

Mandatory publication pursuant to §§ 34, 27 para. 3 sentence 1 and § 14 para. 3 sentence 1
German Securities Acquisition and Takeover Act
(Wertpapiererwerbs- und Übernahmegesetz) (WpÜG)



**Joint Statement
of the Management Board and the Supervisory Board**

of

Hypo Real Estate Holding AG
Unsöldstraße 2, 80538 Munich, Germany

pursuant to § 27 para. 1 German Securities Acquisition and Takeover Act

to the public takeover offer

(cash offer)

by

**the Federal Republic of Germany
acting through the Financial Market Stabilization Fund
represented by the Financial Market Stabilization Agency**

Taunusanlage 6, 60329 Frankfurt am Main
Germany

to the shareholders of

Hypo Real Estate Holding AG

HRE Shares: ISIN DE0008027707
HRE Shares offered for sale: ISIN DE000A0XFTE1

Contents

	Page
I. RECOMMENDED ACTION	1
II. GENERAL INFORMATION ON THIS STATEMENT	3
1. Legal basis of this Statement	3
2. Factual basis of this Statement.....	3
3. Publication of this Statement	3
4. HRE Shareholders' individual responsibility	4
III. GENERAL INFORMATION ON THE TARGET COMPANY.....	4
1. General information.....	4
a) Hypo Real Estate Holding AG.....	4
b) Structure of the HRE Group	5
c) Overview of the operations of the HRE Group	6
2. Shares of HRE Holding	6
3. Composition of the Management Board and the Supervisory Board	7
4. Financial information for the 2008 financial year and outlook	8
IV. NECESSITY OF RESTRUCTURING AND STABILIZATION OF HRE GROUP.....	10
1. Effects of the financial crisis and stabilization measures taken to date.....	10
2. Strategic realignment and restructuring of the HRE Group.....	11
3. Recapitalization of the HRE Group	12
V. INFORMATION ON THE BIDDER	16
1. Description of the Bidder.....	16
2. Share ownership of the Bidder.....	16
VI. MATERIAL PROVISIONS OF THE OFFER.....	16
1. Overview of major provisions	17
2. Statutory merger control approval	17
3. Notification and approval procedures under banking supervision laws	18
VII. TYPE AND AMOUNT OF CONSIDERATION AND IMPROVEMENT	18
1. Type and amount of consideration and improvement.....	18
2. Statutory minimum offer price.....	19
3. Comparison of the offered compensation with the historical stock exchange prices and the current stock exchange price	19
4. Comparison of offered compensation with intrinsic value of HRE Shares prior to recapitalization	20
VIII. OBJECTIVES OF THE BIDDER WITH RESPECT TO HRE HOLDING	21
1. Future business activity, assets and future obligations of the HRE Group.....	21
2. Effects on the Management Board and the Supervisory Board.....	22
3. Effects on the employees and their representatives as well as the employment conditions of the HRE Group	22
4. Seat of HRE Holding, locations of significant parts of the corporation	23
5. Possible structural measures	23

6.	Future activity of the Bidder	23
IX.	EFFECT OF THE OFFER ON HRE SHAREHOLDERS	23
1.	Consequences of acceptance of the Offer	24
2.	Consequences of rejection of the Offer	25
X.	INTERESTS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD.....	25
XI.	INTENTION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD WITH RESPECT TO ACCEPTANCE OF THE OFFER.....	26

On 17 April 2009, the Federal Republic of Germany (the "**Bidder**"), acting through the Financial Market Stabilization Fund (*Sonderfonds Finanzmarktstabilisierung* – "**SoFFin**", or the "**Fund**"), the latter represented by the Financial Market Stabilization Agency, Taunusanlage 6, 60329 Frankfurt am Main, Germany, pursuant to §§ 34, 14 para. 2 and para. 3 of the German Securities Acquisition and Takeover Act ("**WpÜG**") published the Offer Document within the meaning of § 11 WpÜG (the "**Offer Document**") for the takeover offer of the Bidder (the "**Offer**" or the "**Takeover Offer**") to the owners of shares of Hypo Real Estate Holding AG, Munich, Germany ("**HRE Holding**", the "**Target Company**" or the "**Company**", and together with its affiliated companies, the "**HRE Group**") for the acquisition of all no-par value bearer shares of HRE Holding not owned by the Bidder with each share representing a pro-rata amount of the registered share capital of EUR 3.00 (each share of HRE Holding hereinafter referred to as "**HRE Share**", or collectively as the "**HRE Shares**").

The Bidder's Offer is addressed to all owners of HRE Shares (each being referred to as an "**HRE Shareholder**" and collectively as the "**HRE Shareholders**"). Although the Offer does not cover *American Depositary Receipts* ("**HRE-ADRs**") that represent HRE Shares, owners of HRE ADRs may participate in the Offer by taking the steps described in Section 21 of the Offer Document.

Management Board and Supervisory Board submit the following joint statement with regard to the Offer in accordance with § 27 WpÜG (the "**Statement**") prepping their recommendation to the HRE Shareholders before commenting in detail on the economic situation of HRE Group and the evaluation of the Offer:

I. RECOMMENDED ACTION

Management Board and Supervisory Board support the takeover of HRE Holding being sought by the Bidder and recommend the acceptance of the Offer.

After examining alternative measures Management Board and Supervisory Board have become convinced that only the takeover and control sought by the Bidder in combination with the prospect of continued financial support held out by it, will facilitate the continuation of the HRE Group. Management Board and Supervisory Board do not have proposals of third parties which would cause one to expect an appropriate recapitalization of the HRE Group nor can other measures, such as the sale of individual assets, secure the continued existence of the HRE Group. The Federal Government and the Bidder have also made it clear that the complete takeover of HRE Holding is an essential prerequisite for further support of the HRE Group with liquidity, guarantees and equity capital.

Taking into account the high losses sustained by and anticipated for the HRE Group and the lack of alternatives for an adequate recapitalization, Management Board and Supervisory Board assume that, without the further support by the Bidder, which is according to the latter conditional upon a take over, Holding would in all likelihood have to declare insolvency in

the foreseeable future, whereupon the HRE Shareholders would presumably lose the presently remaining value of their shares without compensation. For this reason and taking the intrinsic value of the HRE Share prior to the envisaged recapitalization (see Section VII.4 of this Statement) into account, Management Board and Supervisory Board consider the compensation offered by the Bidder to be appropriate.

Furthermore, it must be considered that the Bidder and the German Federal Government, as outlined by Section 9.6 of the Offer Document, have decided to carry out a takeover of complete control over HRE Holding by the Bidder by way of a squeeze-out procedure or an expropriation. Based on this, all HRE Shareholders other than the Bidder will ultimately lose ownership of their shares in exchange for the granting of an appropriate cash settlement or compensation. It is currently not possible to give a reliable statement with regard to the amount of the cash settlement or compensation.

If such settlement or compensation is less than the offered consideration, acceptance of the Offer by HRE Shareholders will be more attractive than holding on to their shares.

If, in case of a potential expropriation, the compensation should exceed the value of the offered consideration of EUR 1.39 per HRE Share, the Bidder has undertaken in its Offer vis-à-vis the Shareholders, who accept the Offer, to pay a voluntary improvement in the amount of the respective difference. Thus, HRE Shareholders who accept the Offer are not worse off than those who are waiting for an expropriation. On the contrary, shareholders who accept the Offer have the advantage that they in any case will receive a first portion of the total compensation at an earlier point in time.

By contrast, in the case of a squeeze-out under stock corporation law, no improvement is provided for, that is, HRE Shareholders, who accept the Offer, will not be entitled to any subsequent payment in the event that the settlement to be granted pertaining to a squeeze-out under stock corporation law exceeds the Offer Price. The latter could in particular take place, if the competent courts would take into account for the benefit of outside HRE Shareholders such stabilization measures that the Bidder has granted prior to a squeeze-out under stock corporation law, when calculating the settlement. To shareholders expecting such development the acceptance of the Offer may not seem attractive; however, they should consider that a potential squeeze-out under stock corporation law may result in a settlement per HRE Share which falls short of the Offer Price, and that the settlement will in any case be effected at a later point in time than the Offer Price.

