

# Q3 2009 Results

**Investor Relations Presentation**  
November 11, 2009

# Agenda

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2	Q3 Results 2009
3	Liquidity and Funding
4	Next Steps
5	Appendix
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## Highlights/Overview

Overall market environment remains difficult, even if economic indicators are slightly improving – real estate markets continue to suffer

Q3 2009 pretax loss of EUR -709 mio, loss after tax at EUR -574 mio

Main negative effects in Q3 2009:

- ▶ Additions to loan-loss provisions of EUR 810 mio – problem loans further increased
  - ▶ EUR 616 mio provisions on real estate loans (CRE); individual loan-loss provisions at EUR 2,265 mio – coverage on CRE<sup>1</sup> problem loans now 40.7%
  - ▶ EUR 180 mio in PS&IF, mainly on infrastructure counterparties (transportation); individual loan-loss provisions at EUR 296 mio – coverage on PS&IF<sup>2</sup> problem loans now 32.3%
  - ▶ EUR 14 mio in Corporate Center
- ▶ Further fair value reductions / write-downs on CDOs (EUR -41 mio) and MBS (EUR -7 mio) in CC<sup>3</sup> – thus, the remaining exposures / coverage ratios as of Sep 30, 2009 have been as follows:
  - ▶ US CDOs: EUR 173 mio / 88% (notional value: EUR 1,442 mio)
  - ▶ European CDOs: EUR 692 mio / 42% (notional value: EUR 1,198 mio)
  - ▶ MBS: EUR 2,389 mio / 20% (notional value: EUR 2,980 mio)
  - ▶ In Oct 2009 distressed CDOs with a notional value of EUR 759 mio have been sold with a small single digit million euros book gain, primarily consisting of US structured finance assets – the pro-forma coverage ratio on US CDOs, including the sale, remains unchanged at 88% (Sep 30, 2009)
- ▶ Expenses related to external liquidity support, which include EUR -125 mio costs for SoFFin<sup>4</sup>/FRG<sup>5</sup> guarantees

1 CRE = Commercial Real Estate

4 SoFFin = Financial Markets Stabilisation Fund

2 PS&IF = Public Sector & Infrastructure Finance

5 FRG = Federal Republic of Germany

3 CC = Corporate Center

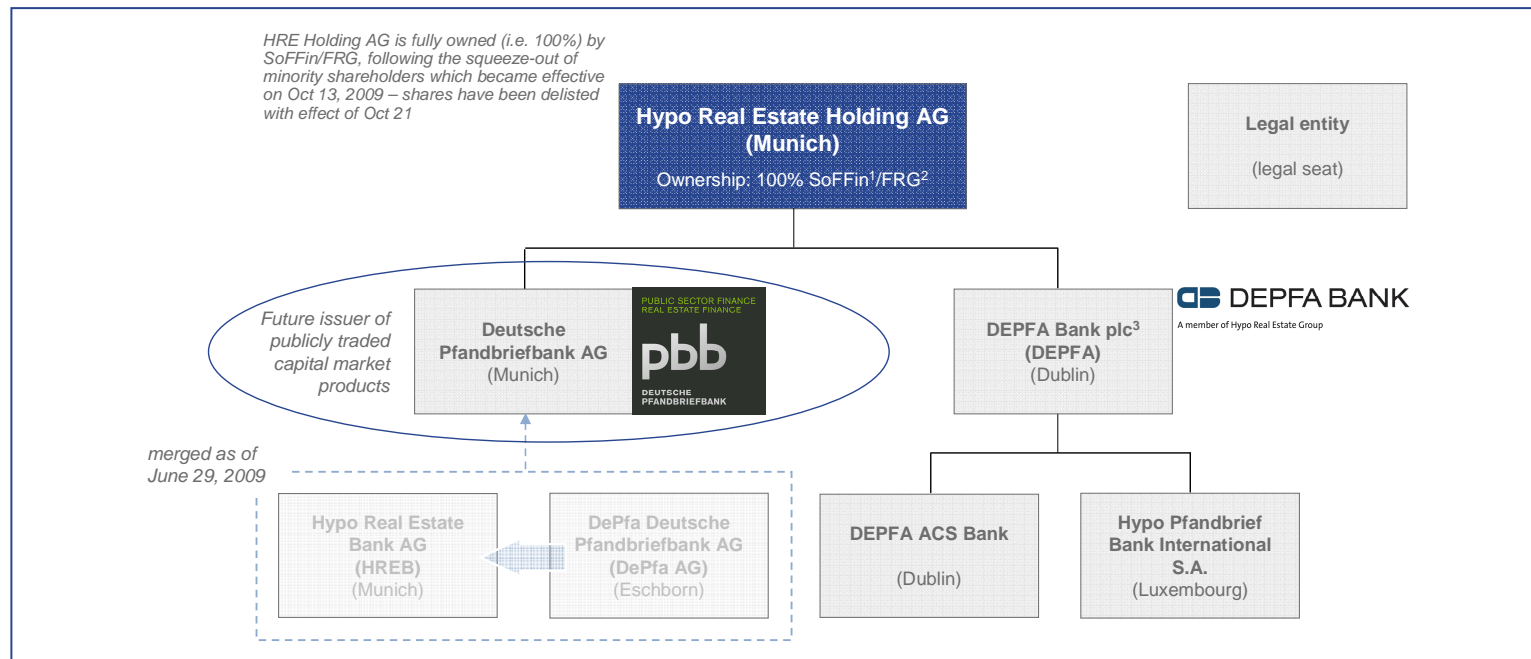
## Highlights/Overview (cont'd)

- ┌ Further steps taken in portfolio/risk management – balance sheet and RWAs reduced
  - ▶ Balance sheet: EUR -46 bn (-11%) to EUR 374 bn (12/2008: EUR 420 bn )
  - ▶ RWA: EUR -11.6 bn (-12%) to EUR 83.7 bn (12/2008: EUR 95.3 bn)
- ┌ Liquidity situation stabilised – total available external liquidity facilities and guarantees currently at EUR 98 bn
  - ▶ Usage of guarantees further reduced to EUR 78 bn (03/2009: EUR 83 bn, 06/2009: EUR 80 bn)
  - ▶ On Nov 4, 2009 SoFFin has extended the EUR 52 bn liquidity guarantee facility until Jun 30, 2010 – extension/restructuring of liquidity facilities from the financial consortium currently in negotiation
  - ▶ Banks have partially re-established credit lines and bilateral repo transactions and private placements (unsecured and Pfandbrief) are taking place again
  - ▶ pbb Deutsche Pfandbriefbank has placed two Jumbo Pfandbrief issues in the public market
- ┌ Next step of recapitalisation – SoFFin has approved a further capital tranche of EUR 3 bn
  - ▶ On Nov 4, 2009 SoFFin has approved a capital contribution of EUR 3 bn in a further tranche – approval by the EU Commission for the capital contribution is expected shortly
  - ▶ Furthermore, there is the continuous intention of SoFFin to sufficiently recapitalise the Group and to provide the necessary liquidity
- ┌ Total support for HRE from the government is being reviewed within the scope of ongoing EU state aid proceedings
- ┌ Following the conclusion of these proceedings, and dependent on the outcome of a final review, SoFFin may set up a deconsolidated environment for non-strategic or non-performing assets and will decide on the final recapitalisation of HRE

## Highlights/Overview (cont'd)

### Significant progress made in restructuring process

- ▶ Staff reduction in line with plan – reduction of personnel expenses by EUR 53 mio (-25%) to EUR 159 mio (9M/2008: EUR 212 mio)
- ▶ 21 office locations closed by end of Oct 2009 – 26 office locations to be closed in total until 2011
- ▶ First modules of new IT platform launched – outsourcing of IT infrastructure operations and management agreed
- ▶ pbb Deutsche Pfandbriefbank established as strategic core bank within the Group and with new brand – EUR 2.9 bn new business written year-to-date, mostly loan extensions
  - ▶ Real Estate: EUR 2.7 bn
  - ▶ Public Sector: EUR 0.2 bn



