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23 July 2007

**RECOMMENDED MERGER OF HYPO REAL ESTATE HOLDING AG
AND DEPFA BANK PLC**

**BY MEANS OF A SCHEME OF ARRANGEMENT
UNDER SECTION 201 OF THE COMPANIES ACT, 1963 OF IRELAND**

Summary

- The Boards of Hypo Real Estate Holding AG and DEPFA BANK plc are pleased to announce that they have reached agreement on the terms of a merger of the two businesses by way of a recommended acquisition by HRE of the entire issued share capital of DEPFA to be implemented by means of a scheme of arrangement under Section 201 of the Companies Act, 1963 of Ireland.
- If the Scheme becomes effective, DEPFA Shareholders will receive:

€6.80 in cash and 0.189⁽¹⁾ of a New HRE Share for every DEPFA Share held by them.
- Based on the Closing Price on 20 July 2007 (being the last Business Day prior to this announcement) of €49.17 for a HRE Share the Merger values each DEPFA Share at €6.14, and values the entire issued share capital of DEPFA at approximately €5,696 million.
- The Merger, if approved, would result in DEPFA Shareholders receiving approximately 42 per cent. of the value (calculated on the basis set out above) of their DEPFA Shares in cash. In addition, DEPFA Shareholders are expected to benefit from the estimated synergies described in paragraph 5 of the attached announcement as the issue of New HRE Shares would enable DEPFA Shareholders to retain an equity interest in the Combined Group.
- The terms of the Merger represent:
 - a premium of approximately 17 per cent. to the Closing Price of €3.80 per DEPFA Share on 20 July 2007 (being the last Business Day prior to this announcement);
 - a premium of approximately 19 per cent. to the three month (to 20 July 2007) average Closing Price of €3.57 per DEPFA Share; and
 - a multiple of 11.2 times underlying earnings of €507 million for the 12 months to 31 December 2006.⁽²⁾
- The DEPFA Board, which has been so advised by Goldman Sachs, considers the financial terms of the Merger to be fair and reasonable. In providing advice to the DEPFA Board,

⁽¹⁾ These are approximations. The precise cash amount will be the quotient of €2,400,000,000 and 353,019,720, and the precise exchange ratio will be the quotient of 67,036,087 and 353,019,720.

⁽²⁾ Underlying earnings defined as deriving from continuing operations.

Goldman Sachs has taken into account the commercial assessments of the DEPFA Directors. In addition, the DEPFA Board believes the terms of the Merger to be in the best interests of DEPFA Shareholders as a whole and, accordingly, unanimously recommends DEPFA Shareholders to vote in favour of the Merger and the Scheme, as they have undertaken to do in respect of their own interests in DEPFA Shares.

- HRE has received irrevocable undertakings to vote (or procure a vote) in favour of the Merger and the Scheme from the DEPFA Directors in respect of the interests in DEPFA Shares held by them (10,414,869 DEPFA Shares, representing approximately 2.95 per cent. of the existing issued share capital of DEPFA) and in respect of the interests in DEPFA Shares allocated to them under the DEPFA Incentive Compensation Plan but which remain subject to vesting.
- The Merger and the Scheme are subject to the conditions set out in Appendix I of this announcement.

Commenting on the Merger on behalf of DEPFA, Gerhard Bruckermann, the Chairman and CEO of DEPFA, said:

“The mixed cash and share offer of €16.14 per share from HRE creates an opportunity for shareholders to realise significant value from their investment in DEPFA. The combination of DEPFA and HRE will provide access for both businesses to new customers, products and opportunities for expansion and growth and will create opportunities for customers and staff as the Combined Group realises the benefits of the combination's expected impact on its core markets.”

Commenting on the Merger on behalf of HRE, Georg Funke, the CEO of HRE Holding AG, said:

“The strategic fit of the transaction is compelling. As a result of this combination with DEPFA, we will, at a stroke, raise our expanding public finance and infrastructure financing activities to the level and quality of a leading global player.”

This summary should be read in conjunction with the full text of the attached announcement and its Appendices. Appendix III to the following announcement contains definitions of certain terms used in this summary and the attached announcement.

There will be an analysts' briefing call today at 08.30(CET) (+49 (0)69 9897 2627; + 44 (0)20 7138 0815; or via HRE's homepage: <http://www.hyporealestate.com/IR.html>), and a press conference at 09.30(CET) at Hypo Real Estate Holding AG, Unsöldstraße 2, 80538 Munich. An analyst conference will be held today at 15.30(BST) at London's Guildhall (Basinghall Suite), 1-5 Aldermanbury, London EC2V 7HH.

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This announcement does not constitute an offer to purchase, sell, subscribe or exchange or the solicitation of an offer to purchase, sell, subscribe or exchange any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Merger or the Scheme or otherwise.

Hypo Real Estate Holding AG accepts responsibility for the information contained in this announcement, other than that relating to DEPFA, the DEPFA Group, the directors of DEPFA and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of Hypo Real Estate Holding AG (who has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which Hypo Real Estate Holding AG accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

DEPFA BANK plc accepts responsibility for the information contained in this announcement relating to DEPFA, the DEPFA Group, the directors of DEPFA and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of DEPFA BANK plc (who has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which DEPFA BANK plc accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Morgan Stanley & Co. Limited and Morgan Stanley Bank AG are each acting exclusively for Hypo Real Estate Holding AG and for no-one else in connection with the Merger and Morgan Stanley & Co. Limited and Morgan Stanley Bank AG will not regard any other person as a client in relation to the Merger and will not be responsible to anyone other than Hypo Real Estate Holding AG for providing the protections afforded exclusively to their respective clients or for providing advice in relation to the Merger, the contents of this announcement or any transaction or arrangement referred to herein.

Goldman Sachs International which is authorised and regulated in the United Kingdom by the Financial Services Authority is acting exclusively for DEPFA BANK plc and no-one else in connection with the Merger and will not be responsible to anyone other than DEPFA BANK plc for providing the protections afforded to clients of Goldman Sachs International nor for providing advice in relation to the Merger, the contents of this announcement or any transaction or arrangement referred to herein.

The full text of the conditions and reference to certain further terms of the Merger and Scheme are set out in Appendix I.

The distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this announcement and all other documents relating to the Merger and the Scheme are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction.

Any response in relation to the Merger or the Scheme should be made only on the basis of the information contained in the Scheme Document or any document by which the Merger and Scheme are made.

*The New HRE Shares to be issued pursuant to the Merger will be issued pursuant to the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, (the “**Securities Act**”) provided by Section 3 (a)(10) thereof, and have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. In order to qualify for the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10), there must be a hearing on the fairness of the Scheme's terms and conditions to the DEPFA Shareholders, which all the DEPFA Shareholders are entitled to attend in person or through representatives to oppose the sanctioning of the Scheme by the High Court, and with respect to which notification will be given to all the DEPFA Shareholders. The High Court's attention is drawn to the fact that, for the purpose of qualifying for the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10), Hypo Real Estate Holding AG intends to rely on the High Court's hearing to sanction the Scheme.*

This announcement, including information included or incorporated by reference in this announcement, may contain “forward-looking statements” concerning the Merger, DEPFA and HRE. Generally, the words “will”, “may”, “should”, “could”, “would”, “can”, “continue”, “opportunity”, “believes”, “expects”, “intends”, “anticipates”, “estimates” or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such a future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Neither Hypo Real Estate Holding AG nor DEPFA BANK plc assumes any obligation in respect of, or intends to update these forward-looking statements, except as required pursuant to applicable law.

