

Hypo Real Estate Bank AG



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**Hypo Real Estate Bank AG: Negotiations for a EUR 50 billion liquidity facility for HRE Group completed / Provisional pre-tax loss of approx. EUR 3.1 billion in the third quarter of 2008, including write-offs of approx. EUR 2.5 billion on DEPFA**

**Hypo Real Estate Bank AG / Agreement/Quarter Results**

Release of an Ad hoc announcement according to § 15 WpHG, transmitted by DGAP - a company of EquityStory AG.

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- Negotiations for a EUR 50 billion liquidity facility for Hypo Real Estate Group completed
- Provisional pre-tax loss of approx. EUR 3.1 billion in the third quarter of 2008, including write-offs of approx. EUR 2.5 billion on intangible assets (DEPFA)
- Further negative impacts on earnings expected in the fourth quarter of 2008 and in 2009
- Application for support from SoFFin being prepared

Hypo Real Estate Group and a financial consortium, Deutsche Bundesbank, and the German Federal Government have finalised the announced EUR 50 billion liquidity facility, which has been partially guaranteed by the Federal Government. The relevant legal documentation has been signed, or is ready to be signed. The funds under the facility will be made available as and from 13 November 2008.

Subject to an extension of the Federal guarantee beyond 31 March 2009, the liquidity facility has a term maturing on 31 December 2009. In line with EU regulations, the Federal guarantee will initially have a term maturing on 31 March 2009. Hypo Real Estate Group will approach the Federal Government in due course in respect of an extension of the Federal guarantee beyond its initial term.

In accordance with the contractual agreements, the costs of the liquidity facility will be equivalent to 93 basis points per annum (p.a.) over three-month Euribor (based on today's reference interest rates). In addition, a debtor warrant (Besserungsschein) involving costs of a further 90 basis points p.a. on average has also been agreed which has to be paid over a seven year period on a cumulative basis to the extent the Group generates a pre-tax profit provided that payments will be capped at EUR 100 million p.a. in the years 2009-2011, and at EUR 150 million p.a. in the years 2012-2015.

Hypo Real Estate Group is providing collateral of EUR 60 billion (comprising loans and securities) to secure the liquidity facility. In addition, Hypo Real Estate Holding AG has pledged its shares in the Group's operating bank subsidiaries as collateral for the Federal guarantee. The negative consolidated loss of Hypo Real Estate Group in the third quarter 2008 arising in the environment of a worsening global financial crises amounts to EUR 3.1 billion determined on the basis of numbers not finally discussed with the Supervisory Board. This negative result is largely attributable to the complete write-off of approx. EUR 2.5 billion of goodwill and other intangible assets recognised at Hypo Real Estate Holding AG that have arisen as a result of the first-time consolidation of DEPFA. These are impairments of book values which do not result in any cash outflows. Since the DEPFA goodwill and the intangible assets had already been deducted in the past for the purposes of reporting regulatory core capital, such losses will not reduce Hypo Real Estate Group's core capital ratio. Further costs totalling approx. EUR 600 million recognised in income

for the third quarter of 2008 were due to various factors, including the consequences of the collapse of Lehman Brothers, the situation in Iceland, a further impairment relating to the investment in Babcock & Brown and other losses in value relating to the CDO holdings of Hypo Real Estate Group. In addition, in view of the deterioration of the real estate markets, an additional amount of approx. EUR 100 million in portfolio-based allowances was recognised.

The core capital ratio of the Hypo Real Estate Group (according to BIS rules) was 6.8 per cent as at 30 September 2008 (including market risk positions, 30 June 2008: 8.2 per cent).

For the fourth quarter, Hypo Real Estate Group expects that results will be negatively affected as a result of the costs of the agreed liquidity facility including the additional costs for bridging the liquidity shortage until 13 December 2008 by Bundesbank which is being guaranteed by the Federal Government and the German Financial Markets Stabilisation Fund (Finanzmarktstabilisierungsfonds, 'SoFFin'), as well as expenditure in conjunction with the necessary restructuring and repositioning of the Group. Overall, the market environment remains difficult. The costs of the EUR 50 billion liquidity facility and the restructuring will also impact on results for 2009.

Hypo Real Estate Group will postpone the presentation of its complete interim report for the period ending 30 September 2008 from 12 November 2008 (as originally announced) to 17 November 2008.

As already announced on 29 October 2008, in addition to the liquidity facility, Hypo Real Estate Group is seeking further extensive support from SoFFin. This support is intended to cover both additional liquidity and any significant capital requirements. The granting of such support by SoFFin forms the basis for the necessary restructuring and repositioning of the Group. Hypo Real Estate Group is currently preparing the relevant applications to SoFFin.

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