Management Board and Supervisory Board cannot exclude the possibility that the stock exchange price of the HRE Share will increase during or after the Acceptance Period above the amount of the consideration offered. From the perspective of shareholders who, in view of the bank fees that will be incurred, see a possibility of selling their HRE Shares at a higher price on the stock exchange, acceptance of the Offer may in this case not be attractive.

Notwithstanding the previous recommendation, HRE Shareholders must reach their own decision regarding acceptance or rejection of the Offer upon evaluating the terms and conditions pursuant to the Offer Document (in particular, taking into consideration the Bidder's intended measures for obtaining complete control over HRE Holding) as well as all other sources of information and knowledge available to them (including professional advice individually obtained by them) and taking into consideration their individual tax and other concerns. Subject to applicable rules of law, Management Board and Supervisory Board will not assume any responsibility in the event that acceptance or rejection of the Offer should subsequently have negative economic effects on an HRE Shareholder.

II. GENERAL INFORMATION ON THIS STATEMENT

1. Legal basis of this Statement

According to §§ 34, 27 para. 1 sentence 1 WpÜG, the Management Board and the Supervisory Board of a target company must provide a substantiated statement on a takeover offer and on each change made thereto. The group works council (*Konzernbetriebsrat*) of HRE Group has waived its right to give a formal statement.

The Offer Document was submitted to the Management Board of HRE Holding on 17 April 2009. It is available in German and as a non-binding English translation at <http://www.soffin.de>, or may be requested for distribution at UBS Deutschland AG, Stephanstraße 14-16, 60313 Frankfurt am Main, free of charge (orders by fax to +49-(0)69-7222 83).

2. Factual basis of this Statement

All information, forecasts, estimates, valuations and forward-looking statements included in this Statement are based on information available to Management Board and Supervisory Board on the date of publication of this Statement or, as the case may be, reflect their estimates or intentions existing as of that date. The foregoing may be changed after the publication date of this Statement. Management Board and Supervisory Board will only undertake to update this Statement as far as required by law.

Except as expressly stated otherwise, the information contained in this Statement pertaining to the Bidder and the Offer is based on information contained in the Offer Document and/or other publicly available information. Management Board and Supervisory Board indicate that they are not in a position to verify the Bidder's intentions stated in the Offer Document or to guarantee their implementation.

3. Publication of this Statement

This Statement and any additional comments regarding possible changes made to the Offer are published in accordance with §§ 34, 27 para. 3 and § 14 para. 3 sentence 1 WpÜG on the website of HRE Holding at <http://www.hyporealestate.com> and through an announcement in

the electronic German Federal Gazette (*elektronischer Bundesanzeiger*). This Statement will be published in both German and in English. The English translation serves information purposes only; solely the German version shall be binding.

In compliance with Rules 14e-2 and 12g3-2(b) under the U.S. Securities Exchange Act of 1934, the English translation of this Statement will be published on the website of HRE Holding at <http://www.hyporealestate.com>. The Company will publish a corresponding announcement in the U.S. edition of the Wall Street Journal.

4. HRE Shareholders' individual responsibility

Management Board and Supervisory Board indicate that the description of the Offer contained in this Statement does not purport to be complete and that only the provisions of the Offer Document are decisive with regard to the content and processing of the Offer. HRE Shareholders should carefully read the Offer Document as it contains information important to them. The valuations and recommendations of the Management Board and the Supervisory Board contained in this Statement are in no way binding on HRE Shareholders. Each HRE Shareholder must assess whether he or she will accept the Offer and, as applicable, for how many HRE Shares. In making this decision the shareholder must evaluate the totality of his/her individual circumstances (including his/her personal tax situation) and his/her own personal assessment concerning the future development of the value of HRE Shares and their stock exchange price. HRE Shareholders are individually responsible for their decisions with respect to the Offer; to the extent they accept the Offer, each such shareholder is then also responsible for complying with the terms and conditions contained or described in the Offer Document.

Management Board and Supervisory Board indicate that they are not in a position to verify whether HRE Shareholders, by accepting the Offer, are acting in compliance with all legal obligations that possibly may apply to the individual HRE Shareholder. Management Board and Supervisory Board recommend that all persons who receive the Offer Document outside the Federal Republic of Germany, and/or who are subject to laws other than those of the Federal Republic of Germany, inform themselves regarding the applicable laws and abide thereby.

III. GENERAL INFORMATION ON THE TARGET COMPANY

1. General information

a) Hypo Real Estate Holding AG

HRE Holding is registered in the Commercial Register of the Munich Local Court (*Amtsgericht*) under HRB 149393. The Company's seat (*Sitz*) is at Munich. Its headquarters are located at Unsöldstraße 2 in 80538 Munich, Germany. HRE Holding's financial year corresponds to the calendar year.

HRE Holding is a financial holding company within the meaning of the German Banking Act (*Kreditwesengesetz*) that does not carry out operations itself but rather through its subsidiaries. The central functions of HRE Holding include strategic management of the HRE Group and ensuring that operating units have access to the equity and debt capital markets. HRE Holding currently has around 125 employees; the HRE Group has a total of around 1,800 employees within Germany and abroad.

b) Structure of the HRE Group

The listed company HRE Holding is the parent company of HRE Group. HRE Holding has three subsidiaries that, as banks, conduct most of the operational banking business of the HRE Group.

(i) Hypo Real Estate Bank AG

Within the HRE Group, Hypo Real Estate Bank AG ("**HRE Bank**") is the unit with specialized expertise in real estate financing for the German and international market. Also headquartered in Munich, and with branches in core regions, HRE Bank offers its customers in the commercial real estate market a comprehensive range of products and services in the areas of real estate financing and investment banking. HRE Bank has branches and subsidiaries in Europe, Asia and the U.S.A.

(ii) DEPFA BANK plc

DEPFA BANK plc is a company incorporated under Irish law having its seat at Dublin. The bank has subsidiaries and branches in many European countries, the U.S.A. and Asia. The bank is a member of the HRE Group since 2 October 2007. The global government financing and infrastructure financing business is handled by DEPFA Bank plc. Along with a number of its subsidiaries, DEPFA BANK plc is also the unit with specialized expertise in capital market and public sector finance activities. The shares in Hypo Public Finance Bank puc having its registered office in Dublin, which exclusively represented these segments within the HRE Group prior to integration of DEPFA group, were transferred to DEPFA BANK plc.; the business of Hypo Public Finance Bank puc was mainly transferred to DEPFA BANK plc. by way of a merger under the Irish Central Bank Act. Hypo Public Finance Bank puc continues being a subsidiary of DEPFA BANK plc. having own assets. DEPFA BANK plc has a number of other essential subsidiaries, including Hypo Pfandbrief Bank International S.A., Luxembourg, DEPFA ACS Bank plc, Dublin, and Hypo Public Finance USA, Inc., New York. DEPFA ACS Bank plc is a Designated Credit Institution pursuant to the Irish Asset Covered Securities Act. Its task within the Group is to issue Irish Covered Bonds (Asset Covered Securities) to global investors facilitating the refinancing of assets belonging to public sector customers in the EEA, U.S.A., Canada, Japan, Switzerland, Australia and New Zealand.

(iii) DEPFA Deutsche Pfandbriefbank AG

The DEPFA Deutsche Pfandbriefbank AG having its seat at Eschborn was formerly a subsidiary of DEPFA BANK plc which was transferred to HRE Holding as part of the integration of the DEPFA Group. DEPFA Deutsche Pfandbriefbank AG is a covered bond (*Pfandbrief*) issuing bank within the meaning of the German Pfandbrief Act; it issues public covered bonds, which are utilized for the long-term refinancing of many public sector assets. DEPFA Deutsche Pfandbriefbank AG focuses its business activities on public and infrastructure financing in Germany, Austria and Switzerland.

c) **Overview of the operations of the HRE Group**

Besides the expiring business segment Capital Markets & Asset Management, HRE Group is active in two business segments: *Commercial Real Estate Finance* and *Public Sector & Infrastructure Finance*.

