

Embargo until beginning of speech!

"The Hypo Real Estate Group and DEPFA are creating one of the world's leading providers of financing for the public sector, commercial real estate and infrastructure projects"

**Statement Georg Funke
CEO
Hypo Real Estate Holding AG**

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The spoken word is applicable!

Chart 1: Welcome!

Good morning, ladies and gentlemen,

I wish to welcome you to the joint press conference of the Hypo Real Estate Group and DEPFA. I should particularly like to welcome Mr. Bruckermann, the Chairman and CEO of DEPFA. I am very pleased that you are here today.

Ladies and gentlemen, we are aware that we have had to catch you somewhat unawares today with our current news. However, I believe that the reason behind the invitation to attend this press conference at short notice is entirely justified.

The Hypo Real Estate Group and DEPFA have today announced that they have agreed to combine their resources and together to create one of the world's leading providers of financing for the public sector, commercial real estate and infrastructure projects.

This represents a major development for both houses, and is also a significant move for our sector; it is also an important signal for the financial locations of Germany and Europe, as it results in one of the largest German banks in terms of total assets and market capitalisation. However, in particular, we will create value for the shareholders of both companies. And this is always our overriding aim.

We would like to explain our motives behind this decision, what the details of the transaction will be and also what will be the strategic and economic prospects of the Hypo Real Estate Group which will be expanded to include DEPFA.

Chart 2: Development of HREG – DEPFA acquisition as a logical step

Ladies and gentlemen,

during the past four years since the spin-off from HypoVereinsbank, our company has taken on the challenge and overcome numerous strategic and organisational changes. However, these changes have not taken place merely for the sake of change, nor have they been implemented as an emergency solution. On the contrary, we have always responded proactively and on a timely basis to changed market requirements and have simultaneously attempted to make the best possible use of market opportunities. In this respect, I had also explained the broader base of our business model at the beginning of this year. The Hypo Real Estate Group is now embarking on a new phase of development, in which we intend to handle more business and simultaneously further enhance our profitability in conjunction with an optimised risk profile.

You are already aware of the fundamental principles of this business model. We will in future continue to apply our know how gained in the financing of commercial real estate to other asset classes, for instance in infrastructure financing with public sector involvement. We will strengthen our distribution channels into the secondary markets, for instance by way of expanding securitisation business, and we will also expand asset management, defined as the management of financing risks for third parties, as part of our added value chain.

We do not intend to achieve growth merely for the sake of growth, but we intend to take advantage of the opportunities in our markets which have changed in recent years. The demands of professional investors regarding the size and complexity of real estate financing have become much more stringent, and we are benefiting from this development with our lending as well as funding operations.

The merger of the activities of the Hypo Real Estate Group and the activities of DEPFA offers a major opportunity in this situation. This is because DEPFA – and Mr. Bruckermann will certainly provide greater details in this respect – is a very specialised and in particular very successful public finance bank with worldwide operations; in this dimension and with this focus, it is unique in the world. As a result of the acquisition of DEPFA, we will create the opportunity for bringing the strategic further development of our Group to a leading international level at a stroke as a result of expanding public finance and infrastructure business. We will thus achieve considerable savings in terms of time, and we will also not have to incur the otherwise inevitable costs of establishing and setting up such business, which would have been considerable.

Ladies and gentlemen,

as is always the case with an acquisition, the Management Board has to analyse and assess opportunities and risks. We and all parties involved have done so very carefully, as this transaction has been maturing over the past 18 months. In this case, I can clearly state that the opportunities and advantages by far outweigh the risks. The strategic logic of the combination of both houses is convincing, and is clearly obvious! The acquisition of DEPFA is an almost ideal example of the way in which we satisfy those criteria which we have always quoted for potential acquisitions. We are only interested in activities which are consistent with our risk and return requirements and which enable us to create added value for our customers and our shareholders. And this is precisely the case on this occasion!

Chart 3: Opportunities and benefits of the transaction (1)

Let us now look somewhat more specifically at the main strategic and economic benefits of the transaction:

Firstly – Ideal strategic fit: The core activities of both houses - namely commercial real estate financing and public sector financing - complement each other perfectly. Infrastructure financing is currently being set up at Hypo Public Finance Bank, and DEPFA has established a good market position in this field in recent years. We will thus be able to combine our activities in infrastructure business from platforms which have already been established, and we can expand them into a new dimension.

Overall, this would result in a global player with a strategic focus which is unique in this form in the following three segments:

- Commercial Real Estate Financing
- Public and Infrastructure Financing
- Capital Markets and Asset Management.