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# Pretax loss of EUR -709 mio in Q3 2009 – further significant additions to loan-loss provisions required

## Hypo Real Estate Group

EUR millions

	Q3 2008	9M 2008	FY 2008	Q3 2009	9M 2009
Operating revenues	-345	75	-585	244	512
thereof:					
Net interest and similar income	354	957	1,633 <sup>1</sup>	333	1,049
Net commission income	35	104	32	-97	-304
Net trading income	-349	-435	-1,009	25	-2
Net income financial investments	-364	-528	-1,409	1	-43
Net income hedge relationships	-30	-34	86	-30	-137
Other operating income/expenses	9	11	82	12	-51
Provisions for losses on loans and advances	-177	-247	-1,656	-810	-1,887
General administrative expenses	-119	-424	-605	-142	-393
Impairment on DEPFA goodwill/intangibles	-2,482	-2,482	-2,482	0	0
Other income/expenses	18	180	-47	-1	-11
<b>Pretax profit</b>	<b>-3,105</b>	<b>-2,898</b>	<b>-5,375</b>	<b>-709</b>	<b>-1,779</b>

## Comments

- ▶ Since Q4 2008 net interest income benefits from favorable money market conditions (i.e. low interest rate levels) as well as US liquidity lines drawn by customers – however, both effects have significantly declined in Q3
- ▶ Net commission income burdened by costs for SoFFin guarantees of EUR -125 mio in Q3 2009 (9M 2009: EUR -382 mio, Q4 2008: EUR -93 mio)
- ▶ Net trading income less affected by fair value reductions on synthetic CDOs in 2009 (Q3 2009: EUR -41 mio, 9M 2009: EUR -66 mio); in addition Q3 includes positive market value adjustment on US monoline insurer
- ▶ Net income from financial investments affected only by minor write-downs on Cash CDOs/MBS in 2009:
  - ▶ Cash CDOs: EUR - / -22 mio (Q3/9M)
  - ▶ MBS: EUR -7 / -29 mio (Q3/9M)
  - ▶ Portfolio-based provisions: EUR 9 mio (Q3/9M)
- ▶ Net income from hedge relationships reflects reversal<sup>2</sup> of effects in Q4 2008
- ▶ Other operating income predominantly consists of FX effects
- ▶ Further significant additions to loan-loss provisions especially for real estate loans
- ▶ General administrative expenses down due to staff reduction, but include higher IT and consultancy costs

<sup>1</sup> Incl. positive effect of EUR 353 mio from non-payment of coupons on hybrid instruments and devaluation of participation certificates (except former 'DEPFA Deutsche Pfandbriefbank AG')

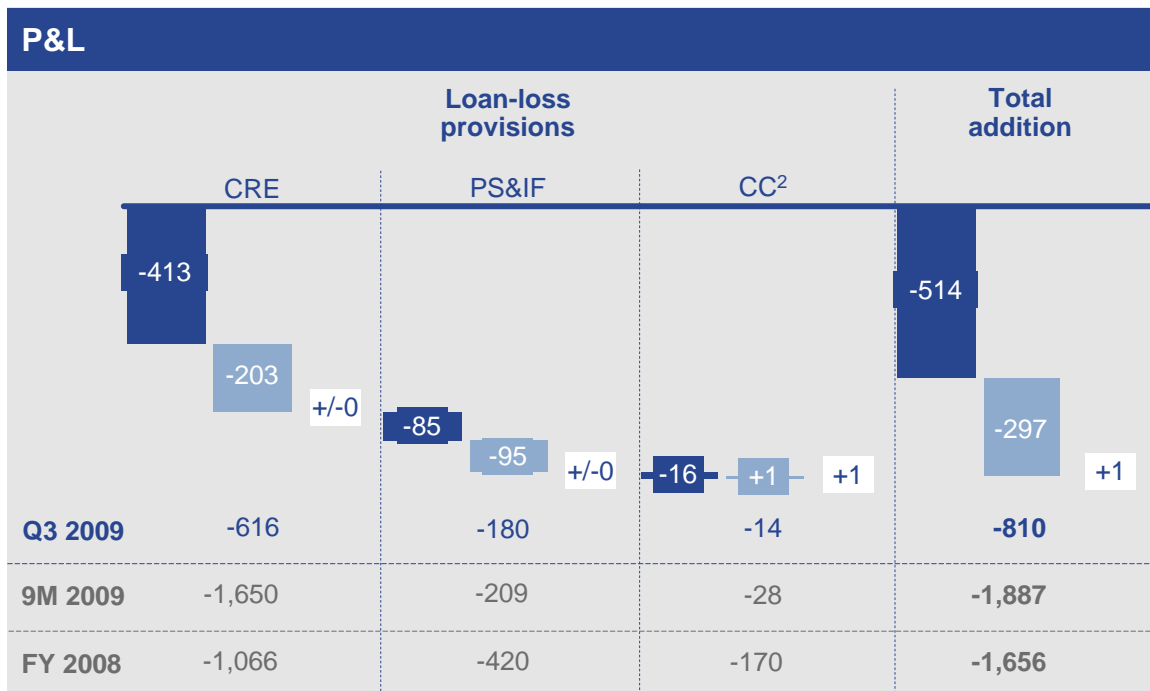
<sup>2</sup> EUR -110 mio negative result in Q1 2009 mainly caused by hedge inefficiencies and reflected reversal of effects in Q4 2008 (EUR +120 mio)

# EUR 810 mio additions to loan-loss provisions in Q3 2009 – real estate loans require most additions

## Loan-loss provisions (LLPs)

EUR millions

■ Individual ■ Portfolio-based □ Other<sup>1</sup> **Comments**



- ▶ Even if economic indicators are slightly improving, real estate markets continue to suffer – thus, additions to loan-loss provisions primarily relate to real estate loans
- ▶ Total additions to loan-loss provisions of EUR 810 mio mostly consist of additions to individual provisions (EUR 514 mio)
- ▶ Higher portfolio-based provisions required (EUR 297 mio) due to recalibration of rating models and higher default rates

**Balance sheet**

	12/2008	09/2009			Total
		CRE	PS&IF	CC <sup>2</sup>	
Individual allowances	1,628	2,265	296	440	3,001
Portfolio-based allowances	649	579	294	66	939
Provisions for contingent liabilities & other commitments	11	10	8	1	19
<b>Total loan-loss provisions</b>	<b>2,288</b>	<b>2,854</b>	<b>598</b>	<b>507</b>	<b>3,959</b>

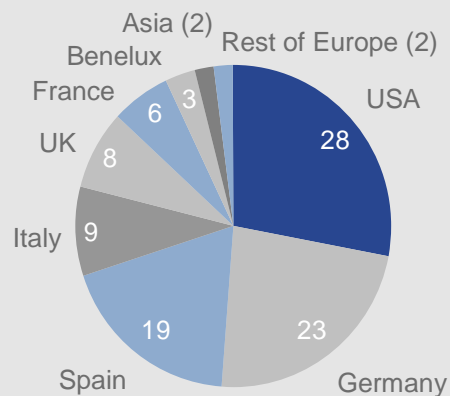
- ▶ Coverage ratio on problem loans now as follows:
  - ▶ CRE: 40.7% (12/2008: 34.5%)
  - ▶ PS&IF<sup>3</sup>: 32.3% (12/2008: 35.8%)

1 Provisions for contingent liabilities & other commitments as well as recoveries from write-offs of loans and advances  
 2 CC = Corporate Center  
 3 Based on problem loans, excl. Icelandic banks

# Additions to individual loan-loss provisions – real estate markets continue to suffer

## CRE/CC

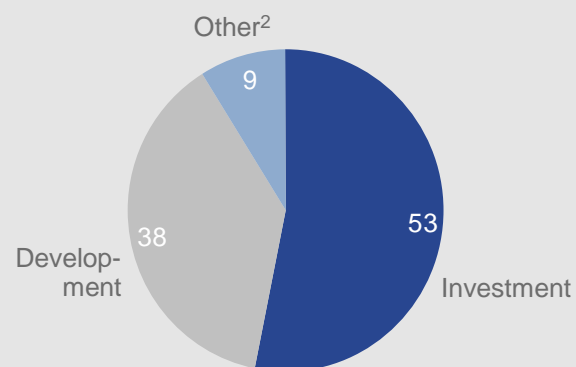
EUR 450 mio<sup>1</sup> – by region in %