(i) Commercial Real Estate Finance

The *Commercial Real Estate Finance* business segment encompasses the HRE Group's German and international commercial real estate financing activities. The HRE Group's product portfolio in this business segment covers developer financing, construction financing, senior and junior loans, mezzanine and portfolio financing, as well as syndicated loans, securitizations and capital market products.

(ii) Public Sector & Infrastructure Finance

The second business segment *Public Sector Finance* meets all public-sector financing needs and is aimed at clients at all public levels. The main activity is financing public-sector budgets and public infrastructure programs. The HRE Group is also active in the fields of infrastructure finance and asset-based finance.

Management Board and Supervisory Board of HRE Holding have adopted a strategic realignment and a restructuring of the HRE Group. For this reason, please refer to the presentation in Section IV.2 of this Statement.

2. Shares of HRE Holding

Under § 3 para. 1 of the Company's Articles of Association, the share capital of HRE Holding amounts to EUR 693,253,560.00 and is divided into 231,084,520 no-par value bearer shares (*auf den Inhaber lautende Stückaktien*) each representing a pro rata amount of the registered share capital of EUR 3.00.

HRE Holding has an authorized capital in the amount of EUR 180,000,000.00 and conditional capitals totaling EUR 120,000,000.00. The conditional capitals were created for the servicing of option and conversion rights (*Options- oder Wandlungsrechte*) that could be granted to the owners of convertible bonds (*Wandelschuldverschreibungen*) and/or bonds with warrants (*Optionsschuldverschreibungen*), profit-participation rights (*Genussrechte*)

and/or profit-linked bonds (*Gewinnschuldverschreibungen*) (or a combination of these instruments) based on the authorization given by the general meeting of 27 May 2008. To date, HRE Holding has not made use of these authorizations. For details regarding the authorized and conditional capital, refer to the Articles of Association of HRE Holding which may be found at <http://www.hyporealestate.com>.

The HRE Shares are listed on the Regulated Market (*Regulierter Markt*) of the Frankfurt Stock Exchange (Prime Standard) under ISIN DE0008027707. In addition, the HRE Shares are included into the OTC market (*Freiverkehr*) of the Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart stock exchanges. The HRE-ADRs are traded on the OTC market of NASDAQ in New York, USA, under ISIN US44915W1018.

In accordance with the definition of the term "Free Float" by the Deutsche Börse (see Section 1.9 of the Guide to the Share Indices of the Deutsche Börse – April 2009 edition) and to the best knowledge of the Company, the free float of the HRE Shares amounts to approximately 80% (as per: 23 April 2009).

3. Composition of the Management Board and the Supervisory Board

The Management Board of the Company currently consists of four members. The members of the HRE Holding Management Board at the time it adopted the resolution regarding this Statement are:

Dr. Axel Wieandt (Chairman),
Manuela Better,
Dr. Kai Wilhelm Franzmeyer and
Frank Krings.

Pursuant to § 7 para. 1 of the company's Articles of Association, the Supervisory Board of the Company is to consist of twelve members being exclusively shareholder representatives. At the time the Supervisory Board adopted its resolution regarding this Statement, the members of the Company's Supervisory Board are:

Dr. Michael Endres (Chairman),
Dr. Edgar Meister,
Siegmar Mosdorf,
Bernd Knobloch,
Hans-Jörg Vetter,
Bernhard Walter (Deputy Chairman) and
Manfred Zaß.

After Dr. Renate Krümmer, J. Christopher Flowers and Richard S. Mully resigned from

office in March 2008, five positions on the Supervisory Board are currently vacant.

4. Financial information for the 2008 financial year and outlook

HRE Holding prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as applicable within the EU. The annual financial statements for HRE Holding are prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, "**HGB**").

In the financial year 2008, the HRE Group incurred significant losses, which reduced the Group's equity capital (under IFRS, excluding reevaluation reserve) as of 31 December 2008 to EUR 2.6 billion (versus EUR 7.9 billion as of 31 December 2007). Taking the reevaluation reserve (*Neubewertungsrücklage*) into account, the group equity capital even displayed the negative amount of EUR 1.5 billion. As of 31 December 2008 the equity capital of HRE Holding (under HGB) fell to EUR 0.7 billion (versus EUR 7.7 billion as of 31 December 2007); this was, in particular, due to mandatory write offs of its operating subsidiaries.

The main key financial figures from the IFRS consolidated financial statements of HRE Holding as of 31 December 2008 are (with the comparative figures for the prior year):

Selected Income Statement information

Consolidated financial statements (IFRS)	Financial Year ending 31 December		
	2008	2007	Change
	EUR millions	EUR millions	%
Operating income.....	-585	906	<-100
Provisions for credit risk (loan loss provisions).....	1,656	-61	>100
Administrative expenses.....	605	435	39
Impairment losses on goodwill and intangible assets of DEPFA.....	2,482	-	>100
Other income/other expenses (net).....	-47	55	<-100
Earnings before tax	-5,375	587	<-100
Tax on earnings.....	86	130	-34
Annual net profit	-5,461	457	<-100

Selected Balance Sheet information

Consolidated financial statements (IFRS)	31 December		
	2008	2007	Change
	EUR millions	EUR millions	%
ASSETS	419,654	400,174	5
Trading assets.....	17,287	20,552	-16
Receivables due from commercial banks.....	49,409	51,975	-5
Receivables due from customers.....	222,048	213,173	4
Financial investments.....	108,740	88,851	22
LIABILITIES	419,654	400,174	5
Payables due to commercial banks.....	146,878	111,241	32
Payables due to customers.....	15,936	27,106	-41
Certified liabilities.....	197,978	218,080	-9

Consolidated financial statements (IFRS)	31 December		
	2008	2007	Change
	EUR millions	EUR millions	%
Trading liabilities	17,236	14,835	16
Accruals	352	144	>100
Share capital	633	602	5
Capital reserves	6,352	5,926	7
Retained earnings	1,085	943	15
Revaluation surplus	-4,117	-1,857	<-100
Consolidated profits	-5,461	457	<-100

The main key financial figures from the separate financial statement of HRE Holding under HGB as of 31 December 2008 are (with the comparative figures for the prior year):

Selected Income Statement information

Separate financial statement under HGB	Financial year as of 31 December		
	2008	2007	Change
	EUR millions	EUR millions	%
Other operating earnings	44.9	3.6	> 100
Personnel expenses	24.8	26.9	-8
Other operating expenses	87.3	52.3	67
Income from profit transfer agreements	17.0	462.4	< -100
Write-downs of investments and current assets securities	6,983.1	0	> 100
Interest and similar expenses	152.2	53.5	> 100
Extraordinary expenses	41.5	0	> 100
Taxes on income	1.3	24.4	< -100
Net loss for the year (Prior year: Net profit for the year)	-7,222.6	475.2	< -100

Selected Balance Sheet information

Separate financial statement under HGB	31 December		
	2008	2007	Change
	EUR millions	EUR millions	%
ASSETS	3,786.9	11,245.0	-66
Fixed assets	1.5	0.9	67
Shares in affiliated companies	3,583.4	10,392.5	-66
Current assets	109.1	670.2	-84
LIABILITIES	3,786.9	11,245.0	-66
Share capital	633.3	603.3	5
Capital reserves	87.6	5,940.0	-99
Net profits	0	240.7	-100
Accruals	68.4	35.6	92
Payables due to banks	202.7	202.4	0
Payables due to affiliated companies	2,781.8	3,308.3	-16

For details, refer to the annual report, including the approved consolidated financial statements, and the confirmed separate financial statement of the Company as of 31 December 2008, which are available after 24 April 2009 at <http://www.hyporealestate.com> and which also include additional information regarding the economic situation of HRE Holding and the HRE Group.

For the financial years 2009 and 2010, the Company is expecting heavy charges against earnings due to expenditures for liquidity support received, expenses in connection with the strategic realignment and restructuring of the HRE Group, and further write-downs on receivables and securities that are expected in connection with the economic downturn. Consequently, negative earnings before tax are expected at least for the financial years 2009 and 2010.

