Pursuant to article 16 para. 3 of the German Securities Prospectus Act investors who have already agreed to purchase or subscribe for Notes issued under the Programme (as defined herein) before this Supplement (as defined herein) has been published shall have the right, exercisable within a time limit which shall not be shorter than two working days after the publication of this Supplement, to withdraw their acceptances as far as the purchase is not completed yet. In this case the withdrawal has to be addressed to the Issuer (as defined below).

Supplement pursuant to article 16 para. 1 of the German Securities Prospectus Act
dated 25 November 2009

to the base prospectus
dated 19 August 2009 and supplemented on 13 October 2009

relating to

Deutsche Pfandbriefbank AG

Munich, Federal Republic of Germany

as Issuer

Euro 50,000,000,000
Debt Issuance Programme (the "Programme")

This supplement (the "Second Supplement" or the "Supplement") to the base prospectus dated 19 August 2009 is prepared in connection with the Euro 50,000,000,000 Debt Issuance Programme (the "Programme") of Deutsche Pfandbriefbank AG (the "Issuer") and is supplemental to, and should be read in conjunction with, the base prospectus dated 19 August 2009 and supplemented on 13 October 2009 (the "First Supplement") (together, the "Original Base Prospectus") in respect of the Programme. Unless otherwise stated or the context otherwise requires, terms defined in the Original Base Prospectus shall have the same meaning when used in the Second Supplement. As used herein, the term "Base Prospectus" means the Original Base Prospectus and the Second Supplement.

The Issuer accepts responsibility for the information contained in, or incorporated into this Base Prospectus. The Issuer hereby declares that all information contained in this Base Prospectus is true and accurate to the knowledge of the Issuer and that no material circumstances have been omitted.

The Second Supplement has been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* of the Federal Republic of Germany in its capacity as competent authority (the "Competent Authority"). Please note that the approval of the Base Prospectus by the Competent Authority is based on the scrutiny of the completeness of the Base Prospectus including the consistency and the comprehensibility only. Application has been made to the Competent Authority to provide the *Commission de Surveillance du Secteur Financier* (the "CSSF") with a certificate of approval attesting that the Second Supplement has been drawn up in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and with a copy of the Second Supplement.

This Second Supplement has been filed with the Competent Authority and has been published together with the Original Base Prospectus as supplemented by the First Supplement on the website of the Issuer (www.hyporealestate.com). Upon request (to be addressed to Deutsche Pfandbriefbank AG, Freisinger Straße 5, 85716 Unterschleißheim, Germany), the Issuer will provide, free of charge, a copy of this Second Supplement and of the Original Base Prospectus.

The Issuer announces the following new factors relating to the information included in the Original Base Prospectus.

OVERALL AMENDMENTS

If reference is made in the Original Base Prospectus to “Base Prospectus”, then the respective reference includes all changes made by the First Supplement and the Second Supplement.

I. SUPPLEMENTAL INFORMATION RELATING TO THE TABLE OF CONTENTS”

On page 4 of the Original Base Prospectus, the following information shall be added after the information relating to Appendix IV:

“APPENDIX V: HYPO REAL ESTATE GROUP INTERIM FINANCIAL STATEMENTS SEPTEMBER 2009

II. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "I. SUMMARY"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "1. SUMMARY OF RISK FACTORS - SUMMARY OF RISKS RELATING TO THE ISSUER AND HYPO REAL ESTATE GROUP"

On page 7 of the Original Base Prospectus, the third and fourth paragraph of the Subsection "Risks relating to Current Crisis of Hypo Real Estate Group" shall be replaced as follows:

"The restructuring plan of Hypo Real Estate Group has been notified to the European Commission in April 2009. In its decision, the European Commission most likely will impose certain significant conditions, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatisation of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.

Investors should note that the liquidity support granted to Hypo Real Estate Group is restricted from a timing perspective: The liquidity support provided by the Federal Government and a syndicate from the German financial sector will expire in December 2009 and the guarantee facility granted by the SoFFin will expire on 30 June 2010 subject to another prolongation. It should be noted that neither the SoFFin nor the syndicate from the German financial sector with the involvement of the Federal Government have committed themselves in a legally binding form to prolong or extend the liquidity support and the guarantee facility respectively. Also for further recapitalisation measures there is no legally binding commitment by the SoFFin.

It should be noted also that with respect to the contemplated transfer of assets to a deconsolidated environment (*Abwicklungsanstalt*) the act for the development of the financial market stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of those assets."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. SUMMARY OF THE DESCRIPTION OF THE ISSUER AND OF HYPO REAL ESTATE GROUP – SUMMARY OF THE DESCRIPTION OF THE ISSUER"

On page 11 of the Original Base Prospectus, the fifth paragraph of the Subsection "Business Overview" shall be replaced as follows:

"In relation to its funding, a syndicate from the German financial sector and the Federal Government provided Hypo Real Estate Group with a liquidity facility of initially Euro 50 billion in order to continue to ensure the refinancing of the Hypo Real Estate Group until December 2009. Above and beyond this, the SoFFin also committed itself to provide the Issuer with a guarantee facility totalling Euro 52 billion until 30 June 2010 at the date of this Base Prospectus."

On page 13 of the Original Base Prospectus, the information contained in the Subsection "Significant Change in Issuer's Financial Position" shall be replaced as follows:

"Save for the successfully completed auction for claims of the Issuer and of DEPFA arising from the insolvency of Lehman Brothers, the sale of part of its U.S. portfolio of collateralised debt obligations (CDOs) and the capital contribution granted by the SoFFin on 16 November 2009, there has been no significant change in the financial position of the Issuer since the end of the last financial period for which interim financial information has been published (30 June 2009)."

3. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. SUMMARY OF THE DESCRIPTION OF THE ISSUER AND OF HYPO REAL ESTATE GROUP – SUMMARY OF THE DESCRIPTION OF HYPO REAL ESTATE GROUP"

On page 13 et seq. of the Original Base Prospectus, the information contained in the Subsection "Measures for Stabilising Hypo Real Estate Group and Impact on the Issuer" shall be replaced as follows:

"Measures to stabilise Hypo Real Estate Group can largely be divided into two groups of support: First, measures to procure liquidity, and second, recapitalisation measures. Recapitalisation measures have started with a declaration of intent by the SoFFin and have led to the take over of shares of Hypo Real Estate Holding by the SoFFin and subsequent capitalisation measures.

In order to continue to ensure the refinancing of Hypo Real Estate Group, until December 2009 a syndicate from the German financial sector and the Federal Government provided Hypo Real Estate Group with a liquidity facility of initially Euro 50 billion. Above and beyond this, the SoFFin also committed itself to provide the Issuer with a guarantee facility totalling Euro 52 billion until 30 June 2010. Neither the syndicate from the German financial sector and the Federal Government nor the SoFFin committed themselves in a legally binding form to prolong the liquidity facilities and guarantee facility respectively currently granted.

On 28 March 2009, the SoFFin confirmed in writing in a "declaration of intent" to Hypo Real Estate Holding and the Issuer that it intends to take stabilisation measures for the benefit of Hypo Real Estate Group in order to stabilise the financial market, in particular by way of ensuring an adequate recapitalisation of Hypo Real Estate Holding subject to the acquisition of complete control and by way of issuing further guarantees in favour of obligations of the Issuer. The declaration of intent does not constitute a legally binding commitment of the SoFFin.

On 6 November 2009, the SoFFin re-confirmed in a written statement to Hypo Real Estate Holding and the Issuer that it intends to ensure adequate capitalisation of Hypo Real Estate Group and that it will continue to assure the liquidity of Hypo Real Estate Group via guarantees, in line with the regulations of EU aid law, in order to permit the refocusing of Hypo Real Estate Group and to stabilise the German financial sector. The extent and volume of the capital injection will depend on the outcome of a final review of a transfer of risk positions and non-strategic assets to a deconsolidated environment (*Abwicklungsanstalt*). The volume and duration of the guarantees will be defined as part of the definitive recapitalisation process. Also this statement does not constitute a legally binding commitment of the SoFFin.

Following the acquisition of 8.7 per cent. of the shares of Hypo Real Estate Holding, a subsequent public offer and a capital increase, the SoFFin subscribed approximately 986.5 million of new shares on 8 June 2009, giving the SoFFin a majority stake of 90 per cent. in Hypo Real Estate Holding. Based on the issue price of Euro 3 per share Hypo Real Estate Holding raised funds amounting to approximately Euro 2.96 billion by this capital increase. After the registration of the implementation of the capital increase in the commercial register in Munich, Hypo Real Estate Holding's registered share capital amounts to Euro 3,652,885,800, comprising 1,217,628,600 no-par value bearer shares (*auf den Inhaber lautende Stückaktien*).

On 5 October 2009, an Extraordinary General Meeting of Shareholders of Hypo Real Estate Holding has resolved upon the transfer of the shares of the remaining minority shareholders to the SoFFin against settlement payment in the amount of Euro 1.30 per share (squeeze-out). On 13 October 2009, the squeeze-out became effective upon registration in the commercial register of Hypo Real Estate Holding.

Taking into account that the provisions relating to recapitalisation and the related modifications to the squeeze-out rules have been newly introduced into German law in the context of measures aiming at the stabilisation of financial markets it is not predictable how the competent courts, including the constitutional court, will decide on actions already initiated or to be initiated in the future by the minority shareholders against the shareholders' resolutions.

On 4 November 2009, after the initial acquisition of shares and the capital increase, the Steering Committee (*Lenkungsausschuss*) of the SoFFin decided as a third step in the recapitalisation process to extend the support provided to Hypo Real Estate Group and to grant a capital contribution to Hypo Real Estate Group in the amount of Euro 3 billion in a further tranche. On 16 November 2009, the Euro 3 billion capital contribution was made to Hypo Real Estate Holding and the Issuer. The SoFFin contributed Euro 0.7 billion to Hypo Real Estate Holding's reserves, of which Hypo Real Estate Holding initially passed on Euro 0.3 billion to DEPFA via a contribution to reserves. The SoFFin contributed Euro 1.3 billion to the Issuer's reserves, and also provided a Euro 1 billion silent partnership contribution.

As described above, together with the SoFFin, Hypo Real Estate Group is considering the possibility of transferring inter alia parts of its real estate loans, which are either problematic or non-Pfandbrief eligible and certain parts of its other non-strategic portfolios to a deconsolidated environment (*Abwicklungsanstalt*), yet to be established. It should be noted that the act for the development of the financial market stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of those assets.

The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty's state aid rules. On 7 May 2009, the European Commission has announced an “in-depth investigation” on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009, for temporarily compatible with the EC Treaty’s state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future. In its final decision, the European Commission most likely will impose certain significant conditions on Hypo Real Estate Group, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatisation of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.

It should be noted that the business model of the Issuer and of Hypo Real Estate Group is not only subject to review by the European Commission but also by the SoFFin. Subject to the outcome of the review, the business model will have to be adapted.”

On page 15 of the Original Base Prospectus, the information contained in the second paragraph of the Subsection “Trend Information relating to Hypo Real Estate Group” shall be replaced as follows:

“In the first half-year 2009, Hypo Real Estate Group made a pre-tax loss amounting to Euro 1,070 million, mainly resulting from significant impairments on real estate loans and other assets which increased due to the significantly worsened macro-economic situation and the deteriorated situation on the commercial real estate markets. As at the end of the third quarter of 2009, pre-tax loss increased to Euro 1,779 million. As at the date of the Base Prospectus, it is not expected that Hypo Real Estate Group will make profits before 2012.”

On page 15 of the Original Base Prospectus, the information contained in Subsection “Significant change in Hypo Real Estate Group’s financial and trading position” shall be replaced as follows:

“Save for the sale of part of its U.S. portfolio of collateralised debt obligations (CDOs) and the capital contribution granted by the SoFFin on 16 November 2009, there has been no significant change in the financial or trading position of Hypo Real Estate Group since the end of the last financial period for which interim financial information has been published (30 September 2009).”

III. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "II. DEUTSCHE ÜBERSETZUNG DER ZUSAMMENFASSUNG"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "1. ZUSAMMENFASSUNG DER RISIKOFAKTOREN - ZUSAMMENFASSUNG DER EMITTENTENBEZOGENEN RISIKEN UND DER RISIKEN IN BEZUG AUF DIE HYPO REAL ESTATE GROUP "

On page 23 of the Original Base Prospectus, the third and fourth paragraph of the Subsection "Risiken in Bezug auf die derzeitige Krise der Hypo Real Estate Group" shall be replaced as follows:

"Der Restrukturierungsplan der Hypo Real Estate Group wurde an die Europäischen Kommission im April 2009 notifiziert. In ihrer Entscheidung wird die Europäische Kommission höchstwahrscheinlich einzelne wesentliche Auflagen verhängen, einschließlich einer wesentlichen Verringerung der Bilanzsumme und der Vorgabe eines bestimmten Zeitrahmens für die Reprivatisierung der Hypo Real Estate Holding. Falls die Europäische Kommission jedoch zu dem Ergebnis kommt, dass bestimmte staatliche Beihilfen nicht mit dem EG-Vertrag übereinstimmen, kann sie anordnen, dass Deutschland diese Beihilfen innerhalb einer bestimmten Frist aufheben oder umgestalten muss, bzw. die Rückzahlung anordnen.

Anleger sollten beachten, dass die der Hypo Real Estate Group gewährte Liquiditätsunterstützung zeitlich befristet ist: Vorbehaltlich einer weiteren Verlängerung werden die Liquiditätsunterstützung, die von der Bundesregierung und einem Konsortium aus dem deutschen Finanzsektor gewährt wird, im Dezember 2009 und die vom SoFFin gewährte Garantiefazilität am 30. Juni 2010 auslaufen. Es sollte beachtet werden, dass sich weder der SoFFin noch das Konsortium aus dem deutschen Finanzsektor mit Beteiligung der Bundesregierung rechtlich verbindlich verpflichtet haben, die Liquiditätsunterstützung bzw. die Garantien zu verlängern oder auszudehnen. Auch im Hinblick auf weitere Rekapitalisierungsmaßnahmen besteht keine rechtlich bindende Verpflichtung seitens des SoFFin.

