Hypo Real Estate GROUP

Results Q3 2010

IMPORTANT NOTE: The Results Q3 2010 do not yet include the asset transfer to FMS-WM as of Oct 1, 2010

Investor Relations Presentation
November 16, 2010

HRE Group
Overview

Q3 2010 pre-tax loss reduced to EUR -408 mio (Q3 2009: EUR -709 mio), primarily driven by lower loan-loss provisions required for real estate loans in 2010 – in Q3, even a release of EUR 2 mio (Q3 2009: EUR -810 mio)

Main negative effects in Q3 2010:

- ► EUR -139 mio expenses (net commission income) for SoFFin guarantees (Q3 2009: EUR -125 mio) – Q3 2010 higher due to increased market related liquidity needs (e.g. interest rates, FX effects, increased haircuts) as well as additional needs to secure the asset transfer to FMS Wertmanagement (FMS-WM)
- ► EUR -155 mio market value adjustments (net trading income) on Halcyon and Pegasus CMBS portfolios (Q3 2009: +16 mio)
- ► EUR -158 mio additions to provisions (other operating income) and EUR -45 mio expenses (general administrative expenses) for IT and professional services relating to FMS-WM

Balance sheet increased to EUR 384 bn (31/12/2009: EUR 360 bn) due to market related effects – EUR 165 bn assets have been identified for transfer to FMS-WM (classified as ‘disposal group’ acc. to IFRS 5)

The asset transfer to FMS-WM was executed on Oct 1, 2010

HRE Group
Overview

Utilisation of SoFFin liquidity guarantees increased to EUR 91 bn (30/06/2010: EUR 89 bn), mainly driven by market effects as well as additional needs in Q3 2010 to secure the asset transfer to FMS-WM

After Sep 30, 2010, all SoFFin guaranteed bonds (EUR 124 bn) have been transferred to FMS-WM – liquidity support no longer required

In total, more than EUR 1.2 bn expenses incurred for the liquidity support from SoFFin/FRG as of Sep 30, 2010

So far, SoFFin provided EUR 7.42 bn recapitalisation to HRE (30/09/2010) – in total, SoFFin has approved a capital support for HRE of EUR 9.95 bn. FMS-WM will be capitalised with up to EUR 3.87 bn

Tier I ratio (SolvV) as of Sep 30, 2010 at 9.3% (31/12/2009: 9.4%)

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

HRE Group
Income statement (IFRS)

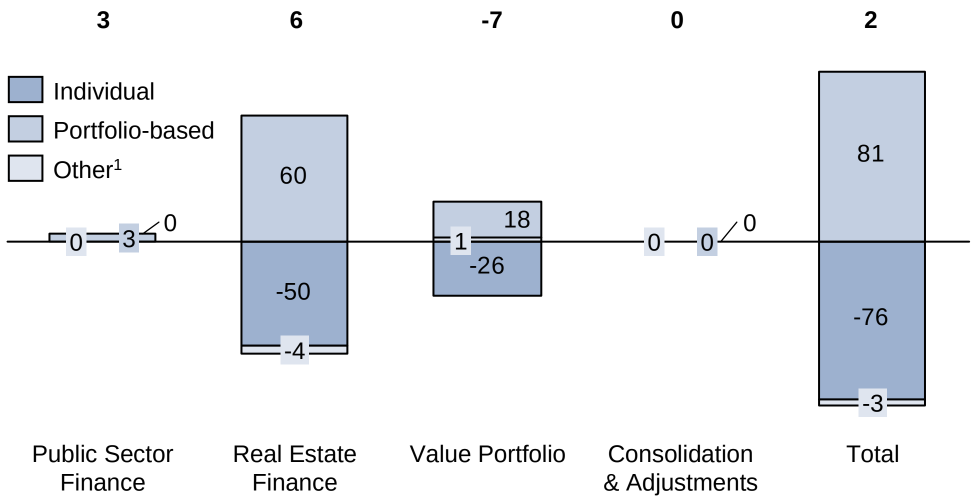
Income statement
EUR millions

	Q3 2009	9M 2009	Q3 2010	9M 2010
Operating revenues	244	512	-244	-259
Net interest and similar income	333	1,049	197	736
Net commission income	-97	-304	-125	-323
thereof: SoFFin guarantees	-125	-382	-139	-378
Net trading income	25	-2	-153	-431
Net income from financial investments	1	-43	18	16
Net income from hedge relationships	-30	-137	1	-63
Balance of other operating income/expenses	12	-51	-182	-194
Provisions for losses on loans and advances	-810	-1,887	2	-452
General administrative expenses	-142	-393	-167	-419
Balance of other income/expenses	-1	-11	1	3
Pre-tax profit/loss	**-709**	**-1,779**	**-408**	**-1,127**
Profit/loss after tax	-574	-1,706	-445	-1,145

- ► Net interest income lower in 2010 due to less gains from sale of assets, pre-payments and redemption of liabilities – moreover, last year's income was positively driven by decreasing money market rates and US liquidity lines drawn by customers at DEPFA
- ► Net commission income includes expenses for SoFFin guarantees – Q3 2010 higher due to increased market related liquidity needs (e.g. interest rates, FX effects, haircuts) as well as additional needs to secure the asset transfer to FMS-WM
- ► Net trading income includes following key effects in Q3 2010:
  - ► EUR -7 mio counterparty risk adjustments on customer derivatives (Q3 2009: EUR -25 mio)
  - ► EUR -155 mio market value adjustments on Halcyon and Pegasus CMBS portfolios (Q3 2009: +16 mio)
  - ► No market valuation effects on synthetic CDOs in 2010 as they have been sold or totally written-off (Q3 2009: EUR -41 mio)
- ► Net income from financial investments slightly positive in Q3 2010, including gains on sale of CDOs/MBS at pbb (EUR +12 mio) as well as bonds at DEPFA (EUR +15 mio) – last year's income includes write-downs on CDOs/MBS (Q3 2009: EUR -7 mio; 9M 2009: EUR -51 mio)
- ► Other operating income in Q3 2010 includes EUR -158 mio additions to provisions related to FMS-WM and EUR -14 mio FX effects
- ► Additions to loan-loss provisions primarily required for real estate loans, but lower in 2010 than in 2009
  - ► Lower net additions to individual provisions (Q3 2010: EUR -76 mio; 9M 2010: EUR -463 mio)
  - ► Net release of portfolio-based provisions resulting from cases which now require an individual loan-loss provision (Q3 2010: EUR +81 mio; 9M 2010: EUR +13 mio)
- ► General administrative expenses affected by higher expenses for IT/professional services relating to the asset transfer/FMS-WM project
  - ► Q3 2010: EUR -45 mio (IT: EUR -15 mio; prof. services: EUR -30 mio)
  - ► 9M 2010: EUR -80 mio (IT: EUR -36 mio; prof. services: EUR -44 mio)

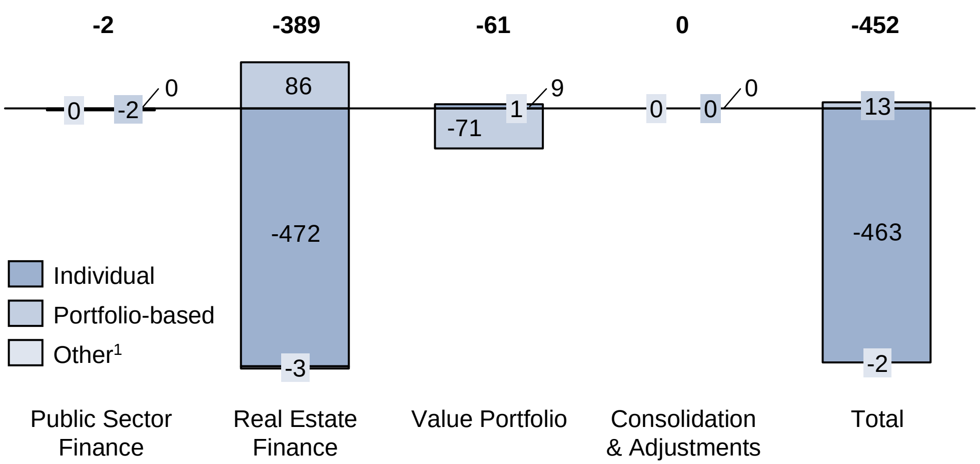
HRE Group
Loan-loss provisions

P&L: Total additions to loan-loss provisions (Q3 2010)
EUR millions



- In Q3 2010, EUR -233 mio gross additions to individual loan-loss provisions, primarily resulting from real estate loans
- However, EUR 157 mio release due to asset sales, pick up of collateral market values and successful restructuring measures
- Net release of portfolio-based provisions resulting from cases which now require an individual loan-loss provision (release: EUR 90 mio; additions: EUR -9 mio)