IV. NECESSITY OF RESTRUCTURING AND STABILIZATION OF HRE GROUP

1. Effects of the financial crisis and stabilization measures taken to date

The sub prime crisis in the U.S. mortgage market in 2007 triggered global financial market turbulence. Against the backdrop of a strong expansion of loan products by many credit banks and mortgage banks to customers with weak or very weak creditworthiness (so-called sub prime market), the U.S. real estate market collapsed when many borrowers could not pay the higher mortgage payments that followed the low ‘teaser’ rates they paid at the beginning of the mortgage, resulting in a large number of properties being sold or auctioned at a loss. This led to billions of dollars of write-downs and valuation adjustments at U.S. banks and, in particular since 2008, at European and Asian banks as well; it also led to extreme price drops on international stock exchanges. Market distortions arose after the U.S. bank Lehman Brothers had to file for partial insolvency on 15 September 2008, which for DEPFA BANK plc resulted in a medium-term liquidity requirement of around EUR 35 billion as per 27 September 2008. Without additional external financing, DEPFA BANK plc faced potential insolvency, with the collateral consequence of potential insolvency of HRE Holding and HRE Bank.

The German Federal Bank (*Deutsche Bundesbank*), a consortium of German financial institutions and SoFFin took a variety of measures to secure the short-term and medium-term liquidity needs of HRE Group.

In order to meet the short-term liquidity needs of HRE Group, the German Federal Bank extended to HRE Bank firstly an emergency liquidity facility guaranteed by the Federal Republic of Germany in the amount of EUR 35 billion on 28 September 2008 which was increased to EUR 50 billion in October 2008 by a bridge facility guaranteed by the Fund.

On 13 November 2008, to release the aforementioned liquidity lines, the German Federal Bank and a consortium of German financial institutions provided HRE Group with a liquidity facility in the amount of EUR 50 billion, consisting of:

- Measures with the participation of the Federal Republic of Germany in the overall amount of EUR 35 billion: (i) liquidity facility totaling EUR 20 billion from the German Federal Bank, secured by a guarantee of the German Federal Government; (ii) bearer bond in the amount of EUR 15 billion issued by a consortium of German financial institutions, secured by a guarantee of the German Federal Government;
- Measure without the participation of the Federal Republic of Germany: collateralized bank bond in the amount of EUR 15 billion issued by a consortium of German financial institutions, secured by assets of the HRE Group.

In March 2009, the German Federal Government's guarantees which were originally due to expire on 31 March 2009 were extended until 31 December 2009.

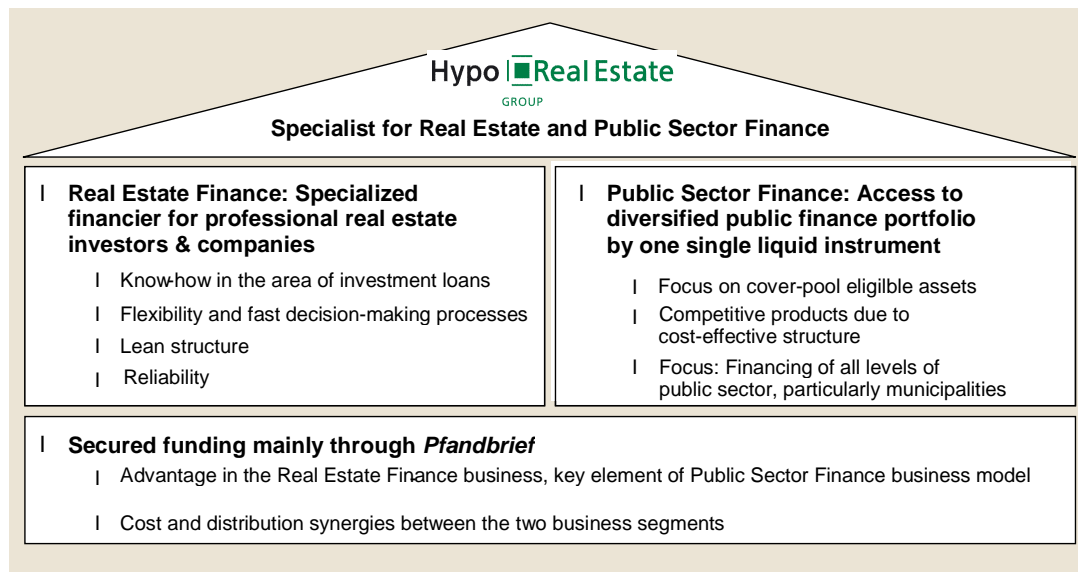
In addition to the above mentioned measures taken by the German Federal Bank and the consortium of German financial institutions, HRE Bank was the recipient of additional stabilization measures from November 2008 onward under the Act on the Implementation of the Package of Measures Stabilizing the Financial Market (*Finanzmarktstabilisierungsgesetz* – "FMStG") in the form of guarantees by the Fund aimed at shoring up the liquidity situation of HRE Group in various steps totaling EUR 52 billion to date. This guarantee framework furnished by the Fund at first related to guarantees in the aggregate amount of EUR 30 billion up to 15 April 2009 and in the aggregate amount of EUR 22 billion up to 12 June 2009. In April 2009 the complete guarantee framework has been prolonged consistently until 19 August 2009.

2. Strategic realignment and restructuring of the HRE Group

Against the backdrop of the financial crisis and the described need for recapitalization, the Management Board of HRE Holding prepared a comprehensive plan for the strategic realignment and restructuring of the HRE Group which the Supervisory Board approved on 19 December 2008. The proposed objective of this strategic realignment is to reposition the HRE Group as a leading specialist for Real Estate and Public Sector Finance in Germany and Europe with refinancing strategy focused on Pfandbrief issuance. To this end, the HRE Group will adapt its business model to the continuing changed conditions in the capital markets and the increasing challenges presented by the real estate business. The structural cost base shall be reduced, the balance sheet structure and risk profile improved. The HRE Group's corporate structure shall be further simplified. It is planned to implement the corresponding measures within the coming three to five years.

In the Commercial Real Estate Finance segment, the HRE Group is to position itself as a business partner to real estate investors in Germany, key European markets, the United States and Japan (depending on whether the assets are eligible as cover pool for Pfandbriefe (*Pfandbrieffähigkeit*) which remains to be examined). Accordingly, future new business in this segment is intended to be generated from the Munich, Eschborn, London, Paris, New York and, possibly, Tokyo offices. In the Public Sector Finance segment, future activities shall focus on the selective origination of primary markets eligible as cover pool for

Pfandbriefe and on managing the existing portfolio. The business segments' office locations will be centralized to reflect this adjusted focus. New business relating to activities in infrastructure finance is not anticipated. The capital market and trading operations, which no longer align with the business model, will be discontinued. The sale of non-strategic activities is under consideration. The customer-related derivatives business will continue. The following diagram illustrates the planned future business model:



3. Recapitalization of the HRE Group

Further stabilization measures will be necessary in the short-term to guarantee continuation of the HRE Group with regard to the future business model. In particular, a significant capital requirement on the part of the HRE Group must currently be assumed.

Against this background, the Management Board resolved on 23 March 2009 to increase the registered share capital (*Grundkapital*) of HRE Holding by EUR 60,000,000.00 from EUR 633,253,560.00 to EUR 693,253,560.00 through the issuance of 20,000,000 new no-par value bearer shares (*auf den Inhaber lautende Stückaktien*) excluding the subscription rights of HRE Shareholders by way of a capital increase in return for cash contributions using authorized capital. Approval hereof was given by the Supervisory Board on 28 March 2009. On that same day, the Bidder subscribed to 20,000,000 HRE Shares (equal to 8.65% of the share capital of HRE Holding) at an issue price of EUR 3.00 per HRE Share (the lowest issue price pursuant to § 9 para. 1 German Stock Corporation Act (*Aktiengesetz - AktG*)). The capital increase was registered in the commercial register (*Handelsregister*) on 31 March 2009.

In view of the required stabilization measures, on 28 March 2009 SoFFin, HRE Holding and HRE Bank signed a declaration of intent ("**Declaration of Intent**"), in which they agreed on

the framework for a recapitalization of HRE Holding by making capital contributions pursuant to § 7 para. 1 of the Act for the Creation of a Financial Market Stabilization Fund (*Finanzmarktstabilisierungsfondsgesetz* – "FMStFG") and the assumption of additional guarantees in favor of the HRE Bank pursuant to § 6 para. 1 FMStFG.

