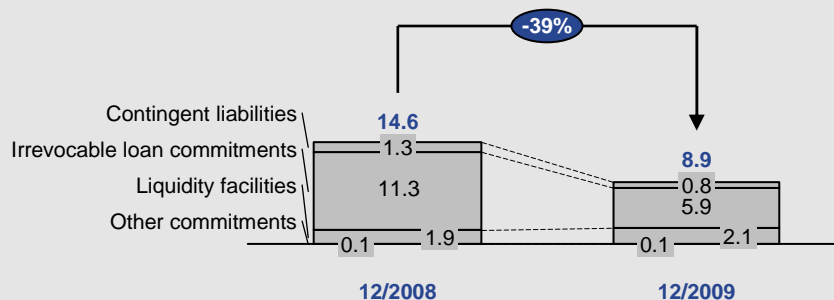
Total equity and liabilities (IFRS)

EUR billions



Contingent liabilities and other commitments

EUR billions



Fair value reserves

EUR billions

	12/2008	12/2009
Assets	-31.5	-21.8
Liabilities	+10.7	+5.3
Other items ⁵	-1.7	-0.4
Total	-22.5	-16.9

Δ +5.6

1 Incl. Public Sector bonds

2 Cash reserve, investments, allowances for losses on loans and advances, other assets (esp. positive market values of hedging derivatives), income tax assets

3 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities, equity

4 Source: vdp; EUR 218 bn Mortgage + EUR 487 bn Public Pfandbriefe (notional) as of Sep 2009

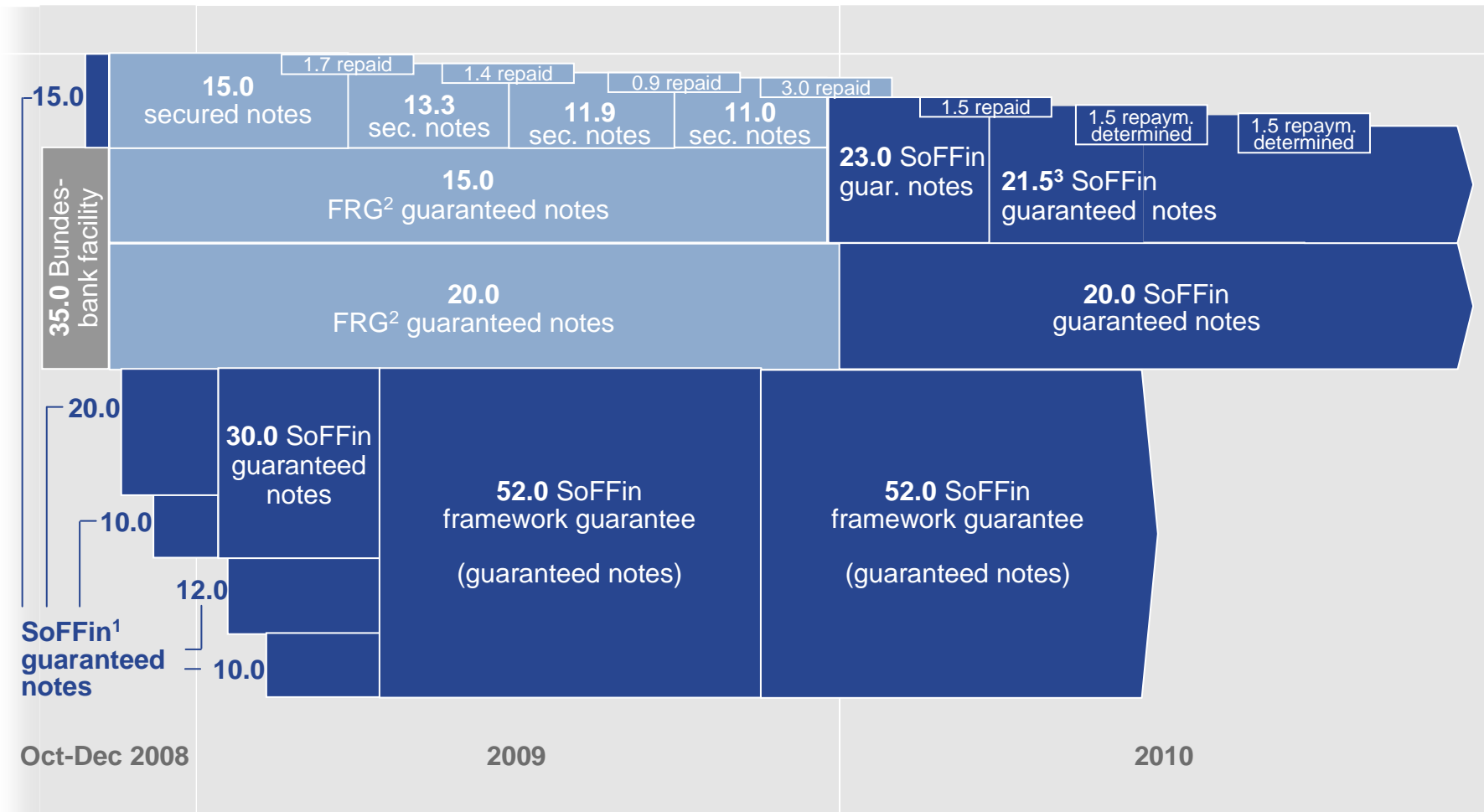
5 Contingent liabilities, irrevocable loan commitments, liquidity facilities