P&L: Total additions to loan-loss provisions (9M 2010)
by business segments, EUR millions



Balance sheet: Total loan-loss provisions[2]
EUR millions

	30/06/2010	30/09/2010				
		PSF	REF	VP	C&A	Total
Individual allowances	3,325	0	2,615	324	3	2,942
Portfolio-based allowances	893	5	447	360	0	812
Provisions for contingent liab./other commitments	12	0	15	0	0	15
Total	**4,230**	**5**	**3,077**	**684**	**3**	**3,769**

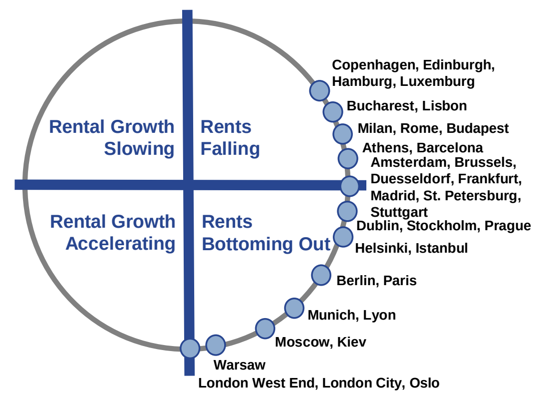
Coverage ratios on problem loans as of 30/09/2010:
- REF: 34.8% (06/2010: 36.0%; 12/2009: 34.8%)
- PSF/VP: 32.0% (06/2010: 20.9%; 12/2009: 20.0%)

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

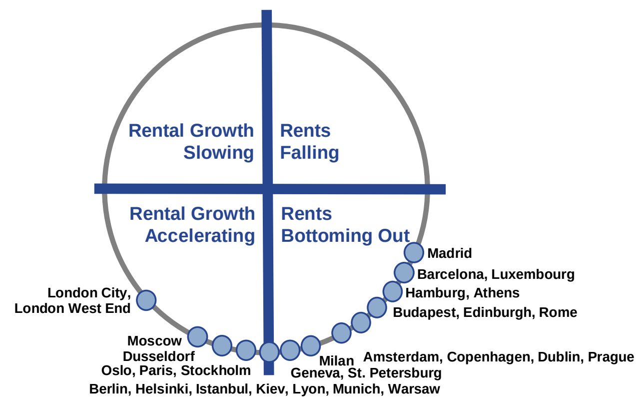
2 Incl. loan-loss provisions classified for disposal group

HRE Group
Market environment

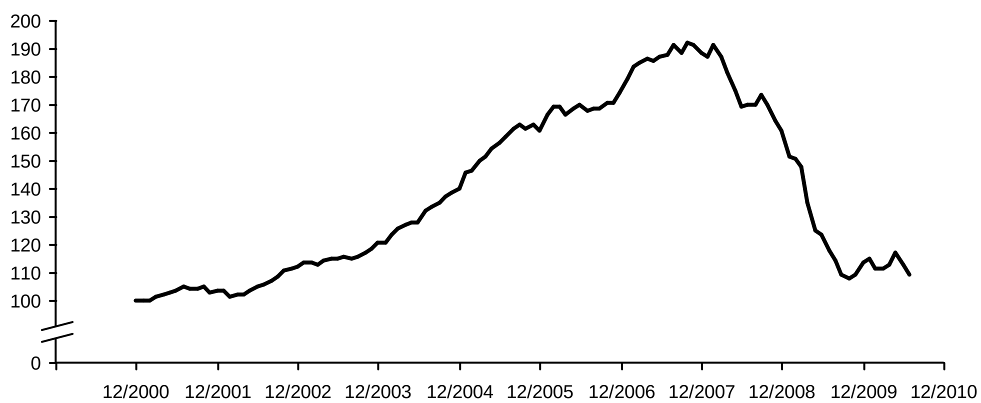
European Office Property Clock: Q4 2009
Source: Jones Lang LaSalle



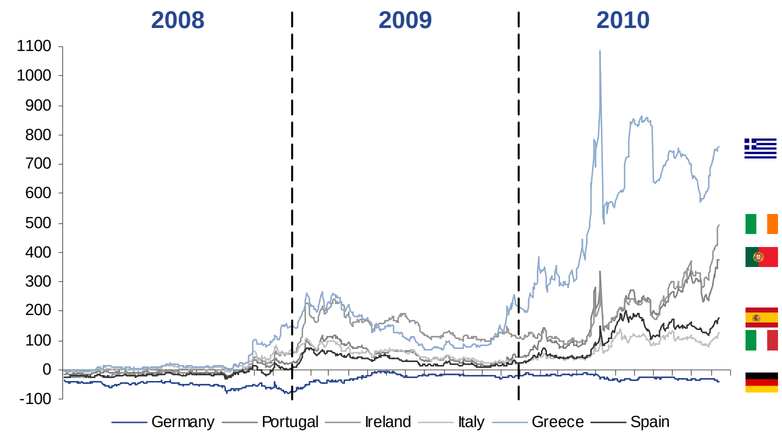
European Office Property Clock: Q3 2010
Source: Jones Lang LaSalle



Moody's/REAL CPPI
Commercial Property Price Index (USA) – All Property Type Aggregate