Q3 2009

## CRE/CC

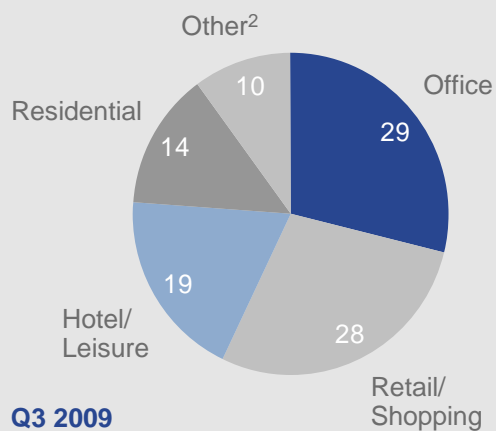
EUR 450 mio<sup>1</sup> – by product in %



Q3 2009

## CRE/CC

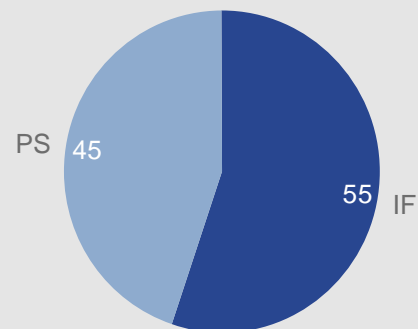
EUR 450 mio<sup>1</sup> – by asset class in %



Q3 2009

## PS&IF

EUR 96 mio<sup>1</sup> – by asset class in %



Q3 2009

## Comments

### CRE

- ▶ Additions mostly in North America, Southern Europe and UK as well as to some extent in Germany
- ▶ ‘Development’ loans as well as asset class ‘Hotel/Leisure’ over-proportionally hit

CC – several individual small deals

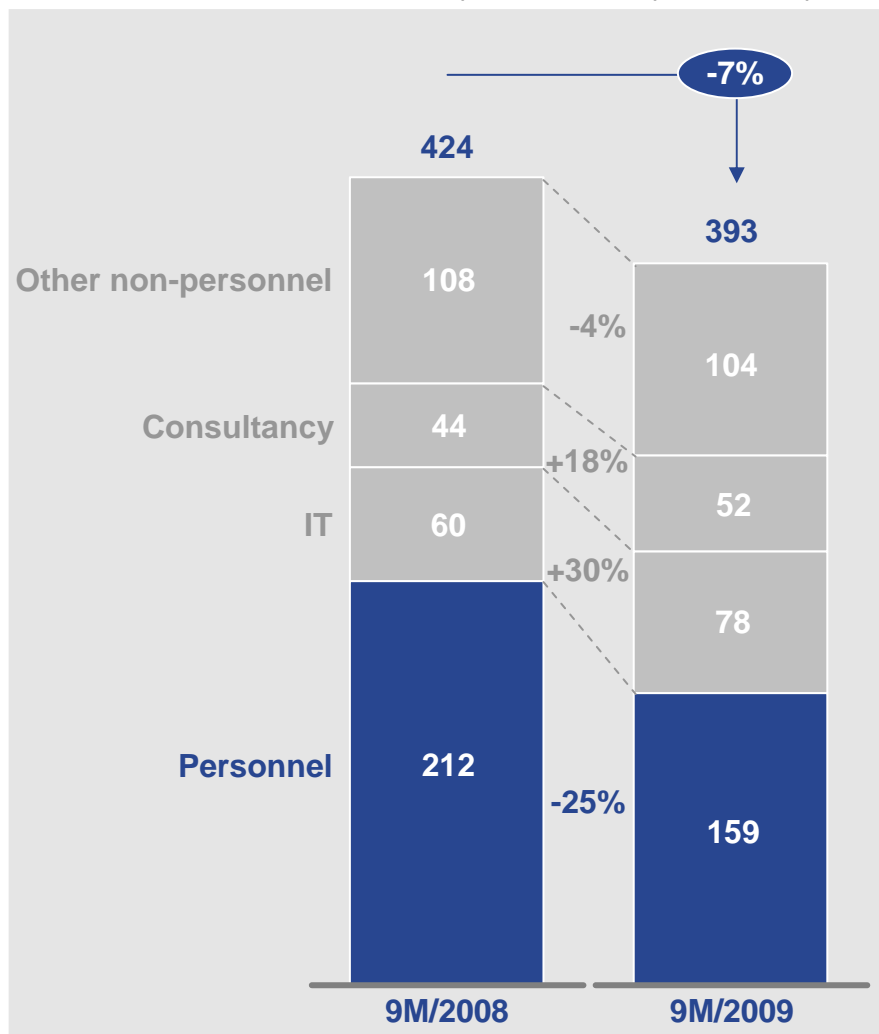
PS&IF – selected infrastructure and asset finance deals (4 deals: railway waggons and harbours, especially in the US)

# Significant progress made in restructuring process – personnel expenses down by 25%, but higher IT and consultancy costs

## General administrative expenses

EUR millions

■ Personnel expenses ■ Non-personnel expenses



## Comments

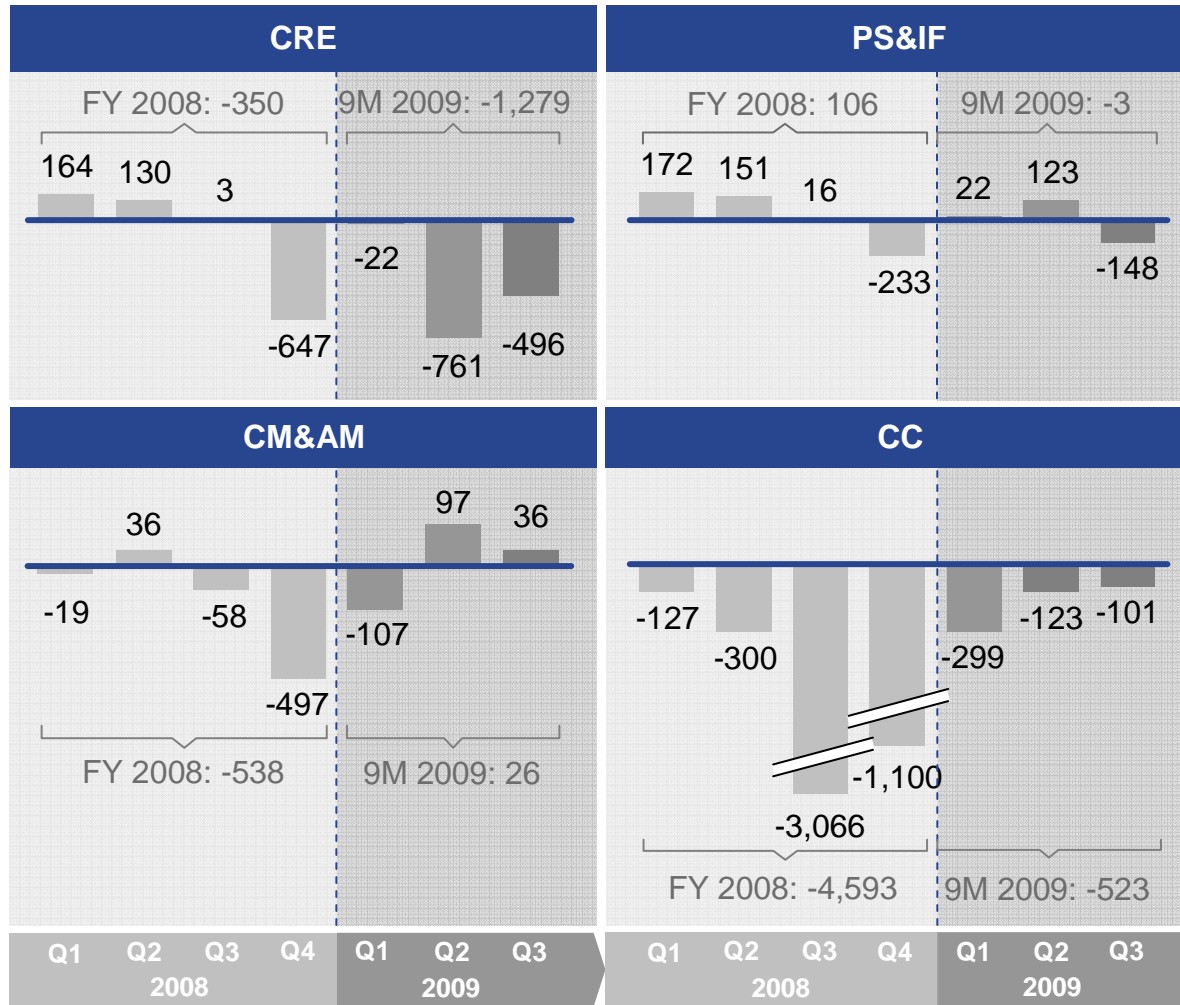
- ▶ General administrative expenses reduced by 7% – reduction of personnel expenses (-25%) partly offset by higher IT and consultancy costs
- ▶ Personnel expenses down due to reduced workforce as well as variable compensation
  - ▶ Staff reduction in line with plan – since Nov 1, 2008 staff reduction by 449 FTE secured in course of the restructuring program
  - ▶ Total workforce at 1,480 employees as per end of Sep 2009 (Dec 2008: 1,786)
- ▶ Non-personnel expenses – lower operational costs more than offset by higher IT and consultancy costs
  - ▶ First modules of new IT platform launched – outsourcing of IT infrastructure operations and management agreed
  - ▶ Consultancy costs relating to legal issues, risk valuation, SoFFin and EU process have increased
  - ▶ First three waves of location closures completed by end of Oct 2009
    - ▶ 21<sup>1</sup> office locations closed, one further office location to be closed until year-end
    - ▶ 26 office locations to be closed in total until 2011, mainly outside Germany – 9 office locations will remain
    - ▶ In addition, first offices consolidated or consolidation under way at locations with multiple office buildings (Munich, Dublin, London, Madrid, Paris); New York already completed in Q2