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Currently EUR 93.5 bn SoFFin guarantees available – EUR 8.5 bn of liquidity support already repaid

EUR billions



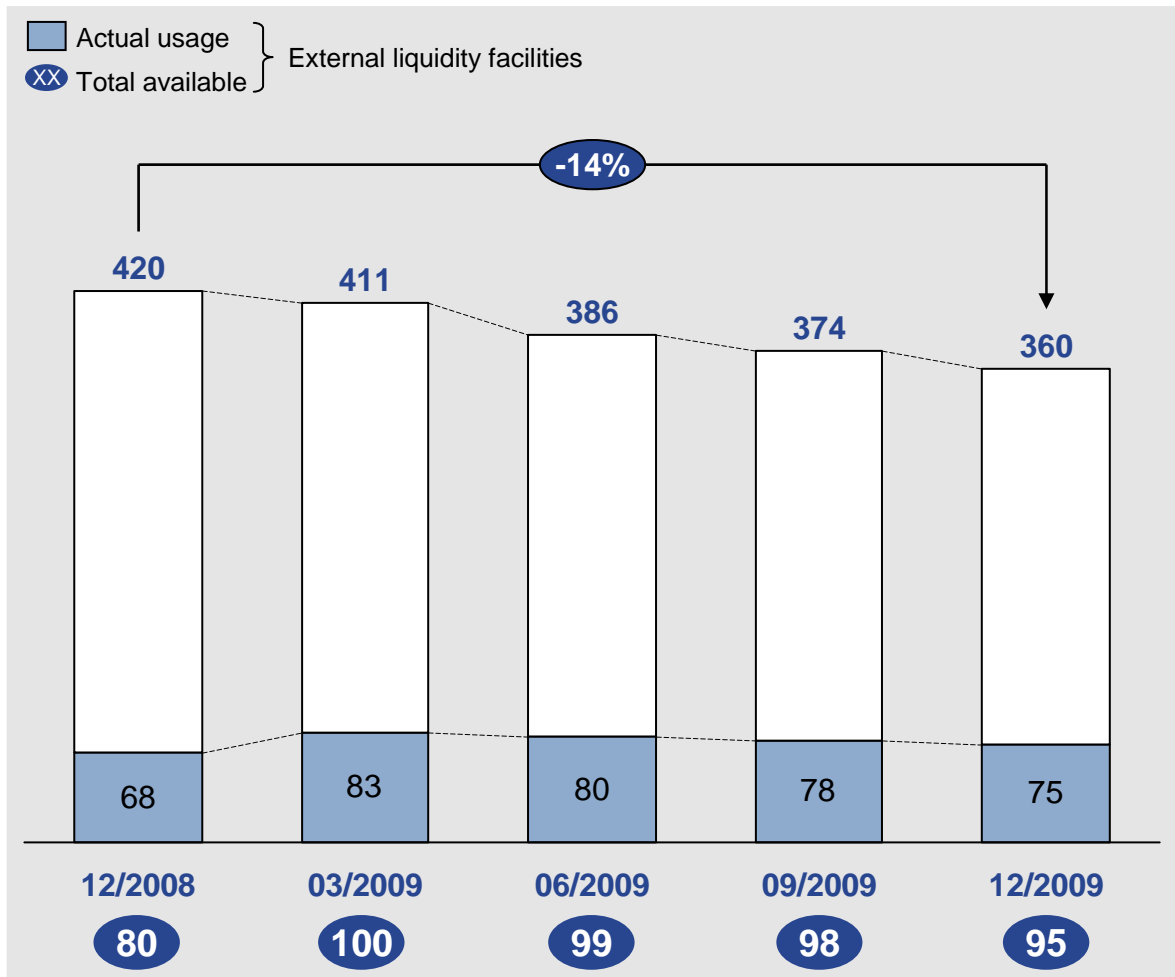
[16] 1 SoFFin = Financial Markets Stabilisation Fund