The declaration of intent issued by the Fund enabled the management boards of the companies of the HRE Group to make a positive going concern assumption and to prepare the 2008 annual financial statement for HRE Holding, the 2008 consolidated financial statements for the HRE Group and the 2008 separate financial statements of HRE Holding's subsidiaries on this basis.

It is the objective of the Bidder – as set out in Section 8.1.4 of the Offer Document – to acquire full control over HRE Holding. In the opinion of the Bidder, the Bidder's taking over of full control over HRE Holding is necessary in order to guarantee that the measures necessary for the stabilization of the HRE Group and ultimately for the stability of the financial market can be implemented in a legally compliant, sustainable, cost-efficient and timely manner.

Should the Offer not lead to acquisition of all outstanding shares by the Bidder and thus full control over HRE Holding, in accordance with its declarations in Section 9.6 of the Offer Document, the Bidder intends to obtain full control by implementation of the following measures.

(i) Squeeze-out under takeover law

If the Bidder holds at least 90% of the registered share capital of HRE Holding after completion of the Offer or within three months and to the extent that the Bidder has acquired as the result of the Offer at least 90% of the registered share capital to which the Offer relates (i.e., approximately 82% of the aggregate registered share capital of HRE Holding), the Bidder intends to file an application pursuant to § 39a WpÜG in conjunction with § 12 para. 3 no. 1 sentence 3 German Act on the Acceleration and Simplification of the Acquisition of Shares and Risk Positions of Financial Institutions by the "Financial Market Stabilization Fund – FMS" (*Gesetz zur Beschleunigung und Vereinfachung des Erwerbs von Anteilen an sowie Risikopositionen von Unternehmen des Finanzsektors durch den Fonds "Finanzmarktstabilisierungsfonds – FMS"*) ("FMStBG") to have the remaining HRE Shares transferred to the Bidder by court order in return for payment of an appropriate settlement (squeeze-out under takeover law). In this case the Offer Price as defined below in the amount of EUR 1.39 per HRE Share provided in connection with the takeover offer will, in accordance with § 39a para. 3 sentence 3 WpÜG, be presumed to constitute an appropriate settlement. In the event that the Bidder is entitled to file an application pursuant to § 39a WpÜG in conjunction with § 12 para. 3 no. 1 sentence 3 FMStBG, HRE Shareholders who have not accepted the Offer will be entitled to a put option (*Andienungsrecht*) vis-à-vis the Bidder according to § 39c

WpÜG. The details of the technical execution of the put option would be published by the Bidder in due time.

(ii) Capital increase and squeeze-out under stock corporation law

In accordance with the statements made in Section 9.6.2 of the Offer Document, the Bidder intends to procure an extraordinary general meeting still to be convened which shall resolve upon a capital increase excluding shareholders' subscription rights. After consultation of the Fund, the Company has set the date for this general meeting to be 2 June 2009. By sole permission of the Fund for subscription of the – with regard to the capital increase – newly issued shares, the SoFFin's participation in the share capital of HRE Holding shall be increased to at least 90%. If such capital increase is resolved, this will result in a significant dilution of the HRE Shareholders' participation in the Company.

Subsequent to acquisition of a participation of at least 90% in the share capital of HRE Holding, in accordance with the presentation in Section 9.6.2 of the Offer Document, the Bidder intends to initiate the transfer of the outside HRE Shareholders' HRE Shares to the major shareholder for an appropriate cash settlement pursuant to §§ 327a et seq. AktG in connection with § 12 para. 4 FMStBG (squeeze-out under stock corporation law).

The circumstances at the time of the general meeting's resolution concerning the transfer of the shares would be decisive for the amount of the cash settlement to be granted. The legality of the amount of the cash settlement would be subject to review by a court in an award procedure (*Spruchverfahren*). The settlement is generally calculated on the basis of the standards established by the German association of auditors (*Institut der Wirtschaftsprüfer*) as of 2 April 2008 "Principles on the Implementation of Appraising Businesses" ("*Grundsätze zur Durchführung von Unternehmensbewertungen*" – *IDW S 1*) by way of an evaluation according to the income value appraisal method (*Ertragswertverfahren*). In accordance with the jurisdiction of the Federal Supreme Court, the settlement the shareholders are entitled to may not be calculated without taking into account the relevant stock exchange price, which generally is regarded as the lower limit for determining the settlement.

However, it remains unanswered by the Federal Supreme Court, to which period of time the calculation of the relevant stock exchange price must refer to. Management Board and Supervisory Board principally concur with the jurisdiction of the Higher Court of Stuttgart and the prevailing opinion in legal literature on not applying a three-months-period prior to the day of the Company's general meeting resolving upon the squeeze-out but to refer to a three-months-period prior to the day of the first public announcement of the squeeze-out. On this basis, Management Board and Supervisory Board consider referring to the three-months-period prior to 17 April 2009 justifiable, as the Offer including a formal announcement of the intended squeeze-out was published on this day. The weighted average domestic stock exchange price of the HRE Share during the last three months prior to 17 April 2009

amounts to approximately EUR 1.25 (source: Bloomberg) and therefore fell short of the Offer Price.

As a result, it is currently not possible to give a reliable statement with regard to the adequacy of a settlement. If with regard to the squeeze-out the determined cash settlement fell short of the Offer Price, the acceptance of the Offer would be beneficial for HRE Shareholders. However, the acceptance of the Offer would be – in disregard of any potential impacts of interest – disadvantageous if the settlement determined in connection to a squeeze-out exceeded the Offer Price.

(iii) Expropriation

If the squeeze-out under takeover law described above cannot be realized, and if the measures described above under Section IV.3(ii) of this Statement cannot be carried out in such a way as to provide prior to 30 June 2009 an adequate guarantee in the Bidder's view that the Bidder will acquire a 100% participation in the share capital of HRE Holding, the Bidder, pursuant to the presentation in Section 9.6.3 of the Offer Document, intends to initiate expropriation proceedings under § 1 Act on the Rescue of Companies in Order to Stabilize the Financial Market (*Rettungsübernahmegesetz – RettungsG*) ("**Rescue Takeover Act**" or "**RettungsG**"). Such expropriation proceedings, which pursuant to § 2 RettungsG require the issuance of a regulation (*Rechtsverordnung*) by the Federal Government without the consent of the Federal Council representing the German states (*Bundesrat*), would have the objective of resolving on the expropriation of HRE Shareholders (except for SoFFin) for the payment of a compensation to be determined in accordance with § 4 RettungsG. As a result of an expropriation undertaken pursuant to the Rescue Takeover Act, the HRE Shares held by the other HRE Shareholders would be transferred to an expropriation beneficiary specified in the regulation. The expropriation beneficiary specified in an expropriation regulation affecting the HRE Shares pursuant to the Rescue Takeover Act would presumably be the Fund in accordance with § 1 para. 3 no. 1 RettungsG.

In connection with an expropriation pursuant to the RettungsG, a compensation corresponding to the market value of the HRE Shares must be granted, which is in turn determined in accordance with § 4 para. 4 no. 1 RettungsG based on the weighted average domestic stock exchange price of the HRE Shares during the last two weeks prior to the date of the opening decision, unless the average price during the last three days prior to the date of the opening decision is lower; in the latter case, this lower stock exchange price is used for the calculation. The weighted average domestic stock exchange price is the average price weighted by turnover of the stock exchange transactions reported to BaFin in accordance with § 9 WpHG.

If the intention to expropriate the other HRE Shareholders has become public before the date of the opening decision and if subsequent effects on the stock exchange price of the HRE Shares cannot be ruled out, then in accordance with § 4 para. 4 no. 2 RettungsG the date on which the intention to make this decision becomes public is applicable, not the date of the opening decision

If there are indications that the market value calculated according to this method will substantially differ from the value determined on basis of the stock exchange price, pursuant to § 4 para. 4 no. 3 RettungsG, a company valuation of HRE Holding must be undertaken. If this results in a value for the HRE Share that differs substantially from the value determined on the basis of the stock exchange price, then this value should generally be used to determine the market value of the HRE Share.