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

# Segment performance – less write-downs on securities but significantly higher loan-loss provisions in 2009 (vs. 2008)

## Pretax profit by business segments

EUR millions



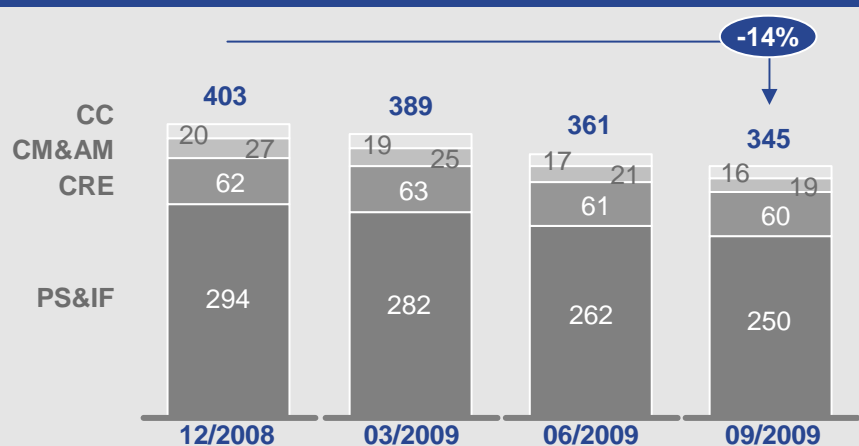
### Comments

- ▶ CRE – since Q4 2008 pretax profit significantly affected by loan-loss provisions
- ▶ PS&IF – loan-loss provisions up in Q3 2009; positive effects from favorable money market conditions as well as US liquidity lines drawn by customers have declined in Q3
- ▶ CM&AM – counterparty risk related market value adjustments volatile; positive adjustment on US monoline insurer in Q3 2009
- ▶ CC – less write-downs on CDOs/ MBS in 2009 (vs. 2008); Q3/FY 2008 includes impairment on DEPFA goodwill/intangibles of EUR 2,482 mio

## Further steps taken in portfolio/risk management – total exposure of the credit portfolio reduced by 14% since year-end 2008

### Total exposure<sup>1,2</sup>

by business segments in EUR billion

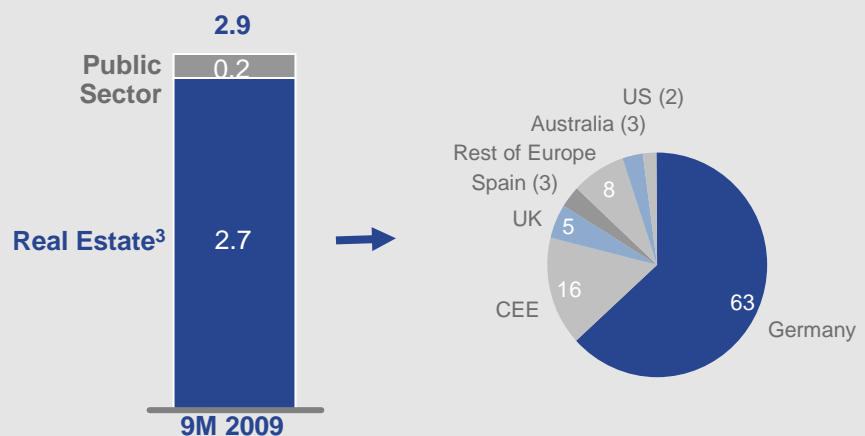


### Comments

- ▶ Total exposure of the credit portfolio reduced by EUR 58 bn (-14%) since year-end 2008, primarily in PS&IF (EUR -44 bn)
- ▶ Real Estate exposure (CRE) slightly down – only selective new business
- ▶ CM&AM – exposure reduced by EUR 8 bn (-30%), primarily driven by reduction of derivative positions
- ▶ CC – exposure includes EUR 5.8 bn structured products in bank book (CDOs, MBS) and consolidated special purpose vehicles (SPV); total CC exposure reduced by EUR 4 bn (-20%)
- ▶ Global workout unit established and operating – first sales of distressed assets completed (Lehman claims, CDOs)

### New business (commitments)

by business segments in EUR billion / in %



### Comments

- ▶ Real Estate (53 deals)
  - ▶ EUR 2.7 bn new business, thereof EUR 2.4 bn extensions >1 year
  - ▶ Average LTVs of 68% – 75% for extensions >1 year, 58% for new commitments
  - ▶ 63% Germany, well diversified by asset class
- ▶ Public Sector (7 deals) – EUR 0.2 bn new business, only in Europe

1 '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

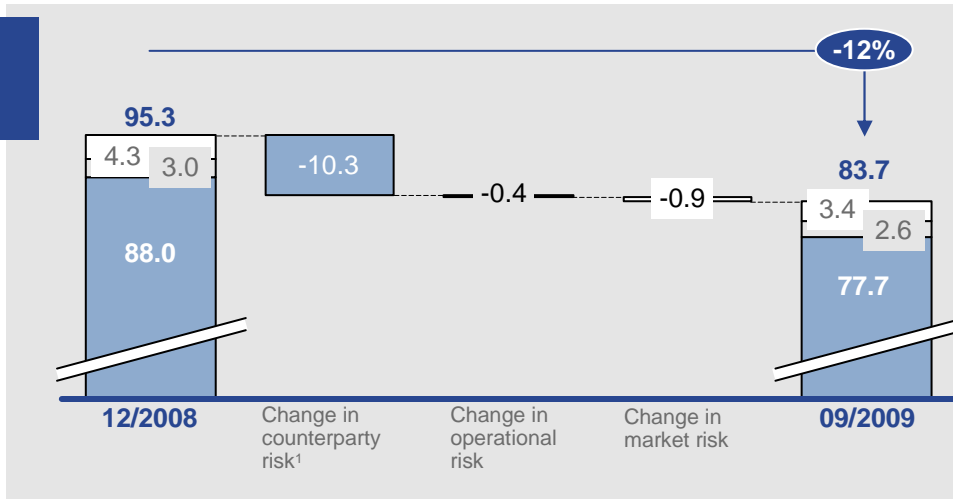
2 Balance sheet (total assets) additionally incl. other positions like positive market values of derivatives, income tax assets, accrued interest, etc.