2 FRG = Federal Republic of Germany

3 Quarterly repayment of EUR 1.5 bn determined

Overall funding needs have declined – however, external/SoFFin support continues to be essential

Balance sheet / External liquidity facilities
EUR billions



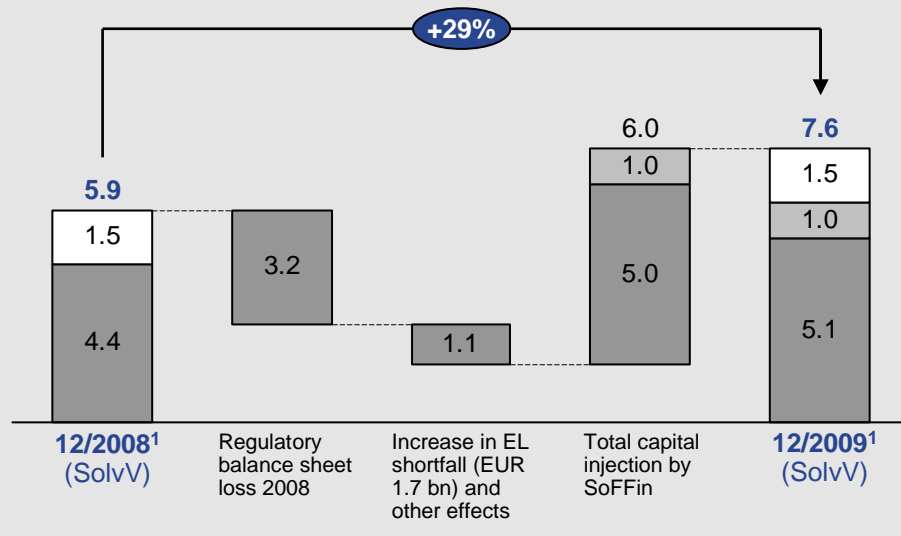
Comments

- ▶ Total assets reduced by EUR 60 bn (-14%) as of Dec 2009 (vs. Dec 2008) – therefore, overall funding needs have declined
 - ▶ Portfolio reduction – repayments higher than new business and committed lines drawn
 - ▶ Market effects – e.g. change of interest rates, FX effects
 - ▶ Workout/sale of assets (active portfolio management)
 - ▶ Impairments and increase in loan-loss provisions
- ▶ However, external/SoFFin support continues to be essential – liquidity situation is subject to market movements and central bank actions

HRE Group: RWA reduced by 15% – Tier I ratio (SolvV) at 9.4% by year-end 2009, including total capital injections of EUR 6 bn by SoFFin

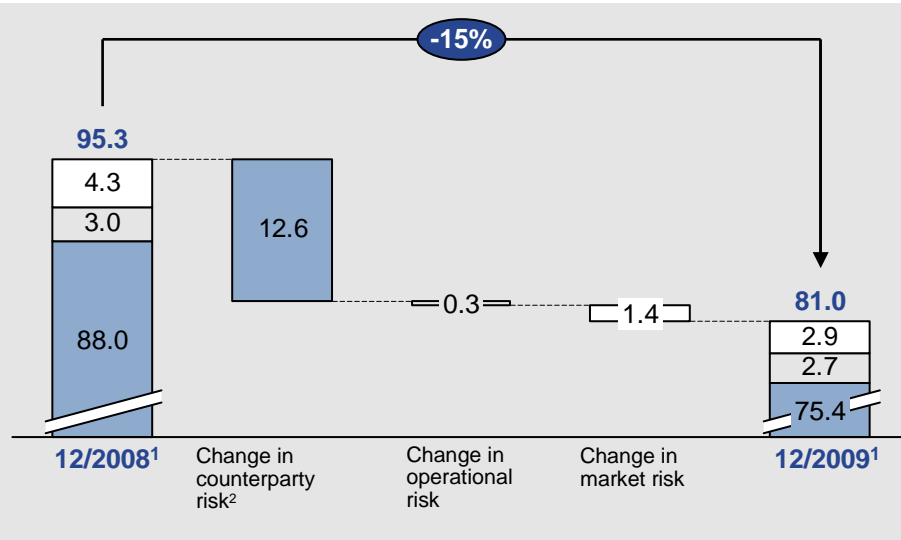
Tier I capital EUR billions (HGB/German GAAP)

