

**Accounts Press Conference  
29 March 2006**

**Hypo Real Estate**  
GROUP



**The Hypo Real Estate Group will continue to grow  
from a position of strength  
Explanations for the financial statement  
Dr. Markus Fell, CFO, Hypo Real Estate Holding AG**

# Hypo Real Estate Group

# Hypo Real Estate Group

## Key financials 2005

Key Financials (IFRS)		
(€MM)	2005	2004
Net interest income	685	683
Provisions for losses on loans and advances	149	276 <sup>(1)</sup>
<b>Net interest income after provisions for losses on loans and advances</b>	<b>536</b>	<b>407</b>
Net commission income	125	94
Net trading income	27	11
Net income from investments	67	47
General administrative expenses	317	315
Balance of other operating income/expenses	5	-
<b>Operating profit/loss</b>	<b>443</b>	<b>244</b>
Balance of other income/expenses	-35	-23
thereof: Restructuring expenses	34	21
<b>Net income/loss before taxes</b>	<b>408</b>	<b>221</b>
Taxes on income <sup>(2)</sup>	95	53
<b>Net income/loss<sup>(2)</sup></b>	<b>313</b>	<b>168</b>
thereof: Net income/loss attributable to equity holders	313	167
thereof: Minority interest in net income/loss	-	1
<b>Operating revenues</b>	<b>909</b>	<b>835</b>

- | Total operating revenues increased by 9%, primarily a reflection of international business expansion
- | Loan-loss provisions decreased by € 127 MM, reflecting the improved asset quality and limitations of portfolio based risk provisioning
- | General administrative expenses at prior year level
- | In 2004 restructuring expenses incurred by the restructuring of Hypo Real Estate Bank AG

### | 3 | Notes

1. Including risk shelter from HVB AG of € 130 MM
2. Excluding income from deferred taxes on capitalised losses carried forward of € 46 MM in 2005 (2004: € 103 MM)

# Hypo Real Estate Group

## Quarterly development

(€MM)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
<b>Total operating revenues</b>	<b>220</b>	<b>210</b>	<b>225</b>	<b>233</b>	<b>241</b>
Net interest income	176	165	165	171	184
Net commission income	10	23	38	33	31
Net trading income	6	7	7	12	1
Net income from investments	33	11	12	16	28
Balance of other operating income/expenses	-5	4	3	1	-3
Provisions for losses on loans and advances	55 <sup>(1)</sup>	35	36	41	37
General administrative expenses	86	73	76	79	89
Balance of other income/expenses (excl. restructuring expenses)	-13	-	-	-1	-
<b>Net income/loss before taxes (excl. restructuring expenses)</b>	<b>66</b>	<b>102</b>	<b>113</b>	<b>112</b>	<b>115</b>
Restructuring expenses	-	-	-	-	34
<b>Net income/loss before taxes</b>	<b>66</b>	<b>102</b>	<b>113</b>	<b>112</b>	<b>81</b>
Taxes on income <sup>(2)</sup>	18	24	30	30	11
<b>Net income/loss<sup>(2)</sup></b>	<b>48</b>	<b>78</b>	<b>83</b>	<b>82</b>	<b>70</b>

Risk assets compliant with BIS rules (€ Bn)	51.0	51.1	52.9	53.2	56.3
Core capital ratio compliant with BIS rules (in %)	8.3 <sup>(3)</sup>	8.2	7.9	7.8	7.8 <sup>(3)</sup>
Employees	1,311	1,287	1,259	1,258	1,233

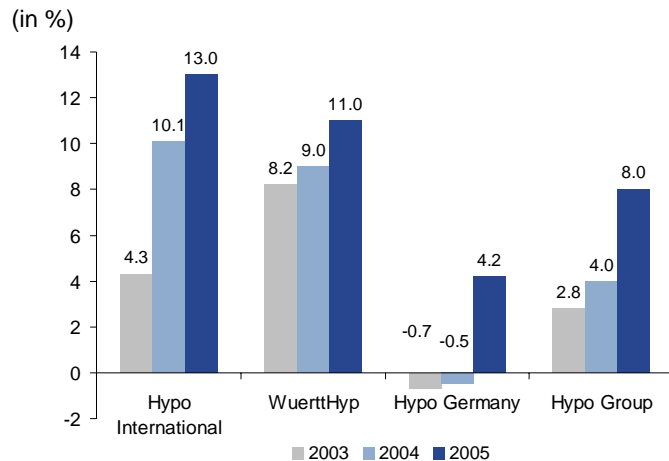
- | Q4 strongest quarter of the year
- | Total operating revenues increased gradually in 2005, following the strong international portfolio growth, despite a net reduction at Hypo Germany
- | In Q4 strong growth in net interest income and net income from investments (market opportunities were taken advantage of)
- | Net trading income volatile throughout the year as it is subject to fast changing market conditions
- | General administrative expenses up in Q4, due to additional costs related to restructuring and bonus accruals

