

# Q1 2009 Results

**Investor Relations Presentation**  
May 5, 2009

# Highlights

Market dislocation decelerated in Q1 2009, but overall environment remains difficult

Q1 2009 pretax loss of EUR 406 mio, loss after tax at EUR 382 mio

Main negative drivers of Q1 result

▶ Additions to loan-loss provisions of EUR 196 mio

▶ EUR 135 mio in CRE;  
individual loan-loss provisions at EUR 1,061 mio – coverage on CRE problem loans now 34.5%

▶ EUR 49 mio on certain public sector entities and infrastructure counterparties;  
individual loan-loss provisions at EUR 238 mio – coverage on PS&IF problem loans now 33.4%

▶ Write-downs on structured products of EUR 33 mio

▶ Synthetic CDOs: EUR 30 mio

▶ Cash CDOs: EUR 3 mio

▶ No impairment triggers on MBS in Q1 2009

Coverage ratios now as follows

▶ Synthetic CDOs: 77% – remaining exposure now at EUR 188 mio

▶ Cash CDOs: 60% – remaining exposure now at EUR 797 mio

▶ MBS: 18% – remaining exposure now at EUR 2.6 bn

▶ Market value adjustments due to certain counterparty risks of EUR -85 mio

## Highlights (cont'd)

- ┌ SoFFin intends both, to provide a sufficient recapitalization of HRE Holding and to prolong existing or extend guarantees if necessary
  - ▶ Full control prerequisite for intended recapitalization
  - ▶ On March 31, 2009 SoFFin took up 20 million shares from authorized capital ex rights, resulting in a 8.7% stake
  - ▶ On April 17, 2009 SoFFin made a public offer to purchase all shares at a price of EUR 1.39, which includes a premium of ~10% on the statutory minimum offer price of EUR 1.26.
  - ▶ EGM scheduled for June 2, 2009 – proposal to increase registered share capital by up to EUR 5,639,282,040 through the issuance of up to 1,879,760,680 new no-par value bearer shares.  
SoFFin intends to subscribe to new shares to the extent necessary to acquire a 90% majority stake.

- ┌ Total external liquidity support currently at EUR 100.3 bn

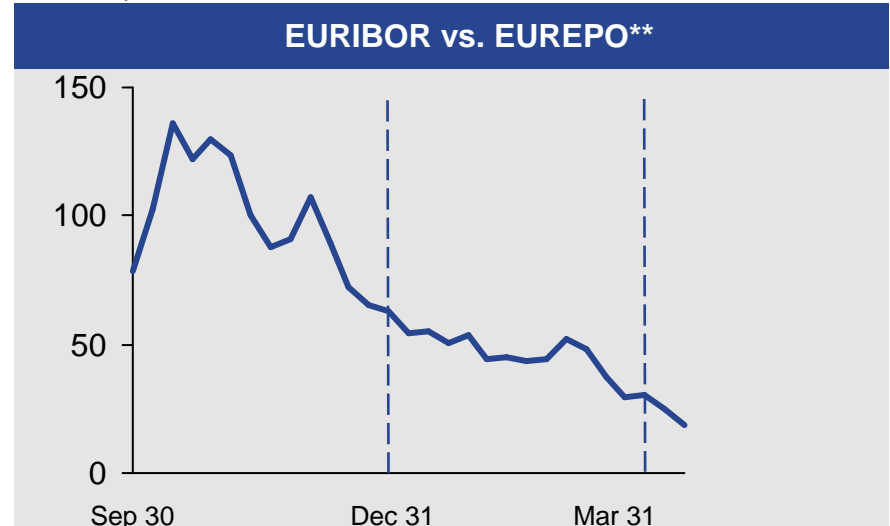
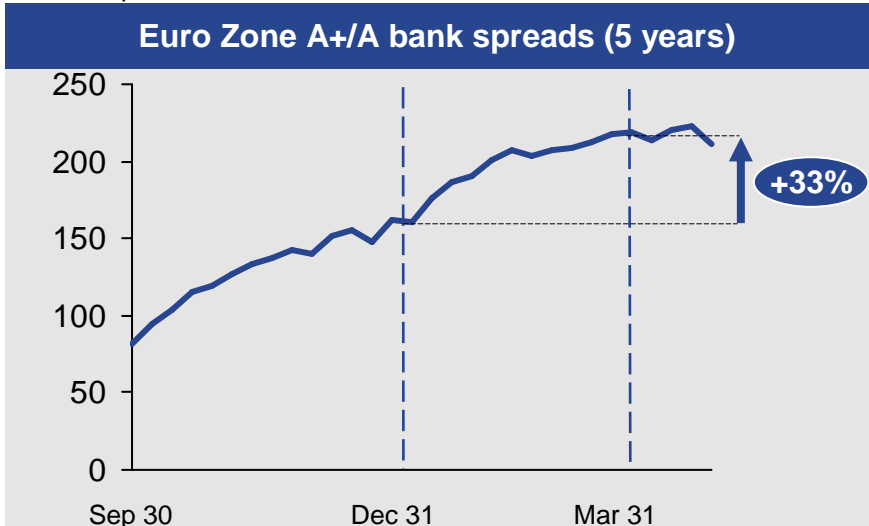
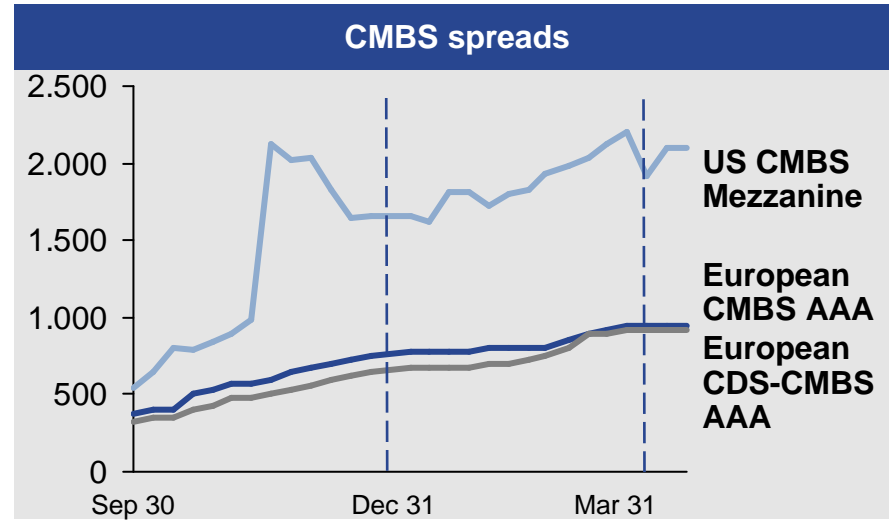
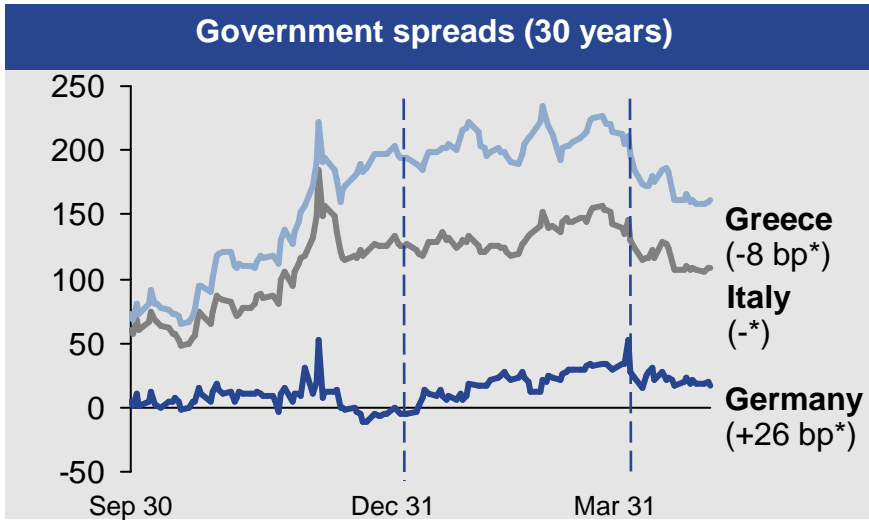
- ┌ Restructuring program in full progress
  - ▶ Global workout being implemented
  - ▶ Segmentation of portfolio into strategic and value maximization (non-strategic) parts ongoing
  - ▶ Organizational structure simplified and committee structure redesigned
  - ▶ Projects to implement simplification of legal structure initiated (sale of DEPFA First Albany closed, merger of DEPFA Deutsche Pfandbriefbank AG into HRE Bank AG)
  - ▶ First modules of new IT platform launched mid April