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1. Introduction

The Boards of Hypo Real Estate Holding AG and DEPFA BANK plc are pleased to announce that they have reached agreement on the terms of a merger of the two businesses by way of a recommended acquisition by HRE of the entire issued share capital of DEPFA to be implemented by means of a scheme of arrangement under Section 201 of the Companies Act, 1963 of Ireland.

The Combined Group will be a leading global public finance banking group with proven competence in Public, Infrastructure and Commercial Real Estate Finance which will be diversified in terms of its business activities, geographic operations and sources of funding.

The Merger and Scheme will be subject to the conditions set out in Appendix I to this announcement, which will also be set out in the Scheme Document.

Certain terms used in this announcement are defined in Appendix III to this announcement.

2. The Consideration

If the Scheme becomes effective, DEPFA Shareholders will receive:

€6.80 in cash and 0.189⁽¹⁾ of a New HRE Share for every DEPFA Share held by them.

Based on the Closing Price on 20 July 2007 (being the last Business Day prior to this announcement) of €49.17 for a HRE Share the Merger values each DEPFA Share at €6.14, and values the entire issued share capital of DEPFA at approximately €5,696 million.

The Merger, if approved, would result in DEPFA Shareholders receiving approximately 42 per cent. of the value (calculated on the basis set out above) of the DEPFA Shares in cash. In addition, DEPFA Shareholders are expected to benefit from the estimated synergies described in paragraph 5 of this announcement as the issue of New HRE Shares would enable DEPFA Shareholders to retain an equity interest in the Combined Group.

The terms of the Merger represent:

- a premium of approximately 17 per cent. to the Closing Price of €13.80 per DEPFA Share on 20 July 2007 (being the last Business Day prior to this announcement);

⁽¹⁾ These are approximations. The precise cash amount will be the quotient of €2,400,000,000 and 353,019,720, and the precise exchange ratio will be the quotient of 67,036,087 and 353,019,720.

- a premium of approximately 19 per cent. to the three month (to 20 July 2007) average Closing Price of €13.57 per DEPFA Share; and
- a multiple of 11.2 times underlying earnings of €507 million for the 12 months to 31 December 2006.⁽¹⁾

3. Recommendation

The DEPFA Board, which has been so advised by Goldman Sachs, considers the financial terms of the Merger to be fair and reasonable. In providing advice to the DEPFA Board, Goldman Sachs has taken into account the commercial assessments of the DEPFA Directors. In addition, the DEPFA Board believes the terms of the Merger to be in the best interests of DEPFA Shareholders as a whole and, accordingly, unanimously recommends DEPFA Shareholders to vote in favour of the Merger and the Scheme, as they have undertaken to do in respect of their own interests in DEPFA Shares.

4. Background to and Reasons for the Merger

The Combined Group will be a leading public finance banking group with proven competence in Public Sector, Infrastructure and Commercial Real Estate Finance. The Combined Group will be diversified in terms of business activities, geographic operations and sources of funding. The Merger combines two global franchises in Public Sector and Commercial Real Estate Finance which should allow each organisation to retain and develop further its particular competencies while at the same time drawing on the strengths and best practices of the other to develop jointly the Combined Group.

The Combined Group will be divided into three business segments: (i) Commercial Real Estate Finance; (ii) Budget & Infrastructure Finance; and (iii) Capital Markets & Asset Management. The Corporate Centre will provide corporate centre functions and deal with the remaining legacy portfolios of the Combined Group. HRE Group's holding structure will be maintained and DEPFA will be integrated into HRE Group as a direct subsidiary of the holding company whilst preserving its strong franchise.

Current trends provide an advantageous backdrop for this combination of forces. The current public sector budgetary situation, the continued rise of Public Private Partnership initiatives and the global demand for inflation-linked structured finance investments will create significant opportunities for a specialist in the Public Sector, Infrastructure and Commercial Real Estate Finance. In particular, HRE expects DEPFA's strong client franchise in the public sector, allied with the combined expertise of HRE and DEPFA in Project and Infrastructure Finance and Structured Commercial Real Estate Finance, will create excellent business opportunities.

The Combined Group will have complementary business origination, funding and distribution platforms. By combining efforts, investment banking capabilities are expected to gain critical mass and there is a largely improved scope for more active balance sheet management anticipated given structuring, securitisation and re-packaging skills in the Combined Group.

The Combined Group will have substantial global reach for deal sourcing, structuring and distribution. Its significantly-enhanced balance sheet and capital strength should enable the Combined Group to compete for larger, more complex and higher margin assignments globally.

⁽¹⁾ Underlying earnings defined as deriving from continuing operations.

DEPFA expects that the Merger will enhance the strategy and operating performance and accelerate the growth prospects of the DEPFA Group. DEPFA will acquire additional capabilities which, combined with its improved access to capital, should enable it to exploit a greater number of financing opportunities in its existing client franchise.

5. Synergies

The Combined Group expects annual synergies of approximately €10 million. Due to the complementary nature of the businesses, the majority of synergies are expected to be revenue synergies, including additional growth opportunities.

Total revenue synergies are expected to amount to approximately €50 million per annum by 2011 and will be realised from existing and new growth opportunities. The Combined Group will be able to compete for larger and more complex Real Estate Finance and Infrastructure Finance mandates due to increased underwriting and syndication capacity. In particular, the higher capitalisation will increase the large loan exposure limit of the group from €1.6 billion (HRE standalone) to more than €2.6 billion, enabling underwriting of larger, more profitable transactions, in, for example, Infrastructure Finance. There are expected to be considerable new growth opportunities from cross-selling commercial real estate financing solutions to the public sector. There will be additional opportunities from broadening DEPFA's product range to public sector clients.

Total cost synergies are expected to amount to approximately €60 million per annum. It is anticipated that the largest element of the cost synergies will be realised from reducing the number of covered bond banks in the Combined Group. Further synergies are expected to be realised from the reduction of personnel for shared services and from streamlining the IT operations, as well as from combining the operations and premises of the Combined Group's international network.

It is expected that more than 60 per cent. of the cost and revenue synergies will be realised within the first two years following completion of the Merger. Transaction related restructuring and implementation costs are estimated at approximately €160 million, of which the majority will be incurred during the current financial year.

6. The Merger and the Scheme

The Merger will be effected by way of a Scheme of Arrangement between DEPFA and holders of DEPFA Shares under section 201 of the Act. Under the Scheme (which will be subject to the conditions set out in Appendix I to this announcement, and which will also be set out in the Scheme Document) DEPFA Shareholders will receive €6.80 in cash and 0.189⁽¹⁾ of a New HRE Share for every DEPFA Share held by them.