#### | 4 | Notes

1. Including pro-rata risk shelter of €32.5 MM from HVB AG
2. Excluding the effects from capitalised losses carried forward
3. As per approved annual financial statements and profit distribution

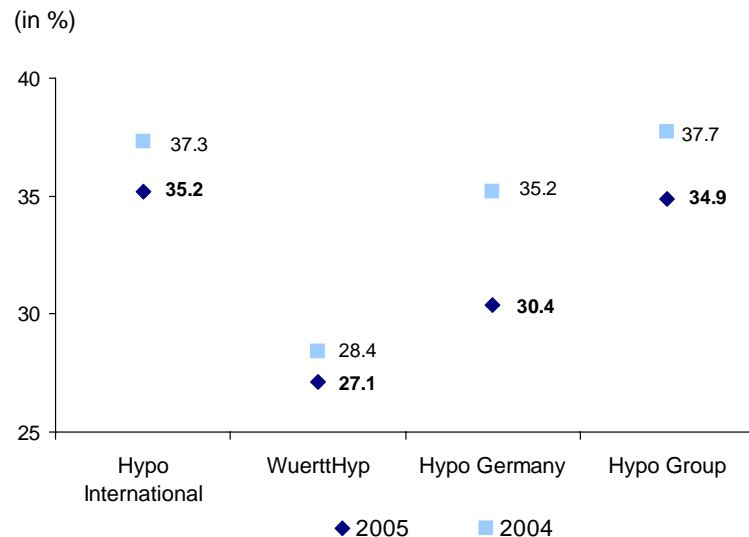
# Hypo Real Estate Group

Strong operating leverage and strict cost control contribute to an increasing ROE



## Return On Equity after taxes<sup>(1)</sup>

- | Group ROE after taxes at 8.0%
- | ROE at Hypo International and WuerttHyp increased considerably compared with the previous year
- | Hypo Germany regained profitability in 2005



## Cost-Income-Ratio<sup>(2)</sup>

- | CIRs improved in all three segments and thus in the Group as a whole

| 5 | **Notes**

1. Excluding the effects from capitalised losses carried forward and restructuring expenses
2. Based on operating revenues

# Hypo Real Estate Group

## Balance sheet overview

ASSETS	2005	2004	CHANGE
in MM €			in %
Cash reserve	182	275	-33.8
Assets held for trading purposes	5,696	1,513	> 100
Placements with, and loans and advances to, other banks	19,542	21,651	-9.7
Loans and advances to customers	76,294	77,044	-1.0
Allowances for losses on loans and advances	-685	-776	11.7
Investments	39,139	36,165	8.2
Intangible assets	28	29	-3.4
Property, plant and equipment	14	15	-6.7
Other assets	7,427	7,479	-0.7
Tax assets	4,823	4,733	1.9
<b>Total assets</b>	<b>152,460</b>	<b>148,128</b>	<b>2.9</b>
EQUITY AND LIABILITIES	2005	2004	CHANGE
in MM €			in %
Deposits from other banks	22,446	18,552	21.0
Amounts owed to other depositors	10,080	8,824	14.2
Promissory notes and other liabilities evidenced by securities	95,333	99,173	-3.9
Liabilities held for trading purposes	3,753	926	> 100
Provisions	57	221	-74.2
Other liabilities	11,967	11,654	2.7
Tax liabilities	3,596	3,609	-0.4
Subordinated capital	2,028	2,297	-11.7
<b>Liabilities</b>	<b>149,260</b>	<b>145,256</b>	<b>2.8</b>
Equity attributable to equity holders	3,200	2,856	12.0
<i>thereof revaluation reserve</i>	-1,424	-1,437	0.9
Minority interests	-	16	-100.0
<b>Equity</b>	<b>3,200</b>	<b>2,872</b>	<b>11.4</b>
<b>Total equity and liabilities</b>	<b>152,460</b>	<b>148,128</b>	<b>2.9</b>
<b>Contingent liabilities and other commitments</b>	<b>10,274</b>	<b>7,786</b>	<b>32.0</b>

l € 4.3 Bn increase in total assets due to increased trading assets and liabilities

l € 5.2 Bn increase in deposits from other banks and amounts owed to other depositors

l € 3.8 Bn decrease in liabilities evidenced by paper due to optimization of funding strategy

