DEPFA BANK plc

Condensed Consolidated Unaudited Interim Financial Statements

as at 30 June 2010

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Directors and other information

Board of Directors

Ms. M. Better (German)

Dr. J. Bourke*

Mr. C. Dunne

Ms. F. Flannery (appointed 15 April 2010)

Dr. K. Franzmeyer*(German) (Deputy Chairman)

Mr. T. Glynn (American)

Mr. D. Grehan*

Mr. A. Kearns*

Mr. F. Krings*(German)

Mr. N. Reynolds (appointed 21 January 2010)

Mr. S. Rio (French)

Mr. A. von Uslar-Gleichen* (German)

Dr. H. Walter* (German)

Dr. A. Wieandt* (German) (Chairman) (resigned 25 March 2010)

* Non-Executive

Audit Committee

Dr. J. Bourke (Chairman)

Mr. A. Kearns

Dr. H. Walter

Secretary & Registered Office

Ms. E. Tiernan

1 Commons Street

Dublin 1, Ireland

Solicitors

Arthur Cox

Earlsfort Centre, Earlsfort Terrace

Dublin 2, Ireland

Auditors

KPMG

1 Harbourmaster Place

IFSC, Dublin 1, Ireland

Registered Number
348819

Management Discussion

DEPFA BANK plc interim 30 June 2010 report

Business review

Operating revenues amounted to € -227 million, and were significantly lower than the corresponding previous year figure of € 143 million. The decline is mainly attributable to lower net interest income and more negative net trading income.

Net interest income of € 154 million was lower than the corresponding previous year figure of € 323 million. The decrease in net interest income is attributable to a numbers of factors including the reduction in the volume of interest bearing assets; more expensive alternative funding had to be found for lines which had been cut by foreign central banks and two significant exceptional factors from the previous year which only had a minor impact on net interest income in the current year. The first factor was DEPFA Group's ("the Group") repricing gaps between assets and liabilities. In 2009 the Group benefited from the fact that the liabilities had a slight shorter tenor than the assets. The cuts in interest rates at the beginning of 2009 enabled the Group to take advantage of lower refinancing costs in conjunction with constant revenues on the asset side of its balance sheet. Once the repricing of the assets occured at a later stage the benefit disappeared. The second factor related to drawn US liquidity facilities drawn by customers in 2008 as a result of the financial market crisis and the high interest rates involved. Because most of these receivables have now been repaid, a comparable effect did not occur in the current period.

Net fees and commission expenses amounted to € -165 million (H1 2009: € -153 million). The commission expense is largely attributable to costs incurred for the guarantees in connection with the liquidity support measures provided by the German Financial Markets Stabilisation Fund/German Finanzmarktstabilisierungsfonds ("SoFFin").

Net trading income of € -225 million (H1 2009: € 70 million) is attributable mainly to valuation losses of € -113 million incurred in relation to the Halcyon and Pegasus portfolios (H1 2009: € -13 million) and the higher default risk of customer derivatives of € -106 million (H1 2009: € -1million). The valuation losses attributable to the Halcyon and Pegasus portfolios are due to the development of spreads within the CMBS market. The values of the portfolios fluctuate considerably due to the strong volatility of the market. In order to take account of the increased default risk of customer derivatives, the Group creates a so-called counterparty risk adjustment in line with the higher probability of default of credit receivables. Other trading portfolios contributed a total of € -6 million (H1 2009: € 84 million)

Net income from financial investments amounts to € 14 million (H1 2009: € -20 million). Write-ups and write-downs in relation to securities as well as results attributable to the disposal of securities are shown in net income from financial investments. Net releases to portfolio-based allowances in relation to loan and advances financial assets contributed € 11 million and net gains of € 3 million were generated by the sale of financial assets. The net loss from financial investments for the previous year of € 20 million was mainly attributable to impairment losses of € -15 million recognised in relation to the Commercial Mortgage Backed Securities ("CMBS") portfolio.

The net expenses from hedge relationships amounted to € -14 million, and was thus lower than the corresponding previous year figure of € -74 million. This mainly related to hedge inefficiencies within the range of 80 % to 125 % permitted under IAS 39 resulted in expenses of € -14 million (H1 2009: € -62 million) also designated at Fair Value through Profit or Loss ("dFVTPL") assets and related derivatives resulted in a nil result in the current period (H1 2009: € -12 million). The fair values of these positions hedged against interest risks have deteriorated as a result of credit spread changes.

The balance of other operating income/expenses amounted to € 9 million (H1 2009: € -3 million), and resulted from currency translation effects of € 7 million (H1 2009: € -7 million).

The charge for provisions for losses on loans and advances amounted to € 4 million (H1 2009: €- 13 million). This is composed of net specific provision write backs of € 34 million (H1 2009: € -41 million) and a collective loan loss provision increase of € -30 million (H1 2009: € 13 million). Portfolio-based allowances increased by € - 30 million (H1 2009: release of € 13 million). The expected losses on the Group asset portfolio have again increased, due to the deterioration in the credit standing of some counter parties and the resultant increase in probability of default. In accordance with IAS 39, portfolio-based allowances are created only for receivables for which there are no indications of an individual impairment.

General administrative expenses have declined to € 81 million, compared with € 103 million in the first half of 2009. The decline is attributable to lower variable compensation and continues to reflect the downsizing process which is accompanying the process of restructuring the Group. Overall, the workforce has declined to 414 employees, compared with 552 employees as of 30 June 2009.

Discontinued operations consist of the results of the segment Infrastructure Finance. Please refer to note 30 and 36 for further explanation.

Other income/expenses amounted to € 1 million (H1 2009: € -17 million) and is attributable to the write back of provisions for the strategic refocusing and restructuring of the Hypo Real Estate Group (the "HRE Group") , which were reversed as a result of lower redundancy costs in branches which were closed.

Pre-tax loss from continuing operations amounted to € -303 million (H1 2009: € 10 million). Taxes on income amounted to € 1 million (H1 2009: € -83 million).

Net loss after taxes from continuing operations amounted to € -302 million in the first half 2010 (H1 2009: net loss € -73 million).

Net loss after taxes from discontinuing operations amounted to € -42 million in the first half 2010 (H1 2009: net profit € 43 million).

Net loss for the period amounted to € -344 million in the first half 2010 (H1 2009: net loss € -30 million).

Development in assets

The total assets of the Group increased to € 240 billion as of 30 June 2010, compared with € 213 billion as of 31 December 2009. The increase is primarily attributable to market-related factors. The weakening of the Euro against the US Dollar, the Japanese Yen and Sterling resulted in an extension of the balance sheet presented in Euros because the foreign currency assets and liabilities receive a higher book value in Euros as a result of the currency translation. In addition, the market values of the derivatives shown under trading assets and other assets increased by a total of € 4 billion as a result of changes in interest rate curves and also as a result of currency factors. The adjustments to the fair values of the related underlying recognised in fair value accounting also increased by € 1 billion for the same reason. In addition, additional collateral for covered refinancing had to be provided as a result of the downgraded ratings of some countries and the weaker Euro; this also contributed to the increase in total assets.

Without the market-related factors, total assets would have declined in the first half of 2010 because no new business was closed in 2010 except for the draw down of committed facilities and this was considerably lower than the repayments and sales of assets.

The financial instruments which are to be transferred to the deconsolidated environment in line with the plans of the HRE Group and subject to the approval of the German Financial Markets Stabilisation Agency ("FMSA") and the European Commission are classified under non-current assets in accordance with IFRS 5 and are shown as disposal group. The previous year end figures do not have to be adjusted.

All the assets in the segment known as Infrastructure Finance are included in the transfer to the deconsolidated environment and are therefore shown as discontinued operations.

Development in financial position

The total liabilities of the Group amounted to € 241 billion as of 30 June 2010, compared with € 211 billion as of 31 December 2009. As is the case with the assets, the increase is also due to the weaker rate of the Euro and the changed interest rate curves. The liabilities which are to be transferred to the deconsolidated environment in accordance with the plans of the HRE Group and are subject to the approval of the FMSA and the European Commission are shown in accordance with IFRS 5 under disposal group. The previous year figures do not have to be adjusted. The extensive liquidity support received by the Group via the HRE Group is reflected in.the disposal group. In consequence, there was a decrease in liabilities to other banks. The weaker rate of euro and the changes in interest rate curves resulted in the increase in the market values of the derivatives shown under trading liabilities and other liabilities. In addition, the liabilities increased because it was necessary to refinance the collateral which had to be additionally provided to the market as a result of the downgraded ratings of some countries and the weaker Euro. The liquidity support measures proposed by SoFFin were used to refinance the higher requirements.

Development in equity

The shareholders' equity amounted to € -567 million as of 30 June 2010, compared with € 1,548 million as of 31 December 2009.

The reduction in shareholders equity is primarily attributable to a reduction of € 2.3 billion in the available for sale ("AfS") reserves representing negative credit spread development in the Group's available of sale investments, these investments mostly comprises investment grade sovereign issuers and no objective evidence of impairment on any such assets has been identified. The net assets of the Group, as stated in the unaudited condensed consolidation statement of financial position are less than half of the amount of its called-up share capital and on that basis there did exist at 30 June 2010 a financial situation which, under Section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

In accordance with IFRS 5, condensed consolidated statement of financial position "Amounts recognised in equity relating to disposal group" comprises components of shareholders' equity which are transferred to the deconsolidated environment when the assets and liabilities are transferred. This is the AfS reserve of the AfS assets to be transferred.