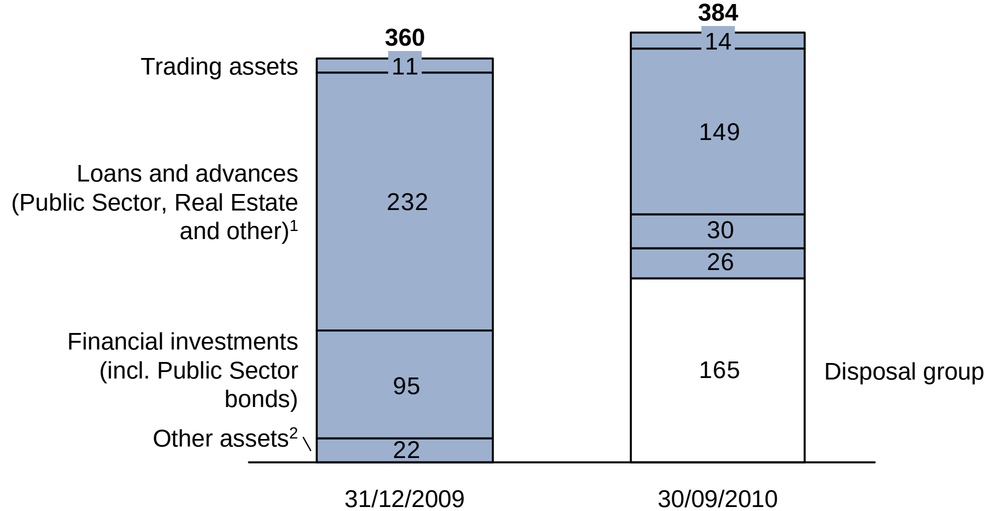
Government 10Y-CDS spreads
bp



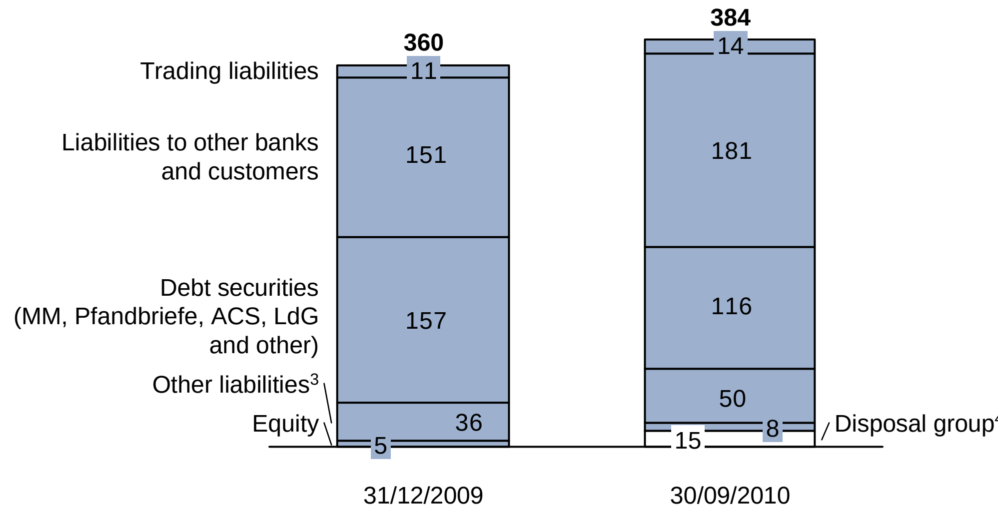
HRE Group

Balance sheet (IFRS): Assets and liabilities identified for transfer to FMS-WM have been classified as ‘disposal groups’ in accordance with IFRS 5

Total assets
EUR billions



Total equity and liabilities
EUR billions



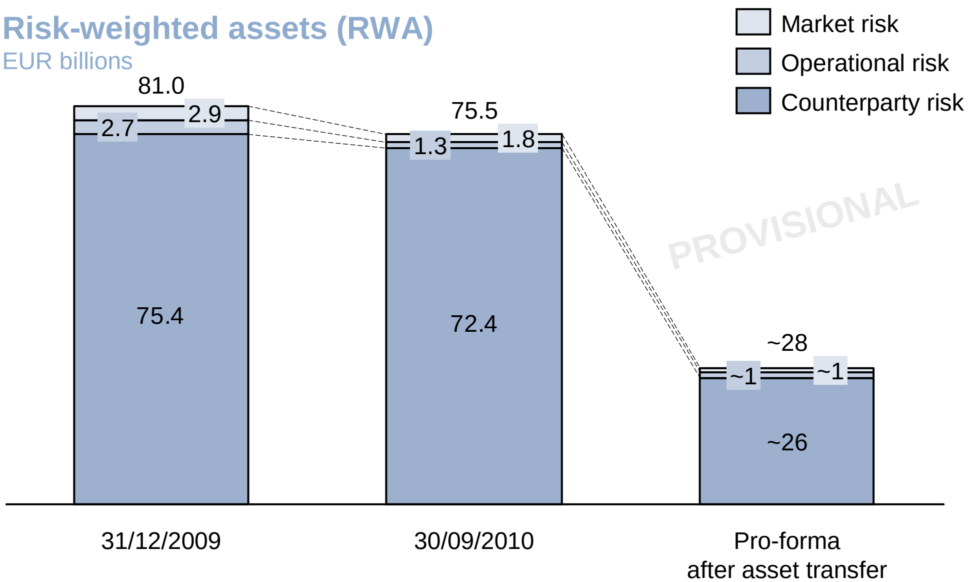
- As of Sep 30, 2010 the balance sheet increased by EUR 24 bn (+7%) due to following market related effects:
  - Increased market values of derivatives, due to FX and interest rate effects
  - Fair-value adjustments on underlying transactions in fair-value hedge accounting
  - Increased haircuts (higher collateral requirements) in ECB and bilateral repo transactions, resulting from fair-value reductions of bonds from countries currently in focus
  - Excluding these effects, balance sheet would have decreased
- Assets and liabilities identified for transfer to FMS-WM have been classified as ‘disposal groups’ in acc. with IFRS 5
- However, the actual assets and liabilities which have been transferred as of Oct 1, 2010 may differ from those mentioned

- Liquidity support no longer required after the asset transfer to FMS-WM as of Oct 1, 2010
  - Transfer of all SoFFin guaranteed bonds (EUR 124 bn)
  - Bilateral repo and central bank funding remains in place for FMS-WM and will be reduced over time
  - No covered bonds and unsecured instruments transferred
  - No transfer of public sub-ordinated instruments
- Balance sheet expected to be reduced to below EUR 200 bn by year-end (excl. FMS-WM refinancing)

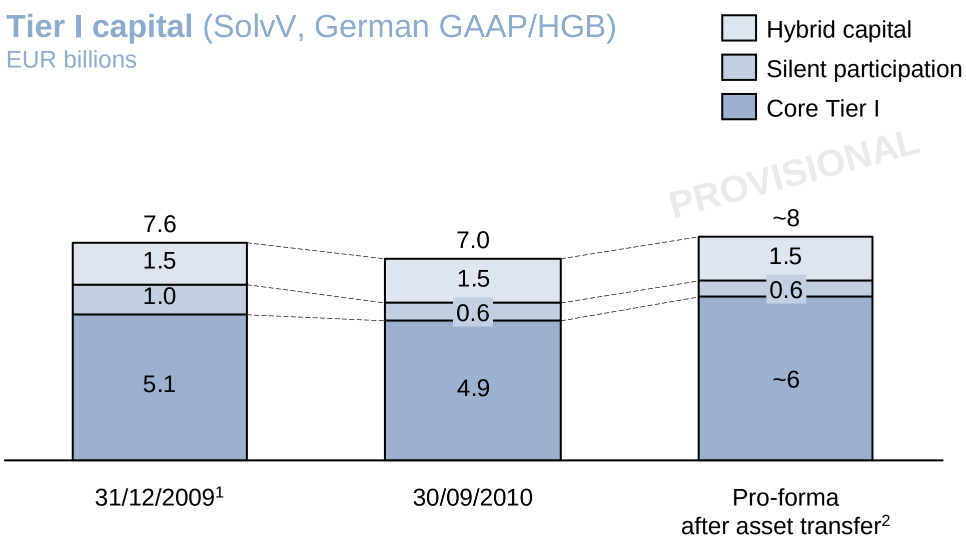
1 Incl. allowances for losses on loans and advances (31/12/2009: EUR -4 bn; 30/09/2010: EUR -1 bn)
2 Cash reserve, other assets (esp. positive market values of hedging derivatives), income tax assets
3 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities
4 Disposal group: EUR 21 bn liabilities minus EUR 6 bn recognised in equity relating to disposal group (negative AfS + cash flow hedge reserve relating to transferred assets)

HRE Group
Capitalisation

Risk-weighted assets (RWA)
EUR billions



Tier I capital (SolvV, German GAAP/HGB)
EUR billions



- As of Sep 30, 2010, RWA reduced to EUR 75.5 bn, primarily due to sale of assets and FX effects
- Tier I capital as of Sep 30, 2010 (not yet including 9M/2010 loss) decreased due to the recognition of the year-end losses/adjustments 2009 as well as an increase in EL short-fall during 2010, which to a great extent was offset by capital injections from SoFFin

Capital ratios (SolvV)	31/12/2009	30/09/2010
Own funds ratio	10.8%	10.9%
Tier I ratio	9.4%	9.3%
Core Tier I ratio	6.3%	6.4%

- After the asset transfer to FMS-WM, HRE significantly de-risked
  - Reduction of RWAs by EUR ~48 bn and increase of core Tier I capital due to significantly lower EL short-fall
  - Pro-forma Tier I ratio expected to be >15%, including year-end losses/adjustments 2010 as well as possible payment requirements to the Financial Markets Stabilisation Agency (FMSA)
- So far, SoFFin provided EUR 7.42 bn recapitalisation to HRE (30/09/2010) – in total, SoFFin has approved a capital support for HRE of EUR 9.95 bn. FMS-WM will be capitalised with up to EUR 3.87 bn