- Hybrid capital
- Silent participation
- Core Tier I



RWA EUR billions

- Market risk
- Operational risk
- Counterparty risk



Comments

- ▶ Tier I capital (SolvV) as of 12/2009 includes regulatory balance sheet loss 2008 (but not yet 2009 loss) and recapitalisation measures by SoFFin of EUR 6 bn
- ▶ The regulatory capital ratios (SolvV) by year-end 2009 have been as follows:

Core Tier I ratio ^{1,3} (SolvV)	6.3%
Tier I ratio^{1,3} (SolvV)	9.4%
Own funds ratio ^{1,3} (SolvV)	10.8%

Including the regulatory balance sheet loss 2009, the pro-forma capital ratios (SolvV) would have been as follows:

Pro-forma Core Tier I ratio ³ (SolvV)	5.1%
Pro-forma Tier I ratio³ (SolvV)	7.8%
Pro-forma Own funds ratio ³ (SolvV)	10.6%

- ▶ RWA reduced by 15% (EUR 14.3 bn) since year-end 2008
- ▶ Counterparty risk declined by EUR 12.6 bn, in particular driven by incorporation of RWA reductions of CDO positions (resulting from write-downs)
- ▶ Market risk declined due to reduction of risk positions

18 | ¹ Before approved annual financial statements and before profit distribution
³ Based on counterparty, operational, and market risk

² Incl. rating downgrades, transfer of REITs to standard approach and FX rate effects

HRE Group entities: Regulatory capitalisation (SolV)

The total capital injections of so far EUR 6 bn by SoFFin are made to the HRE Group entities as follows:

- ▶ HRE Holding: **1**
 - EUR 3 bn to subscribed capital (via capital increases)
 - EUR 0.7 bn to reserves
 - thereof, EUR 0.5 bn passed to DEPFA BANK plc reserves
 - 3** (Nov 2009: EUR 0.3 bn; Feb 2010: EUR 0.2 bn)
- ▶ Deutsche Pfandbriefbank: **2**
 - EUR 1.3 bn to reserves
 - EUR 1.0 bn as silent partnership

Regulatory capital ratios of the HRE Group entities as of Dec 2009 are as follows, not yet including the regulatory balance sheet loss 2009:

	31.12.2009				
	RWA	Tier I capital	Tier I ratio	Regulatory balance sheet loss 2009	Pro-forma Tier I ratio ²
HRE Group 1 2 3	EUR 81 bn ¹	EUR 7.6 bn	9.4%	EUR -5.2 bn	7.8%
Deutsche Pfandbriefbank (sub-group) 2	EUR 46 bn	EUR 3.1 bn	6.7%	EUR -3.2 bn	5.6%
DEPFA BANK plc ³ (sub-group) 3	EUR 52 bn	EUR 3.7 bn	7.2%	EUR -0.6 bn	6.6%

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

¹ Intragroup relations eliminated

² Incl. regulatory balance sheet loss 2009

³ Figures reported to the Irish regulator incl. current balance sheet loss; once the financial statements 2009 have been audited, the solvency ratios are re-submitted to the Irish regulator

Servicing of profit-participation certificates and Tier I issues

Deutsche Pfandbriefbank will not service profit-participation rights issued by former Nürnberger, Westfälische and Württembergische Hypothekenbank

- ▶ Deutsche Pfandbriefbank AG has posted a net loss ('Jahresfehlbetrag') of EUR -1.7 bn and a balance sheet loss ('Bilanzverlust') of EUR -4.1 bn for 2009 (in accordance with German GAAP 'HGB')

On this basis the bank does not anticipate to make any distributions on any of these profit-participation certificates for the 2009 financial year and all subsequent financial years to maturity

- ▶ Furthermore, on basis of its current planning the Company will not return to profitability before 2012 and thus made following assumptions regarding the repayment claims (in % of notional value) of holders of profit-participation certificates maturing 2009 and 2010 (NHyp, WestHyp):

Original issuer	ISIN	Coupon rate	Maturity	Notional	Repayment claim as of 31.12.2009	Repayment claim at maturity (expected)
Nürnberger Hypothekenbank AG	DE0008084047	7.00%	31.12.2009	EUR 70 mio	17.5%	-
Westfälische Hypothekenbank AG	DE0008127218	variable	31.12.2009	EUR 38 mio	0%	-
Westfälische Hypothekenbank AG	DE0008127226	6.75%	31.12.2010	EUR 13 mio	0%	0%

- ▶ However, any profits posted will not be sufficient to offset the significant losses carried forward before the profit-participation rights expire – therefore, the Company does not anticipate having to make any distributions during the term of the remaining profit-participation certificates.