The Scheme of Arrangement is an arrangement made between DEPFA and holders of DEPFA Shares under Section 201 of the Act, and which is subject to the approval of the High Court. If the Scheme becomes effective, all DEPFA Shares will be cancelled pursuant to Sections 72 and 74 of the Act with the exception of seven DEPFA Shares to be held by or on behalf of HRE. DEPFA will then issue new DEPFA Shares to HRE in place of the DEPFA Shares cancelled pursuant to the Scheme, and HRE will pay the cash consideration and issue New HRE Shares in consideration for the Merger to a trustee acting on behalf of the former DEPFA Shareholders, who will thereafter receive such cash and shares from the trustee. As a result of these arrangements, DEPFA will become a wholly-owned subsidiary of HRE.

⁽¹⁾ These are approximations. The precise cash amount will be the quotient of €2,400,000,000 and 353,019,720, and the precise exchange ratio will be the quotient of 67,036,087 and 353,019,720.

To become effective, the Scheme requires, amongst other things, the approval at the Court Meeting of a majority in number of the holders of DEPFA Shares, representing three-fourths (75 per cent.) or more in value of the DEPFA Shares held by such holders, present and voting either in person or by proxy, as well as the approval by the holders of DEPFA Shares of resolutions relating to the implementation of the Scheme at an EGM to be held directly after the Court Meeting.

Assuming the necessary approvals from the DEPFA Shareholders have been obtained and all conditions have been satisfied or (where applicable) waived, the Scheme will become effective upon delivery to the Registrar of Companies in Ireland of a copy of the Court Order of the High Court sanctioning the Scheme together with the minute required by Section 75 of the Act and registration of such order by the Registrar of Companies in Ireland. Upon the Scheme becoming effective, it will be binding on all DEPFA Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Extraordinary General Meeting.

The Merger is conditional on the Scheme becoming effective. The conditions to the Merger and the Scheme are set out in full in Appendix I of this announcement. The implementation of the Scheme is conditional, amongst other things, upon:

- the Scheme becoming effective by not later than 31 December 2007 or such later date as HRE, DEPFA and the High Court may agree;
- the approval of the Scheme by a majority in number representing three-fourths or more in value of the holders of DEPFA Shares, present and voting either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
- the passing of such resolutions as are required to implement the Scheme at the Extraordinary General Meeting (or at any adjournment of such meeting);
- the sanction of the Scheme and confirmation of the reduction of capital involved therein by the High Court and the delivery of an office copy of the Court Order and the minute required by Section 75 of the Act to the Registrar of Companies in Ireland and the registration of such Court Order by the Registrar of Companies in Ireland;
- the approval of the financial regulators in Ireland and Germany and the relevant anti-trust authorities; and
- certain other conditions being satisfied or waived on or before the sanction of the Scheme by the High Court pursuant to Section 201 of the Act.

The Scheme Document, containing further information relating to the implementation of the Scheme, the full terms and conditions of the Scheme, and the notices of the Court Meeting to be convened by direction of the High Court and the separate Extraordinary General Meeting required to implement the Scheme, will be posted as soon as reasonably practicable to DEPFA Shareholders.

The Scheme Document will also include details of the expected timetable for implementation of the Scheme and will specify the actions to be taken by DEPFA Shareholders. It is expected that the Merger and Scheme will become effective during the course of October 2007.

7. Information on DEPFA

DEPFA is a leading provider of financial services to public sector entities worldwide. It is a Dublin-based public limited company, incorporated under Irish law, with a network of

subsidiaries and branch offices across Europe, as well as in the Americas and Asia.

DEPFA's products and services cover the entire range of the public sector's financing needs, whether related to budget financing or funding of public infrastructure projects, advising on the rating process associated with the privatisation of public services, debt restructuring, supporting bond placements or extending credit lines. Due to its strong focus on the public sector and its extensive experience with the specific financial, political and social requirements involved, DEPFA is both a strong financial partner and an independent advisor to its clients.

The DEPFA Shares are listed on the Frankfurt Stock Exchange, and are included in the MDAX index. DEPFA has a current market capitalisation of €4,871 million (based on the Closing Price of €13.80 for a DEPFA Share on 20 July 2007, the last Business Day prior to the publication of this announcement. The bank is supervised by the Irish Financial Regulator.

8. **Information on HRE**

The HRE Group is one of Europe's largest providers of commercial real estate financing. The HRE Group is headed by Hypo Real Estate Holding AG, a public company with headquarters in Munich, Germany. The companies in the HRE Group are legally separate from each other, but the business objectives they pursue are coordinated within the HRE Group.

Hypo Real Estate Bank International AG and Hypo Real Estate Bank AG conduct the real estate financing activities (segment Commercial Real Estate). Hypo Real Estate Bank International AG has charge of the HRE Group's entire international real estate financing business, while Hypo Real Estate Bank AG concentrates on business in Germany. Hypo Public Finance Bank deals with the business areas of public finance, infrastructure finance, capital markets and asset management (segment Asset Finance and Asset Management).

The HRE Group was originally set up in 2003 by the spin-off of certain of the commercial real estate financing activities of the HVB Group. In this move, the shares in the HVB Group's German mortgage banks as well as the international real estate financing activities of the HVB Group were transferred to the HRE Group, where they were strategically refocused. Since that time, the HRE Group has been operating completely independently of the HVB Group.

Hypo Real Estate Holding AG has a current market capitalisation of €6,592 million (based on the Closing Price of €9.17 for a HRE share on 20 July 2007, the last Business Day prior to the publication of this announcement) and its shares are traded on the Frankfurt Stock Exchange in the DAX30 (Prime Standard).

9. **Financing**

HRE will finance the Merger through a combination of New HRE Shares and cash. DEPFA Shareholders will receive a total of up to 67,036,087 New HRE Shares pursuant to the terms of the Merger. HRE's existing registered share capital of €402 million will therefore be increased by approximately €201 million using authorised capital. This capital increase against contribution in kind will be registered on the Effective Date. The New HRE Shares will be admitted to trading on the Frankfurt Stock Exchange subsequent to the Scheme becoming effective.

The remaining €2.4 billion, or approximately 42 per cent. of the consideration for the Merger, will be paid in cash. The cash component will be financed through the issuance of a €450 million mandatory convertible bond that will convert after 12 months. Furthermore, HRE

intends to issue €300 million of hybrid capital and €1.65 billion of senior unsecured debt, both of which will be raised by Hypo Real Estate Bank International AG.

The mandatory convertible will be launched shortly after this announcement, whereas it is intended that the hybrid capital will be issued prior to the Scheme becoming effective. The remaining cash will be raised through existing programmes.

10. **Directors, Management and Employees**

The Board of HRE confirms that, following the Scheme becoming effective, the existing employment rights, including pension rights, of all employees of DEPFA will be fully safeguarded.

