

Press release

Hypo Real Estate Group has reported exceptional income as a result of capitalised corporate income tax claims due to the revised section 37 (5) of the German Corporate Income Tax Act

Munich, 15 December 2006 The new version of the German Corporate Income Tax Act will result in exceptional income of approx. EUR 60 million this year at the Hypo Real Estate Group. This figure will be capitalised as a one-off income item in the balance sheet of financial 2006, and will result in correspondingly higher net income.

This is due to a change in the German Corporate Income Tax Act which was published in the Federal Law Gazette on 12 December 2006. Under the old version of the German Corporate Income Tax Act, the annual realisation of existing tax claims was linked to dividend payments, and thus to future events. Therefore, the claims could only be recognised as annual pro-rated amounts in the consolidated financial statements of the Hypo Real Estate Group. Under the new version, payments of corporate income tax claims are no longer linked to dividend payments, and are paid out in annual instalments over ten years. The future refund claims therefore have to be shown as an account receivable in the consolidated financial statements for 2006.

Since the new version of the act will merely result in the change in the statement of existing tax claims, it will not have an impact on the calculation of the dividend to be proposed for financial 2006.

Accordingly, the forecast for net income before taxes (excluding the above exceptional effects) of the Hypo Real Estate Group for 2006 - given a

pleasantly positive development in new business volume in Q4 – remains unchanged, i.e., within the range of EUR 550 – 560 million.

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