Weiterhin ist im Hinblick auf die geplante Übertragung von Vermögenswerten auf eine Abwicklungsanstalt zu beachten, dass das Gesetz zur Fortentwicklung der Finanzmarktstabilisierung weder der Emittentin noch der Hypo Real Estate Group einen rechtlich verbindlichen Anspruch auf Übertragung dieser Vermögenswerte gewährt."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN UND DER HYPO REAL ESTATE GROUP – ZUSAMMEN-FASSUNG DER BESCHREIBUNG DER EMITTENTIN"

On page 28 of the Original Base Prospectus, the fifth paragraph of the Subsection "Geschäftsüberblick" shall be replaced as follows:

"Im Hinblick auf die Refinanzierung, hat ein Konsortium aus dem deutschen Finanzsektor und der Bundesregierung der Hypo Real Estate Group bis Dezember 2009 einen Liquiditätsrahmen in Höhe von anfänglich Euro 50 Milliarden zur Verfügung gestellt, um die Refinanzierung der Hypo Real Estate Group weiterhin zu gewährleisten. Darüber hinaus hat sich der SoFFin verpflichtet, der Emittentin einen Garantierahmen von, zum Zeitpunkt des Datums des Basisprospekts, Euro 52 Milliarden bis zum 30. Juni 2010 zur Verfügung zu stellen."

On page 29 et seq. of the Original Base Prospectus, the information contained in the Subsection "Wesentliche Änderung der Finanzlage der Emittentin" shall be replaced as follows:

"Seit dem Ende des Stichtags, für den die letzten Zwischenfinanzinformationen veröffentlicht wurden (30. Juni 2009), haben sich außer dem erfolgreich abgeschlossenen Auktionsverfahren für Forderungen der Emittentin und der DEFPA aus dem Insolvenzverfahren von Lehman Brothers, dem Verkauf eines Teils ihres U.S.-Portfolios mit besicherten Schuldverschreibungen (*collateralised debt obligations* – CDOs) sowie der von dem SoFFin gewährten Kapitalzuführung am 16. November 2009 keine wesentlichen Änderungen der Finanzlage der Emittentin ereignet."

3. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN UND DER HYPO REAL ESTATE GROUP – ZUSAMMEN-FASSUNG DER BESCHREIBUNG DER HYPO REAL ESTATE GROUP"

On page 30 et seq. of the Original Base Prospectus, the information contained in the Subsection "Maßnahmen zur Stabilisierung der Hypo Real Estate Group und Auswirkungen auf die Emittentin" shall be replaced as follows:

“Die Maßnahmen zur Stabilisierung der Hypo Real Estate Group können weitgehend in zwei Gruppen von Unterstützungsleistungen eingeteilt werden: Erstens Maßnahmen, um die Liquidität sicherzustellen, und zweitens Rekapitalisierungsmaßnahmen. Die Rekapitalisierungsmaßnahmen haben mit der Absichtserklärung des SoFFin begonnen und zu der Übernahme der Aktien der Hypo Real Estate Holding durch den SoFFin und nachfolgenden Kapitalisierungsmaßnahmen geführt.

Um die Refinanzierung der Hypo Real Estate Group sicherzustellen, hat ein Konsortium aus dem deutschen Finanzsektor und der Bundesregierung der Hypo Real Estate Group eine Liquiditätsfazilität bis Dezember 2009 in Höhe von anfänglich Euro 50 Milliarden zur Verfügung gestellt. Darüber hinaus hat sich der SoFFin verpflichtet, der Emittentin einen Garantierahmen von insgesamt Euro 52 Milliarden bis zum 30. Juni 2010 zur Verfügung zu stellen. Weder das Konsortium aus dem deutschen Finanzsektor und der Bundesregierung noch der SoFFin haben sich dazu rechtlich verbindlich verpflichtet, die derzeit gewährte Liquiditätsunterstützung zu verlängern.

Am 28. März 2009 hat der SoFFin der Hypo Real Estate Holding und der Emittentin schriftlich bestätigt, dass er beabsichtigt, Stabilisierungsmaßnahmen zugunsten der Hypo Real Estate Group zu ergreifen, um den Finanzmarkt zu stabilisieren, im Fall der Hypo Real Estate Holding, vorbehaltlich des Erwerbs der vollständigen Kontrolle, insbesondere in Form einer angemessen Rekapitalisierung und im Fall der Emittentin insbesondere in Form der Übernahme von Garantien für Verbindlichkeiten. Die schriftliche Bestätigung stellt keine rechtlich verbindliche Verpflichtung des SoFFin dar.

Der SoFFin hat am 6. November 2009 in einer schriftlichen Absichtserklärung gegenüber der Hypo Real Estate Holding und der Emittentin noch einmal bestätigt, auch künftig – in Übereinstimmung mit den Vorschriften des EU-Beihilfenrechts - eine hinreichende Kapitalisierung der Hypo Real Estate Group und wie bisher über Garantien die Liquidität der Hypo Real Estate Group sicherzustellen, um die Neuausrichtung der Hypo Real Estate Group zu ermöglichen und den deutschen Finanzsektor zu stabilisieren. Umfang und Höhe der Kapitalzuführung werden vom Ergebnis einer abschließenden Prüfung einer geplanten Übertragung von Risikopositionen und nicht-strategischen Vermögenswerten an eine Abwicklungsanstalt abhängen. Umfang und Laufzeit der Garantien werden im Rahmen der endgültigen Rekapitalisierung festgelegt. Auch diese schriftliche Erklärung stellt keine rechtlich verbindliche Verpflichtung des SoFFin dar.

Nach dem Erwerb von 8,7 % der Aktien der Hypo Real Estate Holding, einem nachfolgenden öffentlichen Angebot und einer Kapitalerhöhung, hat der SoFFin am 8. Juni 2009 rund 986,5 Millionen neue Aktien gezeichnet, wodurch der SoFFin einen Mehrheitsanteil von 90 % an der Hypo Real Estate Holding erreicht hat. Basierend auf dem Ausgabepreis von Euro 3 pro Aktie hat die Hypo Real Estate Holding durch diese Kapitalerhöhung Geldmittel im Wert von ungefähr Euro 2,96 Milliarden erhalten. Nach der Eintragung der Durchführung der Kapitalerhöhung im Handelsregister in München beträgt das Grundkapital der Hypo Real Estate Holding Euro 3.652.885.800 und teilt sich in 1.217.628.600 auf den Inhaber lautende Stückaktien auf.

Am 5. Oktober 2009 hat eine Außerordentliche Hauptversammlung der Aktionäre der Hypo Real Estate Holding die Übertragung der Aktien der verbliebenen Minderheitsaktionäre an den SoFFin gegen Zahlung (Squeeze-out) in Höhe von Euro 1,30 pro Aktie beschlossen. Am 13. Oktober 2009 wurde der Squeeze-out mit der Eintragung in das Handelsregister der Hypo Real Estate Holding wirksam.

Im Hinblick darauf, dass die Vorschriften zur Rekapitalisierung und die mit diesen zusammenhängenden Modifizierungen der Squeeze-out Vorschriften im Zusammenhang mit Maßnahmen zur Stabilisierung des Finanzmarkts neu in das deutsche Recht eingeführt wurden, ist nicht absehbar, wie die zuständigen Gerichte, einschließlich des Verfassungsgerichts, über Klagen gegen die Gesellschafterbeschlüsse entscheiden werden, die durch Minderheitsaktionäre entweder bereits eingereicht wurden oder in der Zukunft noch eingereicht werden.

Nach dem anfänglichen Erwerb von Aktien und der Kapitalerhöhung hat der Lenkungsausschuss des SoFFin am 4. November 2009 entschieden, der Hypo Real Estate Group als einem dritten Schritt im Kapitalisierungsprozess weitere Unterstützung zu gewähren und der Hypo Real Estate Group eine Kapitalzuführung in Höhe von 3 Milliarden Euro als weitere Tranche zu gewähren. Am 16. November 2009 erfolgte die Kapitalzuführung von 3 Milliarden Euro auf Ebene der Hypo Real Estate Holding und der Emittentin. In die Rücklage der Hypo Real Estate Holding zahlte der SoFFin 0,7 Milliarden Euro ein, davon leitete die Hypo Real Estate Holding zunächst 0,3 Milliarden Euro an die DEPFA durch Einzahlung in die Rücklagen weiter. Bei der Emittentin zahlte der SoFFin 1,3 Milliarden Euro in die Rücklagen ein und 1 Milliarden Euro wurden als stille Einlage geleistet.

Wie oben beschrieben, prüft die Hypo Real Estate Group zusammen mit dem SoFFin die Möglichkeit, unter anderem Teile ihrer Immobilienkredite, die entweder problematisch oder nicht Pfandbrief-deckungsstockfähig sind, und bestimmte Teile ihrer anderen nicht strategischen Portfolien auf eine neu zu gründende Abwicklungsanstalt zu übertragen. Es ist zu beachten, dass das Gesetz zur Fortentwicklung der

Finanzmarktstabilisierung weder der Emittentin noch der Hypo Real Estate Group einen rechtlich verbindlichen Anspruch auf Übertragung dieser Vermögenswerte gewährt.

In Übereinstimmung mit den EG-Beihilferegeln wurde der Restrukturierungsplan bezüglich der Hypo Real Estate Group an die Europäische Kommission am 1. April 2009 notifiziert. Am 7. Mai 2009 hat die Europäische Kommission ein "förmliches Prüfverfahren" zur Vereinbarkeit des Restrukturierungsplans sowie der staatlichen Beihilfen mit dem EG-Vertrag eingeleitet. Am 7. Oktober 2009 wurde diese Entscheidung in einer leicht veränderten Fassung, insbesondere ohne Geschäftsgeheimnisse, im Amtsblatt der Europäischen Union (2009/C240/07) veröffentlicht. Am 13. November 2009 hat die Europäische Kommission die Kapitalzuführung an die Hypo Real Estate Group in Höhe von Euro 3 Milliarden, welche die SoFFin am 4. November 2009 beschlossen hat, vorläufig bis zur endgültigen Entscheidung über den Umstrukturierungsplan, mit den EG-Beihilferegeln für vereinbar erklärt. Zusammen mit der vorübergehenden Genehmigung hat die Europäische Kommission den Anwendungsbereich des laufenden Beihilfeverfahrens auf diese Kapitalzuführung ausgedehnt. Diese Erweiterungsentscheidung wird auch mögliche zukünftige Maßnahmen zur Unterstützung der Hypo Real Estate Group durch den SoFFin berücksichtigen. In ihrer abschließenden Entscheidung wird die Europäische Kommission höchstwahrscheinlich einzelne wesentliche Auflagen gegen die Hypo Real Estate Group verhängen, einschließlich einer wesentlichen Verringerung der Bilanzsumme und der Vorgabe eines bestimmten Zeitrahmens für die Reprivatisierung der Hypo Real Estate Holding. Falls die Europäische Kommission jedoch zu dem Ergebnis kommt, dass die staatlichen Beihilfen nicht mit dem EG-Vertrag übereinstimmen, kann es sein, dass sie Deutschland verpflichtet, diese Beihilfen innerhalb einer bestimmten Frist aufzuheben oder umzugestalten, bzw. die Rückzahlung anordnen.

Es ist zu beachten, dass das Geschäftsmodell der Emittentin und der Hypo Real Estate Group derzeit nicht nur durch die Europäische Kommission, sondern auch durch den SoFFin überprüft wird. Abhängig vom Ausgang der Überprüfung muss das Geschäftsmodell angepasst werden."

On page 32 of the Original Base Prospectus, the information contained in the second paragraph of the Subsection "Trend Informationen in Bezug auf die Hypo Real Estate Group" shall be replaced as follows:

"Das erste Halbjahr 2009 hat die Hypo Real Estate Group mit einem negativen Ergebnis vor Steuern in Höhe von Euro 1.070 Millionen abgeschlossen, das vor allem auf signifikante Wertberichtigungen auf Immobilienforderungen und andere Vermögenswerte zurückzuführen ist, welche als Folge der deutlichen Eintrübung der weltweiten Konjunktur und der verschlechterten Situation auf den gewerblichen Immobilienmärkten angestiegen sind. Zum Ende des dritten Quartals 2009, erhöhte sich das negative Ergebnis vor Steuern auf Euro 1.779 Millionen. Zum Zeitpunkt des Basisprospekts geht die Hypo Real Estate Group nicht davon aus, dass sie vor 2012 in die Gewinnzone zurückkehrt."

On page 32 of the Original Base Prospectus, the information contained in the Subsection "Wesentliche Änderung der Finanzlage oder Handelsposition der Hypo Real Estate Group" shall be replaced as follows:

"Seit dem Ende des Stichtags, für den die letzten Zwischenfinanzinformationen veröffentlicht wurden (30. September 2009), haben sich außer dem Verkauf eines Teils ihres U.S.-Portfolios mit besicherten Schuldverschreibungen (*collateralised debt obligations* – CDOs) sowie der von dem SoFFin gewährten Kapitalzuführung am 16. November 2009 keine wesentlichen Änderungen der Finanzlage oder der Handelsposition der Hypo Real Estate Group ereignet."