Events after the balance sheet date

On 9 July 2010 the Bank received a non refundable capital contribution from HRE Holding of €100 million. This non-refundable contribution qualifies as Regulatory Tier I Capital.

On 30 July 2010 the Bank received a non refundable capital contribution from HRE Holding of €100 million. This non-refundable contribution qualifies as Regulatory Tier I Capital

Apart from the above, there have been no other notable events after 30 June 2010.

Going concern

The existence of companies in the HRE Group including DEPFA BANK plc and its subsidiary entities continued to be threatened in the first half of the year 2010.

The HRE Group continues to assume that it is a going concern and will continue in operation under the following described conditions (external factors/internal factors).

The consolidated financial statements are prepared on a going concern basis as the directors have assumed that the Bank will continue in operation under the conditions described as external and internal factors below.

This assumption is predicated on the fact that based on present information, the HRE Group Management Board considers it predominantly probable that these conditions are in existence or will occur.

External factors:

- The HRE Group will receive further essential liquidity support from SoFFin in respect of terms and total volume. Moreover, the HRE Group will receive necessary capital support from SoFFin to strengthen its capital base. These supports will be granted under reasonable conditions. No legal reservations, especially EU legal actions, will be successfully enforced.
- The capital markets environment will begin to stabilise from 2010 to 2012, particularly if there is no further serious deterioration of the financial market crisis from unforeseeable consequences, for instance triggered by external shocks such as the collapse of numerous major states or major banks, and the crisis of the real estate markets does not result in defaults of loans and securities to an extent which would pose a threat to the existence of the HRE Group.
- The interbank market and other short-term unsecured refinancing markets as well as the long-term secured and unsecured refinancing markets will start to recover from 2010. The ratings of the companies in the HRE Group will stabilise or slightly increase. The support can be covered by own funding in the following years.

Internal factors:

- The HRE Group further succeeds in regaining the confidence of customers and successfully writes new business subject to adequate volumes and adequate margins.
- There are no significant delays or obstructions of the implementation of the restructuring of the HRE Group that aims to improve efficiency, profitability and streamlining of business processes.
- Work-out or restructuring of non-performing loans throughout the HRE Group can be implemented as currently scheduled.
- The HRE Group has been given the possibility of streamlining assets without a severe impact on value and of transferring balance sheet items by way of establishing a deconsolidated environment.
- The HRE Group is able to hire and keep staff in key positions despite specific restrictions, for example, on compensation.

On 28 March 2009, SoFFin confirmed in writing to Hypo Real Estate Holding AG ("HRE Holding") and to Deutsche Pfandbriefbank AG (formerly Hypo Real Estate Bank AG) that it intended to stabilise HRE Holding in a sustainable manner by way of adequate recapitalisation and Deutsche Pfandbriefbank AG by further sufficient extensions of guarantees. SoFFin renewed its statement of intent on 6 November 2009. In particular, SoFFin has confirmed that it will provide adequate capital to ensure at least the continued existence of HRE Holding and its main subsidiaries as going concerns as well as the necessary viable business model, particularly that of Deutsche Pfandbriefbank AG. The support which the HRE Group overall receives from the German Federal Government depends on the result of a final review as to whether a deconsolidated environment will be established for non-strategic or non-performing assets of the HRE Group. In addition, SoFFin will provide further guarantees to assure the liquidity of HRE Holding and its main subsidiaries. These and possible further measures are conditional on meeting the aid law requirements of the EU Commission.

As the first step towards recapitalising the HRE Group, SoFFin took up 20 million HRE Holding shares on 28 March 2009 for a legal minimum price of € 3.00 per share, with shareholders' subscription rights excluded. As the second step of recapitalisation of the HRE Group, 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. 986.5 million shares were issued at the nominal value and legal minimum price of € 3.00 specified in the articles of incorporation. Only SoFFin 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, SoFFin held 90% of HRE Holding 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) in Munich entered the transfer resolution on the commercial register on 13 October 2009, so that SoFFin became the only shareholder of HRE Holding. As a third step in the recapitalisation process, the HRE Group received a further capital contribution of a total of € 3.0 billion from SoFFin in November 2009. This tranche consists of a silent participation of € 1.0 billion to Deutsche Pfandbriefbank AG, a contribution of € 1.3 billion to the reserve of Deutsche Pfandbriefbank AG and a contribution of € 0.7 billion to the reserve of HRE Holding.

As the fourth step of recapitalisation, the HRE Group received the commitment from SoFFin for the next recapitalisation tranches of up to € 1.85 billion on 30 April 2010. The capital will be paid in at least in two tranches into the additional paid-in capital of the HRE Group as required. The capital measure still has to be approved by the EU Commission. In the initial tranche, a figure of € 1.4 billion was paid into the additional paid-in capital of HRE Holding on 20 May 2010.

HRE Holding and Deutsche Pfandbriefbank AG have provided a commitment to SoFFin that they will take the steps necessary for implementing the recapitalisation process.

Risks threatening the future existence of the HRE Group

The future existence of HRE Holding as a going concern is dependent on the assumption that sufficient equity will be provided to HRE Holding and its significant subsidiaries even in the event of defaults and impairments recognised in relation to receivables and securities as a result of the financial crisis affecting individual states and corporations, 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 HRE Group or HRE Holding itself. These liquidity supports must be available until HRE Holding and its significant subsidiaries raise sufficient liquidity on the money and capital market by themselves, the agreed restructuring arrangements are implemented as scheduled and the equity capital increase is performed as scheduled.

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

- SoFFin continues to provide sufficient equity capital;
- SoFFin and the Deutsche Bundesbank maintain their liquidity support and, if necessary, provide further liquidity assistance until such time as HRE Holding and it's principal subsidiaries raise liquidity in the capital markets themselves;
- increased refinancing with sustainable conditions on the money and capital markets is possible;
- the restructuring arrangements will be implemented as scheduled;
- the appropriate authorities do not take regulatory actions which are unforeseen and which would not permit the HRE Group to fully implement its recovery plan; as well as
- no legal reservations (especially EU legal actions) will be successfully enforced.

Future developments of the HRE Group

The forecasts for the future development of the HRE Group are estimates which have been made on the basis of information available at present. If the assumptions underlying these forecasts fail to materialise, or if risks (such as those addressed in the section "Risk management") occur to an extent which has not been calculated, the actual results may differ considerably from the results which are currently expected.

Disposal group

In January 2010, HRE Holding as the parent company of DEPFA Bank plc submitted an application to the German Federal Agency for Financial Market Stabilisation ("FMSA") for the establishment of a deconsolidated environment. The FMSA established deconsolidated environment "FMS Wertmanagement AöR" on 8 July 2010. HRE Group including DEPFA Bank plc wish to transfer non-strategic or non-performing assets to this deconsolidated environment. The assets and liabilities which have been identified for this transfer consist exclusively of financial instruments, but, notwithstanding the fact that the deconsolidated environment has already been established, the transfer has yet to be approved by the FMSA and the European Commission.

Development in earnings of the HRE Group

The HRE Group has reported a negative pre-tax profit for the business year 2009. The HRE Group expects that earnings will continue to be negatively affected in future to a significant extent, resulting in an ongoing loss-making situation. The HRE Group is assuming that it will not be able to return to profitability before the year 2012. The extent of the expected loss-making situation will in particular be influenced by the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise:

- The extent that the existing portfolio will decline as a result of streamlining and disposals as well as the possible transfer of assets and liabilities to a deconsolidated environment with a resultant negative impact on net interest income. In addition, the negative market values which might result in the case of disposals would depress net interest income or net income from financial investments.

- The HRE Group will continue to be very much dependent on liquidity support provided by SoFFin in subsequent periods. The corresponding costs will have a very negative impact on net commission income/expenses. The additional guarantee means that the costs of liquidity support in the second half of 2010 will probably be higher than the corresponding figure for the first half of 2010. The planned transfer of assets and liabilities to the deconsolidated environment would reduce the potential losses and the volatility.

- In accordance with IAS 39, changes in the market values of trading portfolios have to be recognised directly in the income statement. The difficult situation affecting some markets has meant that there have been considerable fluctuations in the values of the trading portfolios, and these have declined in previous periods. Net trading income may also be very much affected and may be very volatile in the second half of 2010. For instance, the development in the market value of the Halcyon and Pegasus portfolios is also dependent on the development of spreads within the CMBS market. Default risks and other deteriorations in market conditions may also result in lower fair values of customer derivatives and other trading portfolios. The planned transfer of assets and liabilities to the deconsolidated environment would reduce the potential losses and the volatility.

- Net income from financial investments may be affected by additional impairments recognised in relation to securities. For instance, further widening of credit spreads and a deterioration in the security pool might result in additional impairments in relation to the CDOs which are still held in the portfolio. It may also be necessary for impairments to be recognised in relation to the holdings which have been reclassified as loans and receivables whereas previously they had been classified as held-for-trading and available for sale in accordance with IAS 39. Because a considerable percentage of the holdings is to be transferred to the deconsolidated environment, the establishment of such a deconsolidated environment would considerably reduce the potential impact on earnings.