# Agenda

- 1** **Financial results Q1 2009**
- 2 SoFFin support, liquidity and capital
- 3 Update management agenda and next steps

# Market dislocation decelerated in Q1

Bps



Source: Bloomberg

\* Spread variation in Q1

\*\* Difference between market standard interest rates for unsecured 3-months money (EURIBOR) and secured 3-months money (EUREPO)

## Pretax loss of EUR 406 mio in Q1 2009 – lower impact from financial market crisis

### Hypo Real Estate Group EUR millions

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
Operating revenues	184	236	-345	-660	-585	-80
thereof:						
Net interest and similar income	299	304	354	676	1,633	371
Net commission income	35	34	35	-72	32	-108
Net trading income	-98	12	-349	-574	-1,009	-162
Net income financial investments	-29	-135	-364	-881	-1,409	-30
Net income hedge relationships	-19	15	-30	120	86	-110
Other operating income/expenses	-4	6	9	71	82	-41
Provisions for losses on loans and advances	-33	-37	-177	-1,409	-1,656	-196
General administrative expenses	-145	-160	-119	-181	-605	-130
Impairment on DEPFA goodwill/intangibles	0	0	-2,482	0	-2,482	0
Other income/expenses	184	-22	18	-227	-47	0
<b>Pretax profit</b>	<b>190</b>	<b>17</b>	<b>-3,105</b>	<b>-2,477</b>	<b>-5,375</b>	<b>-406</b>

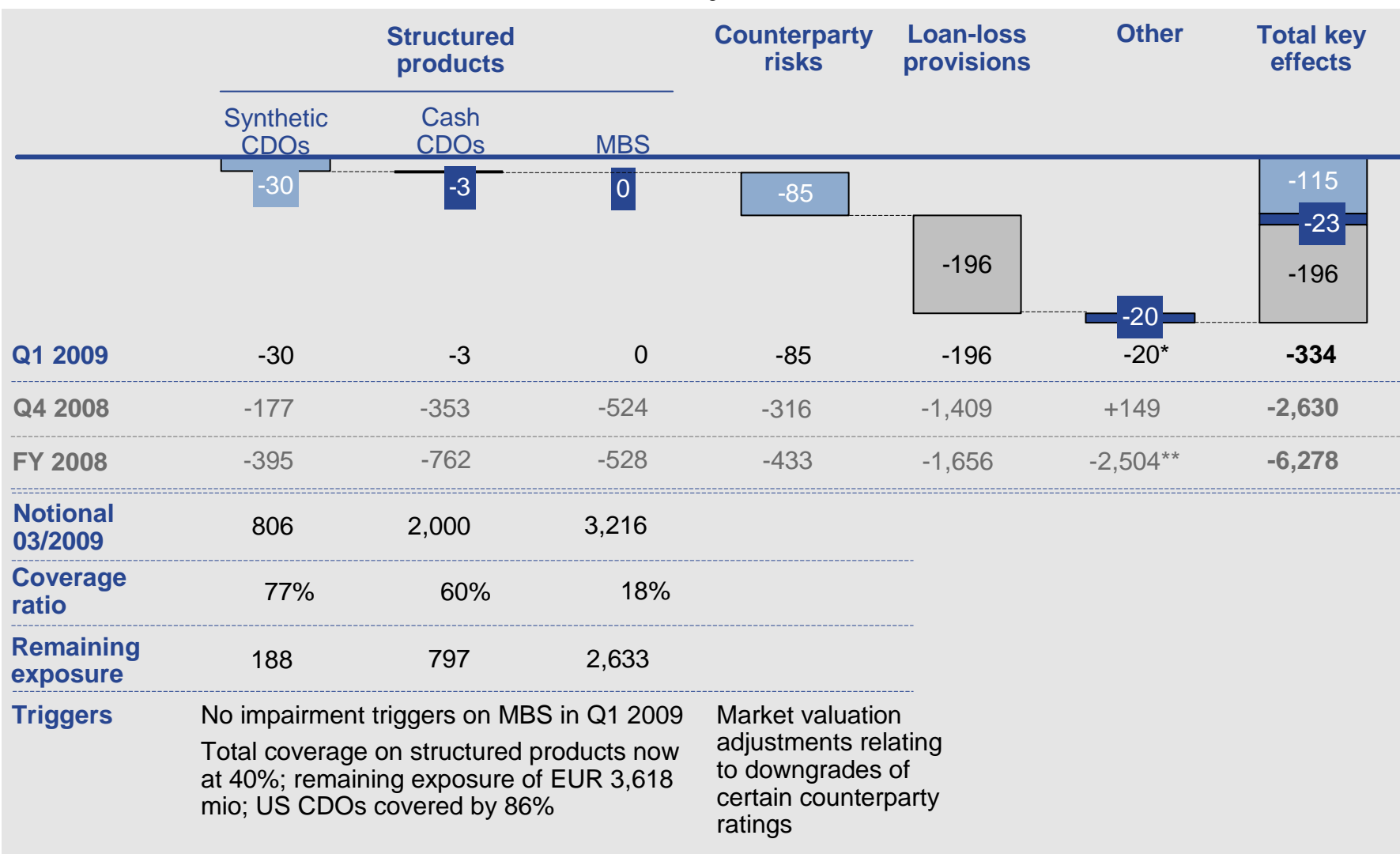
#### Comments

- ▶ In Q4 2008 and Q1 2009 net interest income benefitted from more favorable money market conditions in the course of interest rate cuts; Q4 2008 includes positive effect of EUR 353 mio from non-payment of coupons on hybrid instruments and devaluation of participation certificates\*
- ▶ Net commission income burdened by costs for SoFFin guarantees of EUR -129 mio in Q1 2009 (EUR -93 mio in Q4 2008)
- ▶ Net trading income with significantly lower effects from synthetic CDOs and market value adjustments due to certain counterparty risks
- ▶ Substantially improved net income from financial investments due to lower write-downs on structured products
- ▶ Negative net income from hedge relationships in Q1 2009 mainly results from hedge inefficiencies and reflects expected reversal of effects in Q4 2008
- ▶ Other operating income burdened by FX effects, mainly from stronger USD
- ▶ Additions to loan-loss provisions remain at elevated level
- ▶ General administrative expenses at reduced level due to lower planned variable compensation components

## Total key effects – additions to loan-loss provisions remain at elevated level, but write-downs on structured products lower in Q1 2009