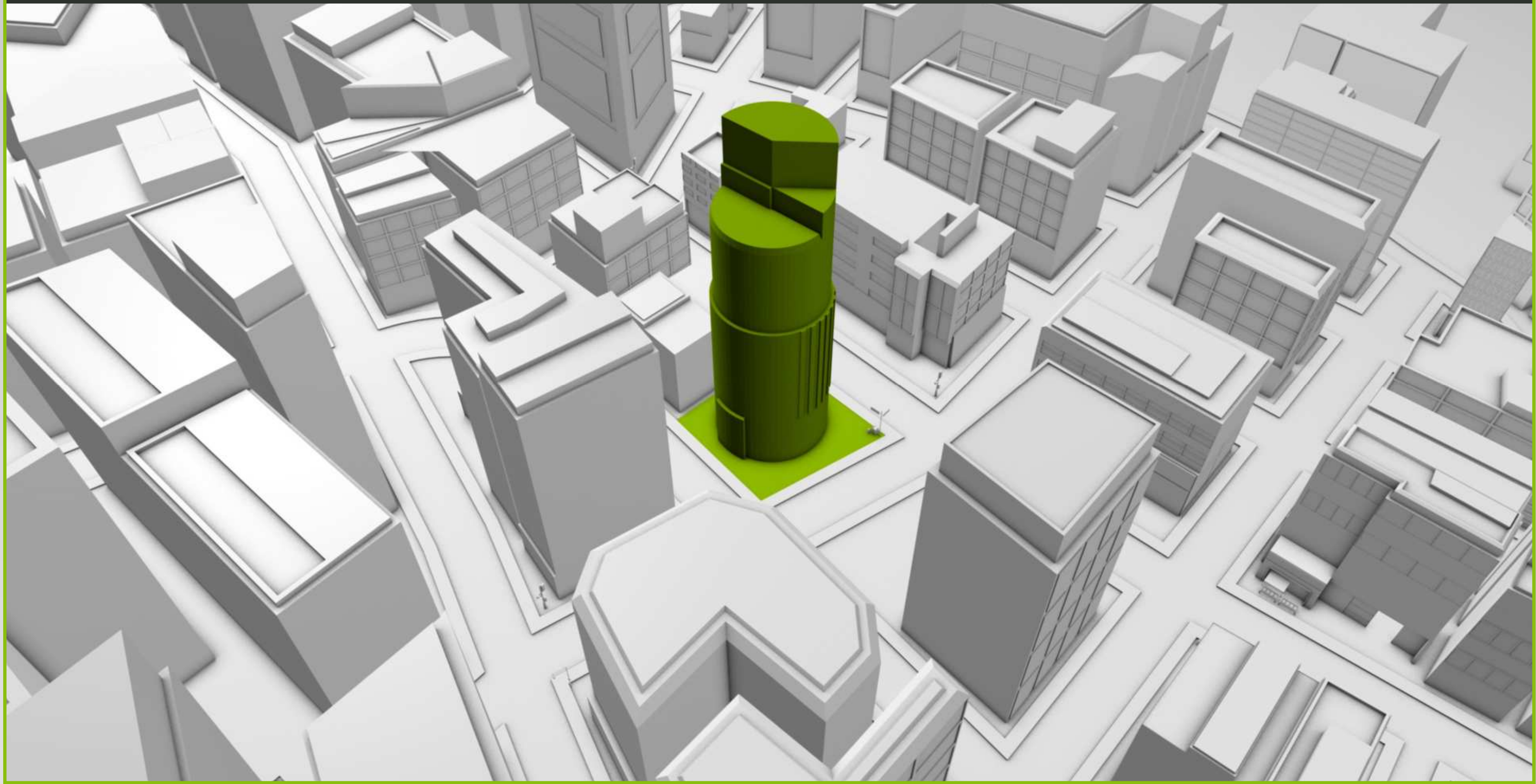
1 Excl. year-end losses/adjustments 2009
2 Excl. year-to-date losses/adjustments 2010 and extraordinary items

pbb Deutsche Pfandbriefbank (sub-group)

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

DEUTSCHE
PFANDBRIEFBANK

IMPORTANT NOTE: The Results Q3 2010 do not yet include the asset transfer to FMS-WM as of Oct 1, 2010



Overview

DEUTSCHE PFANDBRIEFBANK

Income statement

- pbb profitable in Q3 2010 – pre-tax profit of EUR 119 mio (Q3 2009: EUR -321 mio) primarily driven by much lower loan-loss provisions (Q3 2010: EUR -17 mio; Q3 2009: EUR -631 mio)
- Main further effects in Q3 2010:
  - EUR +41 mio positive effect (net trading income) from counterparty risk adjustments on customer derivatives (Q3 2009: EUR -17 mio)
  - EUR +12 mio gains on sale of CDOs/MBS which have been written-down in prior years (net income from financial investments)
  - EUR -21 mio additions to provisions (other operating income) and EUR -24 mio expenses (general administrative expenses) for IT and professional services relating to FMS-WM

Balance sheet

- Balance sheet increased to EUR 226 bn (31/12/2009: EUR 215 bn) due to market related effects – EUR 107 bn assets have been identified for transfer to FMS-WM (classified as 'disposal group' acc. to IFRS 5), including the liquidity support which has been passed on to DEPFA

  The asset transfer to FMS-WM was executed on Oct 1, 2010

Liquidity

- Since the asset transfer to FMS-WM, liquidity support is no longer required

pbb Deutsche Pfandbriefbank (sub-group)

Income statement (IFRS)

Income statement

EUR millions

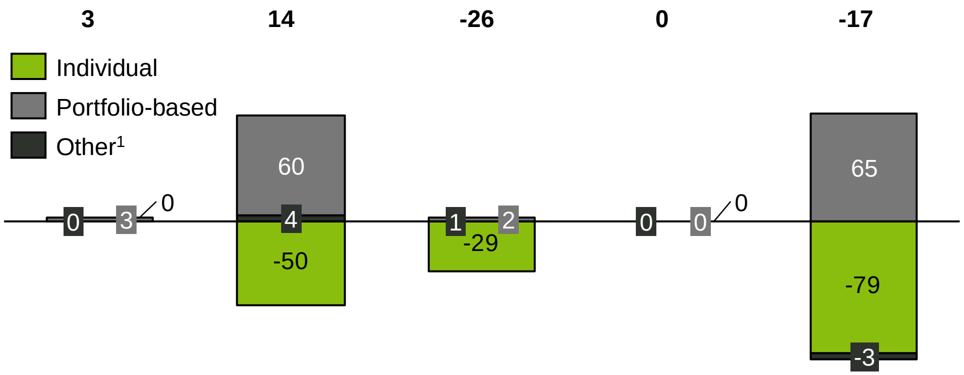
	Q3 2009[1]	9M 2009[1]	Q3 2010	9M 2010
Operating revenues	390	495	241	461
Net interest and similar income	247	576	161	491
Net commission income	1	-11	-12	-20
thereof: SoFFin guarantees	-22	-52	-26	-72
Net trading income	162	54	110	62
Net income from financial investments	-19	-47	-1	-18
Net income from hedge relationships	-8	-41	-2	-41
Balance of other operating income/expenses	7	-36	-15	-13
Provisions for losses on loans and advances	-631	-1,680	-17	-418
General administrative expenses	-82	-214	-105	-276
Balance of other income/expenses	2	15	0	0
Pre-tax profit/loss	**-321**	**-1,384**	**119**	**-233**