When the Scheme becomes effective, the Supervisory Board of HRE will appoint Mr. Cyril Dunne and Mr. Bo Heide-Ottosen as members of the Management Board subject to BaFin approval. Moreover, at the next AGM the Management Board and the Supervisory Board will propose the expansion of the Supervisory Board of HRE Holding AG to comprise twelve members instead of currently six to account for the increased demands on the supervisory function in terms of expertise and resources. It is intended that Gerhard Bruckermann, the current Chairman and CEO of DEPFA, shall be nominated for vice-chairmanship of the enlarged post-Merger Supervisory Board. In addition, at the next AGM the Management and the Supervisory Board of HRE intend to propose that five new members of the enlarged post-Merger Supervisory Board are drawn from DEPFA's current Board of Directors.

11. **Delisting and Cancellation of Trading**

It is intended that, subject to and following the Scheme becoming effective, and subject to applicable requirements of the Frankfurt Stock Exchange, HRE will procure that DEPFA applies for cancellation of the listing of the DEPFA Shares on the Frankfurt Stock Exchange. The last day of dealings in DEPFA Shares on the Frankfurt Stock Exchange is expected to be the business day before the Effective Date.

12. **Merger Agreement**

HRE and DEPFA have entered into a Merger Agreement dated 23 July 2007.

Under the terms of the Merger Agreement, DEPFA has agreed to pay an inducement fee of €50 million to HRE in the following circumstances:

- other than in circumstances where there has been a material adverse change in the business of HRE, if the DEPFA Directors, or any of them, withdraw or adversely modify or materially qualify their recommendation of the Scheme and the Merger or recommend (or indicate or announce an intention to recommend) any "Third Party Transaction" (being an offer or scheme or arrangement or other transaction involving a change of control of DEPFA or the disposal of a material part of the business of the DEPFA Group); or
- if DEPFA breaches the terms of the Merger Agreement in a manner that is material in the context of the Merger; or
- if one or more of the resolutions to be proposed at the Court Meeting and EGM are not passed by the holders of DEPFA Shares in circumstances where an announcement of a Third Party Transaction has been issued prior to the Court Meeting or EGM and the relevant offer or transaction has been made or put to DEPFA Shareholders within six months after the Court Meeting (for example, by the posting of an offer or scheme

document) and subsequently the Third Party Transaction is completed or becomes effective.

Under the terms of the Merger Agreement, HRE has agreed to pay an inducement fee of €50 million to DEPFA if HRE breaches the terms of the Merger Agreement in a manner that is material in the context of the Merger.

Pursuant to the Merger Agreement, DEPFA has, subject to certain qualifications, also accepted restrictions on its ability to solicit, respond to or engage with, or enter into inducement fee or expense reimbursement arrangements with, other persons in relation to potential Third Party Transactions.

The Merger Agreement grants HRE the right, where the DEPFA Directors propose to withdraw or adversely modify their recommendation of the Scheme and the Merger in circumstances where DEPFA has received an approach from a third party in relation to a Third Party Transaction the terms of which are superior to the terms of the Merger and Scheme, to revise the terms of the Merger and Scheme to exceed the terms of the Third Party Transaction. If HRE does so, the DEPFA Directors are required to recommend the enhanced Scheme and Merger and to cease to engage with the third party in relation to the Third Party Transaction.

The Merger Agreement also contains provisions regulating the implementation of the Scheme and the conduct of the business of the DEPFA Group and the HRE Group prior to the Scheme becoming effective.

Either party may terminate the Merger Agreement if: (i) any one or more of the DEPFA Directors withdraws, adversely modifies or materially qualifies his recommendation of the Merger and the Scheme; or (ii) the High Court refuses to approve the Scheme; or (iii) the resolutions required to approve and implement the Scheme and the Merger are not passed by the holders of DEPFA Shares; or (iii) the High Court has not approved the Scheme by 31 December 2007; or (iv) the European Commission declares the Merger to be incompatible with the common market; or (v) the other party has breached the provisions of the Merger Agreement in a manner which is material in the context of the Merger; or (vi) any of Conditions 1 to 2(f) in Appendix I are incapable of being satisfied by 31 December 2007.

HRE may terminate the Merger Agreement if any of the Conditions 2(g) to 2(q) in Appendix I are determined to be incapable of being satisfied prior to, and remaining satisfied until, the date of the Court Hearing.

13. Undertakings to Vote in Favour of the Merger and Scheme

HRE has received irrevocable undertakings to vote (or procure a vote) in favour of the Merger and the Scheme from the DEPFA Directors in respect of the interests in DEPFA Shares held by them (10,414,869 DEPFA Shares, representing approximately 2.95 per cent. of the existing issued share capital of DEPFA) and in respect of the interests in DEPFA Shares allocated to them under the DEPFA Incentive Compensation Plan but which remain subject to vesting.

14. Interests in DEPFA

As at 20 July 2007, being the latest business day prior to the date of this announcement, HRE did not hold interests in any DEPFA Shares.

As at 19 July 2007, the latest practicable date prior to the date of this announcement, Morgan Stanley and its affiliates held interests in 65,108 DEPFA Shares and short positions in respect

of interests in 1,892,859 DEPFA Shares on behalf of discretionary clients, interests in 495,086 DEPFA Shares as principal trader and no interests in DEPFA Shares via contracts for difference on behalf of discretionary clients.

Save as disclosed in this paragraph, neither HRE nor, as far as HRE is aware, any person acting in concert with HRE, owns or controls any interests in DEPFA Shares or any securities convertible or exchangeable into, or rights to subscribe for or purchase, or holds any options to purchase any interests in DEPFA Shares or has entered into any derivative referenced to interests in DEPFA Shares which remains outstanding or has any arrangements in relation to interests in DEPFA Shares other than the interests in DEPFA Shares detailed above of certain advisers to HRE.

So far as HRE is aware, no Arrangement exists with HRE. So far as DEPFA is aware, no Arrangement exists with DEPFA.

15. **General**

The Merger and Scheme will be made subject to the conditions set out in Appendix I and to be set out in the Scheme Document. The Scheme Document will include full details of the Merger and the expected timetable and will be accompanied by the appropriate forms of proxy and instruction. These documents will be despatched to DEPFA Shareholders in due course. The Merger and Scheme will be governed by the laws of Ireland.

Details of the sources and bases of certain information set out in this announcement are included in Appendix II. Certain terms used in this announcement are defined in Appendix III.

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This announcement does not constitute an offer to purchase, sell, subscribe or exchange or the solicitation of an offer to purchase, sell, subscribe or exchange any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Merger or the Scheme or otherwise.

