

Embargo: 10.00 hours!

**Persistently seizing opportunities!
The Hypo Real Estate Group will continue to grow
from a position of strength**

**Speech of Georg Funke
CEO
Hypo Real Estate Holding AG**

Ordinary shareholders' meeting
Munich, 8 May 2006

The spoken word is applicable!

Chart 1: Welcome to shareholders' meeting 2006

Dear shareholders, ladies and gentlemen, dear friends of the Hypo Real Estate Group,

I should like to welcome you to the shareholders' meeting of our company, also on behalf of the members of the Management Board. As always I should also like to extend my welcome to our business partners, shareholders' representatives, banks and media representatives who are present today. I am looking forward to a hopefully interesting and informative day.

One year ago, I described the Hypo Real Estate Group as a company on the move, which has a clear idea of what course it will have to take during the next few years. Today, around twelve months later, I can now make the following report: The course of the bank is right, the pace and quality of our business development have increased, and we have so far achieved all our intermediate targets which we have set ourselves on time and considerably more quickly in certain cases. Our medium-term target has been clearly defined: We intend to be one of the leading players in the world for commercial real estate financing with a strong focus on public finance and capital markets. This objective is not moderate, but we have never been excessively moderate as far as setting ourselves our own targets.

The Hypo Real Estate Group has reported a very successful year in 2005 in operational and also in strategic terms. We have made even greater progress in continuing the excellent development of our business which has been achieved since the spin-off from HypoVereinsbank in 2003. This story of success is also the result of the excellent achievements of our employees, and I should like to express my thanks at this point for this outstanding work – also on behalf of my colleagues on the Management Board.

I should now like to use five highlights to explain the success of the financial year in greater detail:

Chart 2: Five highlights 2005

One: Our new business was considerably higher than expectations.

In 2005, the Group reported new real estate financing business of EUR 22.3 billion. This figure was considerably higher than the corresponding previous year figure of EUR 12.6 billion, and also clearly above our own expectations of EUR 13.5 billion. We are very pleased with this market success, as it shows that the sales ability of the Group has improved strongly – at home and also abroad.

Two: Earnings and return of the Group have improved further.

Excluding restructuring expenses, the Hypo Real Estate Group reported net income before taxes of EUR 442 million. After the one-off charge attributable to the reorganization of the company, the Group has seen net income before taxes increase by EUR 187 million or 84.6% to EUR 408 million. We have accordingly more than met our original forecast of landing in a target range of between EUR 400 and 425 million. For one thing is obvious: Without the exceptional charge, we would have beaten our forecast.

Excluding the additional expenses for the reorganisation of the group, the strong increase in profit has resulted in return on equity after taxes for the Group doubling to 8%. As was the case last year, this calculation does not include the deferred tax effects from capitalised losses carried forward. This means that the Hypo Real Estate Group has covered its capital costs for the first time. You will remember that, on the occasion of the spin-off, we announced that we intended to meet this target in the year 2007. We have now succeeded in doing so two years sooner.

Three: The Group structures are fit to meet the challenges of the future.

Since 1 January of this year, the Hypo Real Estate Group has had a completely new structure. With the new organisation, we have achieved an even better position in our markets and are well prepared to meet the challenges of the next few years.

I shall return to the new organisation in greater detail.

Four: We ensure that our shareholders participate in the success of the company.

The Management Board and Supervisory Board are proposing today to pay a dividend of 1 Euro per share for financial 2005. This is almost a three-fold increase

of last year's dividend of 35 Eurocents. Assuming that you approve this proposal, a total of EUR 134 million will be paid out. This is approx. 43% of the consolidated net income adjusted by the deferred tax effects from capitalised losses carried forward. We are thus already in the range of 40 to 50% which we announced last year as our medium-term aim for the dividend pay-out rate. As you can see, we keep our word with respect to ensuring that you, our shareholders, participate adequately in the success of the company. The fact that we are already able to propose such a dividend pay-out rate despite our strong growth in terms of new business also underlines the intrinsic strength of this Group.

Chart 3: Performance of the share price from the beginning of 2005 to the end of April 2006

Five: Our market story continues to be attractive for investors.