IV. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "III. RISK FACTORS"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "1. RISKS RELATING TO THE ISSUER AND HYPO REAL ESTATE GROUP - RISKS RELATING TO CURRENT CRISIS OF HYPO REAL ESTATE GROUP"

On page 42 of the Original Base Prospectus, the fourth and fifth paragraph in the Subsection "Risk of Dependency on Liquidity Support and on Recapitalisation" shall be replaced as follows:

"The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty's state aid rules. On 7 May 2009, the European Commission has announced an "in-depth investigation" on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009 (see above under "Further Capitalisation of Hypo Real Estate Group"), for temporarily compatible with the EC Treaty's state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future, i.e. a further recapitalisation of Hypo Real Estate Group of up to Euro 4 billion, the provision of liquidity guarantees for a maximum of five years with different maturities, and potential measures in the context of setting up a deconsolidated environment, which may be relevant in the context of state aid proceedings. Outcome of this procedure most likely will be that, if the restructuring plan is approved in principle, that the approval is subject to certain significant conditions, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatisation of Hypo Real Estate Holding. However, in a worst case scenario, the European Commission might decide that certain state aid measures granted to Hypo Real Estate Group do not comply with the EC Treaty and consequently, Germany might be obliged to abolish or alter such aid within a certain period, and/or order repayment.

Investors should note that the liquidity support granted to Hypo Real Estate Group is restricted from a timing perspective: The liquidity support provided by the Federal Government and a syndicate from the German financial sector will expire in December 2009 and the guarantee facility provided by the SoFFin will expire on 30 June 2010 subject to another prolongation. It should be noted that neither the SoFFin nor the syndicate from the German financial sector with the involvement of the Federal Government have committed themselves in a legally binding form to prolong or extend the liquidity support and the guarantee facility respectively. Also for further recapitalisation measures there is no legally binding commitment by the SoFFin.

It should be noted that with respect to the contemplated transfer of assets to a deconsolidated environment (*Abwicklungsanstalt*) the act for the development of the financial market stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of those assets."

V. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "IV. DEUTSCHE PFANDBRIEFBANK AG"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. INFORMATION ABOUT THE ISSUER"

On page 52 of the Original Base Prospectus, the following Subsection shall be added after the Subsection "Strategic Reorganisation of Hypo Real Estate Group and Impact on the Issuer":

"**Further Major Events**

In respect of the successfully completed auction for claims of the Issuer and of DEPFA arising from the insolvency of Lehman Brothers and in respect of the sale of part of the Issuer's U.S. portfolio of collateralised debt obligations (CDOs) see Section V.2 "Information about Hypo Real Estate Group – Further Major Events"."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "3. BUSINESS OVERVIEW"

On page 53 of the Original Base Prospectus, the fourth paragraph of the Subsection "Funding" shall be replaced as follows:

"In order to continue to ensure the refinancing of the Hypo Real Estate Group, until December 2009 a syndicate from the German financial sector and the Federal Government provided Hypo Real Estate Group with a liquidity facility of initially Euro 50 billion. Above and beyond this, the SoFFin also committed itself to provide the Issuer with a guarantee facility totalling Euro 52 billion until 30 June 2010 at the date of this Base Prospectus (for details and further updated information see Section V.2 "Information about Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group – Measures Designed to Procure Liquidity")."

3. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "8. HISTORICAL FINANCIAL INFORMATION"

On page 61 of the Original Base Prospectus, the information contained in the Subsection "Significant Change in Issuer's Financial Position" shall be replaced as follows:

"Save as disclosed in the Section V.2 "Information About Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group – Further Capitalisation of Hypo Real Estate Group" and in Section V.2 "Information About Hypo Real Estate Group – Further Major Events", there has been no significant change in the financial position of the Issuer since the end of the last financial period for which interim financial information has been published (30 June 2009)."

VI. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "V. HYPO REAL ESTATE GROUP"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. INFORMATION ABOUT HYPO REAL ESTATE GROUP"

On page 63 et seq. of the Original Base Prospectus, the information contained in the Subsection "Measures for Stabilising Hypo Real Estate Group" shall be replaced as follows:

"Measures to stabilise Hypo Real Estate Group can largely be divided into two groups of support. First, measures to procure liquidity, and second, recapitalisation measures. Recapitalisation measures have started with a declaration of intent by the SoFFin and have led to the take over of shares of Hypo Real Estate Holding by the SoFFin and subsequent capitalisation measures.

Measures Designed to Procure Liquidity

As at 31 December 2008, Hypo Real Estate Group had received liquidity support totalling Euro 80 billion. As of 30 September 2009, the total amount of liquidity framework amounted to Euro 98 billion (as of June 2009 the amount was Euro 98.9 billion). Drawdowns under this framework were around Euro 78 billion (as of 30 September 2009). Taking into account a one-off effect which increased the drawdown at the end of the third quarter of 2009 by more than Euro 2 billion on a short-term basis, as of 1 October 2009 the drawdown amount was around Euro 76 billion (corresponding to Euro 80 billion at the end of June 2009 and around Euro 83 billion at the end of March 2009). The liquidity requirement has been declining slightly recently due to market effects in the form of exchange rate and interest rate changes as well as the overall reduction of the credit portfolio because repayments exceeded new business and the drawing of old commitments.

The measures to procure liquidity consisted of the following:

- Credit lines of originally Euro 50 billion were made available by the Deutsche Bundesbank, by granting guarantees by the Federal Republic of Germany and a syndicate from the German financial sector. These Euro 50 billion consist of the following items: (i) a state-guaranteed loan as liquidity support in an amount of Euro 20 billion granted by Deutsche Bundesbank, (ii) the subscription to state-guaranteed ECB-eligible bearer bonds (Euro 15 billion) issued by Hypo Real Estate Bank and (iii) the subscription to secured bearer bonds (Euro 15 billion) issued by Hypo Real Estate Bank. The secured bearer bonds were redeemed in an amount of approximately Euro 1.7 billion to Euro 13.3 billion on 26 March 2009 and by Euro 1.4 billion to Euro 11.9 billion on 26 June 2009. In the third quarter of 2009, around Euro 0.9 billion were repaid to the syndicate from the German financial sector reducing the secured bearer bonds to Euro 11 billion. This redemption by Hypo Real Estate Group is attributable to repayments made by debtors of Hypo Real Estate Group in relation to assets which Hypo Real Estate Group had provided as security for bearer bonds. In accordance with contractual arrangements, repayments by debtors of Hypo Real Estate Group are to be used by Hypo Real Estate Group for redemption purposes. The state-guaranteed loan granted by Deutsche Bundesbank and the bearer bonds became due on 31 March 2009. On 26 March 2009 the state guaranteed loan granted by Deutsche Bundesbank was replaced by state guaranteed bearer bonds and on 16 March 2009, the Federal Government extended its guarantee for the ECB-eligible bearer bonds of Hypo Real Estate Group until 31 December 2009. With the extension of this guarantee the secured bearer bonds were also automatically extended until 23 December 2009. All credit lines, which currently value at a remaining amount of Euro 46 billion, have thus been uniformly extended until December 2009. There is no legally binding commitment from any party involved in place that the liquidity facility will be further prolonged in the future. As at the date of the Second Supplement, Hypo Real Estate Group and the Federal Government are negotiating with the syndicate manager of the syndicate from the German financial sector to determine whether their liquidity support is to be continued when it expires at the end of 2009, and if so in what form.

- By its decision of 2 October 2008, the European Commission approved the measures to cover liquidity requirements of Hypo Real Estate Group in an amount of Euro 35 billion as rescue aid. In this decision, the European Commission obliged the Federal Republic of Germany to submit a restructuring plan for Hypo Real Estate Group by no later than 1 April 2009. Hypo Real Estate Group has prepared and submitted such a restructuring plan on time to the European Commission via the Federal Ministry of Economics. The restructuring plan is currently under review by the European Commission (for details see Section V.2 "Information about Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group – Notification of the Restructuring Plan to the European Commission").

- In addition to the support provided by the Federal Government and a syndicate from the German financial sector (described in the first bullet point), the SoFFin provided Hypo Real Estate Group in several steps with a guarantee frame totalling Euro 52 billion. In the first step on 21 November 2008, the SoFFin provided a guarantee frame totalling Euro 20 billion. In a second step on 9 December 2008, this guarantee frame was increased by a further Euro 10 billion to Euro 30 billion, subject to the same terms and the same maturity. On 15 January 2009, this guarantee frame was extended until 15 April 2009. In the next step on 20 January 2009, the SoFFin increased the guarantee frame by a further Euro 12 billion until 12 June 2009. In a subsequent step on 11 February 2009, Hypo Real Estate Group received an additional step-up on the guarantee frame of Euro 10 billion until 12 June 2009. The entire guarantee frame of Euro 52 billion was uniformly extended on 9 April 2009 until 19 August 2009 as a first step. The Issuer has used this guarantee frame as the basis for the issuance of bearer bonds by which it covered the short-to-medium-term liquidity requirements of Hypo Real Estate Group. These bonds had differing terms and were due for repayment by no later than 19 August 2009. The guarantee frame has been provided by the SoFFin on a revolving basis, and if bonds should fall due before 19 August 2009, the guarantee frame can be used by the Issuer for the issuance of further bearer bonds. The liquidity received from the bond issuances has been mainly used by Hypo Real Estate Group to repay interbank loans, money market products and bonds which have fallen due as well as to repay customer deposits. In addition, Hypo Real Estate Group has used this liquidity to provide additional collateral to other players on the market, central banks and investors under existing contracts, mainly due to market movements. The Issuer has paid to the SoFFin a commitment fee of pro rata temporis 0.1 per cent. of the unutilised part of the guarantee frame. For utilised guarantees, a fee of 1.5 per cent. p.a. was payable until 15 January 2009 and 0.5 per cent. p.a. thereafter. The guarantee frame provided by SoFFin benefits from specific security interests, including a contemplated second-ranking pledge over the shares held by Hypo Real Estate Holding in the Issuer, as well as pledges over assets of Hypo Real Estate Holding as and when existing security interests in respect of those assets will be released in the future. On 4 November 2009, the guarantee frame totalling Euro 52 billion granted by SoFFin was prolongated until 30 June 2010 having previously been prolongated until 18 November 2009. There is no legally binding commitment from the SoFFin in place that the guarantee facility will be further prolonged in the future (for details see below under "Declaration of Intent of the SoFFin").

- Under the transaction with a syndicate from the German financial sector and the Deutsche Bundesbank with the involvement of the Federal Government, Hypo Real Estate Holding as well as its major subsidiaries have transferred as security or pledged as collateral assets in a total nominal value of approximately Euro 60 billion (as of 30 September 2008) to the security trustee of the lenders. As a result, the vast majority of the available assets of the Issuer is pledged to third parties. In addition, Hypo Real Estate Holding has pledged the shares in the Issuer as well as in DEPFA as security for the federal guarantee to the Federal Republic of Germany and committed itself to grant a second-ranking pledge over the aforementioned shares to SoFFin.

Liquidity support measures received by Hypo Real Estate Group				
Type of support	**Date of initial granting**	**Maturity taking account of prolongations**	**Original amount in Euro billion**	**Nominal amount as of 30 September 2009 in Euro billion**
Issue of state-guaranteed ECB-eligible bearer bonds (= to replace liquidity line of the Deutsche Bundesbank from 13 November 2008 to 26 March 2009)	26 March 2009	31 December 2009	20	20
Issue of state-guaranteed ECB-eligible bearer bonds	13 November 2008	23 December 2009	15	15
Issue of secured bearer bonds	13 November 2008	23 December 2009	15	11
Replacement of previous guarantee framework	19 April 2009	30 June 2010	52	52
Total liquidity support			**102**	**98**

Declaration of Intent of the SoFFin

On 28 March 2009, the SoFFin confirmed in writing in a "declaration of intent" to Hypo Real Estate Holding and the Issuer that it intends to take stabilisation measures for the benefit of Hypo Real Estate Group in order to stabilise the financial market, in particular by way of ensuring an adequate recapitalisation of Hypo Real Estate Holding subject to the acquisition of complete control and by way of issuing further guarantees at an adequate amount in favour of obligations of the Issuer. It should be noted that the declaration of intent does not constitute a legally binding commitment of the SoFFin that the guarantee facility will be prolonged, granted or extended in the future.

On 6 November 2009, the SoFFin re-confirmed in a written statement to Hypo Real Estate Holding and the Issuer that it intends to ensure adequate capitalisation of Hypo Real Estate Group and that it will continue to assure the liquidity of Hypo Real Estate Group via guarantees, in line with the regulations of EU aid law, in order to permit the refocusing of Hypo Real Estate Group and to stabilise the German financial sector. The extent and volume of the capital injection will depend on the outcome of a final review of a transfer of risk positions and non-strategic assets to a deconsolidated environment (*Abwicklungsanstalt*). The volume and duration of the guarantees will be defined as part of the definitive recapitalisation process. Also this statement does not constitute a legally binding commitment of the SoFFin.

Takeover of Hypo Real Estate Holding by the SoFFin

As a first step of the takeover, the SoFFin acquired 20 million Hypo Real Estate Holding shares for the statutory minimum offer price of Euro 3 per share out of the authorised capital and under exclusion of the subscription rights of the shareholders. Accordingly, as of 31 March 2009, the SoFFin held a stake of approximately 8.7 per cent. in Hypo Real Estate Holding.