Hypo Real Estate Holding AG accepts responsibility for the information contained in this announcement, other than that relating to DEPFA, the DEPFA Group, the directors of DEPFA and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of Hypo Real Estate Holding AG (who has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which Hypo Real Estate Holding AG accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

DEPFA BANK plc accepts responsibility for the information contained in this announcement relating to DEPFA, the DEPFA Group, the directors of DEPFA and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of DEPFA BANK plc (who has taken all reasonable care to ensure that such is the case), the information contained in this announcement for which DEPFA BANK plc accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Morgan Stanley & Co. Limited and Morgan Stanley Bank AG are each acting exclusively for Hypo Real Estate Holding AG and for no-one else in connection with the Merger and Morgan Stanley & Co. Limited and Morgan Stanley Bank AG will not regard any other person as a client in relation to the Merger and will not be responsible to anyone other than Hypo Real Estate Holding AG for providing the protections afforded exclusively to their respective clients or for providing advice in relation to the Merger, the contents of this announcement or any transaction or arrangement referred to herein.

Goldman Sachs International which is authorised and regulated in the United Kingdom by the Financial Services Authority is acting exclusively for DEPFA BANK plc and no-one else in connection with the Merger and will not be responsible to anyone other than DEPFA BANK plc for providing the protections afforded to clients of Goldman Sachs International nor for providing advice in relation to the Merger, the contents of this announcement or any transaction or arrangement referred to herein.

The full text of the conditions and reference to certain further terms of the Merger and Scheme are set out in Appendix I.

The distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this announcement and all other documents relating to the Merger and the Scheme are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction.

Any response in relation to the Merger or the Scheme should be made only on the basis of the information contained in the Scheme Document or any document by which the Merger and Scheme are made.

*The New HRE Shares to be issued pursuant to the Merger will be issued pursuant to the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, (the “**Securities Act**”) provided by Section 3 (a)(10) thereof, and have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. In order to qualify for the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10), there must be a hearing on the fairness of the Scheme's terms and conditions to the DEPFA Shareholders, which all the DEPFA Shareholders are entitled to attend in person or through representatives to oppose the sanctioning of the Scheme by the High Court, and with respect to which notification will be given to all the DEPFA Shareholders. The High Court's attention is drawn to the fact that, for the purpose of qualifying for the exemption from the registration requirements of the Securities Act*

provided by Section 3(a)(10), Hypo Real Estate Holding AG intends to rely on the High Court's hearing to sanction the Scheme.

This announcement, including information included or incorporated by reference in this announcement, may contain “forward-looking statements” concerning the Merger, DEPFA and HRE. Generally, the words “will”, “may”, “should”, “could”, “would”, “can”, “continue”, “opportunity”, “believes”, “expects”, “intends”, “anticipates”, “estimates” or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Neither Hypo Real Estate Holding AG nor DEPFA BANK plc assumes any obligation in respect of, or intends to update these forward-looking statements, except as required pursuant to applicable law.

Appendix I Conditions of the Merger and Scheme

The Merger and Scheme are governed by laws of Ireland and subject to the exclusive jurisdiction of the courts of Ireland, which exclusivity shall not limit the right to seek provisional or protective relief in the courts of another State during or after any substantive proceedings have been instituted in Ireland, nor shall it limit the right to bring enforcement proceedings in another State on foot of an Irish judgment.

1. The Scheme will be conditional upon it becoming effective and unconditional by not later than 31 December 2007 (or such later date as HRE and DEPFA may agree and the Court may allow). The Scheme will be conditional upon:
 - (a) the approval of the Scheme by a majority in number representing three-fourths or more in value of the holders of DEPFA Shares, present and voting either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
 - (b) the resolution(s) (other than (a) above) required to implement the Scheme being duly passed by the requisite majority at the Extraordinary General Meeting (or at any adjournment of such meeting); and
 - (c) the sanction (with or without modification) of the Scheme and the confirmation of the reduction of capital involved therein by the High Court and office copies of the Court Order being delivered for registration to the Registrar of Companies and registration of the Court Order confirming the reduction of capital involved in the Scheme by the Registrar of Companies.

2. DEPFA and HRE have agreed that the Scheme will also be conditional upon the following matters having been satisfied or waived on or before the sanction of the Scheme by the High Court pursuant to Section 201 of the Companies Act 1963:
 - (a) to the extent that the Merger or its implementation (the “**proposed acquisition**”) constitutes a concentration with a Community dimension within the scope of Council Regulation (EEC) No 139/2004 as amended (the “**Regulation**”):
 - (i) the European Commission having taken a decision, without imposing any conditions or obligations that are not acceptable to HRE (acting reasonably) or DEPFA (acting reasonably), declaring the Merger to be compatible with the common market, or having been deemed to have done so under Article 10(6) of the Regulation; or
 - (ii) in the event that a request under Article 9(2) of the Regulation has been made by a European Economic Area (“**EEA**”) member state and has been granted by the European Commission, and that EEA member state’s competition authority having taken a decision, without imposing any conditions or obligations that are not acceptable to HRE (acting reasonably) or DEPFA (acting reasonably), clearing the Merger or having been deemed to have done so under that EEA member state’s relevant legislation; and
 - (iii) no EEA member state having taken appropriate measures to protect legitimate interests pursuant to Article 21(3) of the Regulation in relation to the proposed acquisition, or any aspect of it, except on terms acceptable to HRE (acting reasonably) and DEPFA (acting reasonably);
 - (b) (i) either:

- (A) the Irish Financial Regulator having given (and not withdrawn) written approval in respect of the Merger pursuant to Chapter IV of the Central Bank Act 1989, such approval not being subject to any condition which is reasonably unacceptable to HRE or DEPFA; or
 - (B) the relevant period within the meaning of section 83 of the Central Bank Act 1989 having elapsed without the Irish Financial Regulator refusing its approval to the Merger; and
- (ii) either:
 - (A) the Irish Financial Regulator having confirmed in writing that it has no objection to the Merger pursuant to regulation 14 of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992, such confirmation not being subject to any condition which is reasonably unacceptable to HRE or DEPFA; or
 - (B) the period referred to in regulation 14(4)(a)(i) of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 having elapsed without the Irish Financial Regulator notifying HRE or DEPFA as to whether it has an objection to the Merger;
- (c) BaFin having notified HRE that it does not intend to prohibit the indirect acquisition of DEPFA Deutsche Pfandbriefbank AG by HRE pursuant to Section 2c para. (1a) of the German Banking Act (*Kreditwesengesetz*), or the period for prohibiting this acquisition having lapsed without the BaFin taking action pursuant to Section 2c para. (1a) or (2) of the German Banking Act;
- (d) the Irish Financial Regulator having informed HRE and each undertaking within the DEPFA Group which holds an authorisation issued by the Irish Financial Regulator under any enactment in respect of which the Irish Financial Regulator is a supervisory authority, including without limitation under the Central Bank Act 1989 (as amended) and the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992, that it has approved the acquisition by the relevant member of the HRE Group of an interest in such undertaking which would result from the implementation of the Merger, such approval not being subject to any condition which is unacceptable to HRE (acting reasonably) or DEPFA (acting reasonably), or any applicable period referred to in such enactments having elapsed without the Irish Financial Regulator having refused such acquisition, including any such applicable period referred to in the Central Bank Act 1989 (as amended) and the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992;
- (e) the authorisation by the Irish Financial Regulator of DEPFA under Section 9 of the Central Bank Act 1971 (as amended) being in full force and effect and not having been withdrawn or made subject to any condition which is unacceptable to HRE (acting reasonably) or DEPFA (acting reasonably);
- (f) the filing of an application for the listing of the New HRE Shares on the Official Market of the Frankfurt Stock Exchange, publication of such application by the Board of Admission of such exchange and compliance with all other requirements by HRE under the listing rules of such exchange to ensure that upon the issuance of the New HRE Shares such exchange will admit the New HRE Shares to trading;