With joint total assets of approx. EUR 385 billion and market capitalisation of more than EUR 10 billion, the new entity would be one of the largest German banks.

Chart 4: Opportunities and benefits of the transaction (2)

Secondly – New growth opportunities: Together with DEPFA, we will have an opportunity to handle larger and more complex financing with more attractive margins in all segments than would otherwise be the case for both companies on a stand-alone basis. In terms of refinancing, this will be accompanied by a wider range of products and thus enhanced opportunities for action. Growth opportunities will also result from cross-selling of financing, for instance if we support the public sector not only in the case of budget financing but also with regard to real estate projects, possibly with the involvement of private partners.

A further example: The portfolios of Hypo Real Estate Bank AG and Hypo Real Estate Bank International AG still comprise a volume of around EUR 45 billion of financing from the public finance sector. By being transferred to DEPFA, it would be possible for this portfolio to be managed more actively in future – with additional earnings opportunities.

All in all, our aim is to ensure that the sales and growth synergies in the Group will total approx. EUR 150 million per annum when all systems are running properly, namely after 2010. Approximately EUR 40 million is expected to be already generated next year, and the corresponding figure in the following year is expected to be almost EUR 95 million.

Chart 5: Opportunities and benefits of the transaction (3)

Thirdly – Further improvement in the risk profile: The particular charm of the merger is also to be seen in the fact that the Group will be able to increase its size considerably, and that it will also be able to further improve its risk profile. This is due to the excellent quality of the financing portfolio of DEPFA. In state financing business, 37%, or more than one third of all financing arrangements, have a triple-A rating. A further 30% have ratings of AA1 to AA3.

In addition, there are no direct correlations between our core business of commercial real estate financing and public finance, because different factors and cycles are relevant. This results in a "natural" equilibrium of risk in the Group.

Overall, the new entity will have a portfolio which is very balanced in regional terms. The percentage of German financing in relation to the overall financing portfolio will decline from 56% to 34%. The USA will account for 15%, Italy for 11%, Great Britain and Spain will account for 7% each, France will account for 5% and the remaining countries will together account for 22%.

Central active risk management, which we introduced this year at the level of the holding of the Hypo Real Estate Group, will also play an important role in further improving the risk profile.

Chart 6: Opportunities and benefits of the transaction (4)

Fourthly – Increased profitability: We anticipate that the transaction will already have a positive impact on the earnings per share of our Group in year 1 after closing, in other words in 2008. For the period between 2007 and 2010, we aim to achieve a considerable increase for earnings per share. For the year 2010, our aim is to generate return on equity after taxes of more than 15%. This is considerably more than what we would expect on a stand-alone basis

In recent years, DEPFA has to a certain extent established interest positions which comprise considerable opportunities as well as risks. This will no longer be consistent with the future business policy of the Group, which will clearly focus on customer business.

In brief: We expect that the acquisition of DEPFA will have a positive impact on our results and our profitability in the very near future. This will benefit not only the existing shareholders of Hypo Real Estate Holding AG; it will also benefit the existing shareholders of DEPFA, who will receive shares of Hypo Real Estate Holding as part of the transaction. This is thus a classic win-win situation for both banks.

Chart 7: Opportunities and benefits of the transaction (5)

Fifthly – A joint spirit: Experience has shown that the success of merging companies depends not only on whether a transaction makes strategic and economic sense on paper. "Soft factors", such as a similar corporate culture as well as common values and principles of actions for management and staff, are key requirements if joint targets are to be achieved.

There is no doubt that there are certain parallels between the history and development of the Hypo Real Estate Group and DEPFA. Both companies trace back their origins to splits or spin-offs of larger entities. Both have focused on their core activities, in which they enjoy undisputed competence in the market, and both have achieved very successful performances in recent years as a result of convincing financing solutions, flexibility, strict risk management, competent and motivated teams and also cost discipline. I am therefore certain that we will succeed in rapidly establishing a common entrepreneurial spirit.

Chart 8: Financing structure and details

Ladies and gentlemen,

following a careful assessment, the Hypo Real Estate Group is offering a price of EUR 16.14 per share to the shareholders of DEPFA. This is a premium of 19% in relation to the volume-weighted one-month average of DEPFA before the announcement of the transaction. We are convinced that EUR 16.14 is a price which is fair, reasonable and attractive. The total volume of the transaction on the basis of acquiring 100% of shares – and this is our aim – is thus around EUR 5.7 billion.

We have chosen a financing structure which should guarantee

- that our shareholders will receive added value potential,
- that we have scope for action which is adequate for further growth and
- that the shareholders of DEPFA are able to participate in the increase in the value of the enlarged Hypo Real Estate Group.