Following this, SoFFin made a public takeover offer on 17 April 2009, aiming at the acquisition of the entire outstanding shares of Hypo Real Estate Holding at a price of Euro 1.39 per share. As of the end of the acceptance period for the offer on 4 May 2009, the total number of shares held by SoFFin increased to 109,321,660 shares, representing a stake of 47.31 per cent. At the Extraordinary General Meeting, which took place on 2 June 2009, the shareholders of Hypo Real Estate Holding approved the proposal to increase the registered share capital by Euro 5,639,282,040 through the issuance of up to 1,879,760,680 new no-par value bearer shares, under exclusion of the subscription rights of the other shareholders. On 8 June 2009, the SoFFin subscribed approximately 986.5 million of new shares, giving the SoFFin a majority stake of 90 per cent. in Hypo Real Estate Holding. Based on the issue price of Euro 3 per share Hypo Real Estate Holding raised funds amounting to approximately Euro 2.96 billion by this capital increase which have been used for the further deconsolidation of Hypo Real Estate Group and of the Issuer. After the registration of the implementation of the capital increase in the commercial register in Munich, Hypo Real Estate Holding's registered share capital amounts to Euro 3,652,885,800, comprising 1,217,628,600 no-par value bearer shares (*auf den Inhaber lautende Stückaktien*).

On 5 October 2009, an Extraordinary General Meeting of Shareholders of Hypo Real Estate Holding resolved upon the transfer of the shares of the remaining minority shareholders to the SoFFin against settlement payment in the amount of Euro 1.30 per share (squeeze-out). On 13 October 2009, the squeeze-out became effective upon registration in the commercial register of Hypo Real Estate Holding.

Taking into account that the provisions relating to recapitalisation and the related modifications to the squeeze-out rules have been newly introduced into German law in the context of measures aiming at the stabilisation of financial markets it is not predictable how the competent courts, including the constitutional court, will decide on actions already initiated or to be initiated in the future by the minority shareholders against the shareholders' resolutions (see also Section V.7 "Historical Financial Information of Hypo Real Estate Group – Legal and Arbitration Proceedings").

Further Capitalisation of Hypo Real Estate Group

On 4 November 2009, after the initial acquisition of shares and the capital increase, the Steering Committee of the SoFFin decided as a third step in the recapitalisation process to extend the support provided to Hypo Real Estate Group and to grant a capital contribution to Hypo Real Estate Group in the amount of Euro 3 billion in a further tranche.

On 16 November 2009, the Euro 3 billion capital contribution was made to Hypo Real Estate Holding and the Issuer. The SoFFin contributed Euro 0.7 billion to Hypo Real Estate Holding's reserves, of which Hypo Real Estate Holding initially passed on Euro 0.3 billion to DEPFA via a contribution to reserves. The SoFFin contributed Euro 1.3 billion to the Issuer's reserves, and also provided a Euro 1 billion silent partnership contribution. On 13 November 2009, the European Commission had declared the capital contribution for temporarily compatible with the EC Treaty's state aid rules until its final decision in relation to the restructuring plan (see below under "Notification of the Restructuring Plan to the European Commission")."

Deconsolidation and Non-Strategic Portfolios

As a measure of refocusing the group (for details see below under "Strategic Reorganisation of Hypo Real Estate Group"), it is intended that (i) the core bank will comprise Hypo Real Estate Group's strategic assets and that (ii) non-strategic portfolios are reduced over a period of time whilst maintaining value. Different options in this respect have been developed and are analysed as of the date of this Base Prospectus.

Parts of the existing real estate portfolio at Deutsche Pfandbriefbank do not fulfil the conditions as defined in the new strategy. As described under "Declaration of Intent of the SoFFin", together with the SoFFin, Hypo Real Estate Group is considering the possibility of transferring inter alia problematic and/or non-Pfandbrief eligible loans to a deconsolidated environment, yet to be established. The deconsolidation could be realised by establishing a legal institute with limited rights under public law (*teilrechtsfähige Anstalt des öffentlichen Rechts*) that would be subordinated to the financial markets stabilisation agency (*Finanzmarktstabilisierungsanstalt*) making use of the possibilities of the act for the development of the financial market stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*) dated 23 July 2009, which allows the establishment of a deconsolidated environment (*Abwicklungsanstalt*).

In this context it might also be relevant that Hypo Real Estate Group furthermore possesses non-strategic portfolios with a nominal value of approximately Euro 210 billion. These portfolios mainly comprise assets of public sector debtors or those associated with the public sector with high credit quality. However, due to the current low market evaluations, these assets are characterised by hidden losses. Only a small percentage of the assets is exposed to high risks and caused the need for an adjustment in the past quarters. These assets are managed mainly at DEPFA. It is intended that these portfolios are further reduced, over a period of time, depending on market developments. Also for these portfolios Hypo Real Estate Group is considering the additional option to transfer certain parts to a deconsolidated environment.

It should be noted that the act for the development of the financial market stabilisation (*Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of assets into a deconsolidated environment (*Abwicklungsanstalt*).

Notification of the Restructuring Plan to the European Commission

The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty's state aid rules. On 7 May 2009, the European Commission has announced an "in-depth investigation" on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009 (see above under "Further Capitalisation of Hypo Real Estate Group") for temporarily compatible with the EC Treaty's state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future, i.e. a further recapitalisation of Hypo Real Estate Group of up to Euro 4 billion, the provision of liquidity guarantees for a maximum of five years with different maturities, and potential measures in the context of setting up a deconsolidated environment, which may be relevant in the context of state aid proceedings. In its final decision, the European Commission most likely will impose certain significant conditions on Hypo Real Estate Group, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatisation of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.

It should be noted that the business model of the Issuer and of Hypo Real Estate Group is not only subject to review by the European Commission but also by the SoFFin. Subject to the outcome of the review, the business model will have to be adapted."

On page 66 of the Original Base Prospectus, the following Subsection shall be added at the end of the Subsection "Further Major Events":

"In September 2009, Hypo Real Estate Group successfully completed an auction for claims of the Issuer and of DEPFA arising from the insolvency of Lehman Brothers. As part of the auction, Hypo Real Estate Group sold virtually all its debt due from Lehman Brothers Holding or affiliated companies with a volume of around Euro 234.5 million. Hypo Real Estate Group realised a book profit with the sale.

As at the end of the third quarter of 2009, Hypo Real Estate Group has sold more than half of its U.S. portfolio of collateralised debt obligations (CDOs) with a notional value of Euro 738 million allocated to the Issuer realising a small single digit million euro book profit which will be recorded in the fourth quarter. Hypo Real Estate Group also intends to sell the remaining CDO portfolio of around Euro 1.8 billion allocated mainly to the Issuer and to a lesser extent to Hypo Public Finance Bank if a suitable opportunity arises."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "4. TREND INFORMATION RELATING TO HYPO REAL ESTATE GROUP"

On page 68 of the Original Base Prospectus, the third paragraph of this Section shall be replaced as follows:

"In the first half-year 2009, Hypo Real Estate Group made a pre-tax loss amounting to Euro 1,070 million (compared to a profit of Euro 207 million during the first half-year 2008), mainly resulting from significant impairments on real estate loans and other assets which increased due to the significantly worsened macro-economic situation and the deteriorated situation on the commercial real estate markets. As at the end of the third quarter of 2009, pre-tax loss increased to Euro 1,779 million. As at the date of the Base Prospectus, it is not expected that Hypo Real Estate Group will make profits before 2012."

3. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "7. HISTORICAL FINANCIAL INFORMATION OF HYPO REAL ESTATE GROUP"

On page 70 of the Original Base Prospectus, the following paragraph shall be added after the third paragraph of the Subsection "Historical Financial Information":

"For the first nine months ended 30 September 2009, Hypo Real Estate Group has published reviewed condensed interim consolidated financial information, including the income statement, statement of comprehensive income, the balance sheet, the condensed cash flow statement, selected explanatory notes and the review report (the "Hypo Real Estate Group Interim Financial Statements September 2009"). The Hypo Real Estate Group Interim Financial Statements September 2009 are included as Appendix V to the Base Prospectus as supplemented by the Second Supplement (pages J-1 to J-24)."

On page 70 of the Original Base Prospectus, the fourth paragraph of the Subsection "Historical Financial Information" shall be replaced as follows:

"The Hypo Real Estate Group Financial Statements 2007, the Hypo Real Estate Group Financial Statements 2008, the Hypo Real Estate Group Interim Financial Statements June 2009 and the Hypo Real Estate Group Interim Financial Statements September 2009 have been prepared on the basis of IFRS. The Hypo Real Estate Holding Financial Statements 2008 have been prepared on the basis of German GAAP."

On page 70 of the Original Base Prospectus, the second paragraph of the Subsection "Auditing of Historical Financial Information" shall be replaced as follows:

"The Hypo Real Estate Group Interim Financial Statements June 2009 and the Hypo Real Estate Group Interim Financial Statements September 2009 have been subject to a review by the auditors only (*prüferische Durchsicht*). The statutory auditors of Hypo Real Estate Holding have issued a review report (*Bescheinigung nach prüferischer Durchsicht*) with a reference to going concern risk (*Hinweis auf Bestandsgefährdung*) in each case."

On page 70 et seq. of the Original Base Prospectus, the fourth paragraph of the Section "Legal and Arbitration Proceedings" shall be replaced as follows:

"Claims are being made on the grounds of alleged misconduct regarding information in connection with the CDO impairment requirement and the ad-hoc press release dated 15 January 2008 on the one hand and also – to a certain extent – the liquidity situation of DEPFA on the other. In total, 142 lawsuits for a total of around Euro 316.9 million (thereof claims for damages of around Euro 303 million) against Hypo Real Estate Holding are pending. 17 conciliatory proceedings (*Güteverfahren*) for a total of around Euro 17 million have been initiated and 42 court orders (*Mahnbescheide*) for a total of around Euro 0.78 million were rendered against Hypo Real Estate Holding; these proceedings will probably also become legal proceedings. A further lawsuit for a total of around Euro 558 million has been filed with the court and is still subject to delivery to Hypo Real Estate Holding. This results in a total value in dispute of around Euro 893 million. It is alleged that Hypo Real Estate Holding was aware at an earlier date of the impairments in connection with US-CDO which it announced on 15 January 2008. It is also alleged that Hypo Real Estate Holding deliberately provided incorrect information in public with regard to the liquidity of DEPFA. Four lawsuits have been withdrawn – in certain cases subsequent to corresponding information provided by the courts. Only in one case a verdict of the first instance exists. The verdict granted the plaintiff about 40 per cent. of the original claim. An appeal has been submitted. Some of the plaintiffs have submitted application for carrying out a collective action (*Musterverfahren*), of which admissibility could be doubtful."

On page 71 of the Original Base Prospectus, the information contained in the Subsection "Significant change in Hypo Real Estate Group's financial and trading position" shall be replaced as follows:

"Save as disclosed in the Section V.2 "Information About Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group – Further Capitalisation of Hypo Real Estate Group" and in Section V.2 "Information About Hypo Real Estate Group – Further Major Events", there has been no significant change in the financial or trading position of Hypo Real Estate Group since the end of the last financial period for which interim financial information has been published (30 September 2009)."

VII. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "XIII. GENERAL DESCRIPTION OF THE PROGRAMME"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "8. DISPLAY DOCUMENTS"

On page 238 of the Original Base Prospectus, the information contained in no. (vii) shall be replaced as follows:

*"*the Annual Report and Accounts of Hypo Real Estate Group for the period ended 31 December 2007 and 31 December 2008, the Interim Report of Hypo Real Estate Group for the first half-year ended 30 June 2009 and the Interim Report of Hypo Real Estate Group for the first nine months ended 30 September 2009;"

VIII. SUPPLEMENTAL INFORMATION
RELATING TO THE APPENDICES

After page I-19 of the Original Base Prospectus the Hypo Real Estate Group Interim Financial Statements September 2009, as laid out on the following pages J-1 to J-24, are newly inserted as J-Pages into the Original Base Prospectus:

Appendix V

Hypo Real Estate Group
Interim Financial Statements September 2009

Income Statement
for the Period from 1 January to 30 September 2009

Income/expenses

in € million	Note · page	1.1.–30.9.2009	1.1.–30.9.2008	Change in € million	Change in %
Operating revenues		512	75	437	> 100.0
Net interest income and similar income	8 · 75	1,049	957	92	9.6
Interest income and similar income		9,647	12,406	−2,759	−22.2
Interest expenses and similar expenses		8,598	11,449	−2,851	−24.9
Net commission income	9 · 75	−304	104	−408	< −100.0
Commission income		108	166	−58	−34.9
Commission expenses		412	62	350	> 100.0
Net trading income	10 · 75, 12 · 75	−2	−435	433	99.5
Net income from financial investments	11 · 75, 12 · 75	−43	−528	485	91.9
Net income from hedge relationships	13 · 76	−137	−34	−103	< −100.0
Balance of other operating income/expenses	14 · 76	−51	11	−62	< −100.0
Provisions for losses on loans and advances	15 · 76	1,887	247	1,640	> 100.0
General administrative expenses	16 · 76	393	424	−31	−7.3
Impairments on goodwill and DEPFA's intangible assets		—	2,482	−2,482	−100.0
Balance of other income/expenses	17 · 77	−11	180	−191	< −100.0
Pre-tax profit/loss		**−1,779**	**−2,898**	1,119	38.6
Taxes on income	18 · 77	−73	−6	−67	< −100.0
Net income/loss		**−1,706**	**−2,892**	1,186	41.0
attributable to: Equity holders (consolidated profit/loss from the parent company)		**−1,706**	**−2,892**	1,186	41.0

Earnings per share

in €	Note · page	1.1.–30.9.2009	1.1.–30.9.2008
Basic earnings per share	20 · 77	−2.67	−13.66
Diluted earnings per share	20 · 77	−2.67	−13.66

The notes include a summary of quarterly financial data which contains the income statement from 1 July to 30 September 2009.

