

## **Hypo Real Estate with strong earnings growth – plans to streamline the Group**

**Munich, 10 August 2005** – In the first half of 2005, the Hypo Real Estate Group increased consolidated net income before taxes by 89%, from EUR 114 million in the corresponding previous year period to EUR 215 million. Consolidated net income – excluding a deferred tax expense of EUR 17 million from capitalised losses carried forward – amounted to EUR 161 million compared with EUR 84 million in the first half of 2004 (+92%): this is equivalent (excl. minority interest of EUR 1 million) to earnings per share of EUR 1.19 (previous year period: EUR 0.62). Return on equity after taxes (adjusted by the tax effect) improved to 7.7% in the first six months (full year 2004: 4.0%) and is thus already within the target range for the whole of 2005 (7.5 to 8%).

The financier of large-volume commercial real estate reported new business of EUR 8.3 billion in the first half, which was above expectations (full-year target 2005: EUR 13.5 billion). Hypo Real Estate Germany has made a significant contribution to this performance for the first time, namely around EUR 700 million.

For the second quarter of 2005, Hypo Real Estate Group reports consolidated net income before taxes of EUR 113 million (previous-year period EUR 59 million). Consolidated net income (excl. the effects from capitalised losses carried forward) for the second quarter stood at EUR 83 million (previous year period EUR 43 million). Excluding minority interest of EUR 1 million consolidated profit is EUR 82 million.

In addition, Hypo Real Estate Holding AG has announced plans to restructure the Group in order to boost its effectiveness in the markets and to reduce the overall level of complexity in the Group. The plans envisage that worldwide international business will be combined in the Stuttgart-based subsidiary Württembergische Hypothekenbank (WürttHyp). WürttHyp will take over the interest in Hypo Real Estate Bank International (HREI) in Dublin. With effect from 1 January 2006, the entire international real estate financing business of HREI is to be transferred to WürttHyp. The name of WürttHyp is to be changed to “Hypo Real Estate Bank International AG”. German financing arrangements of WürttHyp will be transferred to Hypo Real Estate Bank AG in Munich which, as the second pillar of the Group, is to be responsible for all domestic business.

The former HREI will continue Capital Markets activities from Dublin as “Hypo Public Finance Bank” and as a subsidiary of the new Hypo Real Estate Bank International AG; these activities will be expanded to include the public finance sector.

As a result of the restructuring which is expected to be completed in the first half of 2006, Hypo Real Estate Holding AG will take advantage of the flexibility offered by the new Pfandbrief act in Germany. The measures will result in a considerable strengthening of staff resources at WürttHyp which has its registered offices in Stuttgart. Overall, the number of persons employed in the Group will decline from the current figure of approx. 1,260 by approx. 140 to approx. 1,120. Planned net cost savings amount to approx. EUR 25 million per annum, and these are opposed by one-off costs of EUR 30 to 35 million. A corresponding provision will be set aside in the financial statements for 2005. Despite these additional costs, the earnings forecast for 2005 for the Hypo Real Estate Group has been retained (consolidated net income before taxes of EUR 400 to 425 million). In the medium term, the Management Board anticipates that the planned Group structure will have a positive effect on the earnings situation, and is forecasting consolidated return on equity after taxes of 11 to 12% for 2007 (previous forecast: 10 to 11 %).