- The difficult situation on some markets and the uncertain macro-economic situation might result in significant impairments recognised in relation to receivables. It is probable that considerable impairments will again have to be recognised in relation to real estate financing in the second half of 2010 mainly as a result of the difficult economic conditions on the commercial real estate markets. Because the situation of some infrastructure customers has also deteriorated, it is also possible that impairments might have to be recognised in relation to these holdings. Overall, provision for losses on loans and advances will probably continue to be at a higher level in the second half of 2010. The HRE Group intends to transfer some of these holdings to the deconsolidated environment, which would considerably reduce the volume of provisions for losses on loans and advances.

- High fiscal deficits mean that refinancing has become much more difficult for some states; in certain cases, refinancing is only possible with external assistance. It is possible that some states might not be able to service their interest and repayment obligations. In such a case, it might be necessary for considerable impairments to be recognised in relation to securities or loans, and this would mainly have an impact on net income from financial investments and provisions for losses on loans and advances.

- The restructuring of the HRE Group and the harmonisation of the IT infrastructure and processes will result in further costs which will mainly have an impact on general administrative expenses and which might at least partially compensate for the savings achieved from the process of streamlining the workforce.

- The planned establishment of a deconsolidated environment with a subsequent transfer of assets will result in additional consultancy service costs and other administrative expenses also in the second half of 2010.

- Litigation which is currently pending and which might become pending in the future might have a considerably negative impact on the results of the HRE Group or might even threaten the existence of the HRE Group as a going concern. This litigation relates mainly to lawsuits of former shareholders on the grounds of alleged inaccurate capital market information, lawsuits in conjunction with the ad hoc releases of 15 January 2008 and the liquidity situation of DEPFA BANK plc, lawsuits of former shareholders against the capital increase adopted in the extraordinary general meeting on 2 June 2009, lawsuits of former shareholders against the squeeze out adopted in the extraordinary general meeting on 5 October 2009, lawsuits of former members of the HRE Holding Management Board with regard to payment, lawsuits of employees with regard to payment of variable compensation for the years 2008 and 2009 and lawsuits of some local authorities for damages.

- As a result of the rating downgrades, several ISDA master agreements as well as guaranteed investment contracts have been terminated or could be terminated in the future; this has resulted in additional costs due to premature contract termination and has also resulted in additional costs to repurchase hedges. Further rating downgrades would result in further terminations of ISDA master agreements. The HRE Group also might incur additional costs as a result of the limited choice of counterparties due to their current long-term ratings.

- The support measures received by the HRE Group are being reviewed by the EU Commission in state aid proceedings. The eventual decision of the EU Commission might have a negative impact on the results of the operations of the HRE Group and may possibly endanger the going concern status of the HRE Group.

- The HRE Group is exposed to operational risks as a result of its restructuring, such as the reliance on key positions, technology risks due to the large number of entry systems, increased staff fluctuation levels and risks in connection with change management activities. These risks might result in major losses.

Development in assets of the HRE Group

The development in assets of the HRE Group is particularly influenced through the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise:

- If the credit spreads of states and other banks widen further, the values of the securities issued by them will decline. The HRE Group has reclassified most of the available-for-sale securities into “Loans and receivables” in accordance with IAS 39 “Reclassification of financial assets” which was published in October 2008. However, for the remainder of the available-for-sale securities, widening of credit spreads would have a further negative impact on the AfS reserve.

- The portfolio will probably decline as a result of streamlining or disposals, and the possible transfer of assets and liabilities to a deconsolidated environment; in line with the process of focusing on functioning HRE Group areas of activity.

- The difficult situation and the subsequent action taken to stabilise the HRE Group have resulted in debates in the political arena, in the media and in the public. Overall, the image of the HRE Group has suffered. Despite the fact that success has already been achieved as a result of the HRE Group re-entering markets, it is possible that there may be negative consequences for future business and customer relations.

Development in the financial position of the HRE Group

The development in the financial position of the HRE Group is particularly influenced through the occurrence or non-occurrence of the following risks, or the extent to which the following risks might materialise:

- The support measures received by the HRE Group are being reviewed by the EU Commission in the ongoing state aid proceedings. In its final decision, the European Commission will very probably impose some major covenants on the HRE Group, including a major reduction in the statement of financial position size and the commitment of a time line for reprivatising Deutsche Pfandbriefbank AG. However, if the European Commission concludes that the state aid is not consistent, or is not completely consistent, with the EC Treaty, it is possible that it might oblige Germany to suspend or restructure this aid by a certain deadline, or it may order the aid to be repaid. This might result in insolvency for some or all companies of the HRE Group, and might thus endanger the continued operation of the HRE Group as a going concern.
- The refinancing of the HRE Group in the course of the next few years will continue to be reliant on the support measures provided by SoFFin. The repayment of the support measures will depend on various factors, including the access of the HRE Group to the refinancing markets and its rating.
- The HRE Group has issued irrevocable loan commitments and liquidity facilities. Drawings may result in additional outflows of liquidity. In addition, further rating downgrades would result in further terminations due to the ISDA framework agreements and this may lead to outflows of liquidity.
- The capital backing of the HRE Group and its subsidiaries has improved as a result of the support provided by SoFFin. In the years 2010 and 2011, IFRS equity and the regulatory core capital may decline again as a result of the factors detailed above. In addition a revision of the regulatory regulations could lead to stricter demands in respect of the capital backing. Based on the assumed support measures by SoFFin it is expected that the going concern of the HRE Group will not be put into question.
- At present, the regulations of the Basel Committee on banking supervision are being revised under the designation Basel III. The aspects which are being discussed include tighter regulations with regard to capital backing by way of raising minimum capital ratios. In addition, a new capital ratio which is not related to the risk weighting of the assets is to be introduced in the form of the so-called leverage ratio. There are also plans for new parameters for measuring liquidity backing. For the HRE Group, the revised regulations might result in a higher requirement for shareholders' equity and liquidity. Profitability might also decline as a result of the higher capital requirement.

The new business model may be an opportunity for the HRE Group. In the field of commercial real estate financing, many competitors will probably go out of existence or will be seriously weakened. The granting of loans is becoming more restrictive in general. In consequence, margins on the real estate financing market may rise. Globalisation of financial flows and investors of large-volume projects will appreciate a specialist commercial real estate financier such as the HRE Group as a result of its special market and product knowledge, because its expertise is recognised on the market and because it has succeeded in signing new business in 2009. Numerous competitors in the field of public sector finance are also affected by the financial market crisis. The experience of the HRE Group in Pfandbrief business may be an advantage. In this context, the HRE Group will continue to search for market opportunities in 2010 and 2011 and conclude new business with attractive margins. In line with overall strategy, the focus will be on Pfandbrief-eligible follow-up funding and newly acquired business in the real estate and public sector segments.

On 21 January 2010, the HRE Group following liaison with SoFFin, submitted an application to the German Financial Market Stabilisation Authority ("FMSA") for setting up a deconsolidated environment to enable asset holdings to be reduced without imposing excessive strain on value. There is no legal right to the establishment of the deconsolidated environment. The FMSA established deconsolidated environment "FMS Wertmanagement AöR" on 8 July 2010. For the HRE Group, a deconsolidated environment may be an opportunity because non-strategic positions will be removed from the balance sheet and core business can be freed up more quickly.

The result for the second half of 2010 will probably be considerably affected by further impairments in relation to receivables and securities and the costs of the liquidity support measures. In addition, the expenses arising in the course of the establishment of a deconsolidated environment with a subsequent transfer of assets will depress general administrative expenses and net income. The HRE Group is assuming that it will not be able to return to profitability before the year 2012.

Responsibility statement, in accordance with the transparency regulations

In accordance with Regulation 8 (3) of the Transparency (Directive 2004/10/EC) Regulations 2007 the related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Bank are noted in note 33 on page 33.

Statement of the directors in respect of the condensed consolidated unaudited interim financial statements

Each of the current directors, whose names are listed on page 2, confirms that to the best of our knowledge:

(a) the condensed consolidated interim financial statements comprising the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of changes in equity, the unaudited condensed consolidated statement of financial position, the unaudited condensed consolidated cash flow statement and related notes 1 to 37 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

(b) the interim management discussion includes a fair review of the information required by:

(i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

John Bourke	Noel Reynolds
Director	Director

6 August 2010

Independent review report on condensed consolidated unaudited interim financial statements

Introduction

We have been engaged by the Bank to review the unaudited condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Unaudited Condensed Consolidated Income Statement, Unaudited Condensed Consolidated Statement of Comprehensive Income, Unaudited Condensed Consolidated Statement of Financial Position, Unaudited Condensed Consolidated Statements of Changes In Equity, Unaudited Condensed Consolidated Cash Flow Statement and the related explanatory notes (Notes 1 -37). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated condensed set of financial statements.

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ("the TD Regulations") and the transparency Rules of the Republic of Ireland's Financial Regulator. Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Transparency Rules of the Republic of Ireland's Financial Regulator.

As disclosed on page 17, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the unaudited condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed consolidated set of financial statements in the half-yearly report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and the Transparency Rules of the Republic of Ireland's Financial Regulator.