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

# RWA reduced by 12% – further capital support by SoFFin lifts pro-forma Tier I ratio (SolvV) to 9.7%

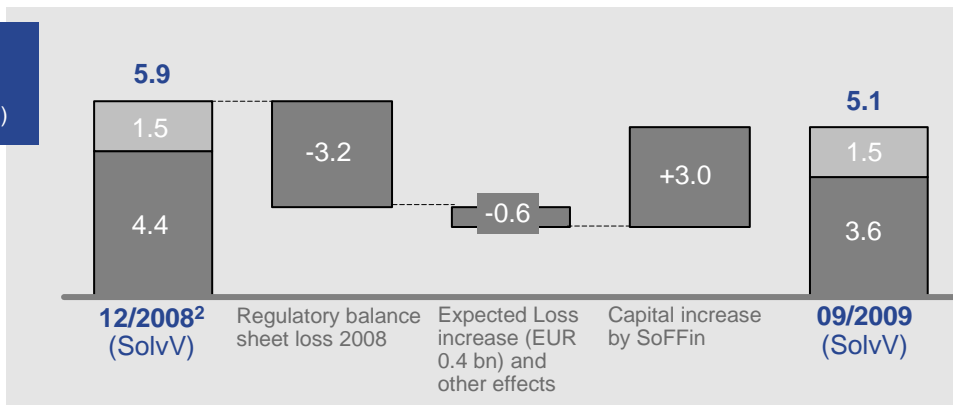
## RWA EUR billions

- Market risk
- Operational risk
- Counterparty risk



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

- Hybrid capital
- Core Tier I



**Tier I ratio<sup>3</sup>**  
(SolvV) **6.1%**

**Own funds ratio<sup>3</sup>**  
(SolvV) **8.0%**

## Comments

- ▶ RWA reduced by EUR 11.6 bn (-12%) since year-end 2008
- ▶ Counterparty risk declined by EUR 10.3 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
- ▶ Tier I capital (SolvV) as of 09/2009 includes regulatory balance sheet loss 2008 (but not 9M/2009 loss) and first recapitalisation measures of EUR 3 bn – Tier I ratio (SolvV) now at 6.1%

Including further EUR 3 bn capital tranche approved by SoFFin on Nov 4, 2009 (but not 9M/2009 loss) the pro-forma capital ratios (SolvV) would have been as follows:

**Pro-forma Tier I ratio<sup>3</sup>**  
(SolvV) **9.7%**

**Pro-forma Own funds ratio<sup>3</sup>**  
(SolvV) **11.6%**

[12] 1 Incl. rating downgrades, transfer of REITs to standard approach and FX rate effects  
3 Based on counterparty, operational, and market risk

2 Before approved annual financial statements and before profit distribution  
Q3 2009 Results, November 11, 2009

## Next step of recapitalisation – SoFFin has approved a further capital tranche of EUR 3 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 already in March and June 2009 – approval by the EU Commission for the capital contribution is expected shortly

The capital contribution is intended to be made to HRE Holding and Deutsche Pfandbriefbank as follows:

- ▶ HRE Holding: EUR 0.7 bn to reserves  
– thereof, EUR 0.3 bn will be passed to DEPFA BANK plc reserves
- ▶ Deutsche Pfandbriefbank: EUR 1.3 bn to reserves  
EUR 1.0 bn as silent partnership

Regulatory capital ratios (SolvV) as of 09/2009 will improve on a pro-forma basis, including the capital contribution (but not 9M/2009 loss), as follows:

	Actual (30.09.2009)		Pro-forma (30.09.2009)	
	Tier I ratio	Own funds ratio	Tier I ratio	Own funds ratio
HRE Group	6.1%	8.0%	9.7%	11.6%
Deutsche Pfandbriefbank (sub-group)	2.6%	2.9%	7.3%	10.0%
DEPFA BANK plc (sub-group)	6.7%	9.0%	7.1%	9.6%

Furthermore, there is the continuous intention of SoFFin to sufficiently recapitalise the Group and to provide the necessary liquidity

## EU state aid proceedings ongoing

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

┌ In May 2009, EU Commission has opened the formal investigation procedure regarding the approval of the German Federal Government support for HRE

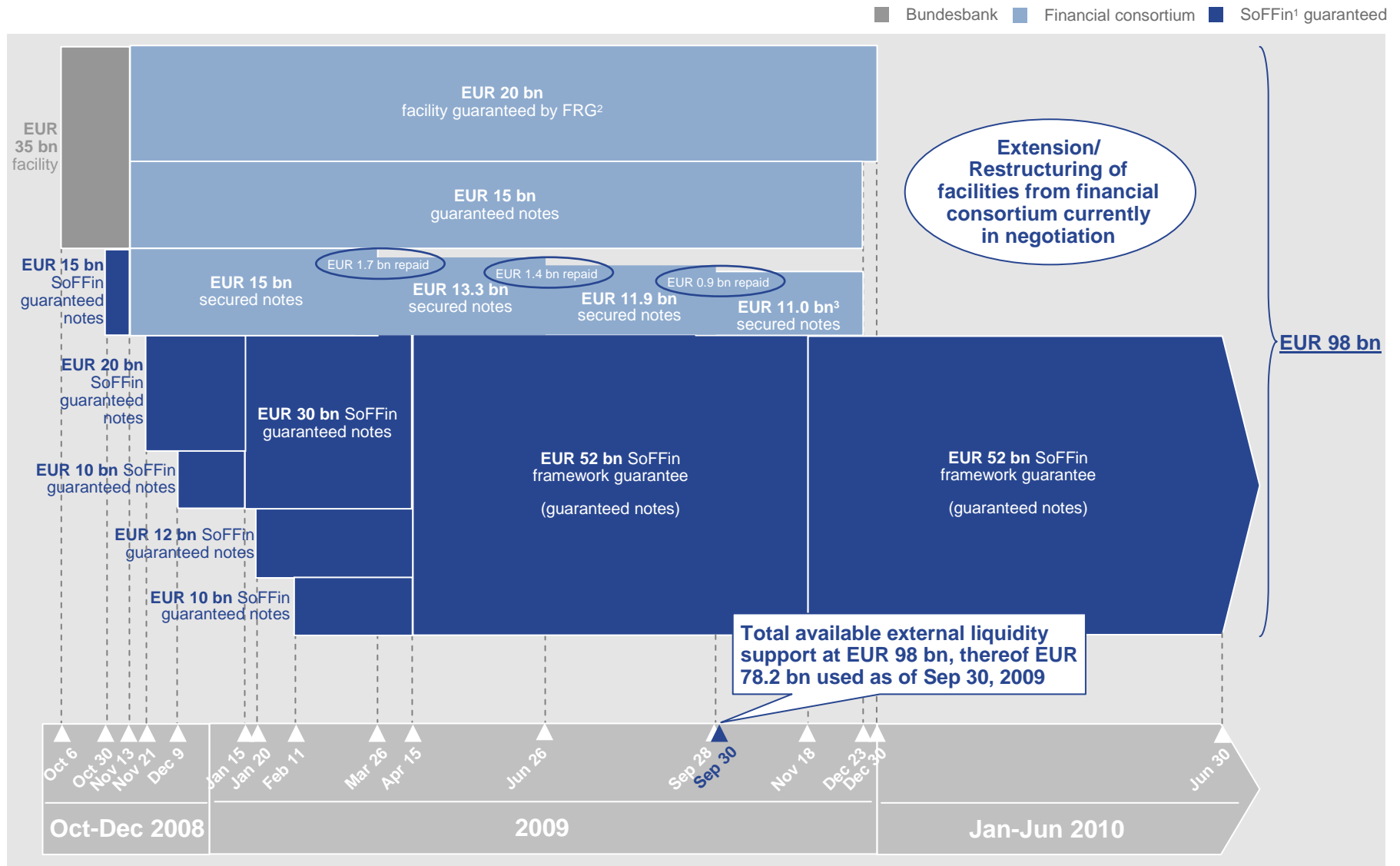
In this formal investigation procedure the EU Commission is reviewing whether or not the relevant measures are in line with the EU support regulations