- Net interest income lower in 2010 – last year's income was positively driven by higher gains from sale of assets, pre-payments and redemption of liabilities
- Net commission income includes expenses for SoFFin guarantees – Q3 2010 higher due to increased market related liquidity needs (e.g. interest rates, FX effects, haircuts) as well as additional needs to secure the asset transfer to FMS-WM
- Net trading income includes EUR +41 mio counterparty risk adjustments on customer derivatives (Q3 2009: EUR -17 mio)
- Net income from financial investments in Q3 2010 includes EUR +12 mio gains on sale of CDOs/MBS which have been written-down in prior years
- Other operating income in Q3 2010 includes EUR -21 mio additions to provisions related to FMS-WM and EUR -9 mio FX effects
- Additions to loan-loss provisions lower in 2010 than in 2009, primarily required for real estate loans
  - Lower net additions to individual loan-loss provisions (Q3 2010: EUR -80 mio; 9M 2010: EUR -501 mio)
  - Net release of portfolio-based provisions resulting from cases which now require an individual loan-loss provision (Q3 2010: EUR +65 mio; 9M 2010: EUR +85 mio)
- General administrative expenses affected by higher expenses for IT/professional services relating to the asset transfer/FMS-WM project
  - Q3 2010: EUR -24 mio (IT: EUR -2 mio; prof. services: EUR -22 mio)
  - 9M 2010: EUR -39 mio (IT: EUR -9 mio; prof. services: EUR -30 mio)

1 Former HRE Bank + DEPFA Deutsche Pfandbriefbank combined

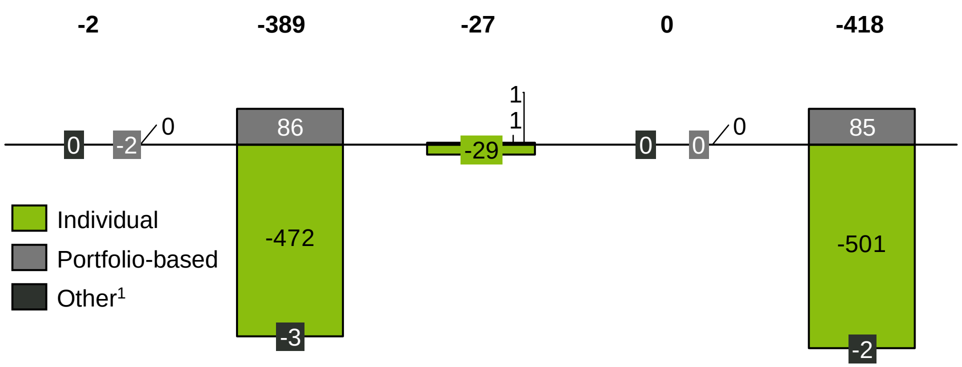
pbb Deutsche Pfandbriefbank (sub-group)
Loan-loss provisions

P&L: Additions to loan-loss provisions (Q3 2010)
by business segments, EUR millions



- In Q3 2010, EUR -220 mio gross additions to individual loan-loss provisions, primarily resulting from real estate loans
- However, EUR 140 mio release due to asset sales, pick up of collateral market values and successful restructuring measures
- Net release of portfolio-based provisions resulting from cases which now require an individual loan-loss provision (release: EUR 66 mio; additions: EUR -1 mio)

P&L: Additions to loan-loss provisions (9M 2010)
by business segments, EUR millions



Balance sheet: Total loan-loss provisions[2]
EUR millions

	30/06/2010	30/09/2010				
		PSF	REF	VP	C&A	Total
Individual allowances	3,024	0	2,615	84	3	2,702
Portfolio-based allowances	528	5	447	10	0	462
Provisions for contingent liab./other commitments	12	0	11	0	0	11
Total	**3,564**	**5**	**3,073**	**94**	**3**	**3,175**

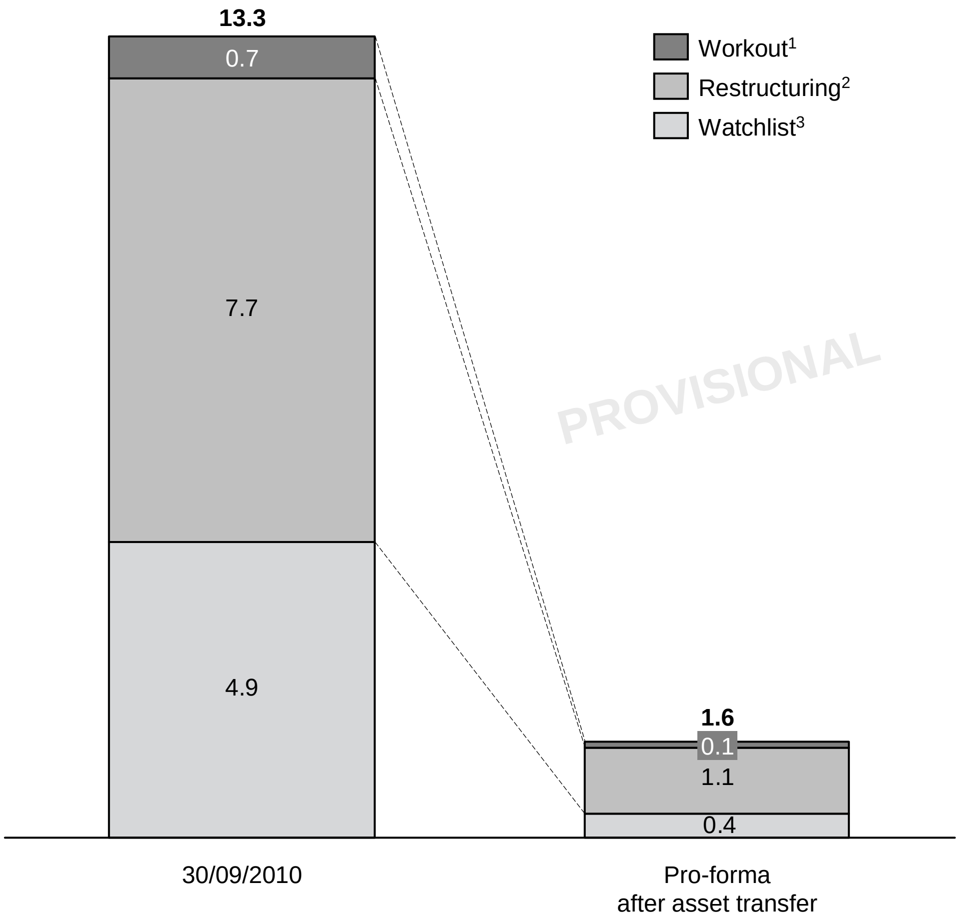
1 Provisions for contingent liabilities & other commitments as well as recoveries from write-offs of loans and advances