Since 19 December of last year, the shares of Hypo Real Estate Holding AG have been listed in the DAX. Inclusion in the DAX was never an explicit guideline for our actions. We act on behalf of our customers and our shareholders, and not for inclusion in an index. Nevertheless, we are of course very pleased about the decision of Deutsche Börse – particularly if we look back a little. Who would have thought on 6 October 2003, the day our shares were initially listed following the spin-off from HypoVereinsbank, that this company around two years later would be promoted to the first division of the German stock exchange?

The basis for inclusion in the DAX was the continued strong performance of the share price, which also continued in 2005. With growth of 44% during the year, the shares beat the performance of the MDax which was also positive, by 8 percentage points. Last year, the market capitalisation of our Group increased by approx. EUR 2 billion. The figures for 2005 have been very well received by the capital market and have given further impetus to the share price this year. The Hypo Real Estate Group is now valued at around EUR 7.4 billion by the capital market.

In view of this story of success on the stock market, the strategic progress and improved profitability, we can definitely state that value has been created in this Group during recent years. Shareholder value in Germany is not an undisputed

concept. The Hypo Real Estate Group is a good example that a strategy of focussing on this concept can definitely be beneficial to all parties involved – shareholders, employees and customers.

Chart 4: Example of financing – Canary Wharf, London

Ladies and gentlemen,

I do not wish to present you with excessively detailed comments on last year's consolidated financial statements today. You all have the comprehensive annual report, and the media have also reported extensively on the events of 2005. I should therefore like to consider a few selected aspects which will provide you with an even more detailed idea of the key developments of our Group.

Chart 5: Group income statement for 2005

- I should like to commence with the income statement of the Hypo Real Estate Group. It shows that operating revenues have increased by 9% to EUR 909 million. This is due mainly to improvements in net commission income, net trading income and net income from investments. On the other hand, net interest income is roughly unchanged compared with last year as the significant streamlining of the domestic portfolio has necessarily resulted in a downturn in interest income, and the strong new business has not yet been fully reflected in interest income.
- The addition to Provisions for losses on loans and advances has declined by EUR 127 million. If we disregard the risk shelter provided to Hypo Real Estate Bank AG by HypoVereinsbank, which was included in the figures for the last time last year, the addition declined by EUR 257 million. This decline documents the considerable progress made in the quality of our portfolio as well as our fundamentally risk-aware policy in new business.

- General administrative expenses of EUR 317 million were roughly unchanged compared with last year. Although expansion outside Germany has resulted in additional costs, these are opposed by savings attributable to the successful restructuring of our Germany business. Our cost-income ratio, a key parameter for measuring internal efficiency, has improved in the Group by 2.8 percentage points to 34.9%.
- As was the case last year, consolidated net income was positively affected by deferred taxes which are due to the capitalisation of losses carried forward and which were opposed by expenses from the release of such deferred taxes. In 2005, there was on balance deferred tax income of EUR 46 million compared with EUR 103 million in the previous year. If these deferred taxes are disregarded, consolidated net income amounted to EUR 313 million, equivalent to growth of 86% compared with last year.

Chart 6: Group portfolio – breakdown over products in 2003 and 2005

Let us now look at the credit portfolio of the Group. The breakdown on the basis of products clearly demonstrates the strategic progress which we have achieved since the spin-off. As of 31 December of last year, commercial real estate financing accounted for 48% of the total volume of approx. EUR 123 billion. Two years ago, this figure was only 27%. And the percentage of public sector loans has declined in the same period from 33% to 25%. In other words: We have consistently focused our Group portfolio on our core business – namely large-volume commercial real estate financing – and we have reduced or sold all types of financing which do not fit in with our overall strategy.

Chart 7: Real estate financing portfolio for the Group – breakdown according to regions in 2003 and 2005

One of our main strategic objectives is to achieve a balanced regional mix in our real estate financing portfolio. And there are also unmistakable signs of progress in this respect. Between the end of 2003 and the end of 2005, the percentage of Germany in relation to the overall portfolio declined from 62% to 50%. At the same time, the

percentage of the three core markets, Great Britain, the USA and France, increased from 26% to 32%. We are assuming that the percentage of Germany will continue to decline, whereby we expect that, in absolute terms, the domestic portfolio will remain stable as a result of the new business of Hypo Real Estate Bank AG which has been successfully resumed.

