

Repositioning and Restructuring of HRE Group

December 2008

Management agenda

Hypo Real Estate

GROUP

Stabilize the company

Define future business model and strategy

Review organizational and governance structure

Form future leadership team

Conduct risk and portfolio review

Repositioning and restructuring of HRE Group is necessary

Business Model

Business model requires re-alignment

- | Business activities
- | Funding structure
- | Risk profile

Market Development

Alignment of capacities in cyclical downturn

- | Selective new business
- | Focus on risk management

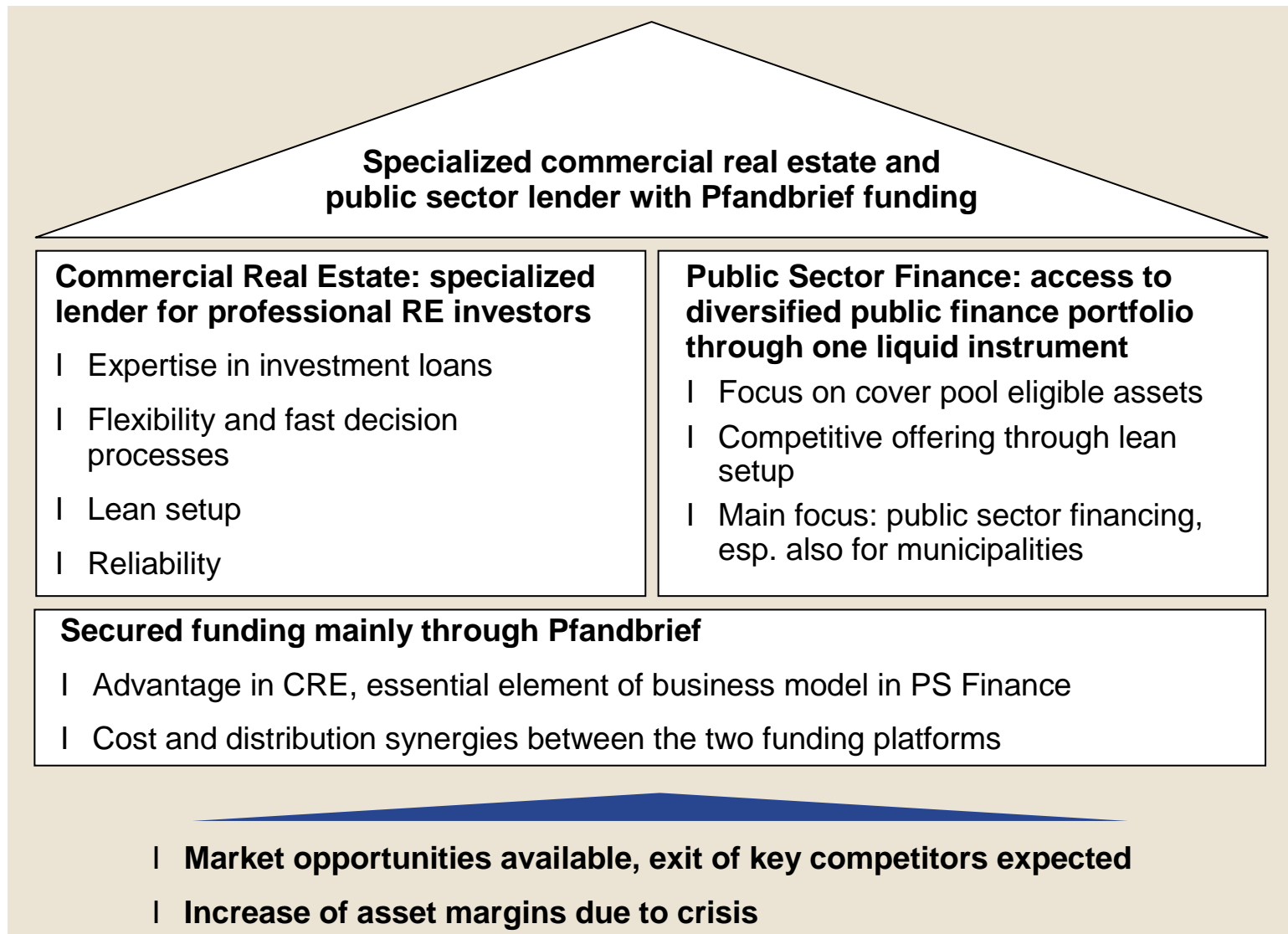
Organization & Governance

Accelerated integration of Group

- | Simplification of legal structure
- | Standardization of operation platforms
- | Consolidation of IT platforms

