

Press release

Hypo Real Estate Group intends to acquire DEPFA

- **Combination of the leading focused providers of commercial real estate financing and public finance offers a unique opportunity**
- **Core activities of both groups highly complementary**
- **Offer values DEPFA at EUR 5.7 billion or EUR 16.14 per share**
- **Attractive premium of 17% compared with closing price of 20 July 2007**
- **Participation in the Hypo Real Estate Group will provide DEPFA shareholders with the opportunity to benefit from future increases in value**
- **Governing Bodies of DEPFA have unanimously approved the transaction**
- **Sound financing of the acquisition by way of a capital increase against contribution in kind and by way of a cash component**
- **Georg Funke: "Acquisition of DEPFA would accelerate growth and enhance profitability – with lower costs and improved risk profile"**

Munich/Dublin, 23 July 2007: The Boards of Hypo Real Estate Holding AG and of DEPFA BANK plc (DEPFA) have today agreed unanimously to combine their businesses in an agreed transaction, and to jointly create one of the world's leading and focused provider of financing solutions for commercial real estate, the public sector and infrastructure projects. For this purpose, Hypo Real Estate Holding AG intends to acquire all of DEPFA. The transaction, which would result in one of the largest German banks in terms of total assets and market capitalisation, is valued at approx. EUR 5.7 billion. Hypo Real Estate Holding AG will finance the acquisition by issuing new shares to the shareholders of DEPFA and also by way of a cash component. The transaction still has to be approved by the shareholders of DEPFA, and is also subject to regulatory approvals; it is expected to be completed by the beginning of October 2007.

Convincing strategic logic of the combination

The business activities of both groups are highly complementary:

- The Hypo Real Estate Group, headquartered in Munich, is a leading international provider of large-volume commercial real estate financing with world-wide operations, with strong operating growth and a very successful track record.
- DEPFA with registered offices in Dublin is one of the world's leading providers of public finance which covers the public sector's entire demand for banking products and which enjoys highly respected expertise in this market.
- The companies will be able to combine their activities in the field of infrastructure financing which is achieving strong world-wide growth.
- In investment banking and asset management, both together will attain the critical mass necessary for enabling the joint customer base to be served with structured products.
- The merger would result in a global player with a strategic focus which is unique in this form and with the following segments:
 - Commercial Real Estate Finance
 - Budget & Infrastructure Finance
 - Capital Markets and Asset Management (management of financing risks for third parties).

Excellent growth prospects

The new Group would have around 2,000 employees (combined figures for 2006). With total assets of approx. EUR 385 billion and a market capitalisation of more than EUR 10 billion, the new entity would be one of the largest German banks. As of 31 December 2006, risk assets totalled approx. EUR 100 billion, operating revenues approx. EUR 1.96 billion and pre tax profit approx. EUR 1.22 billion.

The merger will in particular offer the following economic advantages and opportunities:

- In terms of market access, capital base and range of products, the new entity would be able to offer larger and more complex financing on a global scale than would be the case if the banks were to operate on a stand-alone basis. It will thus be able to take advantage of previously unavailable growth opportunities with extremely attractive margins, particularly with regard to financing real estate for the public sector and infrastructure financing. With this combination, the Group would become an even more powerful financing partner on the international capital markets. This will be accompanied by enhanced opportunities for refinancing by way of a broad range of products.
- There are plans to realise additional revenue and growth synergies of more than EUR 150 million per annum after 2010, for instance by way of cross-selling of financing. The aim is to achieve a positive contribution to pre-tax earnings of approx. EUR 40 million from revenue synergies in the first year following the closing of the transaction.
- The transaction would already have a positive impact on earnings per share in 2008.
- Including DEPFA, the new Group will have a balanced financing portfolio. In 2006, 43% of joint operating revenues were attributable to real estate financing, 37% to public finance and infrastructure financing, 10% to capital markets and asset management and approx. 10% to other activities (joint figures).
- The Group will be able to considerably enhance its position along the entire value chain – origination, structuring and distribution of financing – in the relevant markets and regions.

- DEPFA has a financing portfolio of excellent quality (AA2). Because there is also little correlation between the risk profiles of the corresponding core activities of both groups, the new entity will benefit from a "natural" hedge as a result of different cycles and factors.
- The risk structure and risk concentration of the new Hypo Real Estate Group will also be reduced by the expanded financing portfolio and central active portfolio management which has already been implemented. The percentage of German financing in the new Group will be around 34% (based on figures for 2006) and new geographical concentration risks will be avoided.
- In addition to the already efficient cost structure of both banks, the aim is to achieve cost synergies of at least EUR 60 million per annum. The objective is to realise 75% of this figure in the second year after closing. After the merger, the overall size of the work force will not change in the first instance, and will subsequently increase in line with the intended growth.
- For the year 2010, the aim is to achieve return on equity after taxes of more than 15%.

Financing: Utilisation of existing authorised capital

The proposed acquisition values DEPFA at a total value of EUR 5.7 billion on DEPFA. This relates to a price per share of EUR 16.14, constituting a premium of 17% compared with the closing price on the final trading day before the announcement (20 July 2007) or 19% compared with the volume-weighted one-month average before the announcement of the transaction. The Board of Directors and the Executive Committee of DEPFA recommend that their shareholders should accept the offer.

The transaction will be financed by a combination of new Hypo Real Estate shares and cash. A total of approx. 67 million new shares of Hypo Real Estate Holding AG will be issued to the shareholders of DEPFA within the framework of a capital increase against contribution in kind. For this purpose, the company's share capital of currently EUR 402 million (consisting of 134.1 million shares) is to be increased by EUR 201 million (approx. 67 million shares) by way of utilising the existing authorised capital. This corresponds to a value of EUR 3.3 billion (basis of price: EUR 49.17), or 58% of the total purchase price.