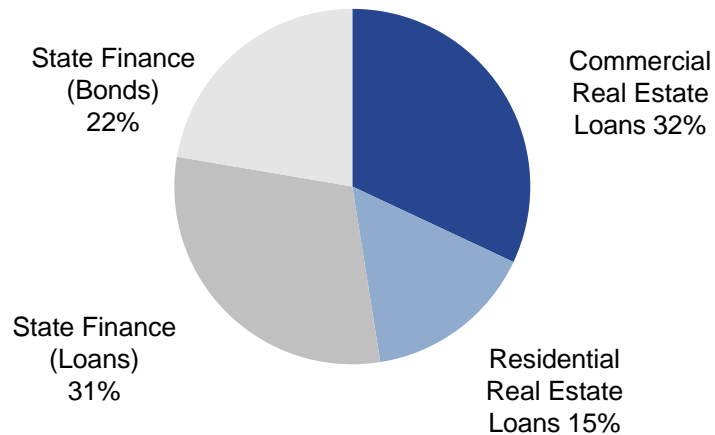
l Income tax assets and liabilities almost fully comprise deferred taxes

l Equity (excluding revaluation reserve) at € 4.6 Bn, after € 4.3 Bn by year end 2004

# Hypo Real Estate Group

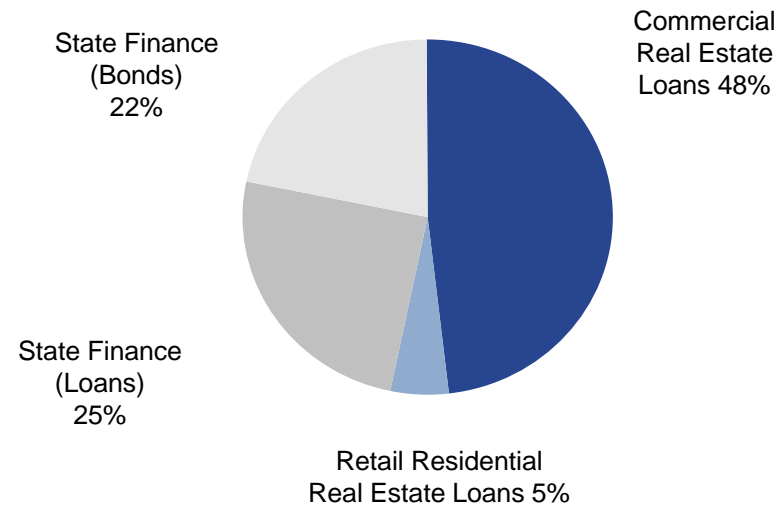
## The Group portfolio increasingly comprises commercial real estate loans

**SPLIT BY PRODUCT**  
Total Portfolio 12/2004<sup>(1,2)</sup>



**100% = €126.0 Bn**

**SPLIT BY PRODUCT**  
Total Portfolio 12/2005<sup>(1,2)</sup>



**100% = €123.2 Bn**

- | Increase of €5.4 Bn in commercial real estate loans in 2005
- | Reduction of €8.2 Bn in state finance in 2005