Repositioning and restructuring is a necessary condition for further extensive support by SoFFin, which is the basis for the going-concern of the company

Target business model: specialized commercial real estate and public sector lender with Pfandbrief funding



Repositioning and restructuring necessary in order to return as a viable market participant

Preconditions:

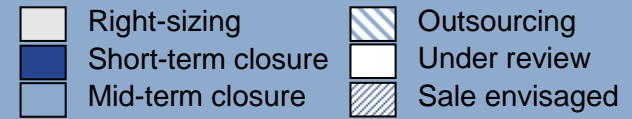
- | Extensive support by SoFFin
- | Normalization of financial markets over time



Cornerstones of the restructuring program

- I Reduction of **staff level from ~ 1.800 to ~ 1.000** by the end of 2011, thereof **2/3 of reductions outside Germany**; further **reduction to ~ 800 employees** by the end of 2013
- I Discontinuation of **Infrastructure Finance; CMAM** in run-off
- I Reduction of yearly **running cost base** by **EUR ~ 200 million by 2011** and **EUR ~ 250 million by 2013**
- I **One-off costs** for restructuring of EUR ~ 400 million; thereof ~ 2/3 expected to be effective in 2008

According to current plan, several locations to be closed already in the short term

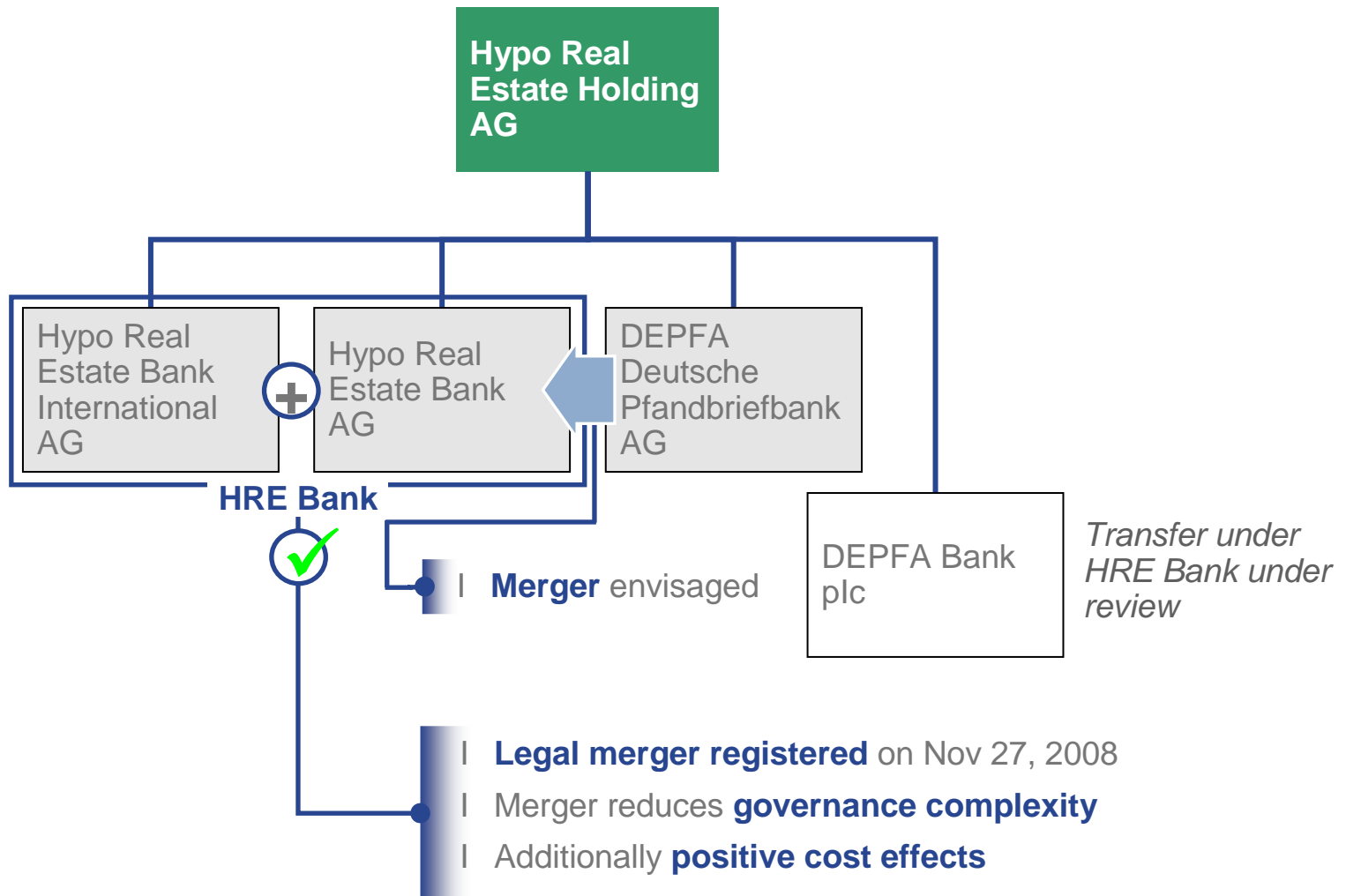


Region	Main locations of HRE Group*
Germany	Munich
	Eschborn
	Stuttgart ¹
	Berlin ²
	Hamburg ²
	Dortmund (incl. Collineo)
Ireland & UK	Dublin
	London
	Manchester ³
Americas	New York
	Chicago
	Mexiko
	Sao Paulo
	Other

Region	Main locations of HRE Group*
Rest of EU	Paris
	Madrid
	Rome
	Milan ⁴
	Stockholm
	Amsterdam
	Athens
	Luxembourg ⁵
	Copenhagen
	Warsaw
	Bukarest
	Nicosia
	Istanbul
	Tel Aviv/Ramat Gan
Rest of world	Tokyo ⁶
	Singapore ⁴
	Hong Kong ⁴
	Mumbai ⁴