Chart 8: Segment results in 2005

And now a brief look at the development of the three operating entities of the Group in 2005. As already detailed above, this is a review of a structure which has no longer existed since the beginning of this year.

Last year, all three entities considerably beat their objectives in terms of new business and have significantly improved their results.

- In 2005, **Hypo Real Estate International** succeeded in boosting net income before taxes by EUR 93 million to EUR 288 million. The organisation structure for international lending which was introduced at the beginning of the reporting year, with three regional sales platforms of Europe, America and Asia, provided further impetus to sales and resulted in a strong increase in new business. We were able to increase our penetration of the established Western European and North American markets and to simultaneously expand our geographical presence. For instance, we arranged our initial financing in Russia in March of last year. We broke into the Japanese real estate market in 2004; this market has become much more attractive for international investors, and this move has been very successful. It is also necessary to mention product innovations such as financing under Islamic law – so-called "Sharia-compliant" financing – which we carried out in 2005.
- **Württembergische Hypothekbank** has reported net income before taxes of EUR 76 million, an increase of EUR 16 million compared with the previous year. The bank has accordingly again demonstrated the success of its fundamentally sound, low-risk and Pfandbrief-based business model. As has almost become traditional, new business was acquired almost exclusively in

other Western European countries and in the USA, and international financing accounted for more than two thirds of the bank's portfolio at the end of 2005.

- **Hypo Real Estate Bank AG** as the centre of competence for Germany has for the first time reported positive net income before taxes for the segment since the spin-off, namely EUR 104 million. A loss of EUR 9 million had been reported in 2004. We have made an impressive return to the market in Germany following the resumption of new business in the autumn of 2004. This is demonstrated not only by the extent of new business but also by the quality of the financing acquired by the bank.

An example which can be quoted in this context is the financing agreed in November 2005 for the sale of 18 properties of the Federal State of Hesse to a private company, involving a financing framework of approx. EUR 1 billion. This was an outstanding transaction not only for Hypo Real Estate Bank AG but also for the German real estate market as a whole.

A positive sales performance, significantly improved margins, a reduced cost base and consequently improved earnings are the main reasons why it is again a pleasure to do business in Germany.

Chart 9: New Group structure since 1.1.2006

Ladies and gentlemen,

our Group is operating in markets which are subject to rapid changes. In order to be permanently successful in these markets, we have to be constantly prepared to accept changes. This does not frighten us – on the contrary: Flexibility, speed and decisive action are so to speak "founding features" of the Hypo Real Estate Group.

This is also documented by the far-reaching reorganisation of our Group which has been effective since the beginning of this year.

The opportunity for this new organisation was provided by the new Pfandbrief Act which came into force last year. Whereas previously only so-called special credit institutions were permitted to issue Pfandbriefe, this privilege was abolished with the new act. Now, every credit institution which meets the relevant statutory requirements

is permitted to issue covered bonds. Every bank can accordingly combine covered and uncovered business. This reform was without doubt a blessing for the financial centre Germany. It is an example that, contrary to the opinion of many pessimists, it is perfectly possible to change the economic conditions in this country for the better.

What precisely have we done?

- We have used the new Pfandbrief Act to combine our international business, which previously had been conducted by Hypo Real Estate Bank International in Dublin as well as WürttHyp in Stuttgart, in WürttHyp as of 1 January 2006. WürttHyp was then renamed Hypo Real Estate Bank International AG.
- German real estate financing of WürttHyp was transferred to Hypo Real Estate Bank AG in Munich.
- The former Hypo Real Estate Bank International in Dublin was renamed "Hypo Public Finance Bank", and is now responsible for Public Finance/Capital Markets as a subsidiary of the new Hypo Real Estate Bank International AG in Stuttgart.
- The function of Hypo Real Estate Holding AG as the controlling body of the Group has not changed at all.