EUR millions

Net trading result Net income from financial investments Loan-loss provisions



\* EUR 20 mio portfolio-based provisions on re-classified LaR assets

6 | \*\* Incl. impairment on DEPFA goodwill/intangibles of EUR 2,482 mio

Q1 2009 Results, May 5, 2009

## Key effects – real estate markets continue to weaken

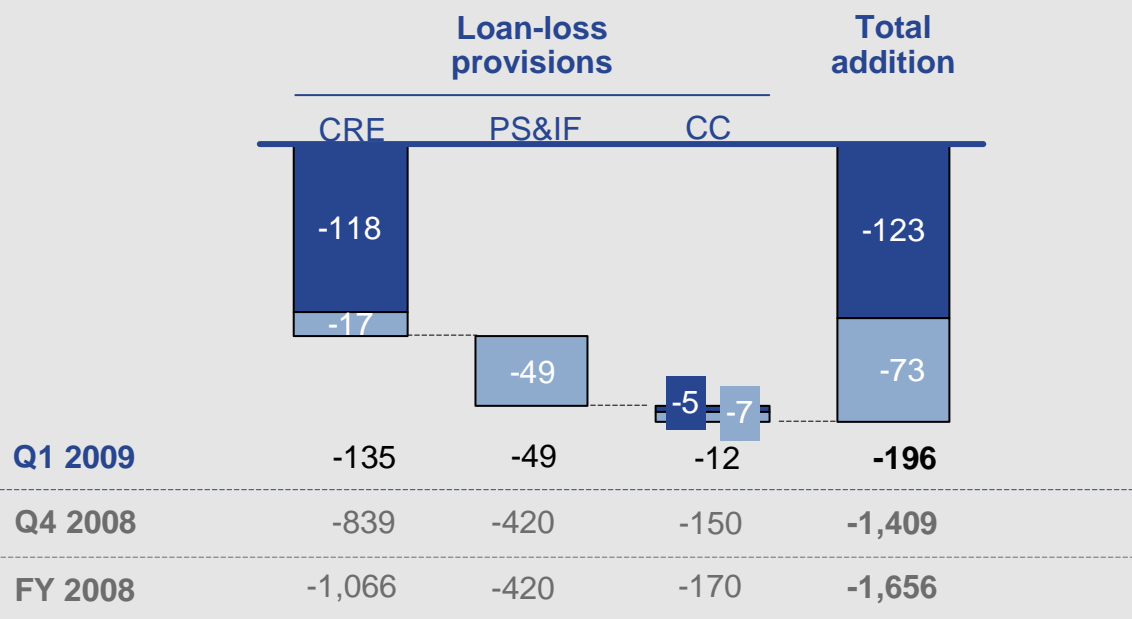
### Loan-loss provisions

EUR millions

■ Individual ■ Portfolio-based

### Comments

#### P&L



- ▶ EUR 196 mio total addition to loan-loss provisions in Q1 2009, thereof EUR 73 mio portfolio-based
- ▶ Commercial Real Estate (CRE) – additions to individual loan-loss provisions mainly in the US, and to a lesser extent in Germany, Spain and UK
- ▶ Public Sector & Infrastructure Finance (PS&IF) – only portfolio-based provisions

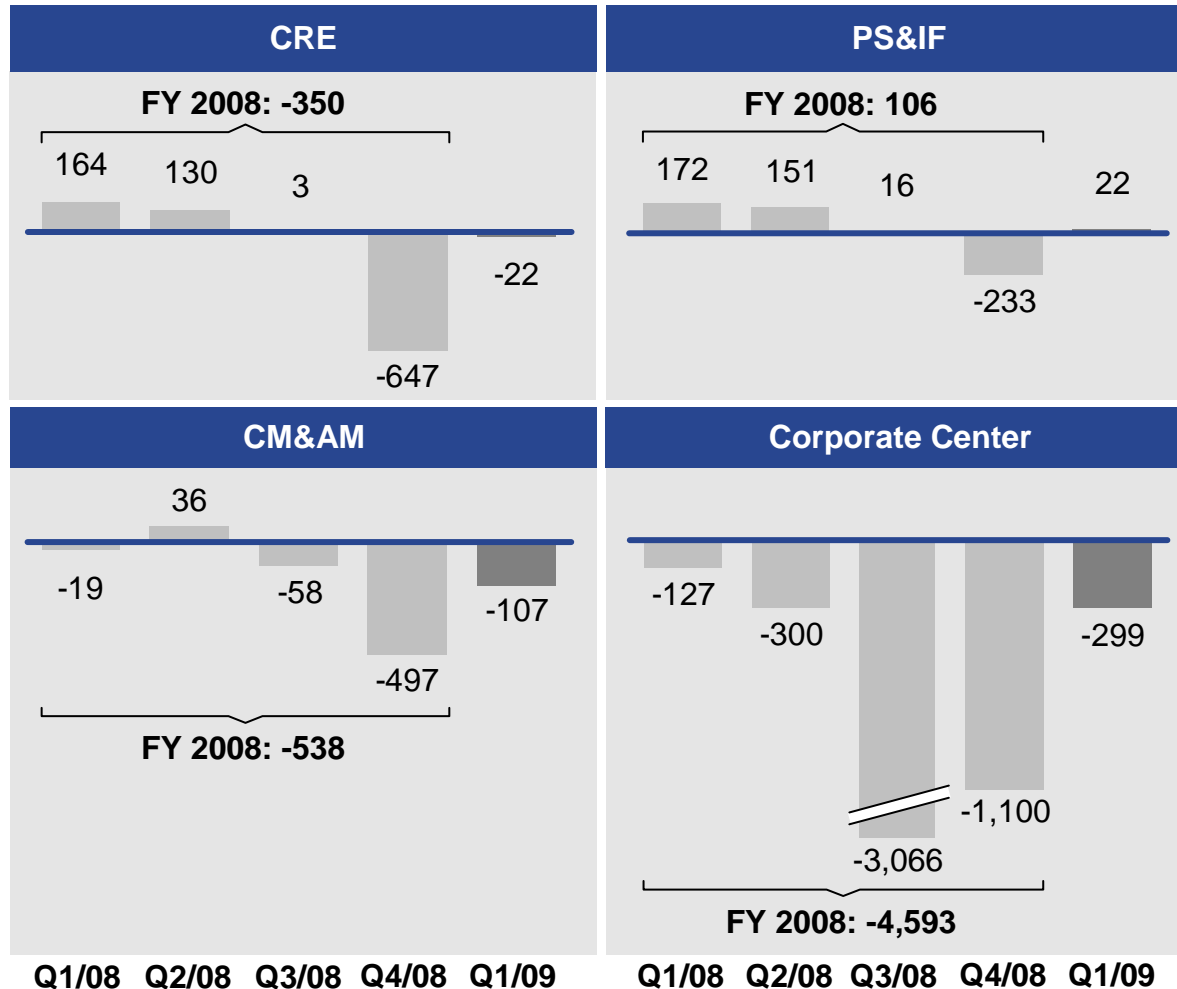
#### Balance sheet

	12/2008	03/2008			Total
		CRE	PS&IF	CC	
Individual allowances	1,628	1,061	238	433	1,732
Portfolio-based allowances	649	378	258	86	722
Provisions for contingent liabilities & other commitments	11	10	0	1	11
<b>Total loan-loss provisions</b>	<b>2,288</b>	<b>1,449</b>	<b>496</b>	<b>520</b>	<b>2,465</b>

- ▶ Coverage ratio on problem loans now as follows:
  - ▶ CRE: 34.5% (12/2008: 33.5%)
  - ▶ PS&IF\*: 33.4% (12/2008: 35.8%)