- (g) no central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, including any national or supranational anti-trust or merger control authorities, court, tribunal, trade agency, professional association, environmental body, any analogous body whatsoever or tribunal in any jurisdiction (each a “**Third Party**”) having decided to take, institute or implement any action, proceeding, suit, investigation, enquiry or reference or having made, proposed or enacted any statute, regulation or order or having withheld any consent or having done or decided to do anything which would or might reasonably be expected to:
- (i) make the Merger or its implementation, or the acquisition or proposed acquisition by HRE of any shares in, or control of, DEPFA, or any of the assets of DEPFA void, illegal or unenforceable under the laws of any jurisdiction or otherwise, directly or indirectly, restrain, revoke, prohibit, restrict or materially delay the same or impose additional or different conditions or obligations with respect thereto (except for restraints, prohibitions, restrictions, delays, conditions or obligations that would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole), or otherwise challenge or interfere therewith (except where the result of such challenge or interference would not have, or would not reasonably be expected to have, a material adverse effect (in value terms or otherwise) on the Wider DEPFA Group taken as a whole);
 - (ii) result in a material delay in the ability of HRE, or render HRE unable, to acquire some or all of the DEPFA Shares or require a divestiture by any member of the HRE Group of any shares in DEPFA;
 - (iii) except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole, require, prevent or delay the divestiture by any member of the HRE Group or by any member of the Wider DEPFA Group of all or any portion of their respective businesses, assets (including, without limitation, the shares or securities of any other member of the DEPFA Group) or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or own their respective assets or properties or any part thereof;
 - (iv) impose any limitation on or result in a material delay in the ability of HRE to acquire, or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares (or the equivalent) in, or to exercise voting or management control over, DEPFA or any subsidiary or subsidiary undertaking of DEPFA which is material in the context of the Wider DEPFA Group taken as a whole (each a “**Material Subsidiary**”) or on the ability of any member of the Wider DEPFA Group to hold or exercise effectively, directly or indirectly, rights of ownership of shares (or the equivalent) in, or to exercise rights of voting or management control over, any member of the Wider DEPFA Group;
 - (v) except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole, require any member of the HRE Group or any member of the Wider DEPFA Group to acquire or offer to acquire any shares or other securities (or the equivalent) in, or any interest in any asset owned by, any member of the Wider DEPFA Group owned by any third party;

- (vi) except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole, impose any limitation on the ability of any member of the DEPFA Group to integrate or co-ordinate its business, or any part of it, with the businesses of any member of the Wider DEPFA Group;
 - (vii) except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole, result in any member of the Wider DEPFA Group ceasing to be able to carry on business in any jurisdiction in which it currently does;
 - (viii) terminate or vary the terms of any agreement or arrangement between any member of the DEPFA Group and any other person in a manner which would reasonably be expected to have a material adverse effect on the financial position of the Wider DEPFA Group taken as a whole;
 - (ix) cause any member of the Wider DEPFA Group to cease to be entitled to any Authorisation (as defined in paragraph (2)(h) below) used by it in the carrying on of its business; or
 - (x) except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole, otherwise adversely affect the business, profits, assets, liabilities, financial or trading position of any member of the Wider DEPFA Group;
- (h) all necessary notifications and filings having been made, all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction in which DEPFA or any Material Subsidiary shall be incorporated or carry on any business having expired, lapsed or having been terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction in which DEPFA or a Material Subsidiary shall be incorporated or carry on any business having been complied with (save to an extent which would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole), in each case, in connection with the Merger or its implementation and all authorisations, orders, recognitions, grants, consents, clearances, confirmations, licences, permissions and approvals in any jurisdiction (“**Authorisations**” and each an “**Authorisation**”) reasonably deemed necessary or appropriate by HRE for or in respect of the Merger having been obtained on terms and in a form reasonably satisfactory to HRE from all appropriate Third Parties, all such Authorisations remaining in full force and effect, there being no notified intention to revoke or vary or not to renew the same at the time at which the Merger becomes otherwise unconditional and all necessary statutory or regulatory obligations in any such jurisdiction having been complied with (except where the consequence thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole);
- (i) all applicable waiting periods and any other time periods during which any Third Party could, in respect of the Merger or the acquisition or proposed acquisition of any shares or other securities (or the equivalent) in, or control of, DEPFA or any member of the Wider DEPFA Group by HRE, institute or implement any action, proceedings, suit, investigation, enquiry or reference under the laws of any jurisdiction which would be reasonably expected adversely to affect (to an extent which would be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole) any member of the DEPFA Group, having expired, lapsed or been terminated;

(j) except as disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise, facility, lease or other instrument to which any member of the Wider DEPFA Group is a party or by or to which any such member or any of its respective assets may be bound, entitled or be subject and which, in consequence of the Merger or the acquisition or proposed acquisition by HRE of any shares or other securities (or the equivalent) in or control of DEPFA or any member of the DEPFA Group or because of a change of control or management of DEPFA or otherwise, would or would be reasonably expected to result in:

- (i) any monies borrowed by, or any indebtedness or liability (actual or contingent) of, or any grant available to any member of the Wider DEPFA Group becoming, or becoming capable of being declared, repayable immediately or prior to their or its stated maturity or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or materially inhibited;
- (ii) the creation or enforcement of any mortgage, charge or other security interest wherever existing or having arisen over the whole or any part of the business, property or assets of any member of the Wider DEPFA Group or any such mortgage, charge or other security interest becoming enforceable;
- (iii) any such arrangement, agreement, licence, permit, franchise, facility, lease or other instrument or the rights, liabilities, obligations or interests of any member of the Wider DEPFA Group thereunder, or the business of any such members with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated or adversely modified or any adverse action being taken or any obligation or liability arising thereunder;
- (iv) any material assets or material interests of, or any material asset the use of which is enjoyed by, any member of the Wider DEPFA Group being or falling to be disposed of or charged, or ceasing to be available to any member of the Wider DEPFA Group or any right arising under which any such asset or interest would be required to be disposed of or charged or would cease to be available to any member of the Wider DEPFA Group otherwise than in the ordinary course of business;
- (v) any member of the Wider DEPFA Group ceasing to be able to carry on business;
- (vi) the value of, or financial or trading position of any member of the Wider DEPFA Group being materially prejudiced or adversely affected; or
- (vii) the creation of any liability or liabilities (actual or contingent) by any member of the Wider DEPFA Group;

unless, if any such provision exists, such provision shall have been waived, modified or amended on terms satisfactory to HRE;