Chart 10: Benefits of the new Group structure

This restructuring has been implemented as planned, and has now been completed. It provides the Hypo Real Estate Group with numerous benefits:

- We have been able to reduce duplicate functions in the Group, and thus diminish their complexity.
- We have become more viable, not least in the field of refinancing which is so important for us, because Pfandbrief-based and uncovered business can be combined.
- We now have a clear and transparent distinction between German and international business.
- We have created the structural conditions necessary for expanding Hypo Public Finance Bank into a strong base for our Group.

- And: As a result of the new structure, we will achieve cost savings of EUR 25 million net per annum from 2007 onwards as a result of the new structure.

Chart 11: Medium-term aims of the Group

Dear shareholders,

the new efficient and powerful structure will help us to generate further growth for the Group in the course of the next few years. During the last about three years we have developed a position of strength. Such a position of strength will enable us to develop the Hypo Real Estate Group in accordance with our own ideas. This freedom of action is not available to all of our competitors; it is a key strength of our Group, and we intend to take advantage of it.

We have set ourselves ambitious targets for the next few years. In 2007, we intend to have reached a return on equity after taxes of between 11 and 12% in the Group.

- Hypo Real Estate International is expected to achieve a return of between 13 and 14% in this respect.
- We expect that our Germany business will achieve a return on equity of 8 to 9% in 2007.
- And we expect to achieve a range of 14 to 15% for the new segment Hypo Public Finance Bank.

In order to meet these objectives, we will have to recognise and take advantage of growth opportunities. So far, we have been very successful with the expansion of our international business and the resumption of business in Germany. We must not forget that the progress in terms of value creation and the operating performance of the Group have also been the result of successful restructuring. Better portfolio quality, higher margins, fewer provisions for losses on loans and advances and lower costs – these were main value drivers in recent years. We have now created the organisational and staff conditions necessary for generating future results mainly from higher operating revenues, in other words primarily in terms of net interest income and net commission income.

We intend to grow for this purpose. Growth can be generated by organic as well as inorganic means – in other words by way of carefully considered purchases. There are two fundamental directions available with regard to organic growth opportunities: To utilise the markets to a greater extent and to improve the range of our products and services.

Chart 12: Aims of international expansion

With the expansion of international real estate financing business, we will have to achieve further growth particularly in the booming markets of Asia. This will involve expansion with moderation as far as the Chinese market is concerned. This market without doubt offers major opportunities, particularly in metropolitan areas such as Beijing or Shanghai. However, we will constantly have to review whether financing in China is consistent with our strict risk and return requirements. If it does not do so, we will have no problem to hold back.

At present, we are devoting our attention to breaking into the market in India. Hypo Real Estate Bank International is currently preparing to open a location in the financial metropolis Mumbai, which in organisational terms is part of the Asian sales platform of our Group. The advantages of India are not only the sheer size of the market and the dynamic development of the economy, which achieved impressive growth of 7.5% last year. A further advantage of the country is the stable legal system which has developed over centuries and which involves strong Anglo-Saxon features; this legal system facilitates real estate investments and therefore fits in well with our business philosophy.

As the next step, expansion into South Korea is on the agenda this year. The market in Singapore is also to be developed. We also consider that Australia offers very attractive business potential for the Hypo Real Estate Group.

With all these international activities, we are targeting local as well as international investors. This is because, with the network of the Hypo Real Estate Group, we are able to provide support in international business across borders to our customers we

already know on the European, American and Asian core markets and with whom we have established business relations over many years.

Chart 13: Structural change – Germany

However, with all our plans for international expansion, we must not forget the German real estate market. In our opinion, there is also still considerable potential for growth in this market. It is true that the German market is still not characterised by a uniform development. There are however clear signs of an upward trend in the regional metropolitan areas which are relevant for Hypo Real Estate Bank AG, such as Munich, Frankfurt, Hamburg or Berlin.

This is attributable to the slightly stronger economic growth, the unchanged low level of interest rates and also the far-reaching structural changes which are currently evident on the German real estate market. For quite some time – you will certainly have been following this aspect in the media – the German real estate market has been becoming more attractive for international investors. During the past two to three years, international investors have acquired major portfolios of apartments and commercial property. This interest is boosting the number of large-volume deals and large-volume financing in Germany.

