

Business at the Hypo Real Estate Group still fully in line with budget after nine months in 2004

Munich, 10 November 2004 – Operations of the Hypo Real Estate Group are still fully in line with budget after the first nine months of 2004. The internationally operating financier of commercial real estate has reported consolidated net income before taxes of EUR 155 million for the period between January and September. This represents growth of 33% compared with the corresponding prior-year period (EUR 117 million). Consolidated net income in the first nine months increased from EUR 87 million in the corresponding period last year to EUR 120 million (plus 38%). Return on equity after taxes has increased from 2.8% to 3.9%. After minority interest (EUR minus 1 million), consolidated profit is stated as EUR 119 million (3/4 of 2003: EUR 86 million).

The Hypo Real Estate Group has reported consolidated net income before taxes of EUR 41 million separately for the third quarter of 2004 (1/4 of 2003: EUR 39 million). This figure includes part of the announced exceptional expenses totalling up to EUR 20 million resulting at Hypo Real Estate Bank AG from the sale of a portfolio of German real estate financing with a volume of EUR 3.6 billion which was agreed in September.

Hypo Real Estate International more than doubled net income before taxes between January and September, namely from EUR 65 million in the corresponding prior-year period to EUR 138 million. New real estate business in the segment amounted to around EUR 6.1 billion as of 30 September 2004. The main reasons behind the positive development in revenues were the contributions made by the US real estate financing portfolio acquired at the end of 2003 and good new business.

In the first nine months, Württembergische Hypothekbank saw net income before taxes increase by 12% from EUR 41 million in the corresponding prior-year period to EUR 46 million.

In the third quarter, Hypo Real Estate Germany completed its restructuring process earlier than planned as a result of the portfolio sale, and has resumed new business. The segment has reported a net loss before taxes of EUR 11 million; however, this is almost exclusively attributable to recognition of some of the exceptional expenses incurred in connection with the portfolio sale in September. Net income for the first nine months is stated as EUR minus 10 million (3/4 of 2003: EUR minus 12 million). The addition to provisions for losses on loans and advances (after the HVB risk shelter) increased by EUR 23 million to EUR 165 million. Without the risk shelter which HVB AG has provided for the last time in 2004, the risk provisioning in the segment declined by around EUR 225 million compared with the corresponding prior-year period.

For the whole of 2004, the managing board is still forecasting consolidated net income before taxes to increase to a range of between EUR 205 and EUR 225 million as well as return on equity after taxes of between 3.5 and 4%.