Emphasis of matter – Going Concern Basis of Accounting

In forming our conclusion, which is not qualified, we have considered the adequacy of the disclosures in Note2 concerning the appropriateness of the going concern basis of accounting in the preparation of the unaudited condensed consolidated interim financial statements of the Bank for the period ended 30 June 2010.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Bank will continue in operation and meet its debts as they fall due for a minimum period of 12 months from the date of this report. Given its significance, we wish to draw the readers' attention to underlying assumptions underpinning the application of the going concern basis of accounting to the Bank's unaudited condensed consolidated interim financial statements for the period ended 30 June 2010. Set-out below in our view are the key assumptions.

The future existence of the Hypo Real Estate Group ("HREG") is contingent on the provision of equity to HREG and its significant subsidiaries, even in the event of defaults and impairments of receivables and securities arising from the financial crisis of certain countries and municipalities, sufficient to fulfil the supervisory regulations for own funds and sufficient to avoid a situation of insolvency. External liquidity support is necessary to avert insolvency due to illiquidity of the significant subsidiaries of the HREG or Hypo Real Estate Holding AG ("HRE AG") itself. These liquidity supports must be available until the HREG and its significant subsidiaries raise sufficient liquidity on the money and capital market by themselves and the agreed restructuring arrangements are implemented and until the equity capital increase is performed as scheduled.

To ensure the future existence of the HREG and its significant subsidiaries it is particularly necessary that:

- the Financial Markets Stabilisation Fund ("SoFFin") provides sufficient equity capital.
- SoFFin and the Deutsche Bundesbank maintain their liquidity support and, if necessary, provide further liquidity assistance until such time as HREG and principal subsidiaries raise liquidity in the capital markets themselves.
- increased refinancing with sustainable conditions in the money and capital markets is possible.
- the restructuring arrangements are implemented as scheduled.
- the appropriate authorities do not take supervisory actions which are unforeseen and which would not permit the HREG to fully implement its recovery plan, as well as
- no legal reservations (especially EU-action) will be successfully enforced.

If some of the above criteria are not met, in particular if a crisis situation should occur, whose occurrence based on present information is currently not probable, there will be a negative effect on the net assets, financial position and results of the HREG and there will be doubt as to whether some or all companies in the HREG will be able to continue in operation as going concerns.

Access to the liquidity support and to additional capital by the Bank can only be made through the Bank's ultimate parent company, HRE Holding AG. In the absence of this continuing support from the parent company for both current and future funding requirements the Bank would not be in a position to continue in operational existence as a going concern. The unaudited condensed consolidated interim financial statements do not include the adjustments that would result if the Bank was unable to continue as a going concern.

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

6 August 2010

Condensed consolidated income statement – unaudited

for the period from 1 January to 30 June

	Note	1.1-30.06-10 € m	1.1-30.06-09 € m
Continuing operations			
Interest and similar income	4	2,506	3,290
Interest expense and similar expenses	4	-2,352	-2,967
Net interest income		**154**	**323**
Commission income	5	5	11
Commission expense	5	-170	-164
Net fee and commission expense		**-165**	**-153**
Net trading expense / income	6	-225	70
Net income / expense from financial	7	14	-20
Net expenses from hedge relationships	8	-14	-74
Other operating income/expense	9	9	-3
Total operating revenues		**-227**	**143**
Provision for losses on loans and advances	17	4	-13
General administrative expenses	10	-81	-103
Other income/expenses	11	1	-17
Of which restructuring expenses		*1*	*-17*
Pre-tax loss		**-303**	**10**
Taxes on income	12	1	-83
Net loss for the period from continuing operations		**-302**	**-73**
Discontinued operations			
Net (loss)/profit for the period from discontinued operations*	36	-42	43
Net loss for the period			
Attributable to:			
Equity holders of the parent		**-344**	**-30**

* A further analysis of the amount is given in the notes.

Condensed consolidated statement of comprehensive income - unaudited

for the period from 1 January to 30 June

€ m	1.1-30.06-2010			1.1-30.06-2009		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Continuing operations						
Net loss	-303	1	-302	10	-83	-73
AFS reserve movement net	-2,494	181	-2,313	624	-81	543
Exchange differences	-8	-	-8	-2	-	-2
Total comprehensive income						
from continuing operations	**-2,805**	**182**	**-2,623**	**632**	**-164**	**468**
Discontinued operations						
Net loss/profit	-42	-	-42	43	-	43
Total comprehensive income						
from continuing operations	**-42**	**-**	**-42**	**43**	**-**	**43**
Total comprehensive income						
Attributable to the equity holders	-2,847	182	-2,665	675	-164	511

Disclosure of components of comprehensive income – unaudited

for the period from 1 January to 30 June

	Continuing operations		Discontinued operations	
	1.1-30.06 2010 € m	**1.1-30.06 2009 € m**	**1.1-30.06 2010 € m**	**1.1-30.06 2009 € m**
Net loss / profit	-302	-73	-42	43
AFS reserve	-2,313	543	-	-
Gains/losses arising in the period	*-2,316*	*524*	-	-
Reclassification adjustments for gains included in profit or loss	*3*	*19*	-	-
Cash flow hedge reserve	-	-	-	-
Gains/losses arising in the period	*110*	*-6*	-	-
Reclassification adjustments for gains included in profit or loss	*-110*	*6*	-	-
Exchange differences	-8	-2	-	-
Total	**-2,623**	**468**	**-42**	**43**

Condensed consolidated statement of financial position - unaudited

at 30 June and 31 December

	Note	Unaudited 30.06.2010 € m	Audited 31.12.2009 € m
ASSETS			
Cash reserve		226	1,206
Trading assets	14	14,027	10,573
Loans and advances to other banks	15	22,722	25,541
Loans and advances to customers	16	27,847	106,878
Allowances for losses on loans and advances	17	-149	-571
Financial investments	18	9,379	64,454
Property, plant and equipment		2	4
Intangible assets		15	16
Other assets	19	5,786	4,011
Income tax assets	20	375	466
Current tax assets		*6*	*8*
Deferred tax assets		*369*	*458*
Disposal group	30	160,011	-
Total assets		**240,241**	**212,578**
LIABILITIES			
Liabilities to other banks	21	73,502	134,385
Liabilities to customers	22	954	905
Liabilities evidenced by certificates	23	49,860	47,608
Trading liabilities	24	16,546	10,772
Provisions	25	56	70
Other liabilities	26	23,481	16,021
Income tax liabilities	27	289	197
Current tax liabilities		*41*	*38*
Deferred tax liabilities		*248*	*159*
Subordinated capital	28	1,074	1,072
Disposal group	30	75,046	-
Total liabilities		**240,808**	**211,030**
EQUITY			
Equity attributable to equity holders			
Share capital		106	106
Share premium		1,142	1,142
Capital reserve		1,150	600
Preferred securities	28	1,136	1,136
Retained earnings		62	406
Other reserves		-65	-1,842
AfS		*-61*	*-1,846*
Currency translation		*-4*	*4*
Amount recognised in equity relating to disposal group - AfS	30	-4,098	-
Total equity		**-567**	**1,548**
Total equity and liabilities		**240,241**	**212,578**

Condensed consolidated cash flow statement – unaudited

for the period from 1 January to 30 June

	Note	2010 € m	2009 € m
Cash and cash equivalents as of 1 January		**1,100**	**24**
Cash flow from operating activities		-2,708	74
Cash flow from investing activities		1,182	738
Cash flow from financing activities		550	-
Cash flow from discontinued operations	36	16	58
Effect of exchange rate changes on cash and cash equivalents		-1	-1
Cash and cash equivalents as of 30 June		**139**	**893**

Cash and cash equivalents comprise of cash reserves including balances with central banks other than mandatory reserve deposits

Condensed consolidated statement of changes in equity – unaudited

for the period from 1 January to 30 June

€ m	Share capital	Share premium	Preferred securities	Capital reserve	Retained earnings	AfS reserve	Currency translation	Equity
Balance at 1 January 2009	**106**	**1,142**	**-**	**300**	**1,050**	**-2,595**	**4**	**7**
Total comprehensive income	-	-	-	-	-30	543	-2	511
Reclassification of hybrid capital	-	-	1,136	-	-	-	-	1,136
Balance at 30 June 2009	**106**	**1,142**	**1,136**	**300**	**1,020**	**-2,052**	**2**	**1,654**

€ m	Share capital	Share premium	Preferred securities	Capital reserve	Retained earnings	AfS reserve	Currency translation	Equity
Balance at 1 January 2010	**106**	**1,142**	**1,136**	**600**	**406**	**-1,846**	**4**	**1,548**
Total comprehensive income	-	-	-	-	-344	-2,313	-8	-2,665
Capital contribution	-	-	-	550	-	-	-	550
Balance at 30 June 2010	**106**	**1,142**	**1,136**	**1,150**	**62**	**-4,159**	**-4**	**-567**

Notes to the condensed consolidated unaudited interim financial statements

1. General information

The condensed interim financial statements for the six months ended 30 June 2010 are unaudited but have been reviewed by the auditor whose report is set out on page 11 to 12. The financial information presented herein does not amount to statutory financial statements that are required by Section 7 of the Companies (Amendment) Act, 1986 to be annexed to the annual return of the DEPFA Bank plc ('the Bank'). The statutory financial statements for the financial year ended 31 December 2009 were annexed to the annual return and filed with the Registrar of Companies. The audit report under section 163 of the Companies Act 1990 on those statutory financial statements was unqualified but did contain an emphasis of matter relating to the going concern basis of accounting.