The consequences of these developments are that transactions are becoming more complex, reaction times are becoming shorter, and the rules applicable for processing such mega-deals are increasingly falling into line with international custom. The structural changes have also resulted in a rapid expansion of the range of products which a real estate financier has to offer its customers in order to be competitive. These services comprise financial advisory, structured finance as well as syndication and securitisation – a range of products and services which for instance has been common for many years in London.

In total, this means that: The German real estate market which previously has been so sluggish has unmistakably arrived in the reality of the globalised economy. The demand is for professional and specialist market players with highly qualified employees and rapid and smooth decision-making processes.

The following aspect is particularly important: The structural change in the German real estate market is very much benefiting the Hypo Real Estate Group. It means that our business model which focuses on large-volume financing, is cash flow driven and similar to that of investment banks; it is becoming a standard model not only abroad but also, and increasingly so, in Germany. Even if competition in Germany continues to be fierce – the country is still overbanked and margins are still relatively low in international terms – this development offers considerable opportunities for growth, which we will utilise.

Chart 14: Hypo Public Finance Bank – an overview

Ladies and gentlemen,

The philosophy of our Group includes offering customers innovative products and solutions and thus optimum services. We are enhancing our value creation chain with this culture of innovation. The new Hypo Public Finance Bank in Dublin is playing a major role in this respect. As I have previously mentioned, this bank is legally a subsidiary of Hypo Real Estate Bank International AG in Stuttgart, but represents an independent business unit. It offers innovative and sophisticated financial services to borrowers, investors and intermediaries. The range of products comprises mainly public finance, infrastructure finance, other asset-backed finance and capital markets business.

In public finance, the bank finances a broad range of projects primarily in Europe and in the USA. This business is characterised by stable cash flows and yields. Pfandbrief-based refinancing is also conducted in the familiar manner via the established Hypo Pfandbrief Bank International in Luxembourg.

Our activities in the field of infrastructure projects may well come as a surprise to some of you; however, upon closer observation, this constitutes a logical extension of our business. The aim of all transactions is to take financing decisions on the basis of the expected cash flows and our own risk and return requirements. Our business model does not make any difference as to whether the property is a private office

building, a hospital, road construction or energy project. The key fact is that we have to expect firm cash flows as the basis of our calculations.

One thing is applicable for the above areas of the Public Finance Bank: We do not focus on the generated trading income. The main task of these activities is to acquire new customers and additional lending business and thus in the final analysis to boost net interest income and net commission income in the Group as a whole. This also shows that we employ a business model which differs from that of our competitors, even if they appear to be equivalent at first sight.

In the field of capital markets, Hypo Public Finance Bank structures, trades and places customised financing products which customers use for managing various types of risk. In addition to the trading teams in Europe and New York, the focus is primarily on the activities in the structured product field, in other words mainly the repackaging of asset-backed securities, residential mortgage-backed securities and commercial mortgage-backed securities. This unit accordingly pools the extensive know how of our Group in terms of risk transfer. Since the start at the beginning of 2004, Capital Markets has made good progress and made a positive contribution to Group operating revenues in the year 2005.

We will considerably expand the business of Hypo Public Finance Bank and ensure that the bank becomes a major pillar of the Group. On a pro-forma basis, the bank generated positive net income before taxes of EUR 18 million last year. For the current year, we are forecasting an increase to EUR 25 to 35 million. And – as already mentioned – we intend to achieve return on equity after taxes of 14 to 15% in the year 2007; this would be the best figure in our Group.

The activities of our subsidiary in Dublin complement the real estate financing business in Germany and abroad in an excellent manner. Our customers will benefit from this expansion of business because they will be able to access a broader range of solutions. You as shareholders of Hypo Real Estate Holding AG will benefit because the new unit offers the opportunity of above-average returns in conjunction with low risk.

Chart 15: Financing example Ebisu Prime Square, Tokyo

Ladies and gentlemen,

So much about our plans concerning organic growth. As far as growth by way of acquisitions is concerned, this can be an opportunity to diversify the business base of the Hypo Real Estate Group and to boost profitability. However, you will see that my colleagues and I are very relaxed in this matter. This is because we are not under any pressure whatsoever with regard to possible purchases.