Statement of Comprehensive Income for the Period from 1 January to 30 September 2009

Statement of comprehensive income	1.1.–30.9.2009			1.1.–30.9.2008		
in € million	Before tax	Tax	Net-of-tax	Before tax	Tax	Net-of-tax
Net income/loss	−1,779	−73	−1,706	−2,898	−6	−2,892
AfS reserve	1,175	168	1,007	−2,047	−335	−1,712
Cash flow hedge reserve	572	169	403	438	144	294
Exchange differences	−22	—	−22	−2	—	−2
Total	**−54**	**264**	**−318**	**−4,509**	**−197**	**−4,312**
attributable to: Equity holders (consolidated profit/loss from the parent company)	−54	264	−318	−4,509	−197	−4,312

Disclosure of components of comprehensive income		
in € million	1.1.–30.9.2009	1.1.–30.9.2008
Net income/loss	−1,706	−2,892
AfS reserve	1,007	−1,712
Gains/losses arising during the year	1,007	−1,715
Reclassification adjustments for gains/losses included in profit or loss	—	3
Cash flow hedge reserve	403	294
Gains/losses arising during the year	403	294
Exchange differences	−22	−2
Total	**−318**	**−4,312**

Balance Sheet as of 30 September 2009

Assets

in € million	Note · page	30.9.2009	31.12.2008	Change in € million	Change in %	31.12.2007
Cash reserve		331	1,713	−1,382	−80.7	10,654
Trading assets	21 · 78	13,203	17,287	−4,084	−23.6	20,552
Loans and advances to other banks	22 · 78	40,295	49,409	−9,114	−18.4	51,975
Loans and advances to customers	23 · 78	202,187	222,048	−19,861	−8.9	213,173
Allowances for losses on loans and advances	25 · 79	−3,940	−2,277	−1,663	−73.0	−905
Financial investments	26 · 80	98,597	108,740	−10,143	−9.3	88,851
Property, plant and equipment		22	32	−10	−31.3	68
Intangible assets		43	40	3	7.5	2,555
Other assets	27 · 81	18,038	17,396	642	3.7	9,870
Income tax assets	28 · 81	5,022	5,266	−244	−4.6	3,381
Current tax assets		121	132	−11	−8.3	114
Deferred tax assets		4,901	5,134	−233	−4.5	3,267
Total assets		**373,798**	**419,654**	−45,856	−10.9	**400,174**

Equity and liabilities

in € million	Note · page	30.9.2009	31.12.2008	Change in € million	Change in %	31.12.2007
Liabilities to other banks	29 · 82	143,428	146,878	−3,450	−2.3	111,241
Liabilities to customers	30 · 82	12,143	15,936	−3,793	−23.8	27,106
Liabilities evidenced by certificates	31 · 82	164,434	197,978	−33,544	−16.9	218,080
Trading liabilities	32 · 82	13,195	17,236	−4,041	−23.4	14,835
Provisions	33 · 82	322	352	−30	−8.5	144
Other liabilities	34 · 82	30,560	33,835	−3,275	−9.7	14,722
Income tax liabilities	35 · 82	4,099	4,163	−64	−1.5	2,357
Current tax liabilities		94	161	−67	−41.6	116
Deferred tax liabilities		4,005	4,002	3	0.1	2,241
Subordinated capital	36 · 83	3,369	4,784	−1,415	−29.6	5,615
Liabilities		**371,550**	**421,162**	−49,612	−11.8	**394,100**
Equity attributable to equity holders		2,248	−1,508	3,756	> 100.0	6,074
Subscribed capital		3,653	633	3,020	> 100.0	602
Hybrid capital instruments		1,043	—	1,043	> 100.0	—
Additional paid-in capital		6,354	6.352	2	—	5,926
Retained earnings		−4,389	1,085	−5,474	< −100.0	943
Revaluation reserve		−2,707	−4,117	1,410	34.2	−1,857
AfS reserve		−2,108	−3,115	1,007	32.3	−346
Cash flow hedge reserve		−599	−1,002	403	40.2	−1,511
Consolidated profit/loss 1.1.-31.12.		—	−5,461	5,461	100.0	457
Consolidated loss 1.1.-30.9.2009		−1,706	—	−1,706	< −100.0	—
Profit carried forward from prior year		—	—	—	—	3
Minority interest in equity		—	—	—	—	—
Equity		**2,248**	**−1,508**	3,756	> 100.0	**6,074**
Total equity and liabilities		**373,798**	**419,654**	−45,856	−10.9	**400,174**

Statement of Changes in Equity (condensed)
Cash Flow Statement (condensed)

Statement of changes in equity (condensed)	Equity attributable to equity holders								Minority interest in equity	Equity
					Revaluation reserve					
in € million	Subscribed capital	Hybrid capital instruments	Additional paid-in capital	Retained earnings	AfS reserve	Cash flow hedge reserve	Consolidated profit/loss	Profit carried forward from prior year		
Equity at 1.1.2008	**602**	**—**	**5,926**	**943**	**−346**	**−1,511**	**457**	**3**	**—**	**6,074**
Capital increase	30	—	420	—	—	—	—	—	—	450
Treasury shares	1	—	4	—	—	—	—	—	—	5
Distribution	—	—	—	—	—	—	−101	—	—	−101
Total comprehensive income for the year	—	—	—	−2	−1,712	294	−2,892	—	—	−4,312
Transfer to retained earnings	—	—	—	152	—	—	−356	−3	—	−207
Equity at 30.9.2008	**633**	**—**	**6,350**	**1,093**	**−2,058**	**−1,217**	**−2,892**	**—**	**—**	**1,909**
Equity at 1.1.2009	**633**	**—**	**6,352**	**1,085**	**−3,115**	**−1,002**	**−5,461**	**—**	**—**	**−1,508**
Capital increase	3,020	—	—	—	—	—	—	—	—	3,020
Treasury shares	—	—	2	—	—	—	—	—	—	2
Distribution	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	−13	1,007	403	−1,706	—	—	−309
Transfer to retained earnings	—	—	—	−5,461	—	—	5,461	—	—	—
Reclassification of hybrid capital instruments	—	1,043	—	—	—	—	—	—	—	1,043
Equity at 30.9.2009	**3,653**	**1,043**	**6,354**	**−4,389**	**−2,108**	**−599**	**−1,706**	**—**	**—**	**2,248**

Due to the consolidated net loss from the business year 2008 a corresponding decision about the profit distribution was not applied at the Annual General Meeting on 13 August 2009.

Cash flow statement (condensed) in € million	2009	2008
Cash and cash equivalents at 1.1.	**1,713**	**10,654**
+/– Cash flow from operating activities	−12,788	4,626
+/– Cash flow from investing activities	8,410	−13,088
+/– Cash flow from financing activities	2,996	−141
+/– Effects of exchange rate changes and non-cash valuation changes	—	−117
Cash and cash equivalents at 30.9.	**331**	**1,934**

1 Principles

Hypo Real Estate Holding AG (HRE Holding) has prepared its consolidated interim financial statements for the period ended 30 September 2009 in line with EC ordinance No. 1606/2002 of the European Parliament and Council of 19 July 2002 in accordance with International Financial Reporting Standards (IFRS). These consolidated interim financial statements are based on the IFRS rules, which have been adopted in European Law by the EU commission as part of the endorsement process; it is also based on the regulations of commercial law which are applicable in accordance with section 315a (1) HGB (German Commercial Code). In particular, the consolidated interim report complies with the IAS 34 requirements for interim financial reporting. With the exception of specific regulations relating to fair value hedge accounting for a portfolio hedge of interest risks in IAS 39, IFRS 7 (Improving Disclosures about Financial Instruments) and IFRIC 18 (Transfers of Assets from Customers) all mandatory IFRS rules have been completely endorsed by the EU. The IFRS and IFRICs which have not been endorsed had no effect on the consolidated interim financial statements of Hypo Real Estate Group (HRE). Therefore, the interim financial statements are accordingly consistent with the entire IFRS and also with the IFRS as applicable in the EU.

The IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). These are the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) respectively the former Standing Interpretations Committee (SIC).

The accounting and valuation methods as of 30 September 2009 are the same as those applied in the consolidated financial statements for 2008. The following standards and interpretations were applied initially:

- IFRS 1 and IAS 27 (Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate)
- IFRS 2 (Share-based Payment: Vesting Conditions and Cancellations)
- IFRS 8 (Operating Segments)
- IAS 1 (Presentation of Financial Statements: A revised Presentation, revised 2007)
- IAS 23 (Borrowing Costs, revised 2007)
- IAS 32 and IAS 1 (Puttable Financial Instruments and Obligations Arising on Liquidation)
- IFRIC 13 (Customer Loyalty Programmes)
- IFRIC 15 (Agreements for the Construction of Real Estate)
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)

Only the new or revised standards IAS 1 (Presentation of Financial Statements: A revised Presentation, revised 2007) and IFRS 8 (Operating Segments) had an effect on the recognition, measurement or disclosure of HRE.

As per the revision of IAS 1 the income and expense components of the period are disclosed in two statements, the income statement and a reconciliation from the net income or net loss to the comprehensive income including a disclosure of the components of other comprehensive income (statement of comprehensive income). The balance sheet is disclosed with two comparative periods. Apart from the transactions with owners in their capacity as owners the statement of changes in equity contains the comprehensive income in one position.

The standard IFRS 8 supersedes the former standard IAS 14. IFRS 8 deals with the disclosure of operating segments of a company. Currently, the Management Board reviews three segments which fulfil the requirements of IFRS 8 for operating segments. Therefore, there were no changes from the revised segment definition of IFRS 8 relating to the segment report of HRE. In addition, the standard contains some additional disclosures, for example the reporting about products and services.

If they are not inconsistent with the IFRS, the German Accounting Standards (Deutsche Rechnungslegungs Standards – DRS) published by the Deutsche Rechnungslegungs Standards Committee (DRSC) have been taken into account.

The Management Board of HRE Holding has prepared the consolidated interim financial statements on 10 November 2009 under the going concern assumption. In preparing the consolidated interim financial statements, the Management Board is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the HRE Holding and their significant subsidiaries ability to continue as a going concern. The future existence of the HRE Holding as a going concern is dependent on the assumption that sufficient equity will be provided to the HRE Holding and its significant subsidiaries to fulfil regulatory capital requirements as well as to avoid a situation of sustained over-indebtedness. External liquidity support is necessary to avert insolvency due to illiquidity of the significant subsidiaries of HRE Holding or the HRE Holding itself. These liquidity supports must be available until the HRE Holding and its significant subsidiaries are capable to raise sufficient liquidity on the money and capital market by themselves, and until the agreed restructuring arrangements are implemented and the equity capital increase is performed as scheduled.

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

- the German Finanzmarktstabilisierungsfonds provides sufficient support in form of equity capital
- the German Finanzmarktstabilisierungsfonds and the Deutsche Bundesbank maintain their liquidity support and, if necessary, provide further liquidity assistance
- refinancing with sustainable conditions on the money and capital market occurs
- the restructuring arrangements will be implemented as scheduled
- the appropriate authorities do not take regulatory actions, and

- no legal reservations (especially EU legal actions) will be successfully enforced

On 28 March 2009, the German Finanzmarktstabilisierungsfonds confirmed to HRE Holding and Deutsche Pfandbriefbank AG (formerly Hypo Real Estate Bank AG) that it intends to stabilise HRE Holding in a sustainable manner by way of adequate recapitalisation and the Deutsche Pfandbriefbank AG by further sufficient extensions of guarantees. The German Finanzmarktstabilisierungsfonds renewed its statement of intent on 6 November 2009.

As a first step in the direction of recapitalising HRE, the German Finanzmarktstabilisierungsfonds has acquired 20 million HRE Holding shares on 28 March 2009 for a legal minimum price of € 3.00 per share, whereby shareholders' subscription rights were excluded. As the second step of recapitalisation of HRE, the shareholders adopted a resolution regarding a capital increase of around € 2.96 billion in return for a cash contribution at the Extraordinary General Meeting held on 2 June 2009. The round 986.5 million shares were issued at the nominal value and legal minimum price of € 3.00 specified in the articles of incorporation. Only the German Finanzmarktstabilisierungsfonds was permitted to take up the new shares out of the capital increase, and the statutory shareholders' subscription rights were excluded. After the registration of the capital increase on 8 June 2009, the German Finanzmarktstabilisierungsfonds hold round 90 % of the Company's share capital. On 5 October 2009, a resolution for transferring the shares of the minority shareholder to SoFFin was adopted at an Extraordinary General Meeting. The Amtsgericht (local court) Munich entered the transfer resolution into the commercial register on 13 October 2009. On 4 November 2009 as a third step in the recapitalisation process, the Steering Committee of the German Finanzmarktstabilisierungsfonds decided to extend the support provided to HRE. The Group will receive a capital contribution of € 3.0 billion in a further tranche. The € 3.0 billion capital contribution is intended to be made to HRE and Deutsche Pfandbriefbank AG. The German Finanzmarktstabilisierungsfonds will contribute € 0.7 billion to HRE Holding's reserves, of which HRE Holding will initially pass on € 0.3 billion to DEPFA Bank plc via a contribution to reserves. The German Finanzmarktstabilisierungsfonds will contribute € 1.3 billion to Deutsche Pfandbriefbank AG's reserves, and will also provide a € 1.0 billion silent partnership contribution.

The HRE Holding has provided a commitment to the German Finanzmarktstabilisierungsfonds that it will take the steps necessary for implementing the recapitalisation.

2 Consolidation

The Annual Report 2008 contains a list of all consolidated and non consolidated holdings on pages 195 to 199.

Compared with the group of consolidated companies in the Annual Report the following changes arose:

PSION Synthetic CDO I plc, Dublin, was initially consolidated in the first quarter 2009 as the majority of the notes issued by the special purpose entity was acquired. The initial consolidation had no material impact on the income statement. Total assets and total liabilities increased by US $ 25 million as financial investments and liabilities evidenced by certificates rose.

The special purpose entity Sirrah Funding IV Ltd., Dublin, was set up in the first quarter 2009. Sirrah Funding IV Ltd. purchased assets from HRE and securitised them for funding purposes. HRE holds all tranches issued (€ 892 million) by the special purpose entity. The initial consolidation thus resulted in an asset swap in the balance sheet and had no material impact on the income statement.