It is currently not possible to give a reliable statement with regard to the amount of the compensation in case of expropriation. If with regard to the expropriation the determined compensation fell short of the Offer Price, the acceptance of the Offer would be beneficial for HRE Shareholders. If the compensation determined with regard to an expropriation exceeded the Offer Price, the HRE Shareholders would be entitled to an improvement (see Section VII.1 of this Statement).

V. INFORMATION ON THE BIDDER

1. Description of the Bidder

The Federal Republic of Germany, as Bidder, is acting through SoFFin with regard to the Offer. Pursuant to § 2 para. 2 FMStG, the Fund is a special fund (*Sondervermögen*) of the Federal Republic of Germany without legal capacity within the meaning of Article 110 para. 1 and Article 115 para. 2 of the Constitution of the Federal Republic of Germany (*Grundgesetz*) and was set up on 18 October 2008 in accordance with § 1 FMStFG.

For details on the structure and functions of SoFFin, please refer to Section 6 of the Offer Document.

2. Share ownership of the Bidder

On 31 March 2009, the Bidder acquired 20,000,000 HRE Shares by way of a capital increase from authorized capital (see above Section IV.3 of this Statement). This corresponds to approx. 8.65% of the share capital of HRE Holding and of the voting rights attached to HRE Shares.

VI. MATERIAL PROVISIONS OF THE OFFER

The Offer is launched by the Bidder in the form of a voluntary takeover offer (cash offer) to acquire HRE Shares under German law, in particular under the provisions of the German Securities Acquisition and Takeover Act (WpÜG), taking into account the modifications made by FMStBG as well as certain applicable provisions of the securities law of the United States of America (see also Section 20 of the Offer Document).

Management Board and Supervisory Board indicate that the following description of the Offer in this Statement does not purport to be complete and that only the provisions of the Offer Document are decisive with regard to the content and processing of the

Offer. Each HRE Shareholder is individually responsible to take notice of the Offer Document, to review it and take any measures required.

1. Overview of major provisions

The Bidder is offering to acquire all 211,084,520 HRE Shares (91.35%) not held by the Bidder at a purchase price of EUR 1.39 per HRE Share in cash (the "**Offer Price**"). The Bidder undertakes in Sections 4.2 and 4.3 of the Offer Document to increase the Offer Price in the event that it, in connection with an expropriation or other acquisitions, should pay a higher consideration per HRE Share (see also Section VII.1 of this Statement).

HRE Shareholders may submit their HRE Shares for sale from 17 April 2009, through 4 May 2009, 24:00 hrs (local time Frankfurt am Main) / 18:00 hrs (local time New York) (the "**Acceptance Period**") and thereby accept the Offer. The Bidder thus takes the possibility of shortening the Acceptance Period for the Offer to two weeks in accordance with § 12 para. 3, no. 1 sentence 1 FMStBG. Since pursuant to § 12 para. 3 no. 1 sentence 2 FMStBG, the additional Acceptance Period for offers made by the Federal Republic of Germany or the Fund in connection with a stabilization provided for by § 16, para. 2, sentence 1 WpÜG does not apply, the Offer may no longer be accepted after expiration of the Acceptance Period.

In the event the Offer is amended in any way pursuant to § 21 WpÜG, the Acceptance Period will be extended by two weeks (§ 21 para. 5 WpÜG), i.e., until 18 May 2009, 24:00 hrs (local time Frankfurt am Main) / 18:00 hrs (local time New York). The same will apply in the event the amended offer is in violation of legal regulations.

Under § 12 para. 3 no. 1 sentence 4 FMStBG, § 16 para. 3 sentence 1 and § 22 para. 2 sentence 1 WpÜG shall not apply. Therefore neither the convening of a general meeting of HRE Holding in connection with the Offer following publication of the Offer Document nor the making of a competing offer by third parties during the Acceptance Period will result in an extension of the Acceptance Period of the Offer.

The Offer and the agreements concluded by acceptance of the Offer are not subject to any conditions (see Section 2.3 of the Offer Documents).

2. Statutory merger control approval

The Offer is subject to merger control by the European Commission pursuant to Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings (the "**EC Merger Regulation**"). The Bidder indicates that it reported the planned acquisition of HRE Holding to the European Commission on 14 April 2009.

The Bidder expects that there will be no impediments under substantive law to the granting of the approval by the competition authorities and that either such approval will be granted until the end of the Acceptance Period or, in any event, by the end of the Acceptance Period the acquisition of the shares will be permissible prior to the granting of such approval (pursuant

to Art. 7 para. 2 EC Merger Regulation) and the European Commission possibly having granted approval to exercise the voting and management rights on the basis of a separate request submitted (pursuant to Art. 7 para. 3 EC Merger Regulation).

3. Notification and approval procedures under banking supervision laws

Upon implementation of the Offer, the Bidder will acquire a direct participation in HRE Holding and indirect participations in the subsidiaries of HRE Holding. The acquisition of these participations will in some legal systems trigger approval and notification procedures under regulatory law. In Germany, the Bidder, according to its statements, has reported the intended acquisition of significant participations in HRE Bank and DEPFA Deutsche Pfandbrief AG to the Federal Institute for Financial Services Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") as well as to the German Federal Bank (*Deutsche Bundesbank*) prior to the publication of the Offer Document.

VII. TYPE AND AMOUNT OF CONSIDERATION AND IMPROVEMENT

1. Type and amount of consideration and improvement

The Bidder is offering a consideration in the amount of EUR 1.39 per HRE Share in cash.

Furthermore, an improvement of the Offer Price is provided for two sets of circumstances.

If the expropriation of the remaining HRE Shareholders described in Section 9.6.3 of the Offer Document is carried out under the provisions of the Rescue Takeover Act, the Bidder undertakes in the Offer Document vis-à-vis HRE Shareholders who accept the Offer in the event that the compensation per HRE Share to be granted is higher than the Offer Price, to make a monetary payment per submitted HRE Share in the amount of the difference between the amount of the compensation and the Offer Price (the "**Voluntary Improvement 1**"). As outlined in Sections 4. 2 and 4.3 of the Offer Document, the Bidder does not consider it unlikely that the value, determined on the basis of a company valuation, of a compensation to be granted with regard to the expropriation, will be less (and in certain circumstances, considerably less) than the Offer Price.

The Bidder has confirmed in Section 4.3 of the Offer Document that he will not acquire HRE Shares apart from the Offer and does not intend to acquire HRE Shares after publication of the announcement pursuant to § 23 para. 1 sentence 1 no. 2 WpÜG either. However, the acquisition of HRE Shares remains unaffected, (i) if the Bidder acquires HRE Shares that are issued by HRE in connection with a capital increase, and/or (ii) if the Bidder acquires HRE Shares in connection with a statutory obligation to grant a settlement payment to the HRE Shareholders and for the acquisition of the assets or parts of the assets of HRE through merger, separation (*Spaltung*) or transfer of assets or respectively (iii) in connection with an expropriation under the RettungsG.

If the Bidder acquires outside the Offer HRE Shares after publication of the Offer Document and within one year following publication of the notice pursuant to § 23 para. 1 sentence 1 no. 2 WpÜG on or off the stock exchange, the Bidder undertakes pursuant to Section 4.3 of the Offer Document vis-à-vis the HRE Shareholders that have accepted the Offer, in the event that in these share acquisitions a consideration is granted or agreed that exceeds the Offer Price, to make a monetary payment in the amount of the difference ("**Voluntary Improvement 2**").

However, there will be no entitlement to Voluntary Improvement 2 (i) if the Bidder acquires HRE Shares that are issued by HRE Holding in connection with a capital increase, and/or (ii) if the Bidder acquires HRE Shares in connection with a statutory obligation to grant a settlement to the HRE Shareholders and for the acquisition of the assets or parts of the assets of HRE Holding by merger (*Verschmelzung*), separation (*Spaltung*) or transfer of assets (*Vermögensübertragung*). This exclusion from the Voluntary Improvement 2 therefore applies also to a squeeze-out under stock corporation law (see Section IV.3(ii) of this Statement).

For further details regarding a claim to improvement (in particular notification, processing and offset), refer to the presentation in the Sections 4.2 and 4.3 of the Offer Document.