On the basis of further losses anticipated for the 2010 and 2011 financial years and resulting loss carryforwards which will not be offset by the final maturity date, the Company expects a further significant reduction in repayment claims under the profit-participation certificates issued by former WürttHyp (in % of notional value)

Original issuer	ISIN	Coupon rate	Maturity	Notional	Repayment claim as of 31.12.2009	Repayment claim at maturity (expected)
Württembergische Hypothekenbank AG	DE0008124041	7.00%	31.12.2011	EUR 50 mio	17.6%	~1%
Württembergische Hypothekenbank AG	DE0005463251	7.00%	31.12.2012	EUR 50 mio	17.6%	~1%

Servicing of profit-participation certificates and Tier I issues (cont'd)

- The statements regarding interest and principal payments apply accordingly to the five profit-participation certificates issued by NHyp and West Hyp and which are unlisted:

Original issuer	Coupon rate	Maturity	Notional	Repayment claim as of 31.12.2009	Repayment claim at maturity (expected)
Nürnberger Hypothekenbank AG	6.00%	31.12.2009	EUR 0.5 mio	17.5%	-
Nürnberger Hypothekenbank AG	6.00%	31.12.2009	EUR 5 mio	17.5%	-
Westfälische Hypothekenbank AG	7.10%	31.12.2011	EUR 21 mio	0%	0%
Westfälische Hypothekenbank AG	7.13%	31.12.2011	EUR 5 mio	0%	0%
Westfälische Hypothekenbank AG	8.00%	31.12.2014	EUR 10 mio	15.6%	0%

In context of the merger of DEPFA Deutsche Pfandbriefbank AG into Hypo Real Estate Bank AG, and pursuant to § 23 of the Reorganisation of Companies Act, equal rights have been granted to the owners of DEPFA Deutsche Pfandbriefbank profit-participation certificates. Accordingly, interest on profit-participation certificates issued by former DEPFA Deutsche Pfandbriefbank AG will be serviced in full for 2009.

Original issuer	ISIN	Coupon rate	Maturity	Notional	Next payment
Depfa Deutsche Pfandbriefbank AG	DE0008042904	7.50%	31.12.2010	EUR 102 mio	01.07.2010
Depfa Deutsche Pfandbriefbank AG	DE0008042946	7.65%	31.12.2011	EUR 383 mio	02.07.2010

No distributions will be made on the Hypo Real Estate International Trust I Tier I issue for the 2009 financial year.

Original issuer	ISIN	Coupon rate	Maturity	Notional
Hypo Real Estate International Trust I	XS0303478118	5.864%	Perpetual	EUR 350 mio

Servicing of profit-participation certificates and Tier I issues (cont'd)

Furthermore, DEPFA BANK plc did not make payments on its Tier I issuing vehicle DEPFA Funding IV LP on the last distribution date (March 21, 2010)

A decision regarding the payment of coupons on its other subordinated Tier I instruments, DEPFA Funding II LP and DEPFA Funding III LP will be made closer to the scheduled distribution payment dates on Oct 30, 2010 and Jun 8, 2010 respectively – nevertheless, in this context DEPFA BANK plc does not expect that any such coupon payments will be made in 2010

Original issuer	ISIN	Coupon rate	Maturity	Notional
DEPFA Funding II LP	XS0178243332	6.5%	Perpetual	EUR 400 mio
DEPFA Funding III LP	DE000A0E5U85	variable	Perpetual	EUR 300 mio
DEPFA Funding IV LP	XS0291655727	variable	Perpetual	EUR 500 mio

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HRE submitted application acc. to Sec. 8a FMStFG for establishment of and to transfer assets to a deconsolidated environment

Intention to transfer operations that are no longer strategically required as well as additional balance sheet items – i.e. business that does not conform to the new business model in terms of volume/risk profile – totalling up to EUR 210 bn