(k) no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider DEPFA Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (vii) of paragraph (l) to an extent which is material in the context of the Wider DEPFA Group as a whole,

unless, if any such provision exists, such provision shall have been waived, modified or amended on terms satisfactory to HRE;

- (l) save as disclosed no member of the Wider DEPFA Group having:
 - (i) issued or agreed to issue additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible or exchangeable securities (except for issues to DEPFA or wholly-owned subsidiaries of DEPFA);
 - (ii) recommended, declared, paid or made or issued any bonus, dividend or other distribution other than bonuses, dividends or other distributions lawfully paid or made to another member of the DEPFA Group;
 - (iii) save for transactions between two or more members of the DEPFA Group (“**intra-DEPFA Group transactions**”), made or authorised, proposed or announced any change in its share or loan capital (save in respect of share or loan capital which is not material (in value terms or otherwise) in the context of the DEPFA Group taken as a whole);
 - (iv) save for intra-DEPFA Group transactions, implemented, authorised, proposed or announced its intention to propose any merger, demerger, reconstruction, amalgamation, scheme or (except in the ordinary and usual course of trading) acquisition or disposal of (or of any interest in) assets or shares (or the equivalent thereof) in any undertaking or undertakings;
 - (v) except in the ordinary and usual course of business entered into or materially improved, or made any offer (which remains open for acceptance) to enter into or materially improve, the terms of any non-executive director or the terms of the employment contract with any director of DEPFA or any person occupying one of the senior executive positions in the DEPFA Group;
 - (vi) (except where the consequences thereof would not be material (in value terms or otherwise) in the context of the DEPFA Group, taken as a whole) issued any loan capital or debentures or (save in the ordinary course of business and save for intra-DEPFA Group transactions) incurred any indebtedness or contingent liability;
 - (vii) purchased, redeemed or repaid or announced any offer to purchase, redeem or repay any of its own shares or other securities (or the equivalent) or reduced or made any other change to any part of its share capital;
 - (viii) (A) merged with any body corporate, partnership or business, or (B) save for intra-DEPFA Group transactions, acquired or disposed of, transferred, mortgaged or encumbered any material assets or any material right, title or interest in any asset (including shares and trade investments);
 - (ix) (except where the consequences thereof would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole) entered into or varied any contract, transaction, arrangement or commitment or announced its intention to enter into or vary any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude

or which is or would be materially restrictive on the business of any member of the Wider DEPFA Group;

- (x) entered into or varied any material contract, transaction or arrangement or announced its intention to enter into or vary any material contract, transaction or arrangement otherwise than in the ordinary and usual course of business;
 - (xi) waived or compromised any claim which would be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole;
 - (xii) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased to carry on all or a substantial part of any business;
 - (xiii) made or agreed to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pensions schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation;
 - (xiv) save for voluntary solvent liquidations, taken any corporate action or had any legal proceedings instituted against it in respect of its winding-up, dissolution, examination or reorganisation or for the appointment of a receiver, examiner, administrator, administrative receiver, trustee or similar officer of all or any part of its assets or revenues, or (A) been the subject of any analogous proceedings in any jurisdiction, or (B) appointed any analogous person in any jurisdiction in which DEPFA or any Material Subsidiary shall be incorporated or carry on any business;
 - (xv) entered into any agreement, contract or binding commitment or passed any resolution or made any offer or announcement with respect to, or to effect any of the transactions, matters or events set out in this condition (without prejudice to the exceptions to each paragraph with regard to materiality and other matters);
 - (xvi) except in the case of amendments to the memoranda or articles of association of subsidiaries that are not material, amended its memorandum and articles of association; or
 - (xvii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or, other than increases in emoluments in the ordinary course of business, other benefit relating to the employment or termination of employment of any person employed by DEPFA Group;
- (m) save as disclosed:
- (i) there not having arisen any adverse change or deterioration in the business, assets, financial or trading position or profits of DEPFA or any member of the Wider DEPFA Group (save to an extent which would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole);

- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider DEPFA Group is or would reasonably be expected to become a party (whether as plaintiff or defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider DEPFA Group having been instituted or remaining outstanding by, against or in respect of any member of the DEPFA Group (save where the consequences of such litigation, arbitration proceedings, prosecution or other legal proceedings or investigation are not or would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole);
- (iii) no contingent or other liability existing or having arisen which would reasonably be expected to affect adversely any member of the Wider DEPFA Group (save where such liability is not or would not be material (in value terms or otherwise) in the context of the Wider DEPFA Group taken as a whole) and no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence, consent, permit or authorisation held by any member of the Wider DEPFA Group which is necessary for the proper carrying on of its business and which is material in the context of the Wider DEPFA Group; or
- (iv) no claim being made and no circumstance having arisen which might reasonably be expected to lead to a claim being made under the insurance of DEPFA or any member of the Wider DEPFA Group where such claim would not be covered by such insurance and where such claim is material in the context of the Wider DEPFA Group;
- (n) HRE not having discovered that any financial, business or other information concerning the Wider DEPFA Group which has been disclosed is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make the material information contained therein not misleading;
- (o) HRE not having discovered any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider DEPFA Group to an extent which in any case is material in the context of the Wider DEPFA Group taken as a whole;
- (p) save as disclosed, HRE not having discovered that any member of the Wider DEPFA Group or any partnership, company or other entity in which any member of the Wider DEPFA Group has an interest and which is not a subsidiary undertaking of DEPFA is subject to any liability, contingent or otherwise (save where such liability is not or would not be material (in value terms or otherwise) in the context of the Wider Group taken as a whole);
- (q) except as disclosed, no member of the DEPFA Group being in default under the terms or conditions of any facility or agreement or arrangement for the provision of loans, credit or drawdown facilities, or of any security, surety or guarantee in respect of any facility or agreement or arrangement for the provision of loans, credit or drawdown facilities to any member of the DEPFA Group (save where such default is not or would not be so material (in value terms or otherwise) in the context of the DEPFA Group taken as a whole);
- (r) for the purposes of the conditions set out above:

- (i) “**Authorisations**” and each an “**Authorisation**” means all authorisations, orders, recognitions, grants, consents, clearances, confirmations, licences, permissions and approvals in any jurisdiction reasonably deemed necessary or appropriate by HRE for or in respect of the Merger;
 - (ii) “**HRE Group**” means HRE and its parent undertaking and its subsidiaries and subsidiary undertakings and any other subsidiary or subsidiary undertaking of its parent undertaking;
 - (iii) “**disclosed**” means fairly disclosed in writing by or on behalf of DEPFA to HRE or Morgan Stanley or its or their respective employees, officers or advisers at any time up to the date of this Agreement;
 - (iv) “**DEPFA Group**” means DEPFA and its subsidiaries and subsidiary undertakings;
 - (v) “**intra-DEPFA Group transactions**” means transactions between two or more members of the DEPFA Group;
 - (vi) “**Material Subsidiary**” means any subsidiary or subsidiary undertaking of DEPFA which is material in the context of the Wider DEPFA Group taken as a whole;
 - (vii) “**parent undertaking**” “**subsidiary undertaking**”, “**associated undertaking**” and “**undertaking**” have the meanings given by the European Communities (Companies: Group Accounts) Regulations, 1992;
 - (viii) “**substantial interest**” means an interest in 20 per cent. or more of the voting equity capital of an undertaking;
 - (ix) “**Third Party**” means any central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, including any national or supranational anti-trust or merger control authorities, court, tribunal, trade agency, professional association, environmental body, any analogous body whatsoever or tribunal in any jurisdiction or any other third party;
 - (x) “**Wider HRE Group**” means the HRE Group, its associated undertakings and any entities in which any member of the HRE Group holds a substantial interest; and
 - (xi) “**Wider DEPFA Group**” means the DEPFA Group, its associated undertakings and any entities in which any member of the DEPFA Group holds a substantial interest.
3. HRE reserves the right (but shall be under no obligation) to waive, in whole or in part, all or any of the conditions except for conditions 1 to 2(f) inclusive. DEPFA reserves the right (but shall be under no obligation) to waive, in whole or in part, condition 2(f).
4. The Merger will lapse unless all of the conditions set out above have been fulfilled or (if capable of waiver) waived by 31 December 2007.

Appendix II
Sources and Bases of Information

- (a) The value attributed to the existing issued share capital of DEPFA is based upon the 353,019,720 DEPFA Shares in issue on 20 July 2007.
- (b) For the purposes of the financial comparisons contained in this announcement, no account has been taken of any liability to taxation or the treatment of fractions under the Merger.
- (c) Unless otherwise stated, the financial information relating to the DEPFA Group is extracted from the audited consolidated financial statements of the DEPFA Group for the relevant financial year.
- (d) Underlying earnings defined as deriving from continuing operations.

Appendix III Definitions

The following definitions apply throughout this announcement, unless the context requires otherwise:

“Act”	the Companies Act, 1963 of Ireland, as amended;
“Arrangement”	any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature between two or more persons, relating to relevant securities of HRE or DEPFA (as the case may be) which is or may be an inducement to one or more such persons to deal or refrain from dealing in such securities;
“Board”	means the DEPFA Board or the HRE Board (as the case may be);
“Business Day”	means a day other than a Saturday, Sunday or public holiday on which banks in Frankfurt and Dublin are generally open for business and the Frankfurt Stock Exchange is open for transaction of business;
“Closing Price”	the XETRA closing price on the Frankfurt Stock Exchange as at the date stated of a DEPFA Share and/ or a HRE Share (as the case may be);
“Combined Group”	the combined HRE Group and DEPFA Group;
“Court Meeting”	the meeting or meetings of the holders of DEPFA Shares (and any adjournment thereof) convened by order of the High Court pursuant to Section 201 of the Act to consider and, if thought fit, approve the Scheme (with or without amendment);
“Court Order”	the order or orders of the High Court sanctioning the Scheme under Section 201 of the Act and confirming the reduction of share capital which forms part of it under Sections 72 and 74 of the Act;
“DEPFA” or the “Company”	DEPFA BANK plc, a public limited company incorporated in Ireland with registered number 348819;
“DEPFA Group” or the “Group”	DEPFA, its subsidiaries and associated undertakings;
“DEPFA Incentive Compensation Plan”	the DEPFA Incentive Compensation Plan;
“DEPFA Shareholders” or “Shareholders”	holders of DEPFA Shares including, where the context so requires, holders of beneficial interests in DEPFA Shares;
“DEPFA Shares”	the existing and allotted or issued and fully paid ordinary shares of €0.30 each in the share capital of DEPFA and any further such shares which may be issued or allotted prior to the Effective Date;
“directors of DEPFA” or “DEPFA Directors” or “DEPFA Board”	the board of directors of DEPFA other than Mr. Hans Reich, who has not participated in the DEPFA Board’s discussions of the Merger because of his potentially conflicting other business interests;

“directors of HRE” or “HRE Directors” or “HRE Board”	the management board of directors (<i>Vorstand</i>) of HRE;
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms;
“euro” or “€” or “EUR” or “cent” or “c”	the lawful currency unit in Germany and Ireland;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the holders of DEPFA Shares to be convened in connection with the Scheme, expected to be held on the same day as the Court Meeting (and any adjournment thereof);
“Goldman Sachs”	Goldman Sachs International;
“HRE”	Hypo Real Estate Holding AG;
“HRE Group”	HRE and its parent undertaking and its subsidiaries and subsidiary undertakings and any other subsidiary or subsidiary undertaking of its parent undertaking;
“HRE Shares”	ordinary no-par bearer shares of HRE with a nominal value of €3.00 each in the capital of HRE;
“High Court”	the High Court of Ireland;
“HVB Group”	the HypoVereinsbank Group;
“Ireland”	Ireland excluding Northern Ireland and the word “Irish” shall be construed accordingly;
“Irish Financial Regulator”	the Irish Financial Services Regulatory Authority, as a constituent part of the Central Bank and Financial Services Authority of Ireland;
“Merger”	the recommended acquisition of DEPFA by HRE to be effected by way of the Scheme;
“Merger Agreement”	the agreement described in paragraph 12 hereof;
“Morgan Stanley”	Morgan Stanley & Co. Limited and/ or Morgan Stanley Bank AG as the context so requires;
“New HRE Shares”	the HRE Shares proposed to be issued by HRE as consideration under the Scheme;
“Northern Ireland”	the counties of Antrim, Armagh, Derry, Down, Fermanagh and Tyrone on the island of Ireland;
“Registrar of Companies”	the Registrar of Companies of Ireland;

“relevant securities”	(a) DEPFA Shares, (b) HRE Shares and any other equity share capital of HRE, (c) securities of HRE which confer on their holders substantially the same rights as are conferred by HRE Shares, (d) securities of DEPFA or HRE conferring on their holders rights to convert into or subscribe for any of the foregoing securities and (e) options (including traded options) in respect of any of the foregoing securities and derivatives referenced to any of the foregoing securities;
“Restricted Jurisdiction”	any jurisdiction in respect of which it would be unlawful for this announcement to be released, published or distributed, in whole or in part, in, into or from, including for the avoidance of doubt, Canada, South Africa, Australia and Japan;
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under Section 201 of the Act and the capital reduction under Sections 72 and 74 of the Act with or subject to any modifications, addition or condition approved or imposed by the High Court and agreed by HRE and DEPFA;
“Scheme Document”	a circular for distribution to DEPFA Shareholders containing (i) the Scheme (ii) the notice or notices of the Court Meeting and EGM (iii) an explanatory statement as required by Section 202 of the Act with respect to the Scheme (iv) such other information as DEPFA and HRE shall agree; and
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and any other territory subject to its jurisdiction.

Any reference to any provision of any legislation shall include any provision in any legislation that amends, modifies, consolidates, re-enacts, extends or replaces the same.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.

All times referred to are Dublin times unless otherwise stated.