2. Statutory minimum offer price

In accordance with § 12 para. 3 no. 3 FMSStBG, the minimum offer price in case of a takeover offer under Section 4 WpÜG launched by SoFFin in connection with a stabilization is based on the weighted average domestic stock exchange price during the last two weeks before the intention to make a takeover offer is announced or becomes known. This does not apply if such amount exceeds the weighted average domestic stock exchange price during the period from 1 February through 15 February 2009. In this case, the latter amount constitutes the relevant minimum offer price. § 31 paras. 4 and 5 WpÜG do not apply.

The weighted average domestic stock exchange price for HRE Shares during the last two weeks prior to the announcement of the intention to make the takeover offer on 9 April 2009 was according to BaFin, EUR 1.32. The weighted average domestic stock exchange price for HRE Shares during the period 1 to 15 February 2009 was according to BaFin, EUR 1.26 and is hence below weighted average domestic stock exchange price during the last two weeks prior to announcement of the intention to make the takeover offer. The relevant statutory minimum price therefore amounts to EUR 1.26. The Offer Price therewith includes a premium in the amount of EUR 0.13 per HRE Share (equal to approx. 10%) over the statutory minimum price.

3. Comparison of the offered compensation with the historical stock exchange prices and the current stock exchange price

In the last year the closing auction prices of the HRE Share in the Xetra electronic trading system at the Frankfurt Stock Exchange amounted to EUR 16.46 as per 31 March 2008,

EUR 17.88 on 30 June 2008, EUR 4.15 on 30 September 2008 and EUR 3.05 on 30 December 2008 (source: Bloomberg). In the opinion of Management Board and Supervisory Board, these stock exchange prices do not indicate an appropriate value of HRE Holding, as historical stock exchange prices do not or not sufficiently depict the momentary existence-threatening situation of HRE Holding.

On 23 April 2009 the closing auction price of the HRE Share in the Xetra electronic trading system at the Frankfurt Stock Exchange amounted to EUR 1.39. Management Board and Supervisory Board do not consider this actual stock exchange price relevant as it may mainly reflect the fact that the Bidder has already granted the financial support as outlined in Section 8.1.2 of the Offer Document and furthermore published his decision to launch the Offer to acquire the HRE Shares for EUR 1.39 per HRE Share on 9 April 2009.

4. Comparison of offered compensation with intrinsic value of HRE Shares prior to recapitalization

As a result of the holding structure, the intrinsic value of HRE Holding is mainly determined by the value of the three major subsidiaries (HRE Bank, DEPFA BANK plc and DEPFA Deutsche Pfandbriefbank AG). Despite taking the envisaged recapitalization measures into account, in particular considering the subsidy for HRE Bank, still write-downs of EUR 6,909 million on the three subsidiaries arose when preparing the annual financial statement as per 31 December 2008. The remaining book values of the three subsidiaries amount to EUR 3,572 million. Further write-downs of book values pertaining to participations, which would have led to a further reduction in the equity of HRE Holding, would have been necessary as per 31 December 2008 if the Bidder in its Declaration of Intent of 28 March 2009 had not held out the prospects of further recapitalization measures.

For calculation purposes of the current intrinsic value of HRE Shares, Management Board and Supervisory Board consider it adequate to disregard the recapitalization measures envisaged by the Bidder with regard to the determination of an objective business value, as there is no legal claim on such stabilization measures nor were they taken to increase the shareholders' share value but serve the concerned Company only.

Without the envisaged recapitalization measures of the Bidder the likelihood of HRE Holding having a negative equity would be very high. The equity of HRE Holding amounted to EUR 721 million pursuant to the annual financial statement as per 31 December 2008. This results already from the fact that without the envisaged recapitalization of HRE Group the currently existing shortfall of core capital and equity capital quotes according to regulatory minimum capital requirements could not be remedied. This would result in a regulatory intervention, in any case against HRE Bank, followed by a moratorium or similar measures by the regulatory authorities and, as the case may be, in a subsequent liquidation. Any of these measures would have significant negative effects on the continuing business activities of HRE Bank and therefore on its business value and book value in the balance sheet of HRE Holding. Even one other write-down of 25% of the remaining book value in the amount of

EUR 3,115 million of the participation in HRE Bank, which in this case Management Board and Supervisory Board expect at least, would consume the equity capital of HRE Holding as per 31 December 2009 in the amount of EUR 721 million.

Even if one disregards the write-down of participations, the recapitalization envisaged by the Bidder is essential for the continuation of HRE Holding, as otherwise an ongoing consummation of the equity capital of HRE Holding must be assumed. The net loss for the year amounted in 2008 approx. EUR 313 million (without write-downs). The envisaged recapitalization on the one hand results in interest gains of HRE Holding and on the other hand gives a certain reserve for coming annual deficits.

Besides, it needs to be considered that the liquidity of HRE Holding and HRE Bank is currently only guaranteed under a liquidity facility in the amount of EUR 50 billion having a term until 31 December 2009 and being guaranteed by the Federal Republic of Germany in the amount of EUR 52 billion and by a guarantee framework granted by SoFFin and having a term until 19 August 2009. If this liquidity support was not prolonged, an insolvency of HRE Holding, HRE Bank and DEPFA BANK plc would be highly likely. Management Board and Supervisory Board have not calculated a liquidation value, but assume that no liquidation proceeds would remain for HRE Shareholders after insolvency proceedings.

The foregoing considerations indicate that the intrinsic value of the HRE Shares without a recapitalization and without liquidity support guaranteed by the Federal Republic of Germany would be zero.

VIII. OBJECTIVES OF THE BIDDER WITH RESPECT TO HRE HOLDING

The Bidder is pursuing the stabilization of the financial market and in this connection intends to acquire, through the steps presented under Section IV.3 of this Statement, complete control over HRE Holding, i.e., all shares of HRE Holding.

1. Future business activity, assets and future obligations of the HRE Group

As already set out above under Section. IV.2 of this Statement, Management Board and Supervisory Board of HRE Holding, on 19 December 2008, prepared a comprehensive plan for the strategic realignment and restructuring of the HRE Group. The proposed objective of this strategic realignment is to reposition the HRE Group as a leading specialist for Real Estate and Public Sector Finance in Germany and Europe with refinancing strategy focused on Pfandbrief issuance.

The Bidder states that it based its Offer on the plans of HRE Holding and announced that, even upon completion of the Offer, it will continue to work cooperatively with the management of HRE Holding on the realignment and restructuring of the HRE Group. In addition, please refer to the further information in Section 9.1 of the Offer Document.

As a result of the Offer, the ownership structure of HRE Holding will change. This change in ownership per se does not have any direct effects on the net assets, financial position and results of operations of HRE Holding. According to the indication of the Bidder, the Bidder's taking over of full control over HRE Holding is necessary in order to guarantee that the measures necessary for the stabilization of the HRE Group and ultimately for the stability of the financial market can be implemented in a legally compliant, sustainable, cost-efficient and timely manner. To this extent, the Bidder assumes that completion of the Offer will have indirect effects on the net assets, financial position and results of operation since HRE Holding will avail itself, inter alia, of the Federal Republic of Germany's rating, and be able to reduce the costs of its refinancing.

Management Board and Supervisory Board are convinced that complete control over HRE Holding by the Bidder will support the planned strategic realignment on a lasting basis and will provide the best possible assurance of the continued existence of the HRE Group.

2. Effects on the Management Board and the Supervisory Board

The Bidder, in Section 9.3 of the Offer Document, states that it does not intend to change the composition of the Management Board.

Completion of the Offer will not have any effects on the size of the Supervisory Board of HRE Holding. The Bidder intends to be represented on HRE Holding's Supervisory Board in the future.