The consolidated annual financial statements of DEPFA BANK plc (its statutory financial statements as referred to above) are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

2. Basis of preparation

The condensed interim financial statements have been prepared in accordance with IAS34 Interim Financial Reporting as adopted by the EU. The financial information contained in the condensed interim financial statements has been prepared in accordance with the accounting policies set out in the last annual financial statements except for the adoption of:

- IFRS 2 (Share-based Payment: Group Cash-settled Share-based Payment Transactions)
- IFRS 3 (Business Combinations, revised 2008)
- IAS 27 (Consolidated and Separate Financial Statements)
- IAS 39 (Financial Instruments: Recognition and Measurement: Eligible Hedged Items)
- IFRIC 17 (Distributions of Non-Cash Assets to Owners)

The amendment to IFRS 2 has clarified the accounting treatment for share-based payments with a cash settlement within the Group. Because DEPFA BANK plc has currently not provided any commitment with regard to share-based payments, this accordingly does not have any effect on DEPFA BANK plc.

IFRS 3 (revised) has revised the way in which the way the acquisition method is applied in the case of business combinations. Major changes relate to the measurement of non-controlling interests, the accounting of business combinations achieved in stages and the treatment of contingent considerations and acquisition-related costs. The standard is applicable prospectively. There have so far not been any effects for DEPFA BANK plc, and any such effects will depend in future on potential business combinations.

Major changes to IAS 27 comprise the recognition of transactions in which a company continues to retain control as well as transactions in which control is lost. The standard is applicable prospectively. There have so far not been any effects for DEPFA BANK plc, and any such effects will depend in future on potential transactions.

The amendment to IAS 39 specifies how the existing principles for presenting hedges have to be applied. The changes address the designation of unilateral risks in an underlying and the designation of inflation as a separately identifiable risk. There have not been any effects on the hedge accounting of DEPFA BANK plc.

The interpretation IFRIC 17 specifies how a company has to measure non-cash assets which it distributes as dividend to its owners. IFRIC 17 does not apply to distributions of a non-cash asset which in the final analysis is controlled by the same party or the same parties before and after the distributions. There have so far not been any effects for DEPFA BANK plc.

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" has also been amended in connection with IFRIC 17. The regulations of recognition, measurement and disclosure are applicable as well in relation to assets which satisfy the criteria for being classified as "held for sale". In these consolidated interim report, DEPFA BANK plc has classified all assets and liabilities which are to be transferred to the deconsolidated environment as "disposal group" (for further details please refer to note 30 and note 36).

Going concern

The financial statements are prepared on a going concern basis as the directors have assumed that DEPFA Group ("the Group") will continue in operation under the conditions described as external and internal factors below. This assumption is predicated on the fact that based on present information, Hypo Real Estate Group ("the HRE Group") Management Board considers it predominantly probable that these conditions are in existence or will occur. The forecast of the future development of the HRE Group is based on the strategic refocusing and restructuring adopted by the HRE Group Management Board in December 2009 which is described on pages 5 to 8.

External factors:

- The HRE Group will receive further essential liquidity support from the German Financial Markets Stabilisation Fund/German Finanzmarktstabilisierungsfonds ("SoFFin") in respect of terms and total volume. Moreover, the HRE Group will receive necessary capital support from SoFFin to strengthen its capital base. These supports will be granted under reasonable conditions. No legal reservations, especially EU legal actions, will be successfully enforced.
- The capital markets environment will begin to stabilise from 2010 to 2012, particularly if there is no further serious deterioration of the financial market crisis from unforeseeable consequences, for instance triggered by external

shocks such as the collapse of numerous major states or major banks, and the crisis of the real estate markets does not result in defaults of loans and securities to an extent which would pose a threat to the existence of the HRE Group.

- The interbank market and other short-term unsecured refinancing markets as well as the long-term secured and unsecured refinancing markets will start to recover from 2010. The ratings of the companies in the HRE Group will stabilise or slightly increase. The support can be covered by own funding in the following years.

Internal factors:

- The HRE Group further succeeds in regaining the confidence of customers and successfully writes new business subject to adequate volumes and adequate margins.
- There are no significant delays or obstructions of the implementation of the restructuring of the HRE Group that aims to improve efficiency, profitability and streamlining of business processes.
- Work-out or restructuring of non-performing loans throughout the HRE Group can be implemented as currently scheduled.
- The HRE Group has been given the possibility of streamlining assets without a severe impact on value and of transferring balance sheet items by way of establishing a deconsolidated environment.
- The HRE Group is able to hire and keep staff in key positions despite specific restrictions, for example, on compensation.

On 28 March 2009, SoFFin confirmed in writing to Hypo Real Estate Holding AG (“HRE Holding”) and to Deutsche Pfandbriefbank AG (formerly Hypo Real Estate Bank AG) that it intended to stabilise HRE Holding in a sustainable manner by way of adequate recapitalisation and Deutsche Pfandbriefbank AG by further sufficient extensions of guarantees. SoFFin renewed its statement of intent on 6 November 2009. In particular, SoFFin has confirmed that it will provide adequate capital to ensure at least the continued existence of HRE Holding and its main subsidiaries as going concerns as well as the necessary viable business model, particularly that of Deutsche Pfandbriefbank AG. The support which the HRE Group overall receives from the German Federal Government depends on the result of a final review as to whether a deconsolidated environment will be established for non-strategic or non-performing assets of the HRE Group. In addition, SoFFin will provide further guarantees to assure the liquidity of HRE Holding and its main subsidiaries. These and possible further measures are conditional on meeting the aid law requirements of the EU Commission.

As the first step towards recapitalising the HRE Group, SoFFin took up 20 million HRE Holding shares on 28 March 2009 for a legal minimum price of € 3.00 per share, with shareholders’ subscription rights excluded. As the second step of recapitalisation of the HRE Group, 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. 986.5 million shares were issued at the nominal value and legal minimum price of € 3.00 specified in the articles of incorporation. Only SoFFin 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, SoFFin held 90% of HRE Holding 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) in Munich entered the transfer resolution on the commercial register on 13 October 2009, so that SoFFin became the only shareholder of HRE Holding. As a third step in the recapitalisation process, the HRE Group received a further capital contribution of a total of € 3.0 billion from SoFFin in November 2009. This tranche consists of a silent participation of € 1.0 billion to Deutsche Pfandbriefbank AG, a contribution of € 1.3 billion to the reserve of Deutsche Pfandbriefbank AG and a contribution of € 0.7 billion to the reserve of HRE Holding.

As the fourth step of recapitalisation, the HRE Group received the commitment from SoFFin for the next recapitalisation tranches of up to € 1.85 billion on 30 April 2010. The capital will be paid in at least in two tranches into the additional paid-in capital of the HRE Group as required. The capital measure still has to be approved by the EU Commission. In the initial tranche, a figure of € 1.4 billion was paid into the additional paid-in capital of HRE Holding on 20 May 2010.

HRE Holding and Deutsche Pfandbriefbank AG have provided a commitment to SoFFin that they will take the steps necessary for implementing the recapitalisation process.

Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Bank’s accounting policies and key sources of estimating uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2010

3. Operating segments

The segment structure has been revised as part of the strategic refocusing process. The HRE Group has changed its reporting to three operating segments in the financial year 2010: Strategic business in commercial real estate financing (previously Commercial Real Estate) has been pooled in the Real Estate Finance segment, and strategic public sector financing (previously Public Sector & Infrastructure Finance) has been pooled in the Public Sector Finance segment. Non-strategic business has been included in the "Value Portfolio" segment and is to be reduced without imposing excessive strain on existing value. The Group is considered part of the non strategic business of the HRE Group and is included in the Value Portfolio segment of the HRE Group. The Group has withdrawn completely from new business in all segments.

The Bank has been divided into three operating and reportable segments, Value Management Europe and the Rest of World, Value Management America, and Infrastructure Finance. These segments are used as the basis of managing the Group from the start of 2010.

The operating segment Value Management Europe and the Rest of World incorporates the traditional public finance lending business of DEPFA in the form of bond and loan financing with public sector authorities, as well as all trading assets and liabilities originated outside North America.

The operating segment Value Management America incorporates the traditional public finance lending business of DEPFA in the form of bond and loan financing with public sector authorities as well as all trading assets and liabilities originated in North America.

The operating segment Infrastructure Finance relates to the financing of infrastructure projects, focusing on essential infrastructure e,g, roads, bridges, tunnels and public buildings. All the assets in this segment are included in the transfer to the deconsolidated environment and therefore results from this segment are reported under net profit from discontinued operations in the income statements.

The Bank's segmental reporting is based on its internal controlling and management information systems. Transactions between segments are carried out on an arm's length basis. Income and expenses are shown such that they reflect the originating unit. The segments operate with responsibility for profits and losses. Revenues are allocated by portfolio structures.

Segment assets and liabilities are those assets and liabilities that are directly attributable to the operating activities of the segment.

A calculated share of revenue from equity is allocated to each segment based on the risk profile of the segment assets.