1 IT infrastructure outsourcing planned for 2009
 2 Centralization in Munich
 3 Transfer to London
 4 Run-down to ensure adequate risk management
 5 Outstanding lettre de gage (timeline to be detailed)
 6 Decision on retention of location in 2010 (evaluation of practical Pfandbrief cover pool eligibility)
 * Other: Frankfurt, Geneva, Goteborg, Lisbon, Zurich

Simplification of legal structure has been started and alignment of governance initiated – further measures currently under evaluation



Process going forward

Definition of restructuring plan details will continue over the next weeks

- I Thorough **planning of implementation phasing for each location** will be launched immediately
- I **Holistic and detailed plan** will be finalized until end of Q1 2009
- I **Timely nomination of 2nd-level management**

Ongoing process of consultation with employee representatives/negotiations with works council defined

- I Consultation with **employee representatives** and **works councils** initiated
- I Central program coordination team lead by Frank Krings, COO

Ongoing discussions with SoFFin regarding extensive support

Contact Details

Investor Relations

Ulrich Kern
(Head of Investor Relations)

+49 (0)89 203 007 780
ulrich.kern@hyporealestate.com

Frank Ertz

+49 (0)89 203 007 776
frank.ertz@hyporealestate.com

Michael Heuber

+49 (0)89 203 007 778
michael.heuber@hyporealestate.com

Heike Peller
(Assistant)

+49 (0)89 203 007 782
heike.peller@hyporealestate.com

Marc Towner

+353 1 792 2084
marc.towner@hyporealestate.com

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