In order to meet these objectives, two thirds of the purchase price will be financed by shareholders' equity or instruments similar to shareholders' equity. For this purpose, we will make full use of the existing authorised capital increase and offer 67 million new shares of Hypo Real Estate

Holding AG to the DEPFA shareholders in return for a contribution in kind. There will also be mandatory convertible securities with a volume of EUR 450 million, which have to be converted into shares after 12 months and which thus are similar to shareholders' equity.

It is intended that the shareholders will receive one third of the purchase price in cash. For this purpose, we will raise hybrid capital of EUR 300 million via our subsidiary Hypo Real Estate International AG and also pay EUR 1.65 billion out of existing liquidity.

Ladies and gentlemen,

what exactly will be the next steps in the acquisition of DEPFA? – The basis of the transaction is a so-called "scheme of arrangement" under Irish law, which is a type of fundamental agreement of both companies. As part of this arrangement, a detailed offer will be sent to the DEPFA shareholders in the course of the next few days. This offer will be put to a vote at an extraordinary general meeting, which will probably be held in September. At this general meeting, 75% of the capital represented at the meeting will have to vote in favour of the offer. If everything runs according to our expectations, we will probably be able to complete the transaction at the beginning of October. We would thus be able to start work on implementing our plans for the extended Group this year.

Chart 9: Core messages

Ladies and gentlemen,

In the documents in your press folder, you will find further details of the transaction, which I do not intend to consider in detail. Instead, at the end of my comments, I would like to focus on five aspects which I consider to be important for a better understanding of the acquisition.

Firstly: I should like to state again that this is a friendly transaction. It is supported unanimously by the Managing bodies of both houses. The Management Board and Supervisory Board of the Hypo Real Estate Group as well as the corresponding bodies of DEPFA are convinced that the combining of resources is in the interests of the shareholders, customers and staff of both groups.

Secondly: The overriding aim of both of our houses is to achieve growth. We intend to combine our resources and market positions and jointly to achieve stronger growth than would be possible for the Hypo Real Estate Group and DEPFA on a stand-alone basis. The charm of the transaction is not to be seen in terms of costs. However, in addition to the sales and growth synergies, we also aim to achieve cost savings of at least EUR 60 million per annum in the medium term, either by means of simplified structures, integration of IT landscapes or optimisation of locations. Our aim is to achieve the overall volume of savings of min. EUR 60 million in three years' time, whereby 75% of this volume is to be achieved in the second year following closing. In order to avoid any misunderstanding: There are no plans for any job losses as part of the transaction. On the contrary, we are assuming that there will be no significant changes to the workforces of both houses as a result of the transaction.

Thirdly: The combination of the groups represents an opportunity which both companies intend to utilise from a position of strength. Nobody is forcing us, and nobody is compelling us! At the annual general meeting of 23 May of this year, I had the following to say about the subject of acquisitions:

I quote: "We have the capital backing and the implementation skills for such growth steps, and nobody should underestimate our resolve to act if an opportunity makes strategic sense and is in particular economically attractive." This situation, ladies and gentlemen, has now occurred.

Fourthly: We are very much aware that DEPFA is a company which enjoys a strong reputation in its markets and is also a strong brand. It

would thus be wrong to change the name and registered offices of the bank. On the contrary, we intend to expand DEPFA as a subsidiary of the Hypo Real Estate Group into the centre of competence for public and infrastructure financing and also for capital markets and asset management. For this purpose, Hypo Public Finance Bank, which is also based in Dublin, is to be integrated in DEPFA.

Fifthly: You will certainly be aware that such a transaction is only possible if the members of the managing body of a company work together quickly, efficiently and in a highly professional manner in the short amount of time available. As the chairman of the Management Board, I wish to state that this has succeeded in an exemplary manner in this case. I should like to particularly thank Mr. Viermetz in his capacity as the chairman of the Supervisory Board, with whom we have of course been working particularly closely in recent weeks. He is one of the main reasons why we are able to present this transaction to you today.

Ladies and gentlemen,

we think in opportunities at the Hypo Real Estate Group. The acquisition of DEPFA is a historic opportunity which will enable us to press on ahead with the strategic development of our Group much more quickly than would be possible out of our own resources. The growth of our business volume and our earnings would accelerate even further. At the same time, we could further diversify and thus improve our risk profile.

The transaction is also a good sign for the innovative ability of the European financial market. The financial locations of Germany and Ireland in particular will benefit from the transaction. It demonstrates that banks are able to actively shape their future from a position of strength for the benefit of customers, shareholders and staff.

Thank you very much. I will now hand over the floor to Mr. Bruckermann.

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