Expenses incurred centrally, including expenses incurred by support, administrative and back-office functions are charged to the segments in accordance with their estimated proportionate share of overall activities.

	1 Jan – 30 June 2010			
€ m	**Value Management Europe and Rest of world**	**Value Management America**	**Infrastructure Finance**	**Group**
Net interest income	69	85	61	215
Non interest revenues	-141	-240	-45	-426
Total Revenues	**-72**	**-155**	**16**	**-211**
Total Expenditure	**-52**	**-17**	**-11**	**-80**
Impairment losses on loans and advances	-28	32	-58	-54
(Loss) before tax	**-152**	**-140**	**-53**	**-345**
Taxation				1
Loss for the period				**-344**

	1 Jan – 30 June 2009			
€ m	**Value Management Europe and Rest of world**	**Value Management America**	**Infrastructure Finance**	**Group**
Net interest income	213	110	94	417
Non interest revenues	-160	-20	-36	-216
Total Revenues	**53**	**90**	**58**	**201**
Total Expenditure	**-73**	**-33**	**-14**	**-120**
Impairment losses on loans and advances	-11	-2	-15	-28
Profit/(Loss) before tax	**-31**	**55**	**29**	**53**
Taxation				-83
Loss for the period				**-30**

4. Net interest income

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Interest income and similar income		
Lending and money-market business	1,560	2,231
Fixed-income securities	946	1,059
	2,506	**3,290**
Interest expense and similar expenses		
Deposits	-624	-1,516
Liabilities evidenced by certificates	-826	-1,040
Derivatives (net interest expense)	-894	-393
Subordinated capital	-8	-18
	-2,352	**-2,967**
Net interest income	**154**	**323**

Total interest income for financial assets that are not at fair value through profit or loss, amount to € 2.5 billion (2009: € 3.2 billion). Total interest expenses for financial liabilities that are not at fair value through profit or loss amount to € 1.5 billion (2009: € 2.7 billion).

5. Net fee and commission expense

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Fee and commission income		
From customer derivatives	-	4
From other lending operations	5	7
	5	**11**
Fee and commission expense		
From lending operations	-170	-164
	-170	**-164**
Net fee and commission expense/income	**-165**	**-153**

None of the above fees arose on either trust or fiduciary activities that result in the holding or investing in assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

Included in fee and commission expense above is an amount of € 163 million relating to liquidity support measures (2009: € 152 million).

None of the above fee and commission income arose on instruments that have been designated at fair value through profit and loss.

6. Net trading expense / income

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
from interest rate instruments and related derivatives	-90	17
from credit risk instruments and related derivatives	-117	47
from foreign exchange trading	-18	6
	-225	**70**

7. Net income / expense from financial investments

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Income from financial investments	14	-
Expense from financial investments	-	-20
	14	**-20**

Net writeups of € 11 million have been recognised on a Commercial Mortgage Backed Securities ('CMBS') portfolio. Impairment losses recognised in 2009 on this portfolio were € -15 million.

Net income from financial assets can be split by financial instrument category as follows:

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Investment in Group undertaking	-	-1
Loans and receivables	11	-15
Available-for-sale financial investments	3	-4
	14	**-20**

8. Net expenses from hedge relationships

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Result from fair value hedge accounting	-14	-62
Result from hedged items	*-5,692*	*4,559*
Result from hedging instruments	*5,678*	*-4,621*
Result from assets designated at fair value through P&L (''dFVTPL'') and related derivatives	-	-12
Result from dFVTPL assets	*140*	*-522*
Result from derivatives related to dFVTPL assets	*-140*	*510*
	-14	**-74**

9. Other operating income/expense

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Other operating income		
Recharge income from other group companies	3	2
Net foreign exchange gains	7	-
Other	-	3
Total other operating income	**10**	**5**
Other operating expense		
Net foreign exchange loss	-	-7
Other	-1	-1
Total other operating expense	**-1**	**-8**
Total other operating income/expense	**9**	**-3**

10. General administrative expenses

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Personnel expenses	**-22**	**-46**
Wages and salaries	*-14*	*-37*
Social security costs	*-6*	*-6*
Pension expenses and related employee benefit costs	*-2*	*-3*
Other general administrative expenses	**-57**	**-52**
Depreciation/amortisation	**-2**	**-5**
On software	*-1*	*-2*
On property, plant and equipment	*-1*	*-3*
	-81	**-103**

Cost-income ratio in % is:

	1.1-30.06	1.1-30.06
Cost-income ratio	**> 100%**	**72%**

11. Other income/expenses

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Restructuring expenses	1	-17
	1	**-17**

12. Taxes on income

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Current tax	-1	-91
Deferred tax	2	8
	1	**-83**

13. Net gains/losses

The income statement contains the following income statement-related net gains/net losses from disposal/sale of loans and receivables, available for sale assets and financial liabilities at amortised cost.

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Loans and receivables	58	1
Available for sale	3	-4
Financial liabilities at amortised cost	-	5
	61	**2**

14. Trading assets

	30.06.10 € m	31.12.09 € m
Debt securities and other fixed-income securities		
Bonds and notes	660	956
Issued by public-sector borrowers	*37*	*218*
Issued by other borrowers	*623*	*738*
Thereof:		
Listed	*596*	*883*
Unlisted	*64*	*73*
Positive fair values from derivative financial instruments (trading book)	1,730	1,734
Interest-based and foreign-currency-based transactions	*680*	*571*
Others	*1,050*	*1,163*
Other trading assets	69	45
Standalone derivatives (non-trading book)	11,568	7,838
Total Trading assets	**14,027**	**10,573**
Of which due from group companies	1,484	897

Standalone derivatives include mainly derivatives which are economically hedging but which do not meet the detailed hedge accounting criteria under IFRSs.

Balances due from group companies in the Group statement of financial position include amounts receivable from other entities in the HRE Group.

15. Loans and advances to other banks

Loans and advances to other banks are broken down by type of business as follows:

	30.06.10 € m	31.12.09 € m
Public sector loans	2,951	14,791
Other loans and advances	19,771	10,750
	22,722	**25,541**
Of which due from Group companies	1,999	1,964

Balances due from group companies in the Group statement of financial position include amounts receivable from other entities in the HRE Group.

Loans and advances to banks are broken down by maturity as follows:

	30.06.10 € m	31.12.09 € m
Repayable on demand	14,180	8,154
With agreed maturities		
Up to 3 months	507	772
from 3 months to 1 year	484	501
from 1 year to 5 years	4,371	6,077
from 5 years and over	3,180	10,037
	22,722	**25,541**

The book value on these loans represents the maximum exposure to credit risk on these assets.

16. Loans and advances to customers

Loans and advances to customers are broken down by type of business as follows:

	30.06.10	31.12.09
	€ m	€ m
Public sector	27,730	95,163
Other loans and advances	117	11,715
	27,847	**106,878**

Loans and advances to customers are broken down by maturity as follows:

	30.06.10	31.12.09
	€ m	€ m
Unspecified amount	42	22
With agreed maturities		
Up to 3 months	144	2,053
from 3 months to 1 year	1,157	2,096
from 1 year to 5 years	8,390	19,803
from 5 years and over	18,114	82,904
	27,847	**106,878**

17. Allowance for losses on loans and advances

Movement in allowance for losses on loans and advances:

	30.06.10	31.12.09
Specific allowance for losses on loans and advances	€ m	€ m
Balance at 1 January	-295	-226
Net specific provision	34	-73
Foreign exchange retranslation	-41	4
Disposal group	302	-
Total specific allowance for losses on loans and advances	**-**	**-295**

	30.06.10	31.12.09
Collective provision for losses on loans and advances	€ m	€ m
Balance at 1 January	-276	-210
Net collective provision - continuing operation	-30	-50
Net collective provision - discontinued operation	-58	-16
Disposal group	215	-
Total collective provision for losses on loans and advances	**-149**	**-276**
Total provision for losses on loans and advances	**-149**	**-571**

The total allowance for losses on loans and advances is made up as follows:

	30.06.10	31.12.09
	€ m	€ m
Public sector and infrastructure loans	149	571
	149	**571**

18. Financial investments

	30.06.10	31.12.09
	€ m	**€ m**
AfS financial investments	**117**	**10,612**
Equity securities and other variable-yield securities	-	-
Debt securities and other fixed-income securities	*117*	*10,612*
dFVTPL financial instruments	**-**	**2,515**
Debt securities and other fixed-income securities	-	*2,515*
LaR financial instruments	**9,262**	**51,327**
Debt securities and other fixed-income securities	*9,262*	*51,327*
Total	**9,379**	**64,454**

Financial investments, broken down by maturities:

	30.06.10	31.12.09
	€ m	**€ m**
Unspecified amount	-	145
With agreed maturities		
Up to 3 months	121	438
from 3 months to 1 year	309	701
from 1 year to 5 years	2,949	5,834
from 5 years and over	6,000	57,336
Total	**9,379**	**64,454**

The Group in 2008 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, the Group reclassified retrospectively as of 1 July 2008 trading assets out of the category held-for-trading amounting to € 3.4 billion and financial investments out of the category available-for-sale of € 44.26 billion. In addition, trading assets of € 0.75 billion were reclassified prospectively into financial investments of the category loans and receivables on 1 October 2008.