The shareholders of DEPFA will receive EUR 2.4 billion or 42% of the purchase price in cash. For this purpose, Hypo Real Estate Holding AG will issue mandatory convertible securities with a volume of EUR 450 million (nominal) with a conversion period of 12 months via a financing subsidiary. Further funds will be raised by Hypo Real Estate Bank International AG via hybrid capital (EUR 300 million). EUR 1.65 billion will be paid out of existing cash of the Hypo Real Estate Group.

Next transaction stages

The acquisition will be implemented by means of a "scheme of arrangement" in accordance with Irish law. This structure does not constitute a public take-over offer under German or Irish law. On the basis of this procedure, the details of the offer will be presented to the shareholders of DEPFA by management of DEPFA on the occasion of an extraordinary general meeting in order to enable a vote to be taken; this meeting is planned for September 2007. To become effective the scheme requires, amongst other things, the approval of a majority (50%) in number of shareholders, representing 75% or more in value, by such shareholders' voting. If the scheme becomes effective, 100% of shares of DEPFA would be held by Hypo Real Estate Holding AG after a specific period and a subsequent court hearing.

Structure of the new group

As a result of the acquisition, DEPFA would become a wholly-owned subsidiary of Hypo Real Estate Holding AG (in addition to the real estate financing subsidiaries Hypo Real Estate International AG and Hypo Real Estate Bank AG) and as such is to continue to exist with its excellent brand. The function of the Hypo Real Estate Holding as the central steering and management body of the group will not be changed. Nor are there any plans for the headquarter of DEPFA to be changed.

It is envisaged that the present-day DEPFA Group will become the centre of competence for public finance and infrastructure financing as well as for Capital Markets and Asset Management of the Group. In a second stage, it is planned that Hypo Public Finance Bank puc in Dublin with its subsidiaries will be integrated in DEPFA.

On the other hand, DEPFA Deutsche Pfandbriefbank AG in Frankfurt/Main, at present a subsidiary of DEPFA, is to become a direct subsidiary of Hypo Real Estate Holding AG, and is to become responsible for German Pfandbrief business. In this connection, it is also to be responsible for the public finance portfolio of the German Hypo Real Estate companies (with a volume of approx. EUR 45 billion).

The Commercial Real Estate segment is to be operated in the medium term from only one single legal entity based in Munich. This means that there are plans for only two Pfandbrief banks in Germany – instead of three at the moment.

Changes in the Management Board and Supervisory Board

It is planned that the Management Board of Hypo Real Estate Holding AG will be extended to include Mr. Cyril Dunne (47) and Mr. Bo Heide-Ottosen (48) after the transaction has been completed. They are currently members of the executive committee of DEPFA. The Management Board will then consist of Georg Funke (Chief Executive Officer/CEO), Cyril Dunne (Chief Operating Officer/COO), Dr. Markus Fell (Chief Financial Officer/CFO), Tom Glynn (Capital Markets/Asset Management), Dr. Robert Grassinger (Commercial Real Estate Funding und Treasury), Bo Heide-Ottosen (Budget and Infrastructure Finance with the corresponding funding), Frank Lamby (Commercial Real Estate Origination) and Bettina von Oesterreich (Chief Risk Officer /CRO).

Gerhard Bruckermann, currently Chairman & CEO of DEPFA, is to become the Deputy Chairman of the Supervisory Board of Hypo Real Estate Holding AG. There are plans that, on the occasion of the next annual general meeting, the Supervisory Board will be extended to include, apart from Gerhard Bruckermann, five additional members, most of whom are expected to come from the present-day Board of Directors of DEPFA. The new structure and size of the Group is expected to be taken into consideration in this way.

Dr. Matthias Mosler, currently Deputy CEO of DEPFA, will pursue other interests. He will be available as a strategic consultant to the Group.

The Executive Committee of DEPFA is to be headed by Andrew Readinger (Clients and Capital Markets) and Paul Leatherdale (Infrastructure Finance) in the function of two co-CEOs.

Georg Funke, CEO of Hypo Real Estate Holding AG: " The strategic fit of the transaction is compelling. As a result of the acquisition of 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 , without the otherwise inevitable considerable start-up investments. The new Group will be clearly focused on growth, and able to further accelerate the increase in earnings and profitability. The possibility of further improving our risk profile and realising significant revenue and cost synergies underlines the exceptional opportunities offered by this transaction. Two leading financial service providers are combining their activities from a position of strength. This demonstrates the quality and innovation in Europe as a financial centre, and Germany and Ireland will particularly benefit from this combination."

Gerhard Bruckermann, Chairman & Chief Executive Officer (CEO) of DEPFA: "Following successful completion of this transaction, DEPFA will be a strong pillar of the future Group. Because the business models of both companies very much complement each other, I am convinced that the benefits of this transaction will amount to considerably more than the sum of the individual parts. The Board of Directors and the Executive Committee of DEPFA is convinced of the benefits of the transaction and fully support it. This is all the more applicable because DEPFA shareholders, by exchanging their shares for shares of Hypo Real Estate Holding AG, will have the opportunity of participating in the anticipated increase in value of the new Group."

Note: press conference

A press conference will be held today at 09:30 hours on the premises of Hypo Real Estate Holding AG, Unsöldstraße 2, 80538 Munich, with regard to the planned merger of Hypo Real Estate Group and DEPFA. Further information concerning the transaction can be found in the Internet. Information concerning the performance of the Hypo Real Estate Group in the second quarter of 2007 can be found in an extensive press release which will be published in parallel today and also in the interim report at www.hyporealestate.com.

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The new shares in Hypo Real Estate Holding AG 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.