# Segment performance – lower impact from financial market crisis but continued weakening real estate markets

## Pretax profit by segments EUR millions



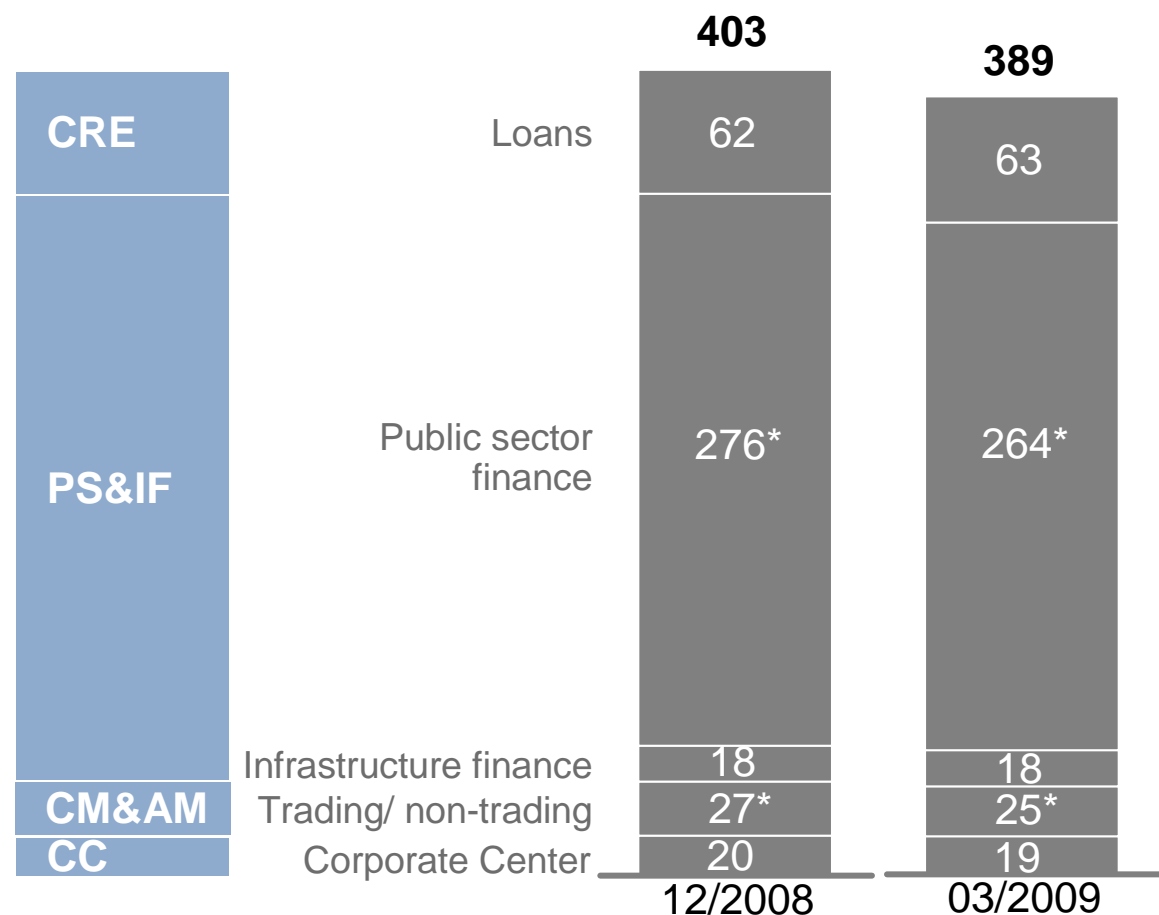
### Comments

- ▶ CRE – Q4 2008 pretax profit reflects strong deterioration of real estate markets; provisioning needs in Q1 2009 lower but remain at elevated level
- ▶ PS&IF – pretax profit benefitted from more favorable money market conditions in the course of interest rate cuts as well as from lower loan-loss provisions
- ▶ CM&AM – effects from market value adjustments relating to counterparty risks lower than in Q4 2008
- ▶ Corporate Center – significantly lower write-downs on structured products in Q1 2009

# Portfolio overview – slightly reduced portfolio

## Portfolio overview by segments

Exposure/EaD in EUR billions, excl. intra-group exposure 03/2009



### Comments

- ▶ CRE – loan portfolio relatively stable
- ▶ PS&IF – portfolio reduction of EUR 12 bn
  - ▶ EUR 10 bn decline due to re-/pre-payments
  - ▶ EUR 5 bn reduction in counterparty risks in repo and repo-related transactions
  - ▶ FX effects: EUR +3 bn
- ▶ CM&AM – ongoing portfolio reduction in the trading book
- ▶ Corporate Center – portfolio includes DEPFA carry book, Pfandbriefbank ALM book, structured products in banking book and consolidated SPVs as well as small Aareal legacy retail portfolio

# Agenda

- 1 Financial results Q1 2009
- 2 SoFFin support, liquidity and capital**
- 3 Update management agenda and next steps

## SoFFin intends both, to provide a sufficient recapitalization of HRE Holding and to prolong existing or extend guarantees if necessary

- Full control over HRE Holding prerequisite for recapitalization
- On March 31, 2009 SoFFin took up 20 million shares from authorized capital ex rights, resulting in a 8.7% stake
- On April 17, 2009 SoFFin made a public offer to purchase the shares of all shareholders of HRE Holding at a price of EUR 1.39, which includes a premium of ~10% on the statutory minimum offer price of EUR 1.26.
- EGM scheduled for June 2, 2009 – proposal to increase registered share capital by cash contribution of up to EUR 5,639,282,040 to a total of up to EUR 6,332,535,600, through the issuance of up to 1,879,760,680 new no-par value bearer shares.

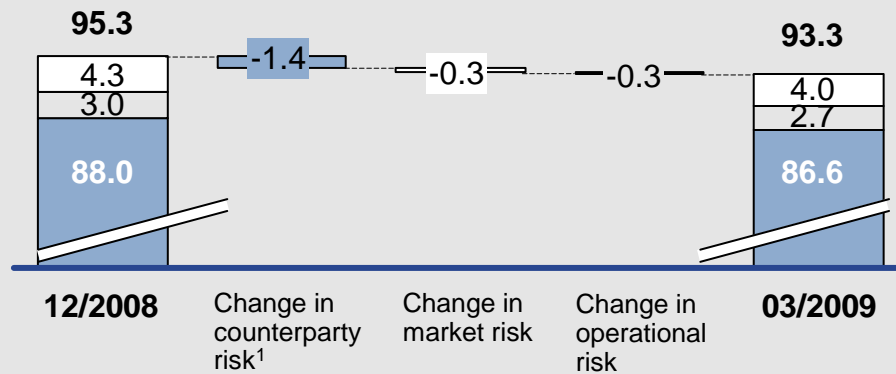
SoFFin intends to subscribe to new shares to the extent necessary to acquire a 90% majority stake in the Company's capital and voting rights.

The new shares are proposed to be issued at the lowest price.

# Tier I ratio (SolvV) at 6.3% excluding consolidated operating losses and before recapitalization – pro forma Tier I ratio at 3.5%

## RWA EUR billions

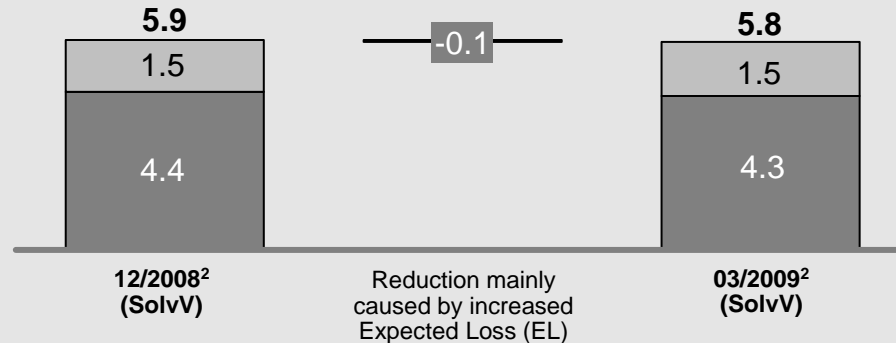
- Counterparty risk
- Operational risk
- Market risk



- ▶ Counterparty risk down mainly due to portfolio reduction
- ▶ Market risk down due to further reduction of assets in Q1

## Tier I capital EUR billions (HGB/ German GAAP)

- Core Tier I
- Hybrid capital



- ▶ Tier I capital (SolvV) excludes consolidated operating loss – Tier I ratio (SolvV) as of 03/2009 at 6.3%
- ▶ Including consolidated operating loss, Tier I ratio (SolvV) was at 3.5%

## Tier I ratio<sup>3</sup> (SolvV)

6.2%

6.3%

## Pro forma Tier I ratio<sup>3,4</sup> (SolvV)

3.4%

3.5%

SoFFin  
intends to provide a  
sufficient recapitalization  
of HRE Holding

1 Incl. rating downgrades, transfer of REITs to standard approach, and FX rate effects  
2 Before approved annual financial statements and before profit distribution