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

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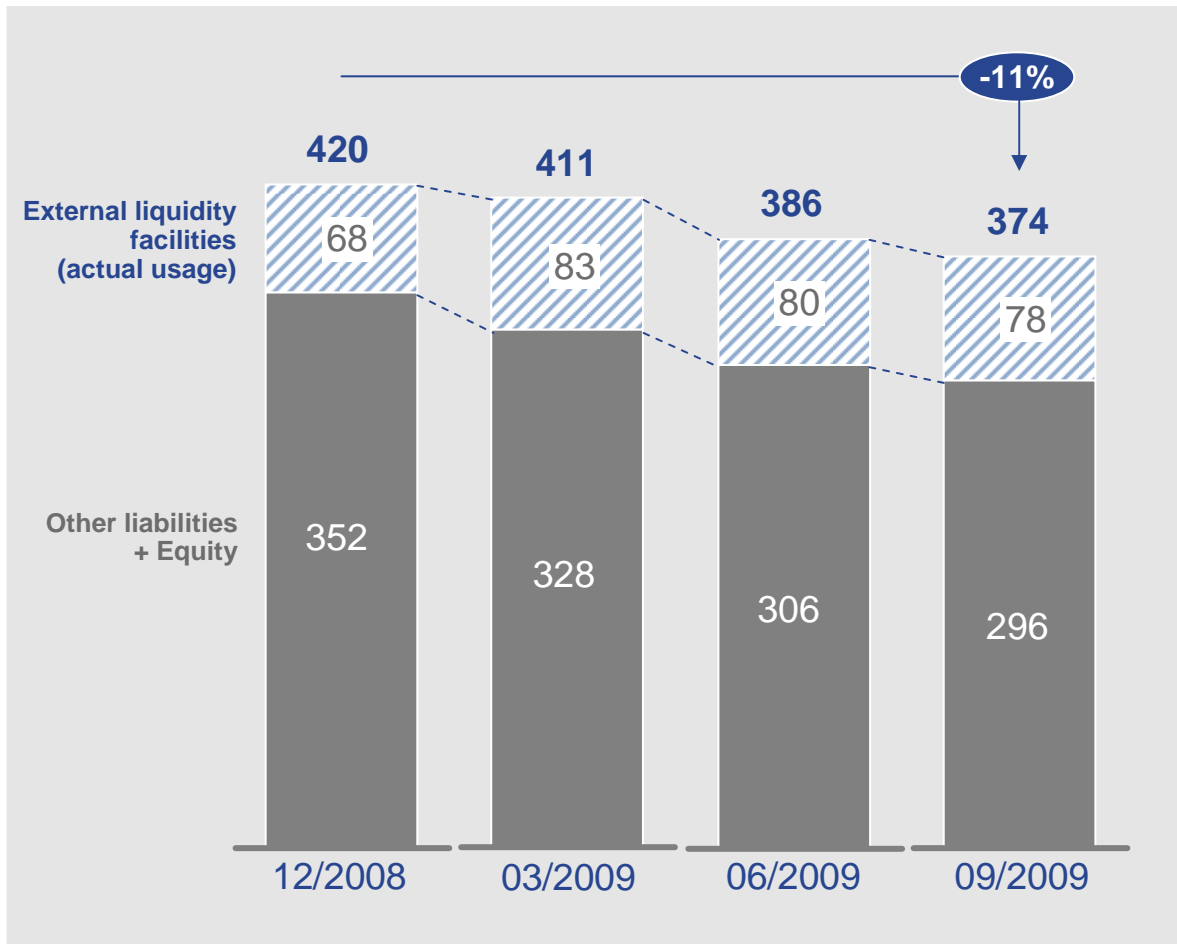
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# Liquidity situation stabilised – liquidity facilities extended by SoFFin until Jun 30, 2010



# Balance sheet reduced by 11% to EUR 374 bn as of Sep 2009 – need for external liquidity support stabilised

## Balance sheet EUR billions



## Comments

- ▶ Total assets reduced by EUR 46 bn (-11%) as of Sep 2009 (vs. Dec 2008) – therefore overall funding needs have declined
  - ▶ Portfolio reduction – repayments higher than new business and committed lines drawn
  - ▶ Impairments
  - ▶ Market effects – e.g. FX effects, change of interest rates
- ▶ Banks have started to re-establish credit lines and bilateral repo transactions and private placements (unsecured and Pfandbrief) are taking place again
- ▶ Deutsche Pfandbriefbank has placed two Jumbo Pfandbrief issues, thus returning to public funding markets
  - ▶ EUR 1.5 bn Mortgage Pfandbrief (Sep 7, 2009)
  - ▶ EUR 1 bn Public Sector Pfandbrief (Oct 14, 2009)
- ▶ However, external support continues to be essential

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## Next steps

┌ Liquidity situation – extension/restructuring of EUR 46 bn facilities from financial consortium currently in negotiation

┌ Separation of ‘strategic’ and ‘value’ portfolio – further controlled reduction of non-strategic portfolios

┌ Ongoing execution of group-wide restructuring measures to implement lean target setup

- ▶ Closure of further office locations and consolidation of locations with multiple office buildings
- ▶ Further selective outsourcing
- ▶ Continuing implementation of an IT and process optimisation program to consolidate the fragmented IT landscape

┌ EU state aid proceedings ongoing

┌ Following the conclusion of the ongoing EU state aid proceedings, and dependent on the outcome of a final review, SoFFin may set up a deconsolidated environment for non-strategic or non-performing assets and will decide on the final recapitalisation of HRE

The use of such model would improve the structure of the balance sheet and open-up the strategic part of the Bank more quickly

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## Balance sheet (09/2009)

Assets EUR millions	30.09.2009	31.12.2008	Change		Equity and liabilities EUR millions	30.09.2009	31.12.2008	Change	
			EUR mio	%				EUR mio	%
Cash reserve	331	1,713	-1,382	-80.7	Liabilities to other banks	143,428	146,878	-3,450	-2.3
Trading assets	13,203	17,287	-4,084	-23.6	Liabilities to customers	12,143	15,936	-3,793	-23.8
Loans and advances to other banks	40,295	49,409	-9,114	-18.4	Liabilities evidenced by certificates	163,434	197,978	-33,544	-16.9
Loans and advances to customers	202,187	222,048	-19,861	-8.9	Trading liabilities	13,195	17,236	-4,041	-23.4
Allowances for losses on loans and advances	-3,940	-2,277	-1,663	-73.0	Provisions	322	352	-30	-8.5
Financial investments	98,597	108,740	-10,143	-9.3	Other liabilities	30,560	33,835	-3,275	-9.7
Property, plant and equipment	22	32	-10	-31.3	Income tax liabilities	4,099	4,163	-64	-1.5
Intangible assets	43	40	3	7.5	Current tax liabilities	94	161	-67	-41.6
Other assets	18,038	17,396	642	3.7	Deferred tax liabilities	4,005	4,002	3	0.1
Income tax assets	5,022	5,266	-244	-4.6	Subordinated capital	3,369	4,784	-1,415	-29.6
Current tax assets	121	132	-11	-8.3	<b>Liabilities</b>	<b>371,550</b>	<b>421,162</b>	<b>-49,612</b>	<b>-11.8</b>
Deferred tax assets	4,901	5,134	-233	-4.5	<b>Equity attributable to equity holders</b>	<b>2,248</b>	<b>-1,508</b>	<b>3,756</b>	<b>&gt;100.0</b>
<b>Total assets</b>	<b>373,798</b>	<b>419,654</b>	<b>-45,856</b>	<b>-10.9</b>	Subscribed capital	3,653	633	3,020	>100.0
					Hybrid capital instruments	1,043	-	1,043	>100.0
					Additional paid-in capital	6,354	6,352	2	0.0
					Retained earnings	-4,389	1,085	-5,474	<-100.0
					Revaluation reserve	-2,707	-4,117	1,410	34.2
					AfS reserve	-2,108	-3,115	1,007	32.3
					Cash flow hedge reserve	-599	-1,002	403	40.2
					Consolidated loss 2008	-	-5,461	5,461	100.0
					Consolidated loss 9M 2009	-1,706	-	-1,706	<-100.0
					<b>Minority interest in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>Equity</b>	<b>2,248</b>	<b>-1,508</b>	<b>3,756</b>	<b>&gt;100.0</b>
					<b>Total equity and liabilities</b>	<b>373,798</b>	<b>419,654</b>	<b>-45,856</b>	<b>-10.9</b>

