

PRESS RELEASE

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Guarantee facility for HRE increased temporarily by up to 40 billion Euro

In view of the envisaged spin-off of substantial risk assets and non-strategic business lines by the HRE group (HRE) to FMS Wertmanagement that is planned to take place, subject to EU state aid approval and decision of the Lenkungsausschuss (Steering Committee), in the second half of 2010, the German financial stabilisation fund SoFFin will increase the volume of guarantees for HRE by up to 40 billion Euro until year end. The total maximum of the guarantee facility for HRE consequently amounts to temporarily up to 142 billion Euro.

The Steering Committee of the SoFFin has taken that decision to avoid any liquidity shortfall in the context of the envisaged spin-off.

Liquidity shortfalls might arise for HRE from unforeseeable movements in the interest and capital markets as well as from settlement and transfer risks in the context of the envisaged transfers to FMS Wertmanagement. The spin-off will result in multiple technically complex book entries involving counterparties in different countries and will have to take into account multiple jurisdictions. "This measure is highly complex and probably unique in respect of its volume. It will require a substantive joint effort, but its success will be a milestone in the restructuring of HRE" said Dr. Hannes Rehm, spokesman of the Leitungsausschuss (Management Committee) of the Bundesanstalt für Finanzmarktstabilisierung.

All bonds that might be guaranteed under the temporarily increased guarantee facility will be transferred together with all existing guaranteed bonds to FMS Wertmanagement. FMS Wertmanagement will successively replace such bonds with bonds to be issued by FMS Wertmanagement. The bonds guaranteed by SoFFin will consequently be redeemed in full and the guarantees will be returned.

The entire measure is subject to state aid clearance by the EU-Commission.

Financial Market Stabilization Fund (SoFFin)

The Financial Market Stabilisation Fund is managed by the Financial Market Stabilisation Agency. It has been given the name “Financial Market Stabilisation Fund“ as per its objective and because of the limited period of time it will be in operation. The fund was created on 17 October 2008 under the German Financial Market Stabilisation Act.

For further questions, please contact:

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