3 Based on counterparty, operational, and market risk  
4 After approved annual financial statements and after profit distribution

## Total equity (IFRS) negative at EUR -0.6 bn as of March 31, 2009

### Hypo Real Estate Group – Equity (IFRS)

EUR millions

	31.03.2009	31.12.2008	Change	
			EUR mio	%
<b>Equity attributable to equity holders</b>	<b>-615</b>	<b>-1,508</b>	+893	+59.2
Subscribed capital	693	633	+60	+9.5
Hybrid capital instruments	1,043	-	+1,043	+100.0
Additional paid-in capital	6,352	6,352	0	0.0
Retained earnings	-4,372	1,085	-5,457	<-100.0
Revaluation reserve	-3,949	-4,117	+168	+4.1
AfS reserve	-3,231	-3,115	-116	-3.7
Cash flow hedge reserve	-718	-1,002	+284	+28.3
Consolidated loss	-	-5,461	+5,461	+100.0
Consolidated loss Q1 2009	-382	-	-382	-100.0
Minority interest in equity	-	-	-	-
<b>Total equity</b>	<b>-615</b>	<b>-1,508</b>	<b>+893</b>	<b>+59.2</b>

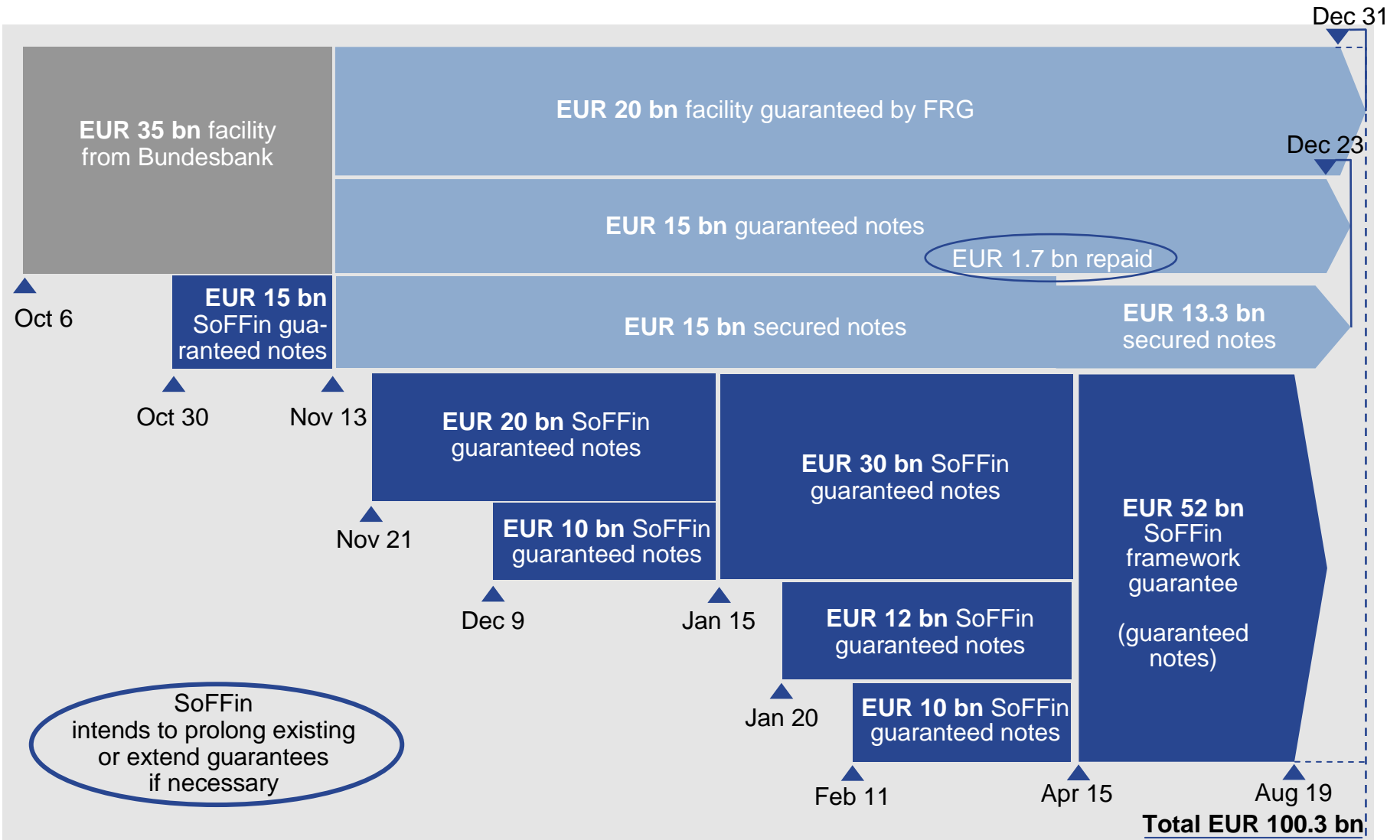
### Comments

- ▶ Excluding negative revaluation reserve of EUR 4.0 bn, total equity (IFRS) at EUR 3.3 bn
- ▶ Subscribed capital includes recent capital increase by SoFFin
- ▶ DEPFA's hybrid capital now treated as equity
  - ▶ However, no increase of equity from an economic point of view
  - ▶ According to IAS 32 equity instruments do not contain obligations to pay interest or redemption
  - ▶ After redemption of a coequal instrument no obligation to pay interest for these perpetuals
- ▶ Revaluation reserve negative at EUR 4.0 bn, mainly due to negative AfS reserve in course of credit spread widening