2 Incl. loan-loss provisions classified for disposal group

Problem & watchlist loans

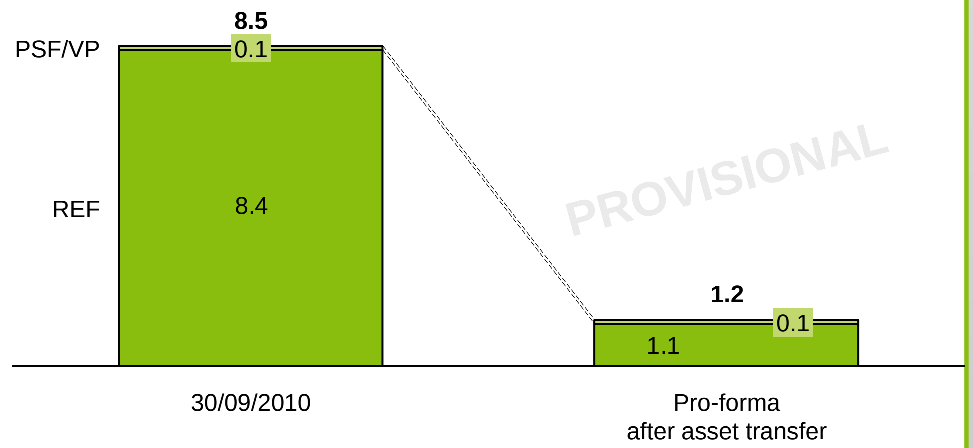
Total problem & watchlist loans

EaD, EUR billions



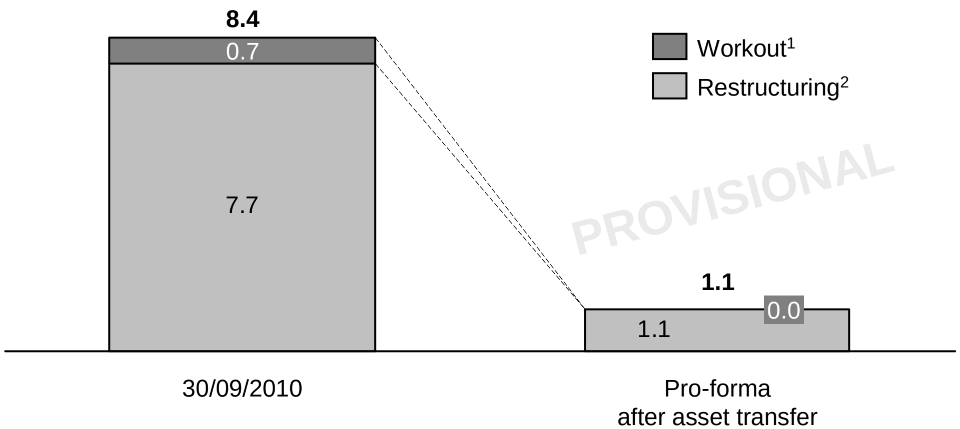
Total problem loans

EaD, by business segments, EUR billions



REF: Problem loans

EaD, EUR billions



1 No signs that the deal will recover soon, compulsory measures necessary
2 Payments more than 90 days overdue or criteria acc. to respective policy apply
3 Payments more than 60 days overdue or other criteria acc. to respective policy apply

Implications from asset transfer to FMS-WM of Oct 1, 2010 on income statement going forward

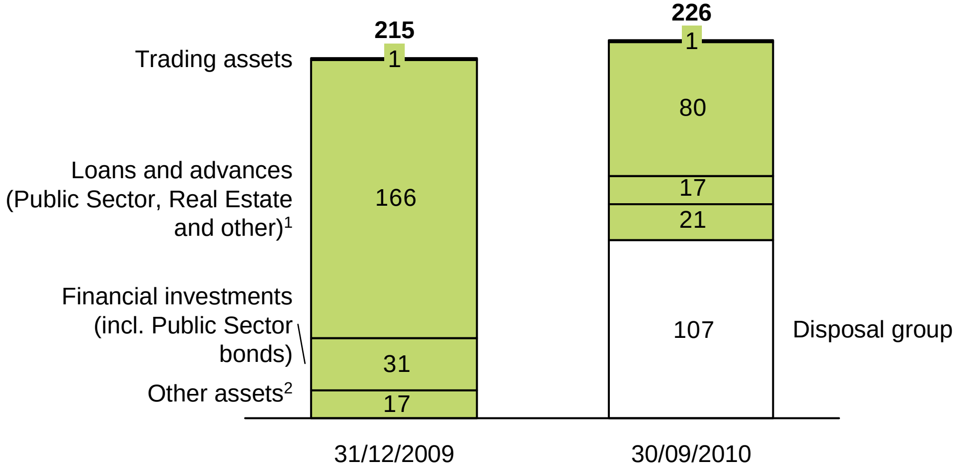
- Lower income base as interest bearing assets have been transferred
- Expenses for SoFFin liquidity support will run off
- Significantly reduced need for loan-loss provisions/write-downs on securities due to de-risked balance sheet
- Expenses for IT/professional services relating to the asset transfer/FMS-WM will gradually fade
- Reduced volatility of income lines – market valuation effects will play a less significant role

pbb Deutsche Pfandbriefbank (sub-group)

Balance sheet (IFRS): Assets and liabilities identified for transfer to FMS-WM have been classified as 'disposal group' in accordance with IFRS 5

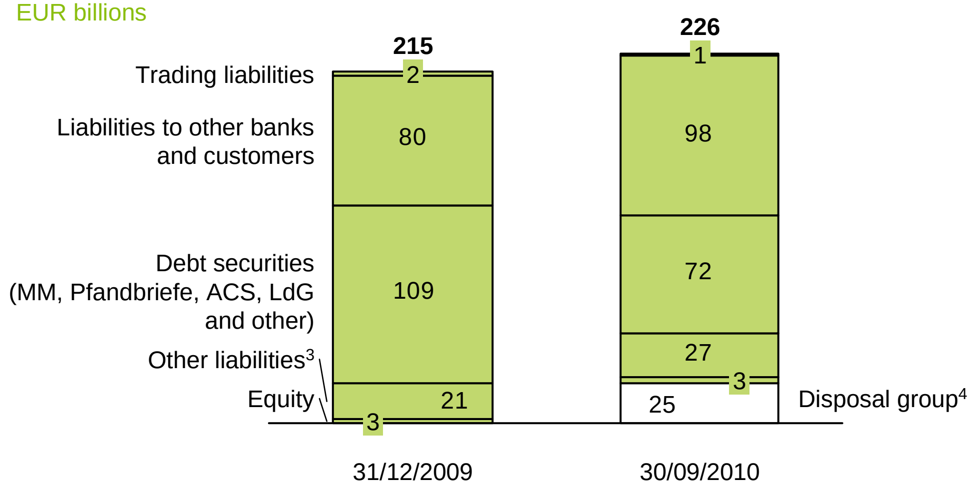
Total assets

EUR billions



Total equity and liabilities

EUR billions



- As of Sep 30, 2010 the balance sheet increased by EUR 11 bn (+5%) due to market related effects (e.g. FX and interest rate effects, market valuation effects, increased haircuts)

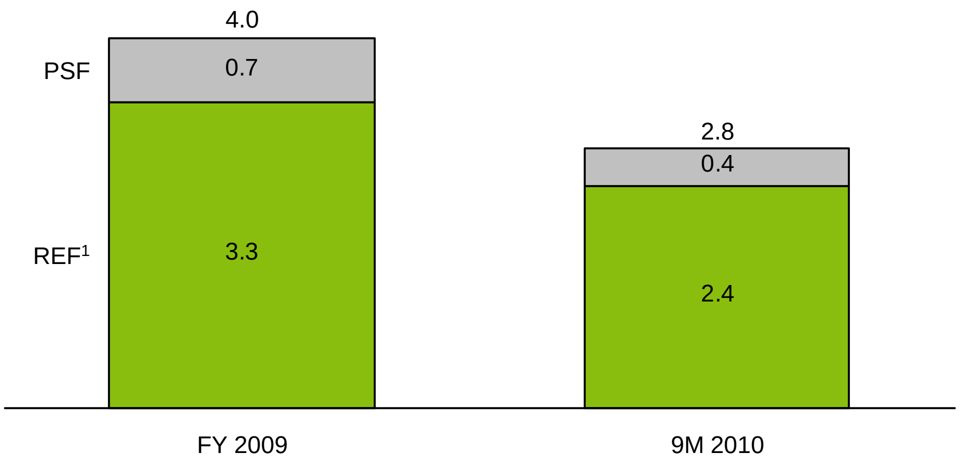
  Excluding these effects, balance sheet would have decreased
- Assets and liabilities identified for transfer to FMS-WM have been classified as 'disposal groups' in acc. with IFRS 5 – assets include the liquidity support which has been passed on to DEPFA
- However, the actual assets and liabilities which have been transferred as of Oct 1, 2010 may differ from those mentioned

- Liquidity support no longer required after the asset transfer to FMS-WM as of Oct 1, 2010
  - Transfer of all SoFFin guaranteed bonds
  - Bilateral repo and central bank funding remains in place for FMS-WM and will be reduced over time
  - No covered bonds and unsecured instruments transferred
  - No transfer of public sub-ordinated instruments
- Balance sheet expected to be reduced to below EUR 115 bn by year-end (excl. FMS-WM refinancing)