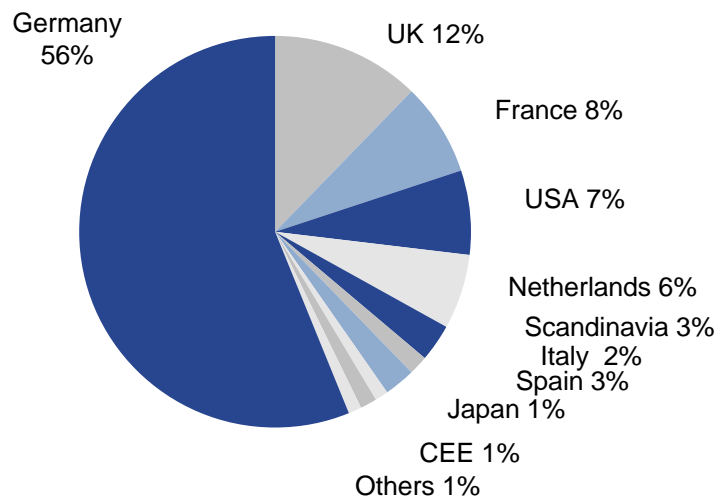
| 7 | **Notes**

1. Based on commitments (Hypo Germany loans 12/2003 and 12/2004 based on outstandings)
2. Internal, unaudited figures

# Hypo Real Estate Group

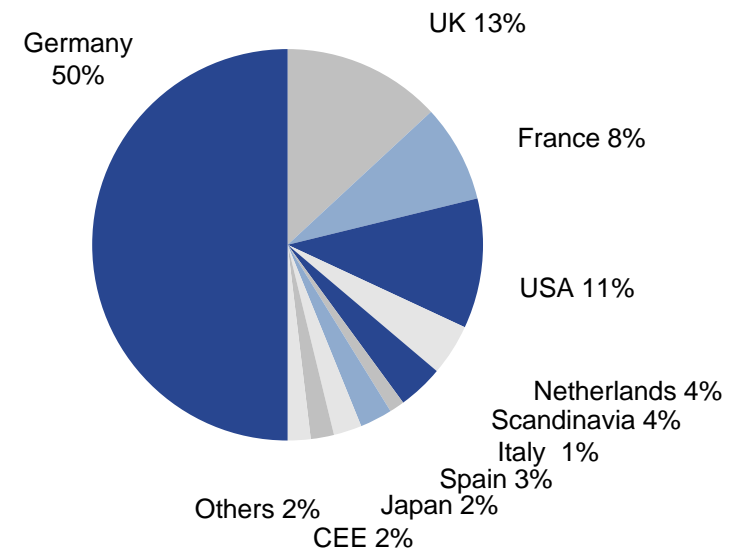
## Geographical diversification has increased

**SPLIT BY REGION**  
Real Estate Loan Portfolio  
12/2004<sup>(1,2)</sup>



100% = €59.7 Bn

**SPLIT BY REGION**  
Real Estate Loan Portfolio  
12/2005<sup>(1,2)</sup>



100% = €65.1 Bn

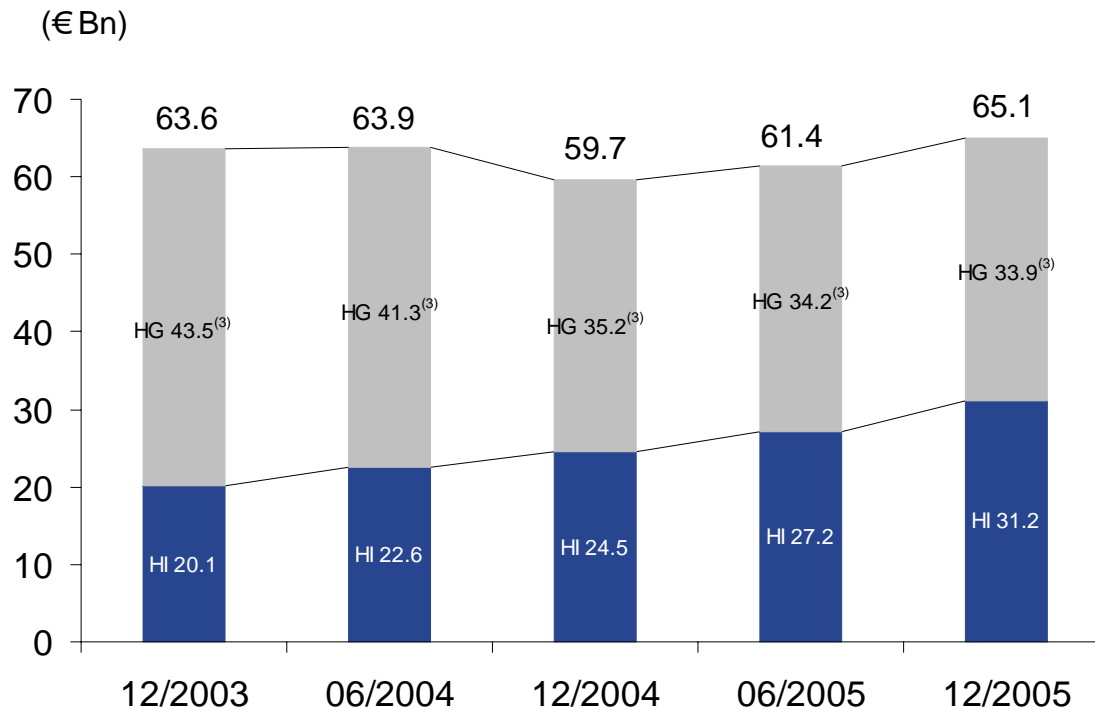
| 8 | **Notes**

1. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
2. Internal, unaudited figures

# Hypo Real Estate Group

## Expansion of the Group portfolio

**Real Estate Portfolio Development by Segment**  
12/2003 - 12/2005<sup>(1,2)</sup>



- I The portfolio reduction in Hypo Germany is slowing down
- I The international portfolio continued to experience strong growth (2004 vs. 2005: 27%)

