

Press release

German government to acquire a stake in the share capital of Hypo Real Estate Group

- **8.7 per cent stake to be acquired in a first step**
- **SoFFin intends to gain full control over Hypo Real Estate Group**

Frankfurt/Munich, 28 March 2009 - The German Financial Markets Stabilisation Fund (SoFFin) intends to take action to stabilise Hypo Real Estate Group, in the interest of stabilising the financial markets; specifically, SoFFin will implement measures to achieve a sufficient recapitalisation of Hypo Real Estate Holding AG, and will extend further guarantees. This was confirmed today by SoFFin in a declaration of intent issued to Hypo Real Estate Holding AG and Hypo Real Estate Bank AG.

It is a prerequisite for the intended recapitalisation of Hypo Real Estate Group by SoFFin that either SoFFin or the German government gain full control over Hypo Real Estate Holding AG. To this end it is intended to make use of the options that will be provided by the German Financial Markets Stabilization Amendment Act, which is currently being discussed in the legislative process.

In this way the restructuring required for the sustainable stabilization of the Group can be implemented with the requisite legal reliability, swiftness and in an economically reasonable manner, the high level of capital investment expected to be required for the restructuring can be justified and Hypo Real Estate Group's funding costs can be reduced considerably.

As a first step to recapitalise Hypo Real Estate Group, SoFFin has committed itself to acquiring 20 million Hypo Real Estate shares to be issued under authorised capital, at the minimum price prescribed by law of EUR 3.00 per share, to the exclusion of shareholders' pre-emptive rights. New shares must be issued at least at the minimum issue price, which amounts to EUR 3.00 per share for Hypo Real Estate Holding AG. The

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entire issue amount of EUR 60 million thus payable by SoFFin will be made available to Hypo Real Estate Holding AG, not to the existing shareholders. SoFFin will thus acquire a stake of approx. 8.7 per cent in Hypo Real Estate Holding AG.

The Management Boards of Hypo Real Estate Holding AG and of Hypo Real Estate Bank AG have undertaken, with the approval of their respective Supervisory Boards, to SoFFin to take the necessary steps to implement the recapitalisation.

Dr Axel Wieandt, CEO of Hypo Real Estate Holding AG and Hypo Real Estate Bank AG, commented: "With the intended long-term liquidity and capital support, for which we are very grateful, the Federal Republic of Germany – through SoFFin – will provide the basis for the continued existence of Hypo Real Estate Group as a going concern. We welcome this step which is in the best interest of the Companies and which was approved unanimously by the Management Boards and the Supervisory Boards. We will within our means do everything in our power to support SoFFin in its implementation. On this basis, we want to gradually adapt the Group's business model to the changed environment on the capital markets and real estate markets, making Hypo Real Estate Group a successful specialist bank for real estate and public finance."

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