1 Incl. allowances for losses on loans and advances (31/12/2009: EUR -3 bn; 30/09/2010: EUR -1 bn)
2 Cash reserve, other assets (esp. positive market values of hedging derivatives), income tax assets
3 Provisions, other liabilities (esp. negative market values of hedging derivatives), income tax liabilities
4 Disposal group: EUR 26 bn liabilities minus EUR 1 bn recognised in equity relating to disposal group (negative AfS + cash flow hedge reserve relating to transferred assets)

pbb Deutsche Pfandbriefbank (sub-group)
New business

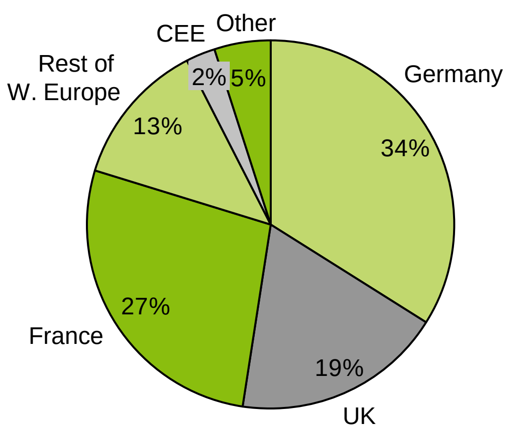
Total new business (commitments)
EUR billions



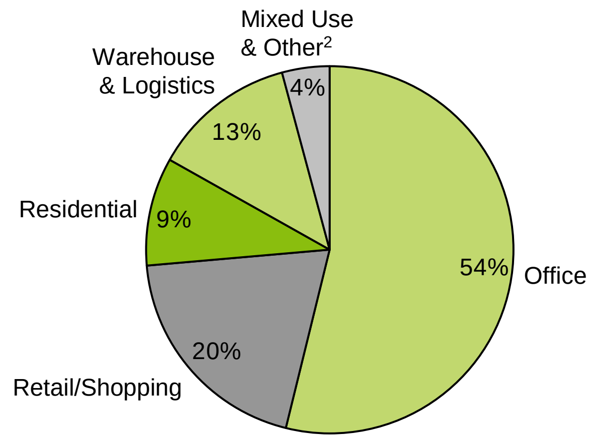
Total new business (9M 2010)

	PSF	REF
No. of deals	18	51
Total volume	EUR 0.4 bn	EUR 2.4 bn
New commitments	EUR 0.4 bn	EUR 0.8 bn
Extensions >1year	-	EUR 1.6 bn
Average maturity	~7.5 yrs	~3.9 yrs
Average LTV	-	66%
Average gross margin	>100 bp	>200 bp

New business: REF (9M 2010)
EUR 2.4 bn (commitments), by regions



New business: REF (9M 2010)
EUR 2.4 bn (commitments), by property types



1. Total volume of deals closed, excl. extensions ≤1 year 2. Land, Healthcare

pbb Deutsche Pfandbriefbank (sub-group)
Summary

- The asset transfer to FMS Wertmanagement was the key milestone to establish pbb Deutsche Pfandbriefbank as new bank with a clearly defined business model and focused strategy
- pbb significantly de-risked and de-leveraged
- Conservative funding profile with limited funding gaps – pbb not dependent on liquidity support for existing portfolio and new business going forward
- Improved P&L and improved capital ratios
- Enhanced ability to re-privatise pbb

Outlook

- **After the asset transfer to FMS-WM as of Oct 1, pbb expected to be profitable in Q4 – however, full-year result 2010 will still show a loss**
- **Furthermore, as already stated pbb expected to be profitable in 2011**
- **The Tier I ratio[1] is expected to be >10%**
- **The funding plan secures refinancing of planned balance sheet growth of ~5% p.a.**
- **pbb to be re-privatised in medium-term future**

1 Assumption: no further HRE intra-group transactions

APPENDIX
pbb Deutsche Pfandbriefbank (sub-group)

PUBLIC SECTOR FINANCE
REAL ESTATE FINANCE

pbb
DEUTSCHE
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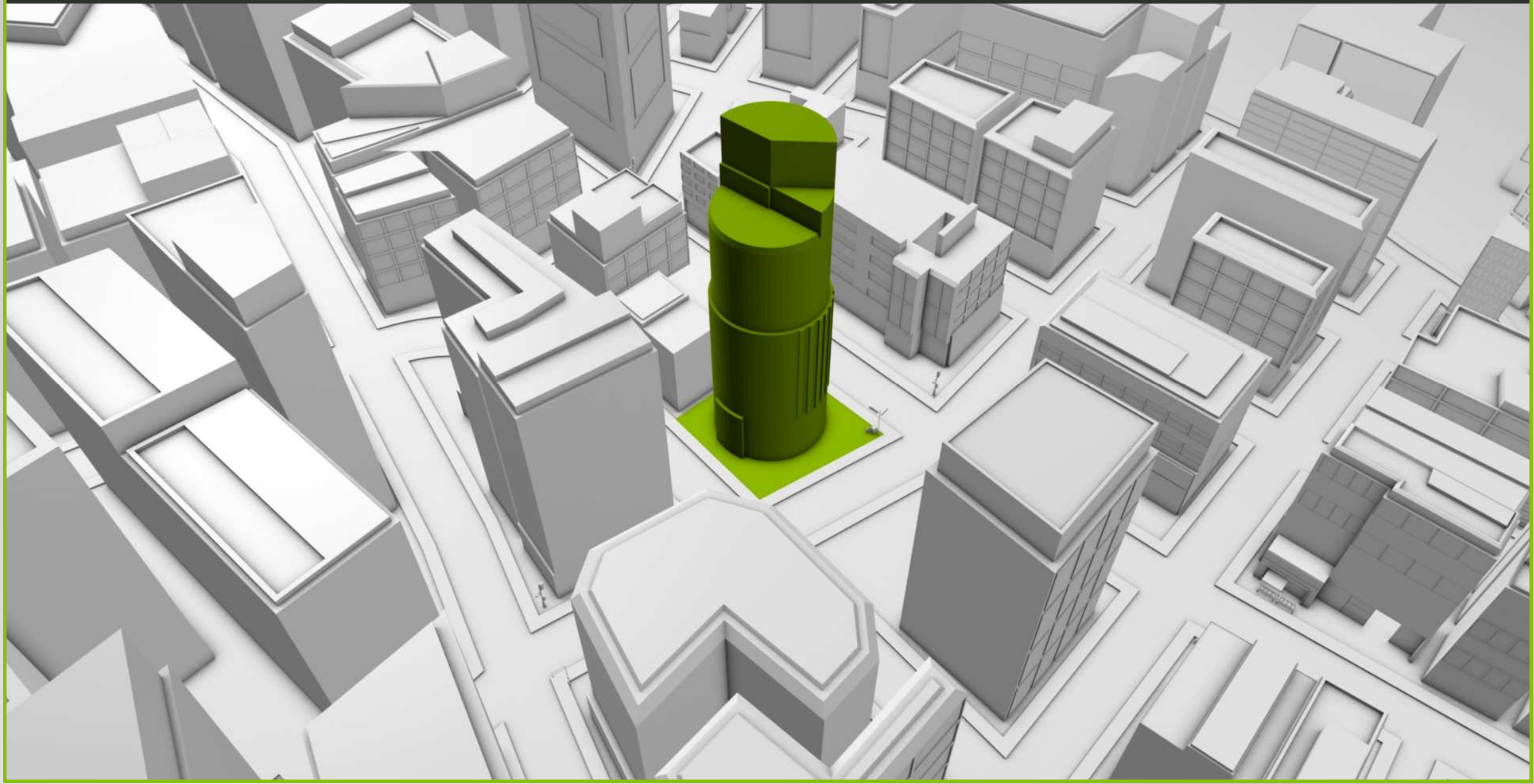


pbb Deutsche Pfandbriefbank (sub-group)