DEPFA First Albany Securities LLC was deconsolidated after the sale of the company to the New-York-based investment bank Jefferies & Company Inc. on 27 March 2009. A gain of less than € 1 million resulted from the deconsolidation of the company. The pre-tax profit of the company until the date of deconsolidation amounted to € 1 million. Total assets of DEPFA First Albany Securities amounted to € 56 million at date of deconsolidation, € 24 million trading assets, € 27 million loans and advances to other banks, and € 5 million other assets on the asset side as well as € 14 million liabilities to other banks, € 1 million trading liabilities, € 11 million other liabilities and € 30 million equity on the liability side.

Liffey Camelback LLC, Wilmington, was initially consolidated on 15 June 2009. This subsidiary of Hypo Real Estate Capital Corp., New York, took over a salvage acquisition in Arizona, USA. The book value of salvage acquisition amounted to € 9 million as of the initial consolidation date and as of 30 September 2009. The initial consolidation has not resulted in any significant impact on the income statement or balance sheet of the Group.

The merger of DEPFA Deutsche Pfandbriefbank AG into Hypo Real Estate Bank AG was registered on 10 and 29 June 2009 in the commercial registers Frankfurt and Munich. The new entity will trade under the name of Deutsche Pfandbriefbank AG, and will have its registered office in Munich. The Group internal transaction had no impact on the income statement or the balance sheet of HRE. In addition, Hypo Real Estate Systems GmbH was sold for an adequate purchase price from HRE Holding to Deutsche Pfandbriefbank AG. This Group internal transaction also had no impact on the income statement or the balance sheet of HRE.

3 Notes to segment reporting by business segments (primary segmenting)

HRE is refocusing its business. On the one hand, the strategic, sustainable business areas will be elaborated, meaning that the strategic activities will be comprised at the core bank Deutsche Pfandbriefbank. On the other hand non-strategic portfolios will be reduced, whereas the income statement should not be depressed as far as possible. Parallel to the approved refocusing of HRE, the existing segment structure is currently revised elementarily. Until the corporate steering will be reorganised completely, HRE still divides its business activities into the three operating segments Commercial Real Estate, Public Sector & Infrastructure Finance and Capital Markets & Asset Management, as well the Corporate Center.

The business segment Commercial Real Estate (CRE) combines mainly the international and German businesses of the strategic, commercial real estate financing including customer derivatives from Deutsche Pfandbriefbank AG.

The business segment Public Sector & Infrastructure Finance (PS & IF) pools mainly the Public Sector business. In addition, the segment contains the Infrastructure- and Asset-Based-Finance portfolios.

The business segment Capital Markets & Asset Management (CM & AM) pools the Capital Markets and the Asset Management business of the Group. The platform Capital Markets reflects the majority of trading assets and trading liabilities as well as income from securitisations and business with specific customer derivatives. The platform Asset Management consists amongst others of the positioning in guaranteed investments contracts (GIC) business.

The column Corporate Center includes the contributions to earnings of some non-strategic portfolios like CDOs and MBS. In addition, it includes the contributions to earnings of the HRE Holding centres and the expenses for essential corporate functions.

The segment report of HRE is based on the internal controlling instruments and the management information system which is prepared in accordance with IFRS. Income and expenses are allocated to appropriate cost centres, whereby portfolio structures are used as the basis for allocating income. General administrative expenses are allocated to the appropriate cost centres in the segment. The segments generated only Group external income, and did not generate any income with other segments of HRE or the Corporate Center. Accordingly, there are no issues of consolidation between the segments or with the Corporate Center. The management information is based on the accounting and valuation methods of the consolidated interim financial statements prepared in accordance with IFRS. Accordingly, reconciliation with the accounting and valuation methods used in the consolidated interim financial statements is not necessary.

The cost-income ratio is the ratio of general administrative expenses and operating revenues, consisting of net interest income and similar income, net commission income, net trading income, net income from financial investments, the result of hedging relationships and the balance of other operating income/expenses.

4 Income statement, broken down by business segments

Income/expenses

in € million		CRE	PS & IF	CM & AM	Corporate Center	**HRE**
Operating revenues	1.1.–30.9.2009	493	274	47	−302	512
	1.1.–30.9.2008	657	429	16	−1,027	75
Net interest income and similar income	1.1.–30.9.2009	481	608	48	−88	1,049
	1.1.–30.9.2008	569	525	56	−193	957
Net commission income	1.1.–30.9.2009	72	−242	−39	−95	−304
	1.1.–30.9.2008	67	24	17	−4	104
Net trading income	1.1.–30.9.2009	−66	23	58	−17	−2
	1.1.–30.9.2008	−20	−114	−74	−227	−435
Net income from financial investments	1.1.–30.9.2009	2	—	−17	−28	−43
	1.1.–30.9.2008	40	8	21	−597	−528
Net income from hedge relationships	1.1.–30.9.2009	—	−116	−3	−18	−137
	1.1.–30.9.2008	—	−14	−4	−16	−34
Balance of other operating income/expenses	1.1.–30.9.2009	4	1	—	−56	−51
	1.1.–30.9.2008	1	—	—	10	11
Provisions for losses on loans and advances	1.1.–30.9.2009	1,650	209	—	28	1,887
	1.1.–30.9.2008	227	—	—	20	247
General administrative expenses	1.1.–30.9.2009	121	71	21	180	393
	1.1.–30.9.2008	133	90	57	144	424
Impairments on goodwill and DEPFA's intangible assets	1.1.–30.9.2009	—	—	—	—	—
	1.1.–30.9.2008	—	—	—	2,482	2,482
Balance of other income/expenses	1.1.–30.9.2009	−1	3	—	−13	−11
	1.1.–30.9.2008	—	—	—	180	180
thereof: Effects from DEPFA acquisition	1.1.–30.9.2009	—	—	—	—	—
	1.1.–30.9.2008	—	—	—	180	180
Pre-tax profit	1.1.–30.9.2009	**−1,279**	**−3**	**26**	**−523**	**−1,779**
	1.1.–30.9.2008	**297**	**339**	**−41**	**−3,493**	**−2,898**

5 Key ratio, broken down by business segments

Key ratio

in %		CRE	PS & IF	CM & AM	**HRE**
Cost-income ratio	1.1.–30.9.2009	24.5	25.9	44.7	76.8
	1.1.–30.9.2008	20.2	21.0	> 100.0	> 100.0

6 Key capital ratios (based on German CommercialCode [HGB]), broken down by business segments

Risk-weighted assets[1)]

in € billion		CRE	PS & IF	CM & AM	Corporate Center	**HRE**
Total	30.9.2009	**28.2**	**38.4**	**7.3**	**9.8**	**83.7**
	31.12.2008	**26.9**	**41.1**	**10.7**	**8.6**	**87.3**

1) Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5; according to Basle II advanced IRB approach for authorised portfolios, otherwise Basle II standardised approach

Market risk positions

in € million		CRE	PS & IF	CM & AM	Corporate Center	**HRE**
Currency risks	30.9.2009	42	—	1	—	43
	31.12.2008	63	—	1	—	64
Interest rate risks	30.9.2009	—	—	232	—	232
	31.12.2008	—	—	282	—	282
Risks from equity securities/risks from options	30.9.2009	—	—	—	—	—
	31.12.2008	—	—	—	—	—
Total	30.9.2009	**42**	**—**	**233**	**—**	**275**
	31.12.2008	**63**	**—**	**283**	**—**	**346**

7 Operating revenues by products

Operating revenues by products

in € million	**1.1.–30.9.2009**	**1.1.–30.9.2008**
Commercial real estate financings	493	657
Public sector financings	241	287
Infrastructure financings	33	142
Other products	−255	−1,011
Total	**512**	**75**

Notes to the Income Statement

8 Net interest income and similar income

Net interest income and similar income, broken down by categories of income/expenses in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Interest income and similar income	**9,647**	**12,406**
Lending and money-market business	7,124	9,536
Fixed-income securities and government-inscribed debt	2,523	2,867
Equity securities and other variable-yield securities	—	2
Other	—	1
Interest expenses and similar expenses	**8,598**	**11,449**
Deposits	3,227	4,690
Liabilities evidenced by certificates	4,872	6,430
Subordinated capital	142	259
Current result from swap transactions (balance of interest income and interest expenses)	357	70
Total	**1,049**	**957**

Total interest income for financial assets that are not at fair value through profit or loss, amount to € 9.6 billion (1.1. – 30.9.2008: € 12.2 billion). Total interest expenses for financial liabilities that are not at fair value through profit or loss amount to € 8.2 billion (1.1. – 30.9.2008: € 11.4 billion).

Net interest income and similar income includes income of € 80 million (1.1. – 30.9.2008: € 16 million) due to the increase in the present value of the adjusted allowances resulting over a period of time and an expense of € –18 million (1.1. – 30.9.2008: € 0 million) due to the increase in the present value of the adjusted liabilities over a period of time.

9 Net commission income

Net commission income in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Securities and custodial services	−3	−8
Lending operations and other service operations	−301	112
thereof: Expenses of liquidity support	−382	—
Total	**−304**	**104**

Net commission income is attributable exclusively to financial assets and financial liabilities which are not designated at fair value through profit or loss. The decline in net commission income results mainly due to the expenses through the liquidity support.

10 Net trading income

Net trading income in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
From interest rate instruments and related derivatives	−83	16
From credit risk instruments and related derivatives	71	−457
From foreign exchange trading interest	10	6
Total	**−2**	**−435**

11 Net income from financial investments

Net income from financial investments in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Income from financial investments	29	204
Expenses from financial investments	72	732
Total	**−43**	**−528**

Net income from financial investments by IAS 39 categories in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Held-to-maturity financial investments	—	—
Available-for-sale financial investments	24	−498
Loans-and-receivables financial investments	−67	−70
Negative difference from business combination	—	22
Result from investment properties	—	18
Total	**−43**	**−528**

12 Combined valuation result from the CDO portfolio and similar products

Valuation result affecting income in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Synthetic CDOs	−66	−218
US-American	−38	−144
European	−28	−74
Cash CDOs	−22	−409
US-American	−21	−434
European	−1	−45
Model reserve	—	70
MBS	−29	−4
Total	**−117**	**−631**

The portfolio of collateralised debt obligations (CDOs) and similar structured products is reclassified from the measurement category AfS to LaR according to the amendment of IAS 39 and IFRS 7 published by the IASB on 13 October 2008. The European cash CDOs also contain credit linked notes (CLNs) and credit swap options (CSOs). Furthermore it is a matter of importance for accounting whether CDOs are classified as cash structures or as synthetic structures.

Synthetic CDOs constitute embedded derivatives which have to be separated in accordance with IAS 39 – as clarified from the Institut der Wirtschaftsprüfer (IDW) in its position paper dated 10 December 2007 – and any changes in value have to be recognised in the income statement. Cash CDOs of the category loans and receivables are measured at amortised cost. If there is objective evidence for impairment the cash CDOs will be written-off. The valuation is based on internal present-value models. A model reserve of € 20 million (after the reversal of € 70 million in 2008) exists for uncertainty with regard to the assumptions and estimates which have been made on the valuation of collateralised debt obligations.

13 Net income from hedge relationships

Net income from hedge relationships in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Result from fair value hedge accounting	−131	3
Result from hedged items	−4,019	5,924
Result from hedging instruments	3,888	−5,921
Result from dFVTPL investments and related derivatives	−6	−36
Result from dFVTPL investments	−551	−26
Result from derivatives related to dFVTPL investments	545	−10
Ineffectiveness from cash flow hedge accounting affecting income	—	−1
Total	**−137**	**−34**

The item net income from hedge relationships reflected two effects. On the one hand expenses resulted from hedge inefficiencies within the range of 80 % to 125 % which is admissible under IAS 39. These expenses are mainly a reverse effect from the corresponding income in the fourth quarter 2008. On the other hand a negative valuation result was attributable to assets designated at Fair Value through Profit or Loss (dFVTPL) and related derivatives. The fair values of these positions hedging interest risks have declined as a result of credit spread changes.

14 Balance of other operating income/expenses

Balance of other operating income/expenses in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Other operating income	13	26
Other operating expenses	64	15
Balance of other operating income/expenses	**−51**	**11**

Change in the balance of other operating income/expenses resulted mainly from foreign currency changes.

15 Provisions for losses on loans and advances

Provisions for lending business in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Provisions for losses on loans and advances	1,879	250
Additions	1,941	293
Releases	−62	−43
Provisions for contingent liabilities and other commitments	10	—
Additions	10	—
Releases	—	—
Recoveries from write-offs of loans and advances	−2	−3
Total	**1,887**	**247**

The development of individual allowances on loans and advances as well as portfolio-based allowances is shown in the note 25 allowances for losses on loans and advances.

16 General administrative expenses

General administrative expenses in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Personnel expenses	159	212
Wages and salaries	128	173
Social security costs	20	26
Pension expenses and related employee benefit costs	11	13
Other general administrative expenses	211	176
Depreciation/amortisation	23	36
On software and other intangible assets excluding goodwill	13	25
On property, plant and equipment	10	11
Total	**393**	**424**

Cost-income ratio in %	1.1.– 30.9.2009	1.1.– 31.12.2008
Cost-income ratio	76.8	> 100.0

17 Balance of other income/expenses

Balance of other income/expenses in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Other income	20	180
thereof: Releases of restructuring provisions	20	—
Effects from DEPFA acquisition	—	180
Other expenses	31	—
thereof: Additions to restructuring provisions	30	—
Balance of other income/expenses	**–11**	**180**

A restructuring provision of € 225 million was created in the fourth quarter of 2008 in connection with the strategic refocusing and restructuring of HRE. The calculation of the restructuring provision was revised in the second quarter of 2009, and the provision was increased by € 10 million. This reflects the fact that it has been possible for individual locations to be closed sooner than originally planned causing payments from current rental contracts for vacant property.

