

Press release

Hypo Real Estate Group anticipates burden on income for Q2/2009 arising from risk provisions at least in the high three digit million region

- **Bank examines transfer of problem loans and Value Portfolio**
- **Social plan for necessary personnel reduction is negotiated**

Munich, 22 June 2009 – Hypo Real Estate anticipates significant burdens on income for the second quarter of the current year at least in the high three digit million region, resulting from further risk provisions for receivables and securities in the course of the financial crisis and the economic downturn. These value adjustments affect for the most part real estate loans. They are related to the further deteriorated regional economic conditions, especially in the markets in North America, Southern Europe, Great Britain, already recognized as being critical, but also in Germany. This development is leading to a high burden on equity, particularly at Hypo Real Estate Bank AG.

Hypo Real Estate will publish its second quarter report on 7 August 2009. Already with the publication of the 2008 Financial Statements the company communicated that it expected to remain in a loss-situation at least for the years 2009 and 2010.

Hypo Real Estate is examining possibilities for a transfer of significant portions of its problem loans as well as its non-strategic Value Portfolio, to a wind-down institute. This model, which will be known as a ‘consolidation bank’ was originally developed for the Landesbanken and exists up to now in draft legal form only. The application of this model could improve the balance sheet composition of Hypo Real Estate and considerably reduce the balance sheet figure. The healthy strategic part of the bank would thereby be coercively and more speedily freed up.

As it happens, the realignment of Hypo Real Estate is coming along well. One element of this realignment is the reduction of the cost base as part of which, in two steps, staff will be reduced worldwide by approx. 1000 in total. The bank has concluded reconciliation of interests for Germany for the year 2009 with the appropriate works councils. The underlying social plans will cover the entire staff reduction period until 2013. The social plan applying to the majority of staff in Germany has already been agreed.

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