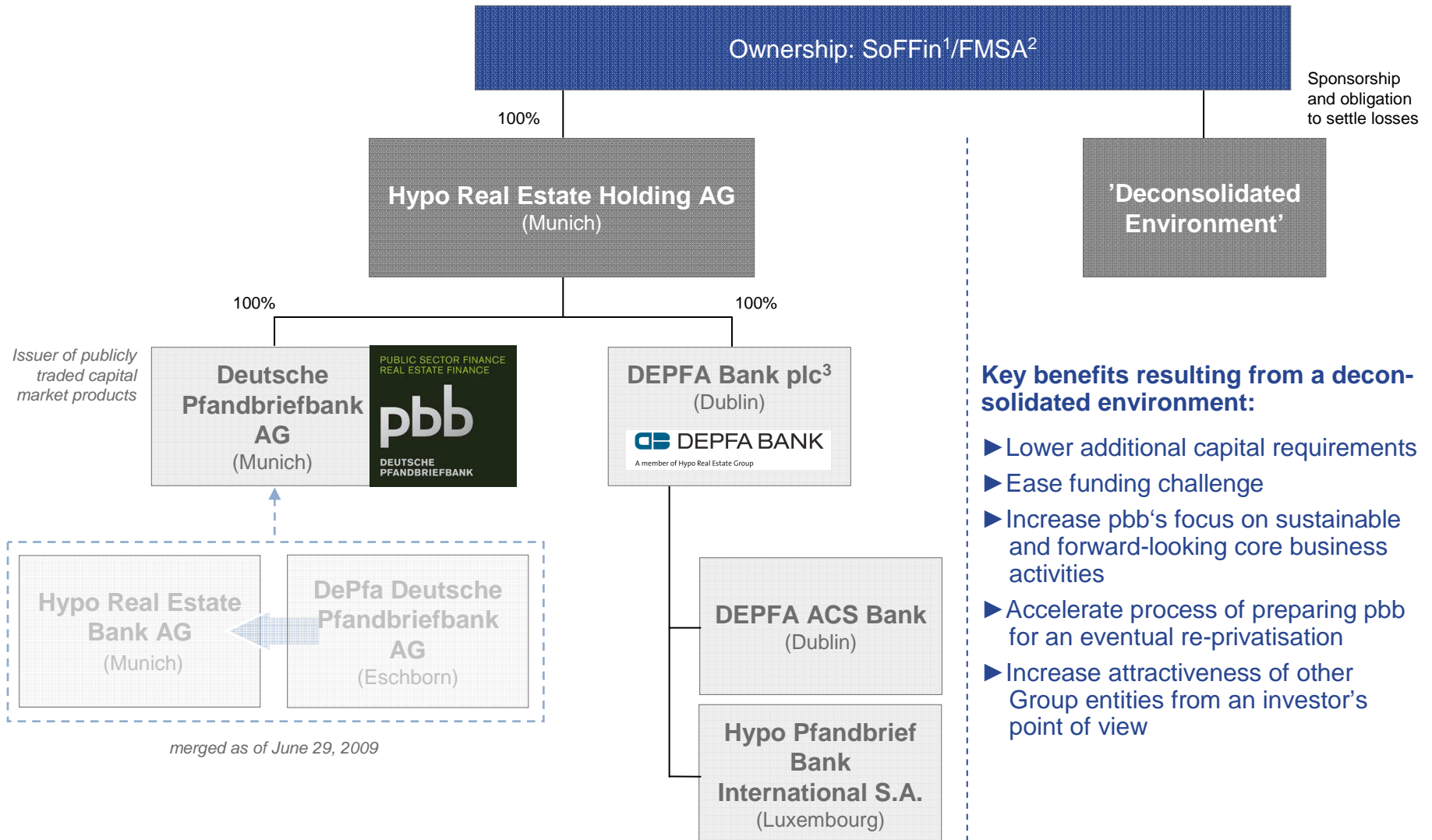
- ▶ Specifically, the Group contemplates transferring parts of the public finance and real estate finance portfolios of DEPFA BANK plc (sub-group) and Deutsche Pfandbriefbank AG (sub-group)
- ▶ The transfer may also include assets currently held by other Group entities, as well as structured products and trading positions that are exposed to increased default risks
- ▶ There are discussions regarding an inclusion of selected funding instruments. However, no transfer of unsecured funding, Pfandbriefe or other covered bonds issued by Group entities for funding purposes is planned
- ▶ It is also planned to transfer derivative positions