# External support continues to be essential

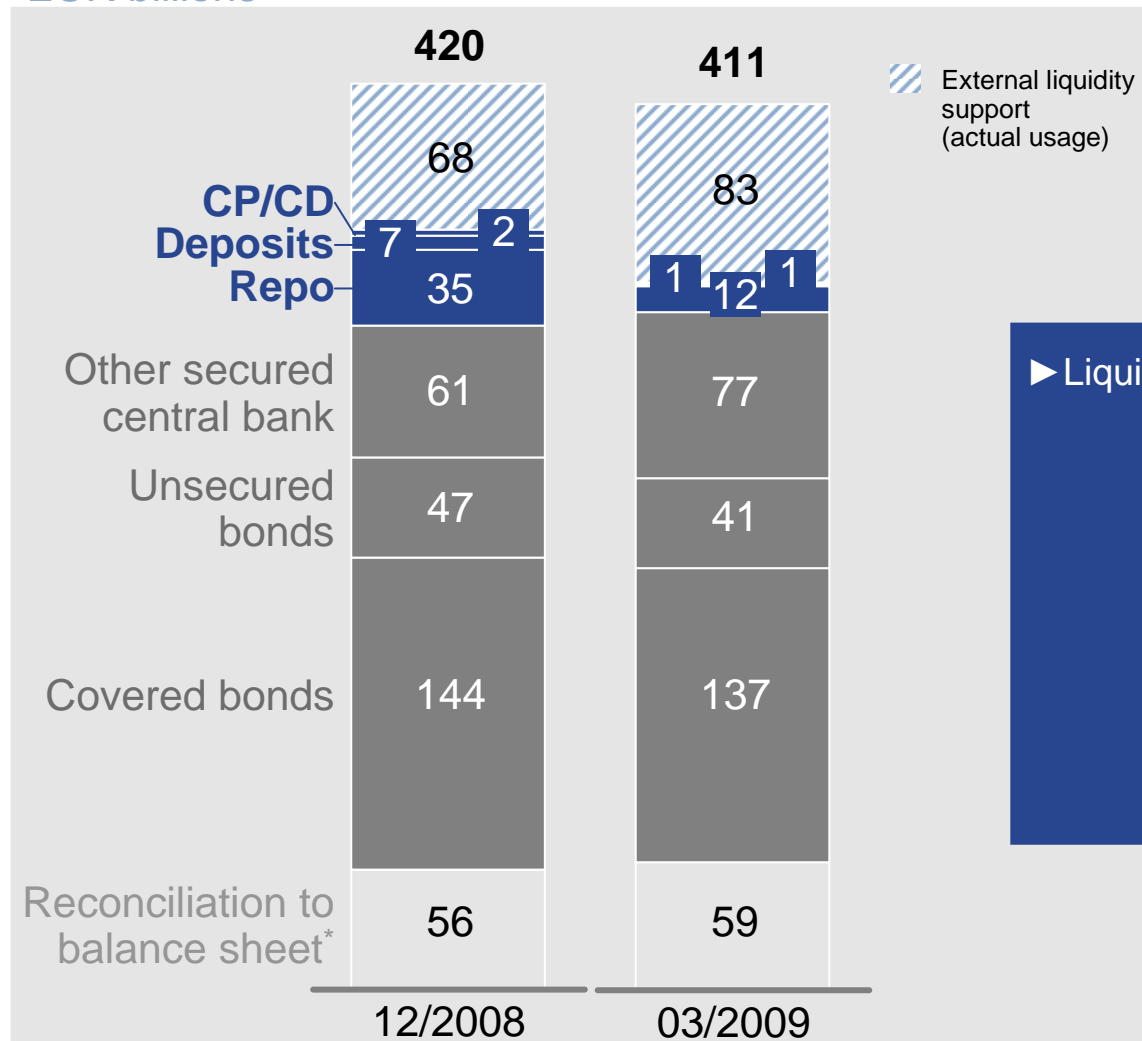
EUR billions

■ Bundesbank ■ Financial consortium ■ SoFFin guaranteed



# As of March 31, 2009 EUR 83 bn of external liquidity support and guarantees were drawn

## Hypo Real Estate Group – Liability profile EUR billions



- ▶ Liquidity needs are driven by
  - ▶ Repayment of CP/CD, deposits and unsecured bonds
  - ▶ Additional collateralization (higher haircuts) in favor of other market participants, central banks and investors
  - ▶ Higher over-collateralization, rating agencies require for covered bonds (Pfandbriefe)

[15] \* Incl. equity, negative market values related to derivatives, income tax liabilities, accrued interest

# Agenda

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- 3 Update management agenda and next steps**

## Management agenda – status update

### Stabilization

#### Status

- ▶ Offer to shareholders to acquire 100% of the shares submitted by SoFFin
- ▶ SoFFin intends both, to provide a sufficient recapitalization of HRE Holding and to prolong existing or extend further guarantees if necessary
- ▶ Total external liquidity support currently EUR 100.3 bn. Uniform extension of EUR 52 bn framework guarantee until August 19, 2009

### Strategy and business model

- ▶ Strategy detailed and submitted to EU as part of restructuring plan
- ▶ First wave of 5 locations (Chicago, Sacramento, Sao Paulo, Tel Aviv, Frankfurt) closed by end of April
- ▶ Around half of planned staff reduction for 2009 already effective or initiated; FTE down to 1,656 at end of Q1 from 1,786 at year-end 2008
- ▶ First modules of new IT platform launched mid April

### Organization and corporate governance

- ▶ Organizational structure simplified and committee structure redesigned
- ▶ Projects to implement simplification of legal structure initiated (e.g. merger of DEPFA Deutsche Pfandbriefbank AG into HRE Bank AG)

### Management team

- ▶ CFO and Board member for Real Estate Finance to be nominated
- ▶ 2<sup>nd</sup> level management in place after management appraisal process, further management to be nominated by end of May

### Risk and portfolio

- ▶ Global workout unit being implemented
- ▶ Segmentation of portfolio into strategic and value maximization parts ongoing

## Next steps

### Immediate actions

- ▶ Necessary agreements with labor representatives
- ▶ Approval for Government support by the European Commission – restructuring plan filed, application under first review
- ▶ Extraordinary general meeting scheduled for June 2, 2009
- ▶ Further closure of 4 locations by end of June (5 locations already closed in 2009)
- ▶ Merger DEPFA Deutsche Pfandbriefbank AG into HRE Bank AG
- ▶ Continuing development of group-wide restructuring measures to implement targeted lean setup

### Mid-term

- ▶ Closure of further 7 locations by end of 2009
- ▶ Continuing implementation of an IT and process optimization program to consolidate the fragmented IT landscape
- ▶ Selective outsourcing, e.g. IT infrastructure
- ▶ Controlled reduction of non-strategic portfolios in the Public Sector
- ▶ Discontinuation and controlled reduction of Infrastructure Finance as well as Capital Markets and Trading Business
- ▶ Optimization of cover pools

## Financial Calender 2009



02 June 2009      Extraordinary General Meeting

07 August 2009      Q2 Results 2009

13 August 2009      Annual General Meeting

11 November 2009      Q3 Results 2009

# Appendix

**Financial results**

Portfolio overview

Ratings

# Hypo Real Estate Group

## Quarterly financial overview

<b>Condensed P&amp;L</b>						
EUR millions	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
<b>Operating revenues</b>	<b>184</b>	<b>236</b>	<b>-345</b>	<b>-660</b>	<b>-585</b>	<b>-80</b>
<i>Net interest and similar income</i>	299	304	354	676	1,633	371
<i>Net commission income</i>	35	34	35	-72	32	-108
<i>Net trading income</i>	-98	12	-349	-574	-1,009	-162
<i>Thereof: Synthetic CDOs</i>	-87	-19	-112	-177	-395	-30
<i>Thereof: Lehman Brothers</i>	0	0	-150	0	-150	0
<i>Thereof: Market value adjustment due to counterparty risks</i>	0	0	-117	-316	-433	-85
<i>Net income from financial investments</i>	-29	-135	-364	-881	-1,409	-30
<i>Thereof: Cash CDOs</i>	-88	-126 <sup>1</sup>	-195	-353	-762	-3
<i>Thereof: MBS</i>	0	0	-4	-524	-528	0
<i>Net income from hedge relationships</i>	-19	15	-30	120	86	-110
<i>Balance of other operating income/expenses</i>	-4	6	9	71	82	-41
Provisions for losses on loans and advances	-33	-37	-177	-1,409	-1,656	-196
General administrative expenses	-145	-160	-119	-181	-605	-130
Impairment on DEPFAs goodwill <sup>2</sup>	0	0	-2,482	0	-2,482	0
Balance of other income/expenses	184	-22	18	-227	-47	0
<i>Thereof: MCB<sup>3</sup></i>	184	-23	19	0	180	0
<i>Thereof: Additions to restructuring provisions</i>	0	0	0	-229	-229	0
<b>Pretax profit</b>	<b>190</b>	<b>17</b>	<b>-3,105</b>	<b>-2,477</b>	<b>-5,375</b>	<b>-406</b>
<b>Key financials</b>						
EUR billions						
RWA	92.7 <sup>4</sup>	90.6 <sup>4</sup>	96.3 <sup>4</sup>	95.3 <sup>4,5</sup>	95.3 <sup>4,5</sup>	93.3 <sup>4,5</sup>
Tier I capital	7.3	7.4	6.6	5.9 <sup>5</sup>	5.9 <sup>5</sup>	5.8 <sup>5</sup>