We employ a purely opportunistic approach. This means that we go through the world with our eyes wide open and are prepared to take advantage of opportunities, even at short notice, whenever they present themselves. It also means however that we have a clear idea of risk and return requirements and thus also of purchase prices.

I should like to again draw your attention to the statement that we have established a position of strength. This is also shown in the fact that we have the ability to do something under the subject of acquisitions, without being forced to do so. In view of its sound financial backing, the Hypo Real Estate Group is also able to handle major acquisitions. It is certainly not a disadvantage for us that we are the only real estate financier of international renown in Germany with extremely fungible shares; we thus have a wide range of possibilities to take advantage of the capital market for our efforts to expand.

Chart 16: Agenda item 5

Ladies and gentlemen,

before I outline our expectations for the current financial year 2006, please allow me to consider several items on today's agenda.

Under item 5 on the agenda, we are proposing to cancel the existing authorised capital of EUR 201.1 million, comprising 68.04 million shares, which is limited until 3 June 2009. Instead, new authorised capital of the same amount is to be created with

a term until 7 May 2011. The form of this resolution is to a large extent equivalent to the previous arrangement and is consistent with the options for action of the Management Board which are normal for authorised capital.

The only new factor is that the Management Board will be authorised to issue up to 700,000 shares per year to members of the Management Board and to the employees of Hypo Real Estate Holding AG as well as to members of the Management Board or management and employees of its Group companies.

This authorisation is to be granted in relation to a stock compensation programme – in short the "SCP". We have also included this item of the agenda at the request of many Anglo-Saxon investors, for whom comparable compensation models are considered to be standard.

Please allow me to briefly explain the intention of this programme and the way it works.

Chart 17: Key facts SCP

For many years, schemes for tying senior executives to a company by way of granting shares has been a normal and accepted practise at listed joint stock corporations in Germany and abroad.

In principle, the SCP programme comprises compensation in the form of phantom shares which are to be subsequently paid out in the form of issues of new shares in Hypo Real Estate Holding. A significant part of the compensation of our employees is already variable and linked to the company's earnings situation. In future, the variable part of compensation is not to be paid out exclusively in cash. Instead it is to be paid partially by a commitment to grant shares in our company. This commitment represents our shares as so-called "phantom shares", and reflects the performance of the shares. The number of phantom shares to be granted is calculated simply by dividing that part of the bonus which is not paid out in cash by the share price at the time at which the bonus is fixed. We are assuming that approx. 10% of employees in management and key positions of the Group will participate in the programme. The Group of persons will be redefined every year.

The phantom shares are to be subject to a two-year lock-up period after which they are to be converted into new shares of the holding. During this lock-up period, the entitlement to the shares has not yet been effectively acquired, and can be lost if the participant decides to leave the Group on his/her own initiative. The maximum number of up to 700,000 shares per year which have been planned is equivalent to just 0.52% of the current share capital of Hypo Real Estate Holding AG. We therefore consider that the interests of existing shareholders are fully safeguarded.

Of the total volume, a maximum of 500,000 shares are reserved for employees and a maximum of 200,000 shares are earmarked for the Management Board of the holding. Mr. Viermetz has already commented on the SCP programme for the Management Board.

Ladies and gentlemen,

so much for the technical details of the programme.

Please allow me to emphasise one aspect at this point: The successful future development of the Hypo Real Estate Group does not depend on this stock programme. This has also been demonstrated by the existing performance of the Group. However, for us as the Management Board, the creation of a link between key personnel and the Group constitutes an advantage, which is also common in international groups. The aim is not to top up existing emoluments, and instead the aim is to achieve a restructuring.

Chart 18: Financing example Ten Towers, Munich

I shall now turn to item 6 on the agenda. This item comprises the authorisation for acquiring and using the company's own shares. Such authorisation already exists; it is limited until 20 November 2006. It has so far not been utilised. Item 6 on the agenda is accordingly a purely renewal resolution as, under German stock law, such

authorisation is only permitted to be granted for 18 months and the existing authorisation would accordingly expire before the next shareholders' meeting.