Balance sheet (IFRS): Disposal group

Disposal group: Assets

EUR billions

	30/09/2010
Trading assets	1
Loans and advances (Public Sector, Real Estate and other)	97
Allowances for losses on loans and advances	-3
Financial investments	11
Other assets[1]	1
Total	**107**

Disposal group: Equity and liabilities

EUR billions

	30/09/2010
Trading liabilities	2
Liabilities to other banks	6
Debt securities	18
Total liabilities	26
Revaluation reserve (AfS + Cash flow hedge reserve)	-1
Total equity	-1
Total	**25**

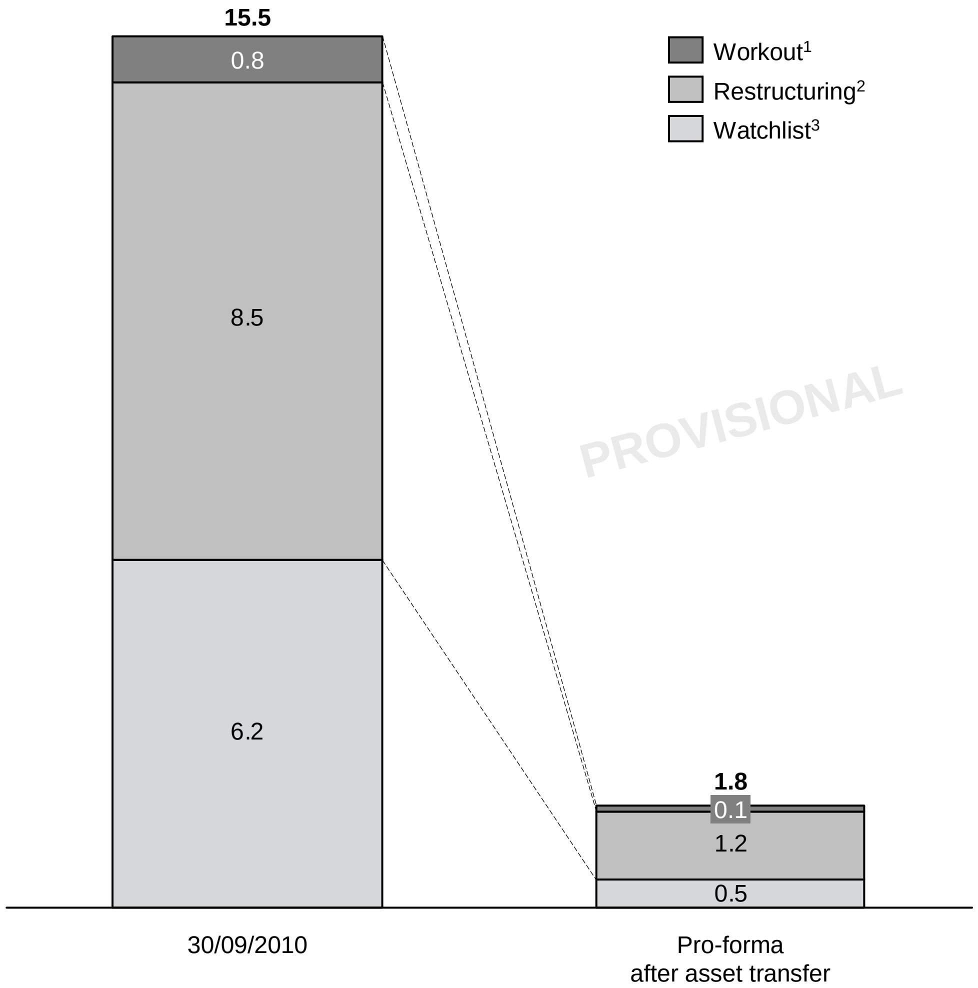
1 Other assets, income tax assets

APPENDIX
HRE Group

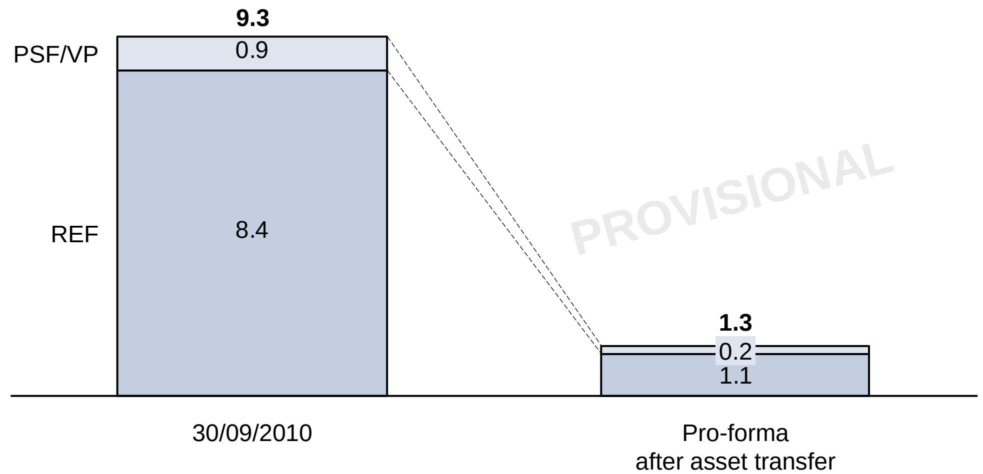
Hypo Real Estate
GROUP

HRE Group
Problem & watchlist loans

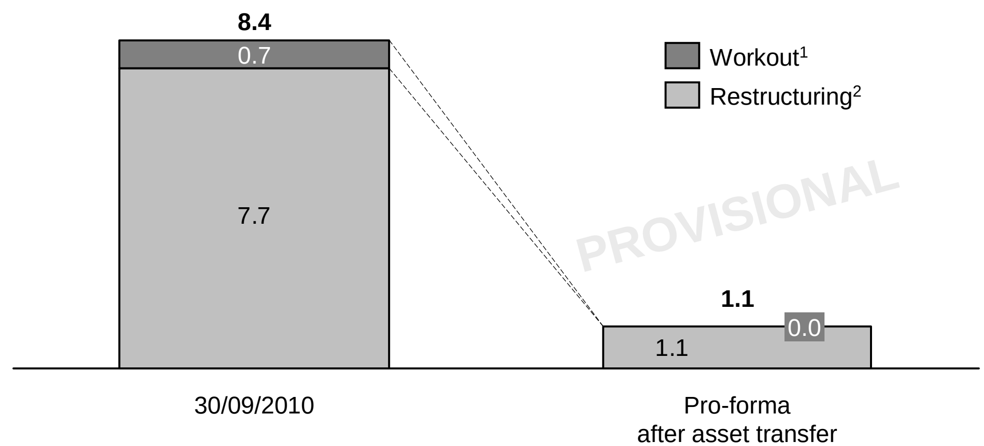
Total problem & watchlist loans
EaD, EUR billions



Total problem loans
EaD, by business segments, EUR billions



REF: Problem loans
EaD, EUR billions



1 No signs that the deal will recover soon, compulsory measures necessary
2 Payments more than 90 days overdue or criteria acc. to respective policy apply
3 Payments more than 60 days overdue or other criteria acc. to respective policy apply

HRE Group
Balance sheet (IFRS): Disposal groups

Disposal group: Assets
EUR billions

	30/09/2010
Trading assets	2
Loans and advances (Public Sector, Real Estate and other)	99
Allowances for losses on loans and advances	-3
Financial investments (incl. Public Sector bonds)	65
Other assets[1]	2
Total	**165**

Disposal group: Equity and liabilities
EUR billions

	30/09/2010
Trading liabilities	2
Debt securities	18
Other liabilities[2]	1
Total liabilities	21
Revaluation reserve (AfS + Cash flow hedge reserve)	-6
Total equity	-6
Total	**15**

1 Other assets, income tax assets
2 Liabilities to other banks, other liabilities

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