Since the date of reclassification, the Group's financial assets with a (reclassified) carrying amount of approximately € 3.8 billion became due. Thereof € 2.67 billion relate to reclassified AfS financial investments and € 1.13 billion relate to reclassified trading assets.

Interest income for the Group reclassified trading instruments is now shown under net income from financial investments; before reclassification interest income was shown in net trading income. In 2010, net income from financial investments contains € 58.1 million (H1 2009: € 56.6 million) of interest income for reclassified trading instruments. The reclassification of AfS assets did not cause a disclosure change of current interest income as it is still shown under net income from financial investments.

In 2010 Group securities with a reclassified carrying amount of € 0.42 billion were sold due to the decided reduction of portfolios. Thereby a net loss of € 3.2 million was realised.

At the date of reclassification the effective interest rate for the trading assets of the Group was between 21.9% and 3.2% (H1 2009: 21.91% and 1.29%). For AfS assets of the Group was between 34.47% and 0.342% (H1 2009: 34.47% and 0.25%).

The following table summarises the carrying amounts and fair values as of 30 June 2010 as well as fair value gains and losses that would have been recognised at 30 June 2009 if the financial assets had not been reclassified.

Reclassifications	**into:** Financial investments LaR			**Effect in reporting period if no assets had been reclassified**	
	Reclass date	**30 June 2010**		**1 Jan - 30 June 2010**	
		Carrying amount € million	Fair value € million	Income statement € million	AfS reserve (after taxes)
out of:					
HfT financial investments	1 Jul 08	2,527	2,294	107	-
	1 Oct 08	312	330	5	-
		2,839	**2,624**	**112**	**-**
out of:					
AfS financial investments	1 Jul 08	53,702	45,457	-	-3,914
Total		**56,541**	**48,081**	**112**	**-3,914**

Reclassifications	**into:** Financial investments LaR			**Effect in reporting period if no assets had been reclassified**	
	Reclass date	**30 June 2009**		**1 Jan - 30 June 2009**	
		Carrying amount € million	Fair value € million	Income statement € million	AfS reserve (after taxes)
out of:					
HfT financial investments	1 Jul 08	2,535	1,916	136	-
	1 Oct 08	530	543	-10	-
		3,065	**2,459**	**126**	**-**
out of:					
AfS financial investments	1 Jul 08	48,341	43,135	-	2,033
Total		**51,406**	**45,594**	**126**	**2,033**

19. Other assets

	30.06.10	**31.12.09**
	€ m	**€ m**
Positive fair values from derivative financial instruments	5,652	3,889
Hedging derivatives (fair value hedges)	*5,268*	*3,525*
Derivatives hedging dFVTPL financial instruments	*384*	*364*
Other assets	134	122
	5,786	**4,011**
Of which due to Group Companies	5	5

Balances due from Group companies in the Group balance sheet include amounts receivable from other entities in the HRE Group.

20. Income tax assets

	30.06.10	**31.12.09**
	€ m	**€ m**
Current tax assets	6	8
Deferred tax assets	369	458
	375	**466**

21. Liabilities to other banks

Liabilities to other banks by maturities:

	30.06.10	31.12.09
	€ m	€ m
Repayable on demand	159	783
With agreed maturities		
up to 3 months	40,039	87,953
from 3 months to 1 year	27,755	41,102
from 1 year to 5 years	2,499	2,473
from 5 years and over	3,050	2,074
	73,502	**134,385**
Of which due to Group Companies	947	62,814

Included under liabilities to banks are amounts due under repurchase agreements.

Balances due to Group Companies in the Group Balance Sheet include amounts payable to other entities in the HRE Group.

22. Liabilities to customers

Liabilities to customers by maturities:

	30.06.10	31.12.09
	€ m	€ m
Repayable on demand	1	-
With agreed maturities		
up to 3 months	62	87
from 3 months to 1 year	85	124
from 1 year to 5 years	47	103
from 5 years and over	759	591
	954	**905**
Of which due to Group Companies	-	-

Balances due to Group Companies in the Group Balance Sheet include amounts payable to other entities in the HRE Group.

23. Liabilities evidenced by certificates

By maturities:

	30.06.10	31.12.09
	€ m	€ m
With agreed maturities		
up to 3 months	1,461	1,350
from 3 months to 1 year	6,658	4,183
from 1 year to 5 years	20,394	16,194
from 5 years and over	21,347	25,881
Total	**49,860**	**47,608**

24. Trading liabilities

	30.06.10	31.12.09
	€ m	€ m
Negative fair values from derivative financial instruments (trading book)	1,984	1,382
Of which:		
Interest-based and foreign-currency-based transactions	*1,341*	*673*
Credit-related transactions	*643*	*709*
Other trading liabilities	1,182	1,377
Standalone derivatives (banking book)	13,380	8,013
Total	**16,546**	**10,772**
Of which due to group companies	1,212	453

Standalone derivatives include mainly derivatives, which are economically hedging but which do not meet the detailed hedge accounting criteria under IFRSs.

Balances due to Group companies in the Group statement of financial position include amounts receivable from other entities in the HRE Group.

25. Provisions

	30.06.10	31.12.09
	€ m	**€ m**
Provisions for pensions and similar obligation	1	1
Restructuring provisions	54	61
Other provisions	1	8
	56	**70**

Development of the restructuring provision:

	2010	2009
	€ m	**€ m**
At 1 January	**61**	**58**
Additions	-	21
Reversals	-1	-4
Amounts used	-6	-14
At period end	**54**	**61**

26. Other liabilities

	30.06.10	31.12.09
	€ m	**€ m**
Negative fair values from derivative financial instruments	23,243	15,738
Hedging derivatives	*23,168*	*15,684*
Micro fair value hedge	23,121	15,620
Cash flow hedge	47	64
Derivatives hedging dFVTPL financial instruments	*75*	*54*
Other liabilities	228	274
Deferred income	10	9
Total	**23,481**	**16,021**
Of which due to Group Companies	191	229

Balances due to Group companies in the Group balance sheet include amounts payable to other entities in the HRE Group.

27. Income tax liabilities

	30.06.10	31.12.09
	€ m	**€ m**
Current tax liabilities	41	38
Deferred tax liabilities	248	159
Net deferred tax balance	**289**	**197**

Income tax liabilities include both provisions and liabilities from current taxes as well as deferred tax liabilities.

28. Subordinated capital

Breakdown	**30.06.10**	**31.12.09**
	€ m	**€ m**
Subordinated liabilities	1,074	1,072
Hybrid capital instruments	-	-
Total	**1,074**	**1,072**
Of which due to Group Companies	511	511

Subordinated capital, broken down by maturities	**30.06.10**	**31.12.09**
	€ m	**€ m**
With agreed maturities		
up to 3 months	-	1
from 1 year to 5 years	10	10
from 5 years and over	1,064	1,061
	1,074	**1,072**

Since the first quarter of 2009, certain hybrid issues of the Group 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 depends on whether the Group has a contractual obligation to make payments from an issued financial instrument. The Group has issued subordinated 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 Group 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 (€ 1,136 million) to be reclassified to equity from subordinated capital in 2009.

29. Assets and liabilities according to measurement categories (Including disposal group)

	30.06.10	**31.12.09**
	€ m	**€ m**
Loans and receivables (net)	204,768	182,922
Available-for-sale	9,835	10,612
Held-for-trading	15,488	10,573
dFVTPL assets	3,746	2,848
Cash reserves	226	1,206
Derivatives	5,652	3,889
Other assets	526	528
Total assets	**240,241**	**212,578**
Held-for-trading	16,546	10,772
Financial liabilities at amortised cost	200,436	183,970
Derivatives	23,243	15,738
Other liabilities	583	550
Total liabilities	**240,808**	**211,030**

Fair value hierarchy in € million (Including disposal group)	30 June 2010 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through P&L				
Trading assets	15,488	-	14,179	1,309
Loans and advances to customers	344	-	-	344
Financial investments	3,402	232	62	3,108
Hedging derivatives	5,268	-	5,250	18
Derivatives hedging dFVTPL	384	-	-	384
Available for sale				
Financial investments	9,835	9,374	461	-
Total	**34,721**	**9,606**	**19,952**	**5,163**
Liabilities				
Financial liabilities at fair value through P&L				
Trading liabilities	16,546	-	15,046	1,500
Hedging derivatives	23,168	-	22,999	169
Derivatives hedging dFVTPL	75	-	-	75
Total	**39,789**	**-**	**38,045**	**1,744**

Fair value hierarchy in € million	31 December 2009 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through P&L				
Trading assets	10,573	-	9,199	1,374
Loans and advances to customers	333	-	-	333
Financial investments	2,515	-	2,515	-
Hedging derivatives	3,525	-	3,519	6
Derivatives hedging dFVTPL	364		340	24
Available for sale				
Financial investments	10,612	10,148	464	-
Total	**27,922**	**10,148**	**16,037**	**1,737**
Liabilities				
Financial liabilities at fair value through P&L				
Trading liabilities	10,772	-	8,916	1,856
Hedging derivatives	15,684	-	15,516	168
Derivatives hedging dFVTPL	54	-	54	-
Total	**26,510**	**-**	**24,486**	**2,024**

