

Press release

Hypo Real Estate Group clarifies facts regarding hedge transactions

Munich, 20 February 2009 – Hypo Real Estate Group has clarified facts regarding media reports on its derivatives positions. Hypo Real Estate Group said on Friday that these reports showed a misinterpretation of the Group's derivatives positions. The Group explained that in fact, the clear majority of these derivative transactions had been concluded in order to hedge against credit and market risks, pointing out that such transactions were regularly disclosed in the annual report.

In line with current practice adopted by other banks and market participants, Hypo Real Estate Group uses derivatives to hedge against credit and market risks arising from fluctuations in interest rates and foreign exchange rates, for example. Such hedges are connected to underlying transactions: the purpose of hedging is to avoid risks, not to enter into additional risk exposures.

Hypo Real Estate Group currently has derivative transactions in its books with an aggregate nominal volume of approx. one trillion euros. In line with accounting standards, the market value (as opposed to the underlying nominal amounts) is carried on the balance sheet. Hypo Real Estate discloses nominal values of derivatives in its annual report. In accordance with accepted market practice, derivatives positions are backed by additional collateral. Only mark-to-market changes in value impact on liquidity; there is no need to refinance nominal amounts of derivatives.

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