The transfer is scheduled to take place during the second half of 2010, once all necessary approvals have been obtained

- ▶ There is no legally enforceable right upon establishment of a deconsolidated environment: whether and to what extent the application will be approved is within discretion of the Financial Market Stabilisation Agency (FMSA)
- ▶ The transfer of assets requires the consent of the executive bodies of the legal entities involved. Furthermore, the use of a deconsolidated environment is subject to approval by the EU Commission. Accordingly, this has already been included in the EU Commission's ongoing state aid proceedings

Details regarding the actual asset portfolios, liabilities and derivatives to be transferred, the manner in which the transfer will take place, and the exact specifications of the deconsolidated environment, have yet to be determined in coordination with the FMSA

Framing the option of establishing a deconsolidated environment



EU state aid proceedings ongoing



EU Commission has opened the formal investigation procedure in May 2009 – support package for HRE from the German government is being reviewed within the scope of ongoing EU state aid proceedings

- ▶ Liquidity support
- ▶ Recapitalisation

In Nov 2009, as expected, the EU Commission extended the scope of the ongoing state aid proceedings to cover all previous measures and potential SoFFin support in the future:

- ▶ A further recapitalisation of HRE of up to EUR 4 billion
- ▶ The provision of liquidity guarantees for a maximum of five years with different maturities
- ▶ Potential measures in the context of setting up a deconsolidated environment

HRE continues to work with the German Government and the EU Commission in a very close and constructive manner

- ▶ The Group is confident that the Commission's formal investigation will be concluded with a positive decision
- ▶ Decision expected by mid-year 2010

Agenda

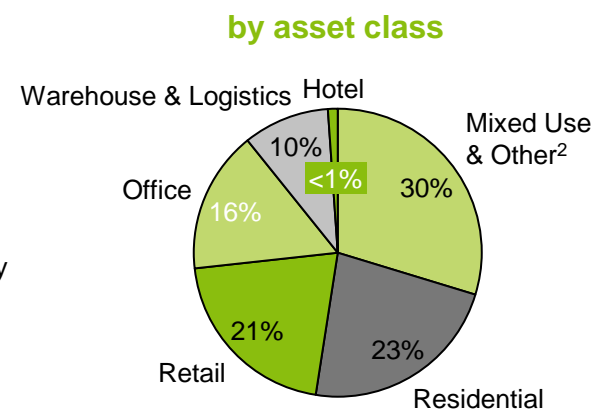
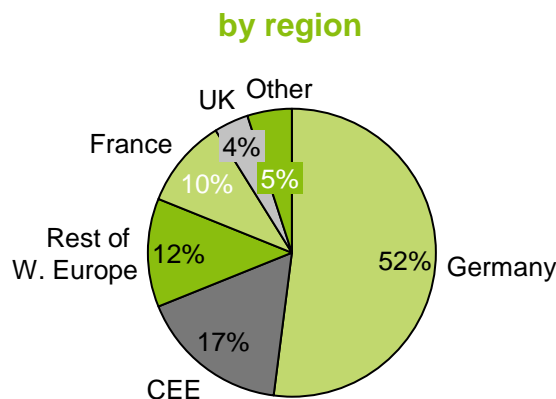
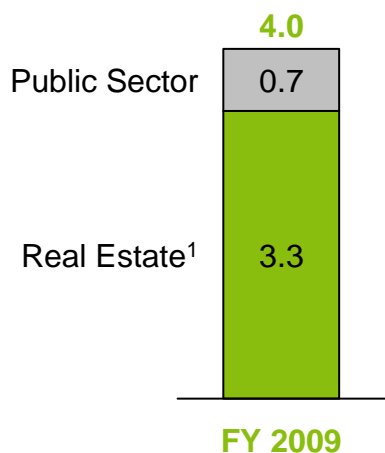
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Selective new business of EUR 4.0 bn written at margins higher than pre-crisis

New business

Commitments in EUR billion / in %



Public Sector (20 deals)

- EUR 0.7 bn new business, only in Europe (Germany: EUR 0.2 bn, Spain: EUR 0.4 bn, France: EUR 0.1 bn)
- Average maturity: ~6 years
- Average gross margin: >100 bp

Real Estate (56 deals)