	Financial assets					
Changes in Level 3 financial assets € million	Trading assets	Loans & advances to customers	Financial investments	Hedging derivatives	Derivatives dFVTPL	Total
Balance at 1 January 2010	**1,374**	**333**	**-**	**6**	**24**	**1,737**
Total gains/(losses) recognised in income statement	-83	12	424	11	62	426
Purchases	76	44	729	1	-6	844
Settlements	-62	-45	-99	-	-22	-228
Transfer into level 3	4	-	2,054	-	326	2,384
Balance at 30 June 2010	**1,309**	**344**	**3,108**	**18**	**384**	**5,163**

Changes in Level 3 financial liabilities € million	Financial liabilities			
	Trading liabilities	Hedging derivatives	Derivatives hedging dFVTPL	Total
Balance at 1 January 2010	**1,856**	**168**	**-**	**2,024**
Total losses recognised in income statement	153	2	41	196
Purchases	-	-	8	8
Settlements	-509	-1	26	-484
Balance at 30 June 2010	**1,500**	**169**	**75**	**1,744**

30. Financial instruments classified as disposal group

In January 2010, HRE Holding as the parent company of DEPFA Bank plc submitted an application to the German Federal Agency for Financial Market Stabilisation ("FMSA") for the establishment of a deconsolidated environment. The FMSA established deconsolidated environment "FMS Wertmanagement AöR" On 8 July 2010. HRE Group including DEPFA Bank plc wish to transfer non-strategic or non-performing assets to this deconsolidated environment. The assets and liabilities which have been identified for this transfer consist exclusively of financial instruments, but, notwithstanding the fact that the deconsolidated environment has already been established, the transfer has yet to be approved by the FMSA and the European Commission.

Assuming that approval of the FMSA and the European Commission is forthcoming, it is intended that all identified financial instruments will be transferred in the second half of 2010 by technical as well as accounting means, so that the deconsolidated environment will become the (beneficial) owner of the assets at that time.

In general, the financial instruments will be transferred to the deconsolidated environment in the form of a demerger or singular succession (both herein after referred to as "true sale"). If a true sale is not possible as a result of legal or operational restrictions, the financial instruments will be transferred by way of granting sub-participations. Whereas title is transferred directly in the event of a true sale, beneficial ownership is normally transferred in the event of a sub-participation. If a transfer of beneficial ownership either by true sale or sub-participation cannot be carried out as a result of legal or technical restrictions, offsetting transactions will be concluded with the deconsolidated environment in exceptional cases in order to transfer the market risks and/or liquidity risks. Such offsetting transactions do not qualify for derecognition in accordance with IAS 39.17 et seq.

In return for transferring the financial instruments to the deconsolidated environment, the HRE Group will acquire a claim for compensation from the deconsolidated environment. In addition, the FMSA in its capacity as the indirect sole shareholder of DEPFA Bank plc will obtain shares in the deconsolidated environment.

In addition to the business segment Infrastructure Finance, the group also intends to transfer financial instruments from other business segments but without transferring any other business segments completely. These financial instruments intended to be transferred to the deconsolidated environment are classified as "disposal group".

Disposal group

	30.06.10 € m
ASSETS	
Trading assets	1,461
Loans and advances to other banks	13,280
Loans and advances to customers	85,366
Allowances for losses on loans and advances	-517
Financial investments	60,421
Total assets	**160,011**
LIABILITIES	
Liabilities to other banks	75,046
Total assets	**75,046**
EQUITY	
Amount recognised in equity relating to disposal group - AfS	-4,098
Total equity	**-4,098**

All financial instruments are measured in accordance with IAS 39 as of 30 June 2010. Any cumulative income or expenses recognised in the AFS revaluation reserve, related to the transferred disposal group, are also disclosed separately within statement of financial position.

31. Loans and advances past due but not impaired

At 30 June 2010, the following amounts were noted as being past due. However, no impairment provision was made against these past due amounts as the Group does not consider that there is any issue regarding their recoverability. Such timing issues in receipts of payments due occur frequently in the normal course of business and do not, by themselves impair the quality of the receivable. The total book value in relation to the amounts has also been disclosed to put the size of the amounts in question into context.

	30.06.10	31.12.09
	€ m	€ m
Assets: past due but not impaired (due amount)		
Past due but not impaired less than 90 days	9	-
Past due but not impaired between 3 months and 6 months	3	-
Past due but not impaired between 6 months and 1 year	-	96
Past due but not impaired greater than 1 year	-	-
Total	**12**	96
Assets: past due but not impaired (total investment)		
Past due but not impaired less than 90 days	58	13
Past due but not impaired between 3 months and 6 months	54	-
Past due but not impaired between 6 months and 1 year	-	96
Past due but not impaired greater than 1 year	-	-
Total	**112**	**109**
Carrying amount of the individually assessed impaired financial assets		
Loans	797	763
Total	**797**	**763**

Carrying amounts of loans and receivables

	30.06.10	31.12.09
	€ m	€ m
Carrying amount of loans and receivables that are neither impaired nor past due	49,316	130,919
Carrying amount of loans and receivables that are past due but not impaired	112	109
Carrying amount of individually assessed impaired financial loans and receivables	797	763
Total	**50,225**	**131,791**
Of which loans and advances to other banks	22,722	25,541
Of which loans and advances to customers	27,503	106,250

32. Contingent liabilities and commitments

	30.06.10	31.12.09
Contingent Liabilities	€ m	€ m
Guarantees and indemnity agreements		
Loan guarantees	313	95
Other Commitments		
Irrevocable loan commitments		
Lending business	2,544	3,283
Liquidity facility	1,822	2,154
Total	**4,679**	**5,532**

33. Related party transactions

Balances due to and from group companies are disclosed in the notes to the balance sheet. The largest group into which the results of the Bank are consolidated is that headed by HRE Holding. Transactions with group companies (Including disposal group) consisted of:

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Interest and similar income	60	111
Interest expense and similar charges	-306	-744
Commission expense	-195	-200
Net trading income	-	33
Other operating income	3	2
General administrative expenses	-29	-11

The amounts above arise on intercompany borrowings and lending, and transfers of assets between the Bank and other group entities, as well as recharges for certain services provided. All related party transactions are entered into at an arm's length basis

Key management compensation

Key management consists of the board of directors and executive committee members. Key management compensation consists of short term benefits and post employment benefits.

There have been no loans to members of the Board in 2010 and 2009, nor are there any loans outstanding to members of the Board at 30 June 2010 (31 December 2009: € nil).

There have been no compensation paid for loss of office to key management for the period ended 30 June 2010. (H1 2009: €616,760)

34. Average number of employees

	30.06.10	30.06.09
Average number of employees	414	552

35. Regulatory capital and capital adequacy ratios in accordance with BIS

Regulatory capital	30.06.10 € m	31.12.09 € m
Tier I capital	3,638	3,431
Tier II (Supplementary) capital	1,367	1,278
Total Regulatory Capital	**5,005**	**4,709**

Capital adequacy ratios	30.06.10	31.12.09
BIS Risk Weighted Assets (€ million)	57,338	52,053
Tier i capital ratio	6.35%	6.59%
Total capital ratio (Tier I +II)	**8.73%**	**9.05%**

The regulatory capital and capital adequacy ratios were produced in accordance with the Bank for International Settlements' (BIS), Basel II Accord regulations to facilitate International comparisons (standardized approach).

With a Tier I Capital Ratio of 6.35% and a Total capital ratio of 8.73% the Group exceeds the minimum required ratios of 4% and 8.5% respectively.

Capital ratios were not breached at either a Company or Group level during H1 2010.

36. Discontinued operations

DEPFA Bank plc intends to transfer the business segment Infrastructure Finance comprising infrastructure finance arrangements as part of transfer to the deconsolidated environment (for further details please refer to note 30). Income and expenses, and gains and losses relating to the discontinuation of this business segment have been removed from the results of continuing operations and are shown as a single line item on the face of the income statement (net profit for the period from discontinued operations). The operating results excluding non-directly related expenses of the discontinued operations were as follows:

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Results of discontinued operations		
Net interested income	61	94
Net fee and commission expense	-25	-42
Net trading income / expense	-5	9
Net expenses from hedge relationships	-15	-3
Results from operating activities	**16**	**58**
Provision for losses on loans and advances	-58	-15
Pre-tax loss / profit	**-42**	**43**
Income tax	-	-
Net loss / profit for the period from discontinued operations	**-42**	**43**

Cash flows from discontinued operation

	1.1-30.06 2010 € m	1.1-30.06 2009 € m
Net cash from operating activities	16	58
Effect on cash flows	16	58

Effect of discontinued operation on the financial position

	30.06.10 € m
Trading Assets	-
Loans and advances to other banks	47
Loans and advances to customers	21,219
Allowances for losses on loans and advances	-256
Financial investments	57
	21,067

37. Events after the balance sheet date

On 9 July 2010 the Bank received a non refundable capital contribution from HRE Holding of €100 million. This non-refundable contribution qualifies as Regulatory Tier I Capital.

On 30 July 2010 the Bank received a non refundable capital contribution from HRE Holding of €100 million. This non-refundable contribution qualifies as Regulatory Tier I Capital

Apart from the above, there have been no other notable events after 30 June 2010.