1 Net of EUR 70 mio model reserve used

2 Incl. other intangibles

3 Effect from embedded derivative relating to the mandatory convertible bond

4 Basle II, incl. operational and market risk

5 Before approved annual financial statements and profit distribution

# Commercial Real Estate Finance

## Quarterly financial overview

<b>Condensed P&amp;L</b>						
EUR millions	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
<b>Operating revenues</b>	<b>231</b>	<b>200</b>	<b>226</b>	<b>219</b>	<b>876</b>	<b>153</b>
I <i>Net interest and similar income</i>	194	188	187	187	756	161
I <i>Net commission income</i>	21	20	26	28	95	17
I <i>Net trading income</i>	-11	-8	-1	-25	-45	-25
I <i>Thereof: Market value adjustment due to counterparty risks</i>	0	0	0	-24	-24	-25
I <i>Net income from financial investments</i>	23	0	17	18	58	0
I <i>Net income from hedge relationships</i>	0	0	0	0	0	0
I <i>Balance of other operating income/expenses</i>	4	0	-3	11	12	0
Provisions for losses on loans and advances	-23	-25	-179	-839	-1,066	-135
General administrative expenses	-44	-45	-44	-22	-155	-40
Balance of other income/expenses	0	0	0	-5	-5	0
<b>Pretax profit</b>	<b>164</b>	<b>130</b>	<b>3</b>	<b>-647</b>	<b>-350</b>	<b>-22</b>
<b>Key financials</b>						
EUR billions						
RWA	35.5 <sup>1</sup>	28.2 <sup>1</sup>	30.1 <sup>1</sup>	26.9 <sup>1,2</sup>	26.9 <sup>1,2</sup>	26.1 <sup>1,2</sup>

1 Basle II, incl. market risk

2 Before approved annual financial statements and profit distribution

# Public Sector & Infrastructure Finance

## Quarterly financial overview

<b>Condensed P&amp;L</b>						
EUR millions	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
<b>Operating revenues</b>	<b>204</b>	<b>184</b>	<b>41</b>	<b>180</b>	<b>609</b>	<b>96</b>
I <i>Net interest and similar income</i>	157	179	189	205	730	286
I <i>Net commission income</i>	7	11	6	-63	-39	-84
I <i>Net trading income</i>	34	-6	-142	-10	-124	-21
I <i>Thereof: Lehman Brothers</i>	0	0	-120	0	-120	0
I <i>Net income from financial investments</i>	2	0	6	5	13	-1
I <i>Net income from hedge relationships</i>	4	0	-18	40	26	-84
I <i>Balance of other operating income/expenses</i>	0	0	0	3	3	0
Provisions for losses on loans and advances	0	0	0	-420	-420	-49
General administrative expenses	-32	-33	-25	15	75	-25
Balance of other income/expenses	0	0	0	-8	-8	0
<b>Pretax profit</b>	<b>172</b>	<b>151</b>	<b>16</b>	<b>-233</b>	<b>106</b>	<b>22</b>
<b>Key financials</b>						
EUR billions						
RWA	38.8 <sup>1</sup>	38.6 <sup>1</sup>	39.1 <sup>1</sup>	41.1 <sup>1,2</sup>	41.1 <sup>1,2</sup>	40.7 <sup>1,2</sup>

1 Basle II, incl. market risk

[23] 2 Before approved annual financial statements and profit distribution

# Capital Markets & Asset Management

## Quarterly financial overview

<b>Condensed P&amp;L</b>						
EUR millions	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
<b>Operating revenues</b>	<b>3</b>	<b>56</b>	<b>-43</b>	<b>-522</b>	<b>-506</b>	<b>-95</b>
I <i>Net interest and similar income</i>	11	10	35	17	73	17
I <i>Net commission income</i>	9	4	4	-12	5	-11
I <i>Net trading income</i>	-41	50	-83	-444	-518	-99
I <i>Thereof: Lehman Brothers</i>	0	0	-24	0	-24	0
I <i>Thereof: Market value adjustments due to counterparty risks</i>	0	0	-117	-292	-409	-60
I <i>Net income from financial investments</i>	24	-4	1	-82	-61	0
I <i>Net income from hedge relationships</i>	0	-4	0	-1	-5	-2
I <i>Balance of other operating income/expenses</i>	0	0	0	0	0	0
Provisions for losses on loans and advances	0	0	0	0	0	0
General administrative expenses	-22	-20	-15	25	-32	-12
Balance of other income/expenses	0	0	0	0	0	0
<b>Pretax profit</b>	<b>-19</b>	<b>36</b>	<b>-58</b>	<b>-497</b>	<b>-538</b>	<b>-107</b>
<b>Key financials</b>						
EUR billions						
RWA	7.4 <sup>1</sup>	6.7 <sup>1</sup>	8.9 <sup>1</sup>	10.7 <sup>1,2</sup>	10.7 <sup>1,2</sup>	8.5 <sup>1,2</sup>

1 Basle II, incl. market risk

24 | 2 Before approved annual financial statements and profit distribution

# Corporate Center

## Quarterly financial overview

<b>Condensed P&amp;L</b>						
EUR millions	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FY 2008	Q1 2009
<b>Operating revenues</b>	<b>-254</b>	<b>-204</b>	<b>-569</b>	<b>-537</b>	<b>-1,564</b>	<b>-234</b>
<i>Net interest and similar income</i>	-63	-73	-57	267	74	-93
<i>Net commission income</i>	-2	-1	-1	-25	-29	-30
<i>Net trading income</i>	-80	-24	-123	-95	-322	-17
<i>Thereof: Synthetic CDOs</i>	-87	-19	-112	-177	-395	-30
<i>Thereof: Lehman Brothers</i>	0	0	-6	0	-6	0
<i>Net income from financial investments</i>	-78	-131	-388	-822	-1,419	-29
<i>Thereof: Cash CDOs</i>	-88	-126 <sup>1</sup>	-195	-353	-762	-3
<i>Thereof: MBS</i>	0	0	-4	-524	-528	0
<i>Net income from hedge relationships</i>	-23	19	-12	81	65	-24
<i>Balance of other operating income/expenses</i>	-8	6	12	57	67	-41
Provisions for losses on loans and advances	-10	-12	2	-150	-170	-12
General administrative expenses	-47	-62	-35	-199	-343	-53
Impairment on DEPFAs goodwill <sup>2</sup>	0	0	-2,482	0	-2,482	0
Balance of other income/expenses	184	-22	18	-214	-34	0
<i>Thereof: MCB<sup>3</sup></i>	184	-23	19	0	180	0
<i>Thereof: Additions to restructuring provisions</i>	0	0	0	-229	-229	0
<b>Pretax profit</b>	<b>-127</b>	<b>-300</b>	<b>-3,066</b>	<b>-1,100</b>	<b>-4,593</b>	<b>-299</b>
<b>Key financials</b>						
EUR billions						
RWA	8.1 <sup>4</sup>	14.2 <sup>4</sup>	15.2 <sup>4</sup>	16.6 <sup>4,5</sup>	16.6 <sup>4,5</sup>	18.0 <sup>4,5</sup>

- 1 Net of EUR 70 mio model reserve used
- 2 Incl. other intangibles
- 3 Effect from embedded derivative relating to the mandatory convertible bond

- 4 Basle II, incl. operational and market risk; increase vs. Q1 2008 mainly due to 1250% risk-weighting of CDOs based on German book values
- 5 Before approved annual financial statements and profit distribution