In the previous year the balance of other income/expenses included effects from the acquisition of DEPFA Bank plc. In the first nine months of 2008 these effects were attributable to the mandatory convertible bond issued in August 2007 to finance the acquisition of DEPFA Bank plc. The mandatory convertible bond contained an embedded compound derivative based on shares of HRE Holding, which, in accordance with IAS 39, should be separated from the host contract and measured at fair value as derivative. The change in the fair value has to be recognised in the income statement. On 20 August 2008 the mandatory convertible bond was converted into ordinary shares of HRE Holding. The final valuation of the derivative has resulted in pre-deferred tax income of € 180 million.

18 Taxes on income

Breakdown in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Current taxes	29	47
Deferred taxes	–102	–53
thereof: Deferred taxes on capitalised losses carried forward	1	8
Effects from DEPFA acquisition	—	46
Total	**–73**	**–6**

19 Net gains/net losses

The income statement contains the following income statement-related net gains/net losses according to IFRS 7.20 (a):

Net gains/net losses in € million	1.1.– 30.9.2009	1.1.– 30.9.2008
Loans and receivables	–1,913	–231
Held to maturity	—	—
Available for sale	24	–498
Held for trading[1]	–2	–255
Designated at Fair Value through P&L	–6	–36
Financial liabilities at amortised cost	10	13

[1] 2008 including the income in the amount of € 180 million from the embedded derivative comprised in the mandatory convertible bond shown in Balance of other income/expenses

20 Earnings per share

In accordance with IAS 33 (Earnings per Share), earnings per share are calculated by dividing consolidated net income by the weighted average number of circulating shares. Because no conversion or option rights were outstanding the basic earnings per share equal the diluted earnings per share.

Earnings per share		1.1.– 30.9.2009	1.1.– 30.9.2008
Consolidated profit/loss	in € million	–1,706	–2,892
+ Financing expenses for the mandatory convertible bond, net of tax effects	in € million	—	13
Adjusted consolidated profit	in € million	–1,706	–2,879
Adjusted average number of issued ordinary shares	units	640,065,415	202,425,573
Potential shares to be issued upon conversion of the mandatory convertible bond	units	—	8,320,717
Adjusted weighted average total number of issued and potential ordinary shares	units	640,065,415	210,746,290
Basic earnings per share	in €	**–2.67**	**–13.66**
Diluted earnings per share	in €	**–2.67**	**–13.66**

Without the reclassifications of trading assets and AfS financial investments during the year 2008 the effect would be higher than both basic and diluted earnings per share for the first nine months of 2009 by € 0.55.

Notes to the Balance Sheet (Assets)

21 Trading assets

Trading assets in € million	30.9.2009	31.12.2008
Debt securities and other fixed-income securities	1,078	1,669
Positive fair values from derivative financial instruments	2,542	3,044
Other trading assets	141	56
Stand-alone derivatives (bank book)	9,442	12,518
Total	**13,203**	**17,287**

22 Loans and advances to other banks

Loans and advances to other banks, broken down by type of business in € million	30.9.2009	31.12.2008
Loans and advances	36,824	45,055
Public sector loan	25,902	30,866
Real estate loans	44	94
Other loans and advances	10,878	14,095
Investments	3,471	4,354
Total	**40,295**	**49,409**

Loans and advances to other banks, broken down by maturities in € million	30.9.2009	31.12.2008
Repayable on demand	5,012	5,947
With agreed maturities	35,283	43,462
Up to 3 months	8,014	11,936
From 3 months to 1 year	4,799	2,289
From 1 year to 5 years	12,573	11,905
From 5 years and over	9,897	17,332
Total	**40,295**	**49,409**

23 Loans and advances to customers

Loans and advances to customers, broken down by type of business in € million	30.9.2009	31.12.2008
Loans and advances	202,057	220,965
Public sector loans	134,609	150,629
Real estate loans	55,765	58,455
Other loans and advances	11,683	11,881
Investments	130	1,083
Total	**202,187**	**222,048**

Loans and advances to customers, broken down by maturities in € million	30.9.2009	31.12.2008
Unspecified terms	21	32
With agreed maturities	202,166	222,016
Up to 3 months	7,156	7,910
From 3 months to 1 year	12,094	12,088
From 1 year to 5 years	56,999	58,962
From 5 years and over	125,917	143,056
Total	**202,187**	**222,048**

The loans and advances to customers contain a portfolio of loans that have been designated as at fair value through profit or loss (dFVTPL) to reduce the measurement inconsistency with the offsetting derivative, which is an economic hedge of the position. The dFVTPL loans and advances amount to € 349 million as of 30 September 2009 (31 December 2008: € 395 million). The dFVTPL loans and advances were acquired in the course of the takeover of DEPFA Bank plc.

In the first nine months of 2009, the loans and advances designated as at fair value through profit or loss had a fair value move of € 18 million attributable to a change in the credit risk of the asset (31 December 2008: € –55 million) and cumulatively since initial recognition of € –41 million. This was offset by a fair value move on the credit derivative of € –28 million (31 December 2008: € 42 million) and cumulatively since initial recognition of € 18 million.

The carrying amount of the above loans reflects the maximum exposure to credit risk on these assets. This credit exposure is reduced by € 345 million by related credit derivatives.

24 Volume of lending

Volume of lending in € million	30.9.2009	31.12.2008
Loans and advances to other banks	36,824	45,055
Loans and advances to customers	202,057	220,965
Contingent liabilities	798	1,309
Total	**239,679**	**267,329**

25 Allowances for losses on loans and advances

Development in € million	Individual allowances on loans and advances	Portfolio-based allowances	**Total**
Balance at 1.1.2008	**672**	**233**	**905**
Changes affecting income	1,117	431	**1,548**
Gross additions	1,208	501	**1,709**
Releases	−54	—	**−54**
Increase of the present value due to passage of time (unwinding)	−37	—	**−37**
Release model reserve	—	−70	**−70**
Changes not affecting income	−161	−15	**−176**
Use of existing loan-loss allowances	−203	−15	**−218**
Effects of currency translations and other changes not affecting income	42	—	**42**
Balance at 31.12.2008	**1,628**	**649**	**2,277**
Balance at 1.1.2009	**1,628**	**649**	**2,277**
Changes affecting income	1,507	292	**1,799**
Gross additions	1,641	300	**1,941**
Releases	−54	−8	**−62**
Increase of the present value due to passage of time (unwinding)	−80	—	**−80**
Release model reserve	—	—	**—**
Changes not affecting income	−134	−2	**−136**
Use of existing loan-loss allowances	−152	−2	**−154**
Effects of currency translations and other changes not affecting income	18	—	**18**
Balance at 30.9.2009	**3,001**	**939**	**3,940**

The allowances for losses on loans and advances were exclusively created for the measurement category loans and receivables.

26 Financial investments

Breakdown in € million	30.9.2009	31.12.2008
AfS financial investments	13,842	14,470
Shares in non-consolidated subsidiaries	53	53
Participating interests	7	8
Debt securities and other fixed-income securities	13,778	14,406
Equity securities and other variable-yield securities	4	3
dFVTPL financial investments	3,450	4,476
Debt securities and other fixed-income securities	3,450	4,476
LaR financial investments	81,305	89,794
Debt securities and other fixed-income securities	81,305	89,794
Total	**98,597**	**108,740**

Financial investments, broken down by maturities in € million	30.9.2009	31.12.2008
Unspecified terms	64	64
With agreed maturities	98,533	108,676
Up to 3 months	1,003	2,209
From 3 months to 1 year	3,791	4,751
From 1 year to 5 years	14,547	16,207
From 5 years and over	79,192	85,509
Total	**98,597**	**108,740**

HRE has made use of the IASB amendments to IAS 39 and IFRS 7, published on 13 October 2008, and reclassified financial assets. The Group identified assets, eligible under the amendments, for which at the reclassification date it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term and which had met the definition of loans and receivables according to IAS 39 (amongst others not quoted in an active market). The reclassified portfolios are disclosed under financial investments.

On 30 September 2008, HRE reclassified retrospectively as of 1 July 2008 trading assets out of the category held-for-trading amounting to € 3.5 billion and financial investments out of the category available-for-sale of € 76.1 billion. In addition, trading assets of € 0.7 billion were reclassified prospectively into financial investments of the category loans and receivables on 1 October 2008.

Since the date of reclassification, financial assets with a (reclassified) carrying amount of around € 7.2 billion became due. Thereof € 6.1 billion are reclassified AfS financial investments and € 1.1 billion are reclassified trading assets.

In the first nine months of 2009 securities with a reclassified carrying amount of € 0.8 billion were sold due to the decided reduction of portfolios. Thereby a net loss of € –1 million was realised.

At the date of reclassification the effective interest rate for the trading assets was between 1.3 % and 21.9 %. For AfS assets the interest rate was between 0.25 % and 34.4 %.

The following table summarises the carrying amounts and fair values as of 30 September 2009 as well as fair value gains and losses that would have been recognised in the first nine months of 2009 if the financial assets had not been reclassified.

Reclassifications	into: Financial investment loans and receivables (LaR)			Effect in reporting period if no assets would have been reclassified (1.1.–30.9.2009)	
	Date	30.9.2009			
		Carrying amount in € billion	Fair value in € billion	Income statement in € million	AfS reserve (after taxes) in € million
out of: Trading assets held for trading (HfT)	1.7.2008	2.4	2.1	451	
	1.10.2008	0.5	0.5	–5	
out of: Financial investments available for sale (AfS)	1.7.2008	73.9	70.0	–49	3,461
Total		**76.8**	**72.6**		

27 Other assets

Other assets in € million	30.9.2009	31.12.2008
Positive fair values from derivative financial instruments	17,591	16,918
Hedging derivatives	17,163	16,362
Micro fair value hedge	7,207	6,884
Cash flow hedge	9,956	9,478
Derivatives hedging dFVTPL financial instruments	428	556
Salvage acquisitions	180	183
Other assets	158	208
Deferred charges and prepaid expenses	46	26
Capitalised excess cover of qualified insurance for pension provisions	63	61
Total	**18,038**	**17,396**

28 Income tax assets

Income tax assets in € million	30.9.2009	31.12.2008
Current tax assets	121	132
Deferred tax assets	4,901	5,134
Total	**5,022**	**5,266**

Notes to the Balance Sheet (Equity and liabilities)

29 Liabilities to other banks

Liabilities to other banks by maturities in € million	30.9.2009	31.12.2008
Repayable on demand	3,840	1,843
With agreed maturities	139,588	145,035
Up to 3 months	109,043	116,311
From 3 months to 1 year	25,657	16,047
From 1 year to 5 years	3,932	7,692
From 5 years and over	956	4,985
Total	**143,428**	**146,878**

30 Liabilities to customers

Liabilities to customers by maturities in € million	30.9.2009	31.12.2008
Repayable on demand	233	615
With agreed maturities	11,910	15,321
Up to 3 months	322	1,751
From 3 months to 1 year	735	1,800
From 1 year to 5 years	3,522	3,463
From 5 years and over	7,331	8,307
Total	**12,143**	**15,936**

31 Liabilities evidenced by certificates

Liabilities evidenced by certificates, broken down by maturities in € million	30.9.2009	31.12.2008
With agreed maturities		
Up to 3 months	30,973	45,528
From 3 months to 1 year	23,940	18,541
From 1 year to 5 years	54,494	70,258
From 5 years and over	55,027	63,651
Total	**164,434**	**197,978**

32 Trading liabilities

Trading liabilities in € million	30.9.2009	31.12.2008
Negative fair values from derivative financial instruments	2,202	2,575
Interest-based and foreign-currency-based transactions	1,077	769
Credit-related transactions	1,107	1,806
Other	18	—
Other trading liabilities	1,555	2,969
Stand-alone derivatives (bank book)	9,438	11,692
Total	**13,195**	**17,236**

33 Provisions

Breakdown in € million	30.9.2009	31.12.2008
Provisions for pensions and similar obligations	59	64
Restructuring provisions	208	235
Provisions for contingent liabilities and other commitments	19	11
Other provisions	36	42
thereof: Long-term liabilities to employees	4	5
Total	**322**	**352**

As of 1 January 2005, HRE took out reinsurance which is classified as a “qualifying insurance policy” under IAS 19 to protect itself against the primary risks arising from the defined-benefit pension commitments. The expected return of the plan assets has been calculated by employing the long-term risk-free interest rate in accordance with the investment strategy of the plan assets. The plan assets do not cover the obligations of the employees of the former DEPFA Deutsche Pfandbriefbank AG.

34 Other liabilities

Other liabilities in € million	30.9.2009	31.12.2008
Negative fair values from derivative financial instruments	30,098	33,329
Hedging derivatives	29,739	33,251
Micro fair value hedge	19,658	23,314
Cash flow hedge	10,081	9,937
Derivatives hedging dFVTPL financial instruments	359	78
Other liabilities	353	387
Deferred income	109	119
Total	**30,560**	**33,835**

35 Income tax liabilities

Income tax liabilities in € million	30.9.2009	31.12.2008
Current tax liabilities	94	161
Deferred tax liabilities	4,005	4,002
Total	**4,099**	**4,163**

36 Subordinated capital

Breakdown in € million	30.9.2009	31.12.2008
Subordinated liabilities	2,970	2,387
Participating certificates outstanding	100	1,072
Hybrid capital instruments	299	1,325
Total	**3,369**	**4,784**

Subordinated capital, broken down by maturities in € million	30.9.2009	31.12.2008
With agreed maturities		
Up to 3 months	71	227
From 3 months to 1 year	111	384
From 1 year to 5 years	1,500	1,574
From 5 years and over	1,687	2,599
Total	**3,369**	**4,784**

Since the first quarter of 2009, certain hybrid issues of DEPFA Bank plc have had to be recognised as equity instruments in accordance with IAS 32.16. The classification of financial instruments as capital instruments or debt instruments does not depend on the company's regulations. Instead, it depends on whether the company has a contractual obligation to make payments from an issued financial instrument. DEPFA Bank plc has issued subordinate debt in the form of undated bonds via its issuance vehicles DEPFA Funding II LP, DEPFA Funding III LP and DEPFA Funding IV LP. These hybrid capital instruments only have to make interest payments if creditors of equal ranking receive an interest payment. After the last equal-ranking liability was repaid in the first quarter of 2009, the company no longer has a contractual obligation to make interest payments after this time. Accordingly, it was necessary for the carrying amount of these hybrid capital instruments (€ 1,043 million) to be reclassified under equity (instead of under subordinated capital).