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# Significantly increased problem loans – change of classification criteria as of 09/2009

## Changes

- ▶ 'Workout loans' now comprise only deals in foreclosure – this led to a significant shift from 'workout loans' into 'restructuring loans' in CRE
- ▶ Loans are now added to the 'watchlist', when payments are overdue more than 60 days instead of formerly 30 days

## Old classification

Problem and watchlist loans <sup>1</sup> in EUR millions				
	12/2008	06/2009	09/2009	
<b>Total problem loans</b>	<b>4,979</b>	<b>7,468</b>	<b>8,422</b>	
<b>Workout loans</b>	<b>3,982</b>	<b>5,859</b>	<b>6,204</b>	
CRE Germany	1,272	2,007	1,952	
CRE International	2,451	3,537	4,151	
US	557	1,402	1,287	
UK	584	716	1,011	
Spain	809	818	818	
Scandinavia	75	45	44	
PS&IF	259	315	101	
Lehman Brothers	70	184	33	
Icelandic Banks	59	59	19	
<b>Restructuring loans</b>	<b>997</b>	<b>1,609</b>	<b>2,218</b>	
CRE Germany	274	456	440	
CRE International	221	576	780	
US	0	129	589	
UK	0	17	34	
Spain	36	18	12	
Scandinavia	166	259	281	
PS&IF	502	577	998	
Student Loans	376	352	322	
<b>Total watchlist loans</b>	<b>1,238</b>	<b>3,096</b>	<b>3,599</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

## New classification

Problem and watchlist loans <sup>1</sup> in EUR millions		
	12/2008	09/2009
<b>Total problem loans</b>	<b>4,979</b>	<b>8,422</b>
<b>Workout loans</b>	<b>754</b>	<b>627</b>
CRE	495	526
PS&IF	259	101
<b>Restructuring loans</b>	<b>4,225</b>	<b>7,795</b>
CRE	3,723	6,797
PS&IF	502	998
<b>Total watchlist loans</b>	<b>1,238</b>	<b>3,599</b>

Only deals, which are in foreclosure

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

Payments overdue more than 60 days or other criteria acc. to respective policy

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## Mortgage Cover Pool – § 28 Pfandbriefgesetz (German Pfandbrief Act) disclosure

- ▶ “Total volume of Mortgage Pfandbriefe outstanding as well as of the corresponding cover pool in the amount of the nominal value, the net present value and the risk adjusted net present value stipulated in the statutory order in accordance with § 4 par. 6”

EUR millions (09/2009)	Nominal Value (NV)	Net Present Value (NPV)	Risk adjusted NPV <sup>1</sup>
Liabilities (Pfandbriefe)	22,291.0	23,483.3	
Mortgage Cover Pool Assets	25,366.6	27,492.6	
Over-collateralisation (+)/ Under-collateralisation (-)	3,075.6	4,009.3	3,782.2
In % of NV	13.80%		
In % of NPV		17.07%	17.07%

<sup>1</sup> Dynamic stress-testing approach: Interest risk tested with 100 bp upward and downward shift; FX risk EU currencies 10%, EOCED countries 15%, USD 25% up- and down shift

- ▶ “The share of derivatives included in the cover pools in accordance with § 19 par. 1 no. 4 sent. 3, also in conjunction with § 20 par. 2 no. 3 and § 26 par. 1 no. 4”

EUR millions (09/2009)	NPV <sup>2</sup>	%
Ratio of derivatives with a positive NPV in % of the Pfandbrief Liabilities	7.4	0.003%
Ratio of derivatives with a positive NPV in % of the Mortgage Cover Pool Assets	411.2	1.50%

<sup>2</sup> Value of currency and interest rate derivatives in cover pool

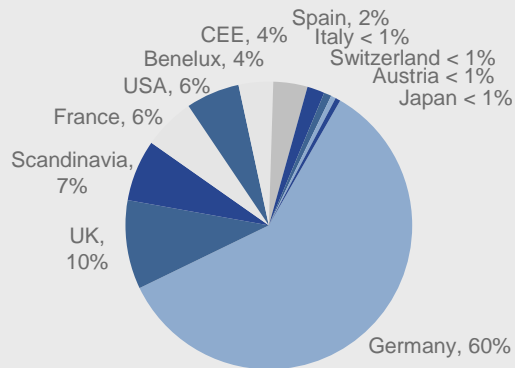
- ▶ “The total amount of payments on these claims that are at least 90 days in arrears and their regional distribution”

90 days overdue (09/2009)	EUR millions	%
Germany	11.1	
Denmark	1.4	
Italy	1.9	
Sweden	7.2	
Great Britain	148.5	
France	0.1	
Netherlands	85.6	
<b>Total</b>	<b>255.8</b>	<b>1.01%</b>

# Mortgage Cover Pool – § 28 Pfandbriefgesetz (German Pfandbrief Act) disclosure (cont'd)

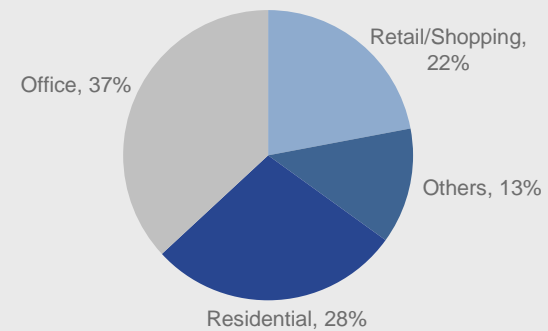
## Mortgage Cover Pool

EUR 25.4 bn<sup>1</sup> – geographical distribution in%<sup>2</sup> (09/2009)



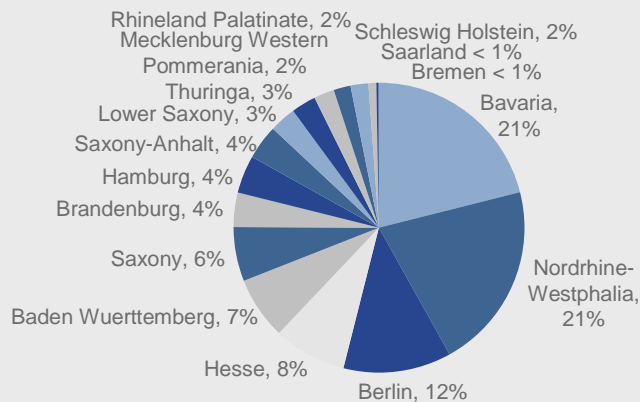
## Mortgage Cover Pool

EUR 25.4 bn<sup>1</sup> – distribution by asset class in%<sup>2</sup> (09/2009)