# Hypo Real Estate Group

## Balance sheet

Assets		Change		Equity and liabilities		Change			
EUR millions	31.3.2009	31.12.2008	EUR millions	%	EUR millions	31.3.2009	31.12.2008	EUR millions	%
Cash reserve	1,254	1,713	-459	-26.8	Liabilities to other banks	154,586	146,878	+7,708	+5.2
Trading assets	17,671	17,287	+384	+2.2	Liabilities to customers	13,967	15,936	-1,969	-12.4
Loans and advances to other banks	47,347	49,409	-2,062	-4.2	Liabilities evidenced by certificates	182,201	197,978	-15,777	-8.0
Loans and advances to customers	215,933	222,048	-6,115	-2.8	Trading liabilities	18,374	17,236	+1,138	+6.6
Allowances for losses on loans and advances	-2,454	-2,277	-177	-7.8	Provisions	340	352	-12	-3.4
Financial investments	105,480	108,740	-3,260	-3.0	Other liabilities	34,227	33,835	+392	+1.2
Property, plant and equipment	28	32	-4	-12.5	Income tax liabilities	4,561	4,163	+398	+9.6
Intangible assets	40	40	-	-	Current tax liabilities	125	161	-36	-22.4
Other assets	20,124	17,396	+2,728	+15.7	Deferred tax liabilities	4,436	4,002	+434	+10.8
Income tax assets	5,649	5,266	+383	+7.3	Subordinated capital	3,431	4,784	-1,353	-28.3
Current tax assets	125	132	-7	-5.3	<b>Liabilities</b>	<b>411,687</b>	<b>421,162</b>	<b>-9,475</b>	<b>-2.2</b>
Deferred tax assets	5,524	5,134	+390	+7.6	<b>Equity attributable to equity holders</b>	<b>-615</b>	<b>-1,508</b>	<b>+893</b>	<b>+59.2</b>
<b>Total assets</b>	<b>411,072</b>	<b>419,654</b>	<b>-8,582</b>	<b>-2.0</b>	Subscribed capital	693	633	+60	+9.5
					Hybrid capital instruments	1,043	-	+1,043	+100.0
					Additional paid-in capital	6,352	6,352	0	0.0
					Retained earnings	-4,372	1,085	-5,457	<-100.0
					Revaluation reserve	-3,949	-4,117	+168	+4.1
					AfS reserve	-3,231	-3,115	-116	-3.7
					Cash flow hedge reserve	-718	-1,002	+284	+28.3
					Consolidated loss	-	-5,461	+5,461	+100.0
					Consolidated loss Q1 2009	-382	-	-382	<-100.0
					<b>Minority interest in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>Equity</b>	<b>-615</b>	<b>-1,508</b>	<b>+893</b>	<b>+59.2</b>
					<b>Total equity and liabilities</b>	<b>411,072</b>	<b>419,654</b>	<b>-8,582</b>	<b>-2.0</b>

# Appendix

Financial results

**Portfolio overview**

Ratings

# Significantly increased problem and watchlist loans

## Problem and watchlist loans<sup>1</sup>

EUR millions

	12/2007	12/2008	03/2009	in % of relevant Portfolio <sup>2</sup>
<b>Total problem loans</b>	<b>1,729</b>	<b>4,979</b>	<b>5,576</b>	<b>1.44<sup>3</sup></b>
<b>Workout loans</b>	<b>1,155</b>	<b>3,982</b>	<b>4,223</b>	<b>1.09<sup>3</sup></b>
I CRE Germany	1,050	1,272	1,257	4.66
I CRE International	98	2,451	2,649	7.36
I US	74	557	721	
I UK	0	584	597	
I Spain	24	809	810	
I Scandinavia	0	75	75	
I PS&IF	7	259	317	0.11
I Lehman Brothers	0	70	188	
I Icelandic Banks	0	59	59	
<b>Restructuring loans</b>	<b>574</b>	<b>997</b>	<b>1,353</b>	<b>0.35<sup>3</sup></b>
I CRE Germany	402	274	383	1.42
I CRE International	171	221	372	1.03
I US	0	0	0	
I UK	93	0	106	
I Spain	76	36	10	
I Scandinavia	0	166	165	
I PS&IF	1	502	598	0.21
I Student Loans	0	376	374	
<b>Total watchlist loans</b>	<b>862</b>	<b>1,238</b>	<b>3,546</b>	<b>0.91<sup>3</sup></b>

No signs that the deal will recover soon, compulsory measures necessary

Payments overdue more than 90 days or other criteria acc. to respective policy

Payments overdue more than 30 days or other criteria acc. to respective policy

<sup>1</sup> Based on commitments, excl. interest and costs in arrears; foreign currency deals according to exchange rates of the ECB fixing

<sup>2</sup> CRE Germany EUR 27 bn, CRE International EUR 36 bn, PS&IF EUR 282 bn

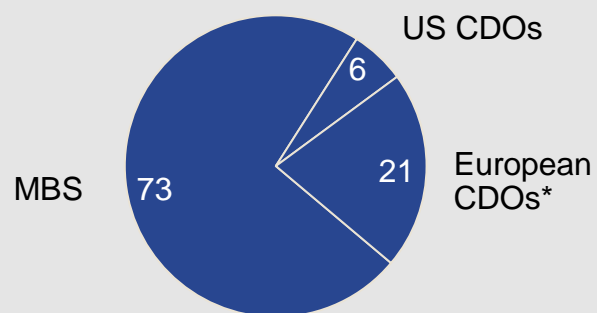
<sup>3</sup> Total Group portfolio EUR 389 bn

## Structured products – overview

### Structured products – overview

#### Structured products in bank book 03/2009 in %

100% = EUR 3.6 bn remaining exposure



EUR millions	03/2009			Coverage ratio**
	Notional	Remaining exposure	Fair value	
<b>Synthetic CDOs</b>	<b>806</b>	<b>188</b>	<b>188</b>	<b>77%</b>
US	457	23	23	95%
European*	349	165	165	53%
<b>Cash CDOs</b>	<b>2,000</b>	<b>797</b>	<b>661</b>	<b>60%</b>
US	1,110	201	159	82%
European*	890	596	502	33%
<b>MBS</b>	<b>3,216</b>	<b>2,633</b>	<b>1,824</b>	<b>18%</b>
US CMBS	748	593	468	21%
European CMBS	1,712	1,365	863	20%
European RMBS	756	675	493	11%
<b>Total</b>	<b>6,022</b>	<b>3,618</b>	<b>2,673</b>	<b>40%</b>

\* Incl. CLOs and CSOs

[29] \*\* Write-downs vs. notional

# Appendix

Financial results Q1 2009

Portfolio overview

**Ratings**

# Rating overview

	HG <sup>(1)</sup>	D-PF <sup>(2)</sup>	D-PLC <sup>(3)</sup>	D-ACS <sup>(4)</sup>	HPBI <sup>(5)</sup>	HPFB <sup>(6)</sup>
<b>S&amp;P</b>						
Public Sector Covered Bonds	AAA <sup>(7)</sup>	AAA <sup>(7)</sup>		AAA <sup>(7)</sup>	AAA <sup>(7)</sup>	
Mortgage Covered Bonds	AAA <sup>(7)</sup>					
Outlook	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive
Long Term	BBB	BBB	BBB	BBB	BBB	BBB
Short Term	A-2	A-2	A-2	A-2	A-2	A-2
Subordinated Debt (Lower Tier 2)	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
<b>Moody's</b>						
Public Sector Covered Bonds	Aaa	Aaa		Aa2 <sup>(7)</sup>		
Mortgage Covered Bonds	Aa3					
Outlook	Negative	Negative	Negative	Negative		Negative
Long Term	A3	A3	A3	A3		A3
Short Term	P-1	P-1	P-1	P-1		P-1
Financial Strength	E+	E+	E+	E+		
Subordinated Debt (Lower Tier 2)	Baa1	Baa1	Baa1	Baa1		Baa1
<b>Fitch</b>						
Public Sector Covered Bonds	AAA <sup>(7)</sup>	AAA <sup>(7)</sup>		AAA		
Mortgage Covered Bonds	AA+ <sup>(7)</sup>					
Outlook	Stable	Stable	Stable	Stable		Stable
Long Term	A-	A-	A-	A-		A-
Short Term	F1	F1	F1	F1		F1
Individual Rating			F			
Subordinated Debt (Lower Tier 2)	BBB+	BBB+	BBB+	BBB+		BBB+

## Notes:

The above list does not include all ratings.

**Fitch** also assigned an **A- Long-term** rating with **Stable** Outlook, an **F1 Short-term** rating and an **F Individual** rating to **Hypo Real Estate Holding AG**.

1. Hypo Real Estate Bank AG (Merger of Hypo Real Estate Bank International AG into Hypo Real Estate Bank AG completed)
2. DEPFA Deutsche Pfandbriefbank AG
3. DEPFA Bank plc
4. DEPFA ACS Bank
5. Hypo Pfandbrief Bank International S.A.
6. Hypo Public Finance Bank
7. Credit Watch negative / On review for downgrade / Rating Watch Negative

As of 01.04.2009

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