As a result of the merger between the former DEPFA Deutsche Pfandbriefbank AG and Hypo Real Estate Bank AG, the instruments of profit participation rights of the former DEPFA Deutsche Pfandbriefbank AG have become subordinated liabilities because the holders of the instruments were granted co-equal rights. These rights encompass modifications in relation to distribution and loss participation. The instruments were reclassified on the basis of these modifications as this reflects better the economic content of the contracts.

37 Own shares and incentive compensation programme

As of 30 September 2009 DEPFA Bank plc Deferred Stock Trust, Dublin, no longer held any shares in HRE Holding. All shares due under the award scheme were vested to employees of the Group in the second quarter 2009. The Trust took up the tender offer from the Federal Republic of Germany on all remaining unallocated shares, and received € 1.39 per share.

No treasury shares were traded in the first nine months of 2009.

38 Assets and liabilities according to categories

Asset and liabilities according to measurement categories and classes in € million	30.9.2009	31.12.2008
Assets		
Loans-and-receivables (LaR)	319,498	358,579
Held-to-maturity (HtM)	—	—
Available-for-sale (AfS)	13,842	14,470
Held-for-trading (HfT)	13,203	17,287
dFVTPL assets (dFVTPL)	3,799	4,871
Cash reserve	331	1,713
Positive fair values from hedging derivatives	17,591	16,918
Liabilities		
Held-for-trading (HfT)	13,195	17,236
Financial liabilities at amortised cost	323,600	365,847
Negative fair values from hedging derivatives	30,098	33,329

39 Past due but not impaired assets

At 30 September 2009, the following amounts were noted by the Group as being past due. However, no individual impairment provision was made against these assets respectively the collaterals underlying these assets as the bank does not consider that there is any issue regarding their recoverability. Such timing issues in receipts of payments due occur regularly (up to 3 months) in the normal course of business and do not, by themselves, impair the quality of the asset. The total investment in relation to the past due amounts have also been disclosed to put the size of the amounts in question into context.

LaR assets

LaR assets: past due but not impaired (due amounts) in € million	30.9.2009	31.12.2008
Up to 3 months	463	18
From 3 months to 6 months	436	118
From 6 months to 1 year	197	28
From 1 year and over	45	13
Total	**1,141**	**177**

LaR assets: past due but not impaired (total investment) in € million	30.9.2009	31.12.2008
Up to 3 months	1,010	927
From 3 months to 6 months	405	265
From 6 months to 1 year	650	120
From 1 year and over	235	79
Total	**2,300**	**1,391**

Carrying amounts LaR assets in € billion	30.9.2009	31.12.2008
Carrying amount of LaR assets that are neither impaired nor past due	318.2	358.0
Carrying amount of LaR assets that are past due but not impaired (total investment)	2.3	1.4
thereof: Due amounts	1.1	0.2
Carrying amount of individually assessed impaired LaR assets (net)	2.0	0.8
Balance of portfolio-based allowances	1.0	0.6
Total	**323.5**	**360.8**
thereof: Loans and advances to other banks (including investments)	40.3	49.4
Loans and advances to customers (including investments)	201.8	221.6
Financial investments (gross)	81.4	89.8

Other Notes

40 Contingent liabilities and other commitments

Contingent liabilities and other commitments in € million	30.9.2009	31.12.2008
Contingent liabilities	**798**	**1,309**
Guarantees and indemnity agreements	798	1,309
Loan guarantees	40	58
Performance guarantees and indemnities	758	1,251
Other commitments	**9,571**	**13,246**
Irrevocable loan commitments	7,060	11,271
Book credits	688	2,269
Guarantees	61	83
Mortgage and public sector loans	6,311	8,919
Liquidity facilities	2,471	1,918
Other commitments	40	57
Total	**10,369**	**14,555**

41 Key regulatory capital ratios (based on German Commercial Code)

The Management Board manage regulatory capital on the basis of the German Solvency Regulation (SolvV) in connection with section 10 German Banking Act (KWG). According to these standards the total equity capital ratio (equity capital/risk-weighted assets) may not go below 8.0%. In addition, the core capital (Tier I) must consist of at least 50% of equity capital (core capital and supplementary capital), so that the core capital ratio may not be lower than 4.0%. At the same time, the own funds ratio, which is calculated by dividing the own funds by the total risk-weighted assets, must be no lower than 8.0%. The total risk-weighted assets are determined by multiplying the capital requirements for market risk positions (including trades in options) and operational risks by 12.5 and adding the resulting figures to the sum of risk-weighted assets for credit risk.

The calculation of own funds for the due dates 31 December 2008 and 30 September 2009 as shown here happened including the year end results 2008.

Own funds[1] in € million	30.9.2009	31.12.2008[2]
Core capital (Tier I)	5,101	2,928
Supplementary capital (Tier II)	1,609	2,069
Equity capital	**6,710**	**4,997**
Tier III capital	—	—
Total	**6,710**	**4,997**

1) Consolidated pursuant to section 10a German Banking Act (KWG)
2) Pro forma as per approved annual financial statements 2008 and after result distribution 2008

The risk-weighted assets, the operational risks and market risk positions were as follows:

Risk-weighted assets in € billion	30.9.2009	31.12.2008[1]
Total[2]	**83.7**	**87.3**

1) Pro forma as per approved annual financial statements 2008 and after result distribution 2008
2) Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5; according to Basle II advanced IRB approach for authorised portfolios, otherwise Basle II standardised approach

Operational risks in € million	30.9.2009	31.12.2008
Total	**212**	**237**

Market risk positions in € million	30.9.2009	31.12.2008
Currency risks	43	64
Interest rate risks	232	282
Risks from equity securities/ risks from options	—	—
Total	**275**	**346**

The regulatory capital ratios were calculated on the basis of the definition for regulatory capital according to SolvV and risk-weighted assets according to Basle II. The resulting capital ratios as of 30 September 2009 were thus as follows:

Key capital ratios in %	30.9.2009	31.12.2008[1]
Core capital ratio[2]	6.1	3.4
Equity capital ratio[3]	8.4	6.0
Own funds ratio (overall indicator)[2]	8.0	5.7

1) Pro forma as per approved annual financial statements 2008 and after result distribution 2008
2) Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5
3) Including risk-weighted credit risk positions as well as the capital requirements for operational risks scaled with the factor 12.5

42 Employees

Average number of employees	30.9.2009	31.12.2008
Employees (excluding apprentices)	1,610	1,884
Apprentices	7	8
Total	**1,617**	**1,892**

43 Summary of quarterly financial data

Group		2008		2009		
		3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Operating performance						
Operating revenues	in € million	−345	−660	−80	348	244
Net interest income and similar income	in € million	354	676	371	345	333
Net commission income	in € million	35	−72	−108	−99	−97
Net trading income	in € million	−349	−574	−162	135	25
Net income from financial investments	in € million	−364	−881	−30	−14	1
Net income from hedge relationships	in € million	−30	120	−110	3	−30
Balance of other operating income/expenses	in € million	9	71	−41	−22	12
Provisions for losses on loans and advances	in € million	177	1,409	196	881	810
General administrative expenses	in € million	119	181	130	121	142
Balance of other income/expenses	in € million	18	−227	—	−10	−1
Impairments on goodwill and DEPFA's intangible assets	in € million	2,482	—	—	—	—
Pre-tax profit	in € million	−3,105	−2,477	−406	−664	−709
Net income/loss	in € million	−3,052	−2,569	−382	−750	−574
Key indicators						
Total volume of lending	in € billion	260.9	267.3	258.5	248.7	239.7
Risk-weighted assets[1)2)]	in € billion	96.3	87.3[3)]	85.3[3)]	79.0	83.7
Core capital ratio[1)]	in %	6.7	3.4[3)]	3.5[3)]	6.9	6.1
Employees		1,848	1,786	1,656	1,582	1,480

1) Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5
2) According to Basle II advanced IRB approach for authorised portfolios, otherwise Basle II standardised approach
3) Pro forma as per approved annual financial statements 2008 and after result distribution 2008

Commercial Real Estate		2008		2009		
		3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Operating performance						
Operating revenues	in € million	226	219	153	173	167
Net interest income and similar income	in € million	187	187	161	162	158
Net commission income	in € million	26	28	17	31	24
Net trading income	in € million	−1	−25	−25	−23	−18
Net income from financial investments	in € million	17	18	—	1	1
Net income from hedge relationships	in € million	—	—	—	—	—
Balance of other operating income/expenses	in € million	−3	11	—	2	2
Provisions for losses on loans and advances	in € million	179	839	135	899	616
General administrative expenses	in € million	44	22	40	34	47
Balance of other income/expenses	in € million	—	−5	—	−1	—
Pre-tax profit	in € million	3	−647	−22	−761	−496

Public Sector & Infrastructure Finance		2008		2009		
		3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Operating performance						
Operating revenues	in € million	41	180	96	127	51
Net interest income and similar income	in € million	189	205	286	212	110
Net commission income	in € million	6	−63	−84	−79	−79
Net trading income	in € million	−142	−10	−21	—	44
Net income from financial investments	in € million	6	5	−1	−2	3
Net income from hedge relationships	in € million	−18	40	−84	−5	−27
Balance of other operating income/expenses	in € million	—	3	—	1	—
Provisions for losses on loans and advances	in € million	—	420	49	−20	180
General administrative expenses	in € million	25	−15	25	24	22
Balance of other income/expenses	in € million	—	−8	—	—	3
Pre-tax profit	in € million	16	−233	22	123	−148

Capital Markets & Asset Management		2008		2009		
		3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Operating performance						
Operating revenues	in € million	−43	−522	−95	102	40
Net interest income and similar income	in € million	35	17	17	14	17
Net commission income	in € million	4	−12	−11	−15	−13
Net trading income	in € million	−83	−444	−99	122	35
Net income from financial investments	in € million	1	−82	—	−17	—
Net income from hedge relationships	in € million	—	−1	−2	−2	1
Balance of other operating income/expenses	in € million	—	—	—	—	—
Provisions for losses on loans and advances	in € million	—	—	—	—	—
General administrative expenses	in € million	15	−25	12	5	4
Balance of other income/expenses	in € million	—	—	—	—	—
Pre-tax profit	in € million	−58	−497	−107	97	36

Corporate Center		2008		2009		
		3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter
Operating performance						
Operating revenues	in € million	−569	−537	−234	−54	−14
Net interest income and similar income	in € million	−57	267	−93	−43	48
Net commission income	in € million	−1	−25	−30	−36	−29
Net trading income	in € million	−123	−95	−17	36	−36
Net income from financial investments	in € million	−388	−822	−29	4	−3
Net income from hedge relationships	in € million	−12	81	−24	10	−4
Balance of other operating income/expenses	in € million	12	57	−41	−25	10
Provisions for losses on loans and advances	in € million	−2	150	12	2	14
General administrative expenses	in € million	35	199	53	58	69
Impairments on goodwill and DEPFA's intangible assets	in € million	2,482	—	—	—	—
Balance of other income/expenses	in € million	18	−214	—	−9	−4
Pre-tax profit	in € million	−3,066	−1,100	−299	−123	−101

Munich, 10 November 2009

Hypo Real Estate Holding Aktiengesellschaft
The Management Board

Dr. Axel Wieandt

Manuela Better

Dr. Kai Wilhelm Franzmeyer

Frank Krings

Alexander von Uslar

We have reviewed the condensed interim consolidated financial statements of the Hypo Real Estate Holding AG, Munich "comprising the balance sheet, the income statement, the statement of comprehensive income, the condensed statement of changes in equity, the condensed cash flow statement and selected explanatory notes" together with the interim group management report of the Hypo Real Estate Holding AG, Munich for the period from 1 January to 30 September 2009 that are part of the quarterly financial report according to § 37x section 3 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Without qualifying our opinion we refer to the passages in the group management report concerning "Risks threatening the existence" ["Bestandsgefährdende Risiken"] as well as in the condensed notes under number one. There it is mentioned that the future existence of the Hypo Real Estate Holding AG as a going concern is dependent on the assumption that sufficient equity will be provided to the Hypo Real Estate Holding AG and its significant subsidiaries to fulfil regulatory capital requirements as well as to avoid a situation of sustained over-indebtedness. External liquidity support is necessary to avert insolvency due to illiquidity of the significant subsidiaries of the Hypo Real Estate Holding AG or the Hypo Real Estate Holding AG itself. These liquidity supports must be available until the Hypo Real Estate Holding AG and its significant subsidiaries are capable to raise sufficient liquidity on the money and capital market by themselves, and until the agreed restructuring arrangements are implemented and the equity capital increase is performed as scheduled.

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

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

Munich, 10 November 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Dielehner	Wiechens
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Signatories on behalf of Deutsche Pfandbriefbank AG

Munich, as of 25 November 2009

gez. Martina Horn Director	gez. Stefan Krick Managing Director