

## **Press release**

### **Hypo Real Estate Group: Stable business expectations following S&P decision**

- **Group's Covered Bond ratings remain AAA**
- **DEPFA Bank Plc short-term rating re-affirmed at A-1**
- **Stable rating outlook is an important signal for markets and clients**

**Munich, 2nd July 2008** – The Hypo Real Estate Group (HRE) has stable business expectations following the decision by the Standard&Poor's agency to lower some of the company's ratings.

Given the international financial crisis and the fact that S&P had placed the banks in the Group on a negative outlook for a number of months, HRE had prepared itself thoroughly for the possibility of a change in credit ratings. In real estate financing, the bank's new business benefits from the fact that a considerable part of the business volume is secured by Pfandbrief, for which the top rating AAA remains unchanged. In DEPFA's public sector business, in addition to the AAA-rated covered bonds, the short-term rating plays an essential role which has been confirmed by S&P with respect to DEPFA Bank Plc and other units at A-1 with a stable outlook.

„Before our rating was raised following the DEPFA takeover, Hypo Real Estate proved that it could successfully and profitably command business in real estate financing with the rating of A-. This will remain the case in the future. Given the high liquidity and quality of assets at DEPFA, the refinancing capabilities in our public sector businesses are

intact and we continue to enjoy higher margins in new business. Also here, the S&P decision should not have any material effect,” said Dr. Markus Fell, Chief Financial Officer for the Hypo Real Estate Group. “After a number of months with a negative outlook from S&P, the fact that we are now able to work with a stable outlook is an important and good signal for our clients and investors, despite the disappointing change in some of our ratings,” explained Dr. Fell further.

Since the early stages of the current financial crisis a number of months ago, HRE had been able to reduce risk positions in its portfolios and this has continued into the second quarter of 2008. At the same time, despite the worldwide difficulties in the banking environment, HRE has, once again, been profitable.

**Note:**

S&P has downgraded Hypo Real Estate Bank International AG, Hypo Real Estate Bank AG and DEPFA Deutsche Pfandbriefbank AG to A-/A-2 from A/A-1. The counterparty credit ratings of DEPFA Bank Plc, DEPFA ACS, HYPO Public Finance Bank and Hypo Pfandbrief Bank International S.A. were downgraded to A/A-1 from A+/A-1.

Today’s rating action does not affect the AAA senior secured ratings of Hypo Real Estate Bank AG, Hypo Real Estate Bank International AG

AG, Hypo Pfandbriefbank International S.A., DEPFA Deutsche  
Pfandbriefbank AG and DEPFA ACS Bank.

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