Under item 7 on the agenda, we request you to approve a change to our articles of association in order to redefine the compensation of the members of the Supervisory Board of Hypo Real Estate Holding AG. The proposal involves paying a fixed annual amount of EUR 70,000 to each individual member of this body. In the past, the compensation has amounted to EUR 60,000. The Chairman of the Supervisory Board is to receive EUR 175,000 instead of the previous EUR 90,000, and his deputy is to receive EUR 105,000 instead of the previous EUR 75,000. Compensation for the activities in committees of the Supervisory Board is also to be raised.

I should like to explain the reasons for this change to the articles of association. As you will be aware, the Hypo Real Estate Group faced difficult conditions at the time of the spin-off and was in a set-up and restructuring phase. In this situation, the Supervisory Board performed the tasks which it was required to perform – and there have certainly been a considerable number of such tasks – for compensation far below normal market levels. There is no doubt whatsoever that the Hypo Real Estate Group has since reported a very successful business performance and has established an excellent position in its markets. The Management Board accordingly considers that the increase in compensation to a level which is normal for a DAX stock is appropriate, and therefore request that you approve item 7 on the agenda.

Chart 19: Key financials Q1 2006

Ladies and gentlemen,

at the end of my speech, I should now like to consider our expectations for the current year: We are confident that the Hypo Real Estate Group is again facing a successful year.

Our confidence in this respect has been strengthened by the performance seen during the first three months. We published the quarterly statements last Friday.

The new real estate financing business of the Group in the first three months amounted to EUR 5.2 billion, and was in line with expectations; it was thus 58% higher than the corresponding previous year figure. Of the total, EUR 1.4 billion was attributable to Germany and EUR 3.8 billion was attributable to international financing.

The operating performance was also in line with our expectations. Consolidated net income before taxes amounted to EUR 134 million, equivalent to growth of EUR 32 million or 31% compared with the figure for the same previous year quarter. A positive aspect is that the growth in earnings is increasingly attributable to the improvement in our operating revenues. This shows that our successful operations on the markets are increasingly becoming the driving force behind stronger earnings, whereas the effects of cost optimisation and reduced provisions for losses on loans and advances are necessarily declining.

Chart 20: Outlook for 2006

Ladies and gentlemen,

for the whole of 2006, we are optimistic of generating new business equivalent to the strong performance seen last year, in other words around EUR 22 billion. In view of the considerable growth achieved last year, this would be a major success. For new business abroad, we are predicting approx. EUR 18 billion, and we are forecasting a figure of around EUR 4 billion for Germany.

The regional expansion, higher margins, better portfolio quality, a broader strategic base and strict cost management will be the basis for achieving further significant growth with consolidated net income.

We expect to see Group operating revenues increase to more than EUR 1 billion in 2006. As announced in January, consolidated net income before taxes is expected to improve by at least 20%, whereby the previous year figure of EUR 442 million adjusted by the additional expenses is taken as the base in this respect. Net income

before taxes is accordingly expected to be at least EUR 530 million. We are predicting return on equity after taxes to be more than 9% in 2006. This would mean that we would be making good progress towards our target of 11 to 12% for next year.

Chart 21: Persistently seizing opportunities!

Ladies and gentlemen,

the Hypo Real Estate Group can still only look back on a brief history. Nevertheless, it is important from time to time to consider what have been the major factors for the excellent strategic and operational performance of our Group since the spin-off. If I look back, I think primarily of the following:

- A successful business model which has demonstrated its worth in the markets
- The speed and consistency of implementing strategic tasks, particularly with regard to rapidly expanding international business and restructuring our Germany portfolio
- The broadening of our value creation chain and the sources of earnings, for instance by setting up Hypo Public Finance Bank
- Open and reliable communication with regard to shareholders, analysts, rating agencies and media
- A high degree of flexibility and willingness to take on change when it is necessary to adjust to requirements of the market and finally
- Common principles and objectives which form the basis for a common corporate culture in our Group.

We will continue to persistently use all of these strengths in the course of the next few years. They will assist us to maintain our course in the direction of becoming a leading global real estate financier. I am accordingly optimistic that, next year, I will again be able to report to you that we have made further excellent progress in this direction.

Thank you for your attention.