- EUR 3.3 bn new business, thereof EUR 2.6 bn extensions >1 year; additional EUR 0.3 bn originated for syndication
- 52% Germany, well diversified by asset class
- Average maturity: ~4 yrs (new commitments); ~3 yrs (extensions >1 year)
- Average LTVs of 71% – 61% for new commitments; 75% for extensions >1 year
- Average gross margin: >265 bp

1. Total volume of deals closed, excl. extensions <=1 year

2. Land, Healthcare

First steps of successful re-entry into the public markets achieved – EUR 7.5 bn funding obtained from the market in 2009



- Banks have re-established credit lines and bilateral (cross-currency) repo transactions and private placements (Pfandbrief and unsecured) are being executed again
- Re-entry into the public markets in Benchmark format to establish name and re-establish pricing curve achieved – pbb Deutsche Pfandbriefbank has placed two Jumbo Pfandbrief issues with a total volume of EUR 2.5 bn in the public market in Sep and Oct 2009

Issuances EUR billions		FY 2009	EUR 1.5 bn Jumbo Mortgage Pfandbrief (placed Sep 2009)		EUR 1.0 bn Jumbo Public Sector Pfandbrief (placed Oct 2009)	
Pfandbriefe		4.1	Size	EUR 1.5 bn	Size	EUR 1.0 bn
thereof: Jumbo		2.5	Type	Jumbo Mortgage Pfandbrief	Type	Jumbo Public Sector Pfandbrief
Senior Unsecured (outstanding as of 12/2009)		1.6	Rating	AAA / Aa3 / AA+	Rating	AAA / Aaa / AAA
Money Market (outstanding as of 12/2009)		1.8	Maturity	5-year	Maturity	10-year
			Coupon	3.125% p.a. act/act	Coupon	4.0% p.a. act/act
			Fixed re-offer spread	m/s +50 bp	Fixed re-offer spread	m/s +55 bp
			Current trading level¹	m/s +25 bp	Current trading level¹	m/s +40 bp

- Further progress made in 2010 – a further EUR 1.0 bn Jumbo Pfandbrief was successfully placed in Jan 2010

EUR 1.0 bn Jumbo Public Sector Pfandbrief (placed Jan 2010)	
Size	EUR 1.0 bn
Type	Jumbo Public Sector Pfandbrief
Rating	AAA / Aaa / AAA
Maturity	7-year
Coupon	3.375% p.a. act/act
Fixed re-offer spread	m/s +38 bp
Current trading level¹	m/s +39 bp

1. Source: Bloomberg, March 24, 2010; relative value vs. swap curve

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Strategic priorities 2010 – ongoing execution of restructuring measures and repositioning

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

Further balance sheet reduction in a value preserving manner – in this context, the establishment of a deconsolidated environment

- ▶ Intention to transfer operations that are no longer strategically required, as well as additional balance sheet items totalling up to EUR 210 bn
- ▶ The transfer is scheduled to take place during the second half of 2010, once all necessary approvals have been obtained from the responsible corporate bodies and institutions
- ▶ The establishment of a deconsolidated environment is not only of high importance for HRE to release non-strategic and problematic assets – its purpose is also to minimize the burden for the German tax payers

Conclude the currently ongoing EU state aid proceedings shortly

- ▶ Total support for HRE from the government is being reviewed within the scope of ongoing EU state aid proceedings
- ▶ It is to be expected that the EU Commission will impose conditions on HRE in connection with the approval of the restructuring plan, such as a significant reduction of the balance sheet and the determination of a time schedule for the re-privatisation of the company.

Nevertheless, the German Government as the leading negotiator and HRE are both still confident that the Commission's formal investigation will be concluded with a positive decision

Outlook 2010 – market environment remains difficult

Market environment remains difficult

- ▶ Crisis on commercial real estate markets will last for some time – significant debt overhang/refinancing needs
- ▶ Exposures to public debtors are increasingly affected by rising indebtedness of the public sector in industrialised countries – this will have a negative impact on the public sector business
- ▶ However, HRE sees opportunities to offer products and services of pbb Deutsche Pfandbriefbank at competitive conditions – the new business focus will be on Pfandbrief eligible Real Estate and Public Sector business
- ▶ Liquidity situation remains subject to market movements and central bank actions

Aim to further contain losses – however, the results 2010 and 2011 are expected to be further burdened by write-downs on loans and securities as well as expenses for external liquidity support

Additional expenses will arise along with the potential implementation of a deconsolidated environment

HRE does envisage not to return to profitability before 2012

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