3. Effects on the employees and their representatives as well as the employment conditions of the HRE Group

Based on its present knowledge, the Bidder pursuant to Sec. 9.4 of the Offer Document reserves its right to review the restructuring already initiated by the Management Board of HRE Holding together with the management of HRE Holding. According to the plans of HRE Holding, the restructuring includes a reduction of personnel from the current approx. 1,800 employees to ca. 1,000 employees in about three years, with two-thirds of the jobs affected being located outside of Germany. With the conclusion of the planned IT investment program, around 200 additional jobs are expected to be lost by 2013. HRE Holding intends to implement part of the personnel reductions through outsourcing and sales of parts of the business operations; in addition, HRE Holding will in principle attempt to achieve socially acceptable solutions in good understanding with the employees affected and will try, if possible, to avoid terminations for operational reasons.

The Bidder states that it does not intend to bring about significant changes in the conditions of employment and HRE Holding's present employee representation.

4. Seat of HRE Holding, locations of significant parts of the corporation

The Bidder does not intend to move the statutory seat of HRE Holding from Munich. Within the planned restructuring of the HRE Group's business activity (see also Section IV.2 of this Statement), however, it must be assumed at present, that locations of HRE Group may be moved or closed. In particular, the Bidder is assuming correctly in this regard that HRE Group will close a series of its locations within the restructuring plan:

- In the *Commercial Real Estate Finance* segment, HRE Holding intends to generate future business exclusively through locations in Munich, Eschborn, London, Paris, New York and possibly Tokyo.
- In the *Public Sector Finance* segment, HRE Holding plans to focus on locations in Eschborn, Rome, Madrid, Paris and Tokyo in the area of *Public Sector Coverage* (business with direct customer contact). The *Portfolio and Product Management* area is currently managed by the Dublin, London, Munich, Eschborn, Tokyo, Nikosia, New York and Luxembourg offices. In future, the objective is to bundle the portfolio management, prospectively at the Eschborn and/or Paris or London offices. In the Dublin, Luxembourg, Munich, Tokyo, Nikosia and New York locations, the remainder of the business will be wound up.
- All other locations of the HRE Group are to be closed or disposed.

5. Possible structural measures

The Bidder intends to acquire complete control over HRE Holding, i.e., all shares of HRE Holding. To this end, the Bidder intends, inter alia, to carry out the structural measures further described in Section IV.3 of this Statement and Section 9.6 of the Offer Document to the extent the Takeover Offer does not result in the acquisition of all shares by the Bidder and, hence, in the takeover of complete control over HRE Holding. Management Board and Supervisory Board are convinced that complete control over HRE Holding by the Bidder will support the planned strategic realignment on a lasting basis and will provide the best possible assurance of the continued existence of the HRE Group.

6. Future activity of the Bidder

Following the Offer, the Bidder states that it does not intend to make any changes in the activities and the structure of SoFFin as a special fund of the Federal Republic of Germany.

IX. EFFECT OF THE OFFER ON HRE SHAREHOLDERS

The following discussion is intended to provide information to HRE Shareholders for assessing the consequences of accepting or not accepting the Offer. The aspects presented do not purport to be complete. It is the individual responsibility of each HRE shareholder to examine and evaluate the consequences of accepting or rejecting the Offer. The Management

Board and the Supervisory Board recommend to HRE Shareholders that they seek professional advice as appropriate.

The Management Board and the Supervisory Board furthermore point out that they cannot provide, and are not providing, any assessment of whether tax disadvantages (in particular, possible taxability of a gain on sale) may arise for the HRE Shareholders as a result of acceptance or rejection of the Offer, or whether tax benefits could be lost. The Management Board and the Supervisory Board also recommend in this regard that advice be obtained prior to a decision in which the personal tax situation of the individual HRE Shareholder can be taken into consideration.

1. Consequences of acceptance of the Offer

As far as HRE Shareholders accept the Offer, HRE Shareholders will lose with transfer of the HRE Shares membership and property rights with respect to the shares transferred. Furthermore, with the transfer of the HRE Shares to the Bidder, the dividend right (*Gewinnbezugsrecht*) passes to the Bidder; this pertains also to dividend claims for balance sheet profits from the current or previous periods to the extent the transfer takes place prior to the relevant date for the distribution.

Upon transfer of the HRE Shares and as a result of the acceptance of the Offer, the HRE Shareholders will no longer participate in future developments of HRE Holding and the HRE Group and will no longer bear the opportunities and risks resulting from changes in the stock exchange price of HRE Shares.

However, HRE Shareholders are entitled to the Voluntary Improvement 1 in case of a compensation with regard to the expropriation exceeding the Offer Price (see Section VII.1 of this Statement), as well as to the Voluntary Improvement 2 in case the Bidder acquires under the further described circumstances and within a certain period of time HRE Shares for a purchase price exceeding the Offer Price (see Section VII.1 of this Statement).

By contrast, for a squeeze-out under stock corporation law, no improvement is provided for, i.e., HRE Shareholders who accept the Offer will not receive an improvement, insofar as the compensation to be granted in a squeeze-out should exceed the Offer Price. The latter could in particular take place, if the competent courts would take into account such stabilization measures for the benefit of outside HRE Shareholders that the Bidder has granted prior to a squeeze-out under stock corporation law, when calculating the settlement. To shareholders expecting such development the acceptance of the Offer may not seem attractive; however, they should consider that a potential squeeze-out under stock corporation law may result in a settlement per HRE Share which falls short of the Offer Price, and the settlement will in any case be effected at a later point in time than the Offer Price.

2. Consequences of rejection of the Offer

Subject to another disposal of their shares, HRE Shareholders who reject the Offer will remain shareholders of HRE Holding. To this extent and subject to a loss of their HRE Shares by squeeze-out or expropriation, they will participate in the opportunities and risks of the future development of the HRE Group and of the stock exchange price of the HRE Share. The Company currently assumes that earnings for the next few years will be significantly burdened by expenditures for stabilization measures and for the Group's realignment, as well as by additional write-downs on receivables and securities that are to be expected in the course of the economic downturn. While the Management Board takes a positive view of the strategic perspective in the intermediate term, it expects a loss situation for at least the next two years.

HRE Shareholders who intend to reject the Offer should take into account that the present stock exchange price of the HRE Share may significantly reflect the circumstance that the Bidder is already providing financial assistance pursuant to Section 8.1.2 of the Offer Document, and, furthermore on 9 April 2009, published its decision to make a voluntary takeover offer of EUR 1.39 per HRE Share. It is uncertain whether the stock exchange price of the HRE Share will continue to move at the current level after implementation of the Offer or whether it will be above or below it.

It needs to be expected that implementation of the Offer will result in a significant reduction of the free float and the liquidity of the HRE Share, which can result in the possibility of purchase and sale orders for HRE Shares not being executed or not being executed on time.

Finally the Bidder stated in Section 9.6 of the Offer Document, that in the event the Offer does not result in acquisition of complete control over HRE Holding, it intends to acquire the outstanding shares by the measures outlined in Section IV.3 of this Statement, which, along with the implementation of a squeeze-out under takeover or stock corporation law, also contain the instrument of expropriation. All these measures would at the same time result in a suspension of the listing of the HRE Share on the stock exchange. With regard to the amount of a cash settlement or compensation, which is to be granted in these situations, refer to the details in Section VII.1 of this Statement.

X. INTERESTS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The members of the Management Board and the Supervisory Board, as members of executive bodies of HRE Holding, welcome the Offer which is an integral component of the measures presented in this Statement for the urgently required stabilization of the HRE Group.

The members of the Management Board and the Supervisory Board of HRE Holding do not hold any offices in the administrative bodies of the Bidder or in any entity acting jointly with the Bidder.

The success of the Offer and its implementation will not have any direct effects on the composition of the Management Board or the Supervisory Board. The Bidder has stated in Section 9.3 of the Offer Document that it does not intend to change the composition of the Management Board.

In connection with the Offer, the members of the Management Board and the Supervisory Board have not been granted monetary payments or other pecuniary advantages either by the Bidder or a person acting jointly with it, nor have they been given the prospect of such.

XI. INTENTION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD WITH RESPECT TO ACCEPTANCE OF THE OFFER

According to their own statements, the members of the Management Board and the Supervisory Board of HRE Holding except for Mrs. Manuela Better do not own any HRE Shares at the time of publication of this Statement. Mrs. Better holds 1,000 HRE Shares and intends to accept the Offer.

Munich, 24 April 2009

Hypo Real Estate Holding AG

The Management Board

The Supervisory Board