

Press release

Management Board and Supervisory Board issue joint statement on the public tender offer submitted by a group of investors coordinated by J.C. Flowers

- **Management Board and Supervisory Board continue to welcome the participation in principle**
- **The Boards refrain from making a recommendation to shareholders**
- **The assessment of the offer price may yield different results, depending on each shareholder's individual investment horizon**

Munich, 26 May 2008: The Management Board and Supervisory Board of Hypo Real Estate Holding AG today published a joint reasoned statement, pursuant to section 27 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – "WpÜG"*), regarding the offer to acquire a minority shareholding in the Company published by a group of investors coordinated by J.C. Flowers on 23 May 2008. The group of investors offers to acquire up to 50,076,000 HRE shares (equivalent to a maximum of 24.9% of the Company's current issued share capital) against a cash consideration of € 22.50 per share. The offer, which the group of investors has submitted via the investment vehicle HRE Investment Holding L.P., George Town, Cayman Islands, is subject to certain offering conditions as set out in the Offer Document prepared by the Offeror.

In their joint statement, the Management Board and Supervisory Board of Hypo Real Estate Holding AG continue to welcome the participation of one or more financial investors in principle, since such a participation can lead to a stabilization of the Company's shareholder base, and would facilitate long-term planning by Hypo Real Estate Group.

Nevertheless, both, the Management Board and the Supervisory Board refrain from making a recommendation as to whether shareholders should accept or reject the Offer. According to the assessment of the Management Board and Supervisory Board, the current intrinsic value of HRE shares is

significantly higher than the offer price of € 22.50 per share, which argues against acceptance.

The Offer may appear beneficial to HRE shareholders interested in realising capital gains in the short term, or avoiding potential capital losses. The assessment depends, amongst others, on the individual acquisition date and the shareholder's personal tax circumstances. According to the Offering Document, the Offering Price is equivalent to a premium of approx. 20.5% on the weighted three-months average share price prior to publishing of the intention to issue an offer by the group of investors on 16 April 2008 determined by the BaFin in accordance with WpÜG-Ang VO and equivalent to a premium of approx. 25.3% on a weighted three-months average share price also for the period before 16 April 2008 determined on the basis of published (Fact-Set-Research) volume-weighted closing prices in the XETRA electronic trade system.

Please note: The assessment by the Management Board and Supervisory Board in their joint statement regarding the intrinsic value of HRE shares does not constitute any price forecast or expectation. It cannot be excluded that the market price of the HRE Shares may neither in the short term nor in the long term correspond, even approximately, to the results of any of the valuations that have been undertaken. It can also not be excluded that the market price of the HRE Shares will once again decline significantly below the Offer price in case of a failure of the Offer. In particular, the continuing crisis affecting the capital and financial markets, and the overall impact of this crisis on the banking sector – whose full extent can still not be foreseen – need to be taken into account.

Note to editors:

The full wording of the joint reasoned statement is available immediately on our website: www.hyporealestate.com.

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