

Hypo Real Estate Holding AG
Preliminary full-year figures for 2007; influenced by impairment of CDO portfolio; sound development in core business; dividend reduction for 2007 – outlook for 2008

Munich, 15 January 2008 – Based on unaudited combined results including the full-year figures of DEPFA BANK (acquired in early October), the new Group's preliminary 2007 pre-tax profit amounted to EUR 1.24 billion (excluding non-recurring effects; 2006: approx. EUR 1.23 billion). This figure does not include EUR 50 million in expenses for the acquisition and integration of DEPFA BANK, and a EUR 390 million charge (of which EUR 295 million was recognised in the income statement) taken during the fourth quarter, to account for the impairment of the Group's US-exposure of collateralised debt obligations (CDOs). The revaluation of the US CDO portfolio is in line with the conservative risk policy maintained by Hypo Real Estate Group, and reflects the continuing weakness of financial markets, as well as the downgrades of this asset class by rating agencies.

Including these non-recurring effects, the Group's combined pre-tax profit for 2007 amounted to EUR 890 million. At present, no figures after taxes are available. The Group no longer expects to achieve return on equity after taxes of 12%, as communicated previously.

Following the sound development in its core business, at EUR 1.99 billion, the Group's combined operating revenues (excluding effects from the acquisition of DEPFA) were slightly higher than in 2006 (EUR 1.96 billion). This includes a negative net trading income of EUR 60 million (2006: EUR 178 million profit), which was attributable to market developments.

Excluding the net trading income, operating revenues were up by 15%.

Combined provisions for losses on loans and advances amounted to EUR 105 million, down 34% from the previous year (2006: EUR 159 million).

Combined general administrative expenses increased, predominantly as a result of dynamic business growth, to EUR 645 million (2006: EUR 563 million, +15%).

At EUR 32.0 billion, new business originated in the Commercial Real Estate Finance segment was up 20% in 2007, exceeding budget by 45% – with

margins developing favourably. New business in Public Finance expanded by 13%, to EUR 57.4 billion. Margins also developed favourably. The Infrastructure Finance segment generated EUR 11.8 billion in new business.

Subject to approval of the financial statements, the Management Board and Supervisory Board intend to propose to the Annual General Meeting to distribute a dividend of 50 cents per share for the financial year 2007 (2006: EUR 1.50). This conservative dividend policy will help secure a sound capitalisation, which will permit the Group to actively pursue current opportunities for growth in its operative businesses.

Hypo Real Estate Group envisages growth momentum for 2008 to materialise particularly in its Public Finance and Infrastructure Finance segments. The Commercial Real Estate Finance portfolio is expected to remain stable. General administrative expenses for 2008 are forecast at between EUR 550 million and EUR 600 million. Thanks to synergy effects resulting from the integration of DEPFA, the figure will thus be significantly lower than in 2007. Provisions for losses on loans and advances are expected to be higher than the EUR 105 million figure reported for 2007.

Based on the assumptions set out above, the Management Board envisages 2008 Group pre-tax profit at between EUR 1.0 billion and EUR 1.2 billion. Group return on equity after taxes is expected between 10% and 12%. These statements are subject to the proviso that there will be no major unexpected events materially affecting the Group, particularly with regard to developments in the credit and financial markets.