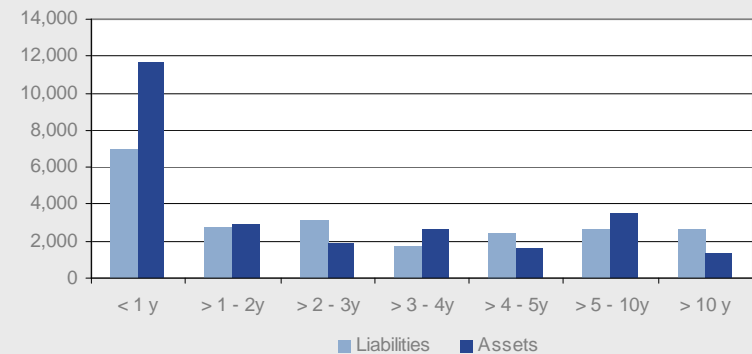
## Mortgage Cover Pool

Germany – geographical distribution in%<sup>2</sup> (09/2009)



## Mortgage Cover Pool

Maturity profile<sup>3</sup> (09/2009)



## Mortgage Cover Pool – § 28 Pfandbriefgesetz (German Pfandbrief Act) disclosure (cont'd)

Country	Asset class	Total <sup>1</sup> EUR millions	Residential %	Office %	Retail/Shopping %	Others %
		(09/2009)	(09/2009)	(09/2009)	(09/2009)	(09/2009)
Germany		13,861.3	41.1%	27.4%	20.1%	11.4%
Austria		91.5	0.8%	64.2%	35.0%	
Belgium		15.3		100.0%		
Czech Republic		244.7		41.0%	45.0%	14.0%
Denmark		390.3	4.1%	89.8%	3.4%	2.7%
Finland		53.9		46.6%	53.4%	
France		1,453.4	5.5%	82.8%	4.4%	2.8%
Hungary		184.2			100.0%	
Italy		157.9	25.5%	8.5%	66.0%	
Japan		26.8		100.0%		
Luxembourg		8.4		100.0%		
Netherlands		892.7	0.1%	73.8%	22.3%	3.8%
Norway		73.9			19.4%	80.6%
Poland		430.7		28.0%	55.7%	16.3%
Slovakia		52.3			100.0%	
Spain		354.8		40.1%	44.9%	15%
Sweden		1,002.3	39.4%	27.1%	6.4%	27.1%
Switzerland		159.9		34.3%	59.2%	6.5%
United Kingdom		2,247.4	4.7%	32.8%	31.2%	31.3%
USA		1,381.6	10.0%	62.9%	14.0%	13.1%
<b>Total<sup>1</sup></b>		<b>23,083.3</b>	<b>28.0%</b>	<b>36.6%</b>	<b>21.8%</b>	<b>13.6%</b>

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## Public Sector Cover Pool – § 28 Pfandbriefgesetz (German Pfandbrief Act) disclosure

- ▶ “Total volume of Public Pfandbriefe outstanding as well as of the corresponding cover pool in the amount of the nominal value, the net present value and the risk adjusted net present value stipulated in the statutory order in accordance with § 4 par. 6”

EUR millions (09/2009)	Nominal Value (NV)	Net Present Value (NPV)	Risk adjusted NPV <sup>1</sup>
Liabilities (Pfandbriefe)	52,760.8	56,363.6	
Public Sector Cover Pool Assets	57,069.4	62,466.9	
Over-collateralisation (+)/ Under-collateralisation (-)	4,308.6	6,103.3	5,063.3
In % of NV	8.17%		
In % of NPV		10.83%	10.83%

<sup>1</sup> Dynamic stress-testing approach: Interest risk tested with 100 bp upward and downward shift; FX risk EU currencies 10%, EOCED countries 15%, USD 25% up- and down shift

- ▶ “The share of derivatives included in the cover pools in accordance with § 19 par. 1 no. 4 sent. 3, also in conjunction with § 20 par. 2 no. 3 and § 26 par. 1 no. 4”

EUR millions (09/2009)	NPV <sup>2</sup>	%
Ratio of derivatives with a positive NPV in % of the Pfandbrief Liabilities	102.2	0.18%
Ratio of derivatives with a positive NPV in % of the Public Sector Cover Pool Assets	511.3	0.82%

<sup>2</sup> Value of currency and interest rate derivatives in cover pool

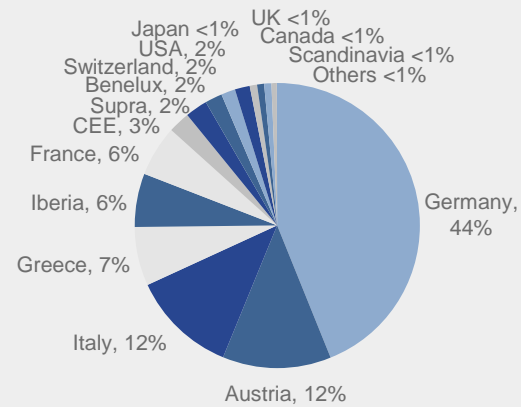
- ▶ “The total amount of payments on these claims that are at least 90 days in arrears and their regional distribution”

90 days overdue (09/2009)	EUR millions	%
Germany	0.9	
<b>Total</b>	<b>0.9</b>	<b>0.002%</b>

# Public Sector Cover Pool – § 28 Pfandbriefgesetz (German Pfandbrief Act) disclosure (cont'd)

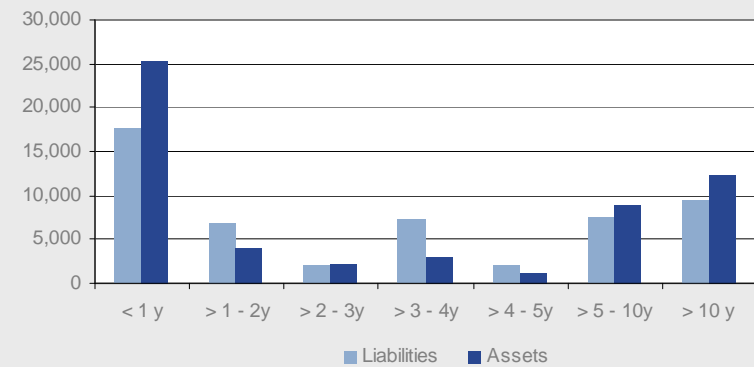
## Public Sector Cover Pool

EUR 57.1 bn<sup>1</sup> – geographical distribution in %<sup>2</sup> (09/2009)



## Public Sector Cover Pool

Maturity profile<sup>3</sup> (09/2009)



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# Current ratings

	Deutsche Pfandbriefbank AG <sup>(1)</sup>	DEPFA Bank plc	DEPFA ACS Bank	Hypo Pfandbrief Bank International	Hypo Public Finance Bank
<b>S&amp;P</b>					
Public Sector Covered Bonds	AAA <sup>(2)</sup>		AAA <sup>(2)</sup>	AAA <sup>(2)</sup>	
Mortgage Covered Bonds	AAA <sup>(2)</sup>				
Outlook	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive	Credit Watch Positive
Long Term	BBB	BBB	BBB	BBB	BBB
Short Term	A-2	A-2	A-2	A-2	A-2
Subordinated Debt (Lower Tier 2)	BBB-	BBB-	BBB-	BBB-	BBB-
<b>Moody's</b>					
Public Sector Covered Bonds	Aaa		Aa2 <sup>(2)</sup>		
Mortgage Covered Bonds	Aa3				
Outlook	Negative	Negative	Negative		Negative
Long Term	A3	A3	A3		A3
Short Term	P-1	P-1	P-1		P-1
Financial Strength	E+	E+	E+		
Subordinated Debt (Lower Tier 2)	Baa1	Baa1	Baa1		Baa1
<b>Fitch</b>					
Public Sector Covered Bonds	AAA <sup>(2)</sup>		AAA		
Mortgage Covered Bonds	AA+ <sup>(2)</sup>				
Outlook	Stable	Stable	Stable		Stable
Long Term	A-	A-	A-		A-
Short Term	F1+	F1+	F1+		F1+
Individual Rating		F			
Subordinated Debt (Lower Tier 2)	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. Former Hypo Real Estate Bank AG. Merger of DEPFA Deutsche Pfandbriefbank AG into Hypo Real Estate Bank AG completed.
2. Credit Watch negative / On review for downgrade / Rating Watch Negative