

Hypo Real Estate Group 2003 with net income of EUR 116 million in 2003

Munich, 29 March 2004 – The MDax-listed provider of real estate finance Hypo Real Estate Holding AG (WKN ordinary shares: 802 770) has reported a result of ordinary activities (result before taxes) of EUR 156 million for the financial year 2003, and has accordingly exceeded the most recent management guidance of just over EUR 100 million. The pro-forma figure for 2002 amounted to EUR 16 million; however, this figure is only comparable to a limited extent as the Hypo Real Estate Group only came into existence in September 2003 as a result of the spin-off of the commercial real estate financing activities of the HVB Group, and accordingly did not exist in its present-day form in the year 2002. The net income in 2003 amounted to EUR 116 million (previous year pro-forma: EUR minus 11 million); after minority interest, consolidated net income amounted to EUR 115 million. This is equivalent to a return on equity after taxes of 2.8%.

The development in earnings in 2003 has been boosted by the development in overall business which has been partially better than planned, and also by an one-time income of EUR 35 million attributable to the acquisition of minority interests in the former Westfälische Hypothekbank. This was opposed by restructuring expenses of EUR 86 million for the business segment Hypo Real Estate Germany. Net income also comprises a positive tax effect of EUR 19 million. This was attributable to the profit-and-loss transfer agreement signed in the year under review by Hypo Real Estate Holding AG and Württembergische Hypothekbank AG.

Net interest income after provisions for losses on loans and advances amounted to EUR 422 million in the Hypo Real Estate Group (previous year pro-forma: EUR 165 million). The provisions for losses on loans and advances comprise a figure of EUR 460 million for the contractually agreed risk shelter provided by HVB AG to Hypo Real Estate Bank AG, (Germany).

Hypo Real Estate International has reported a result before taxes of EUR 87 million for 2003. Württembergische Hypothekbank has reported a pre-tax profit of EUR 54 million. The result before taxes of Hypo Real Estate Germany amounted to EUR minus 11 million.

For the year 2004, on the basis of expanding new business abroad and further rapid progress being made with restructuring the domestic portfolio, the Board of Management of Hypo Real Estate Holding AG expects profit before taxes to increase to between EUR 205 million and EUR 225 million in conjunction with an improvement in net return on equity to 3.5 to 4%.