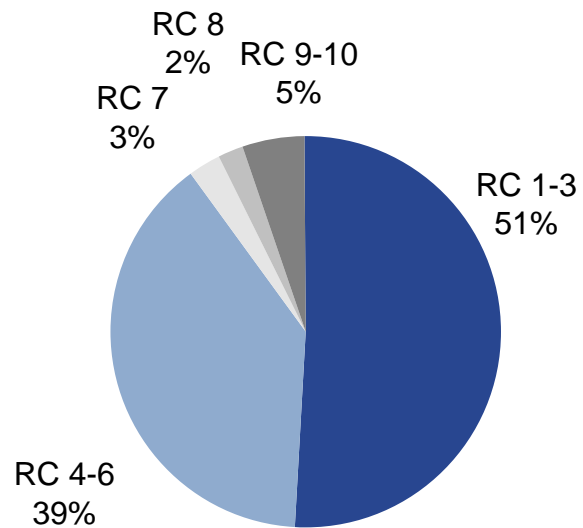
| 9 | **Notes**

1. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
2. Internal unaudited figures
3. Figures already including WuerthHyp's German portfolio (sub- and non-performing portfolios will be transferred in H2 2006)

# Hypo Real Estate Group

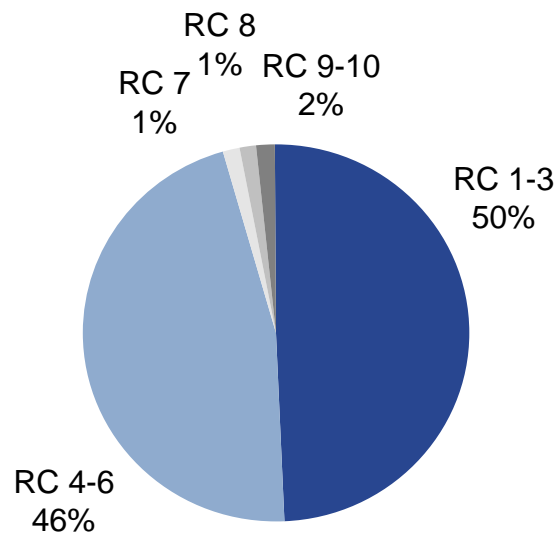
## Overall sound asset quality

**SPLIT BY RISK CLASS**  
Real Estate Loan Portfolio  
12/2003<sup>(1,2)</sup>



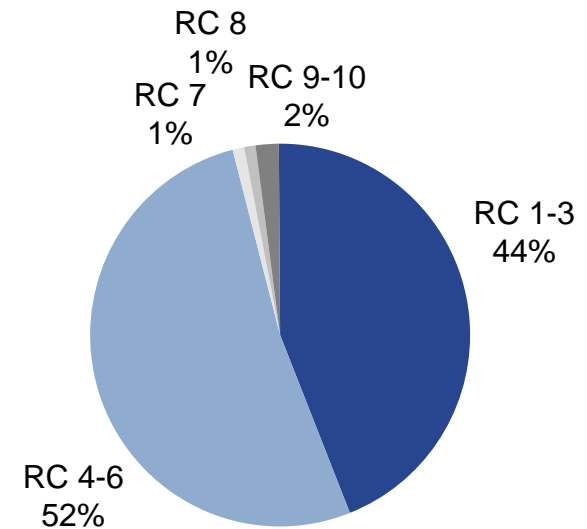
100% = €63.6 Bn

**SPLIT BY RISK CLASS**  
Real Estate Loan Portfolio  
12/2004<sup>(1,2)</sup>



100% = €59.7 Bn

**SPLIT BY RISK CLASS**  
Real Estate Loan Portfolio  
12/2005<sup>(1,2)</sup>



100% = €65.1 Bn

| 10 | **Notes**

1. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
2. Internal, unaudited figures

# Hypo Real Estate Group - Business Segments Results

# Old Hypo Real Estate Bank International

## Key financials 2005

Key Financials (IFRS)		
(€MM)	2005	2004
Net interest income	287	224
Provisions for losses on loans and advances	11	33
<b>Net interest income after provisions for losses on loans and advances</b>	<b>276</b>	<b>191</b>
Net commission income	135	126
Net trading income	27	11
Net income from investments	12	3
General administrative expenses	163	136
Balance of other operating income/expenses	2	1
<b>Operating profit/loss</b>	<b>289</b>	<b>196</b>
Balance of other income/expenses	-1	-1
<b>Net income/loss before taxes</b>	<b>288</b>	<b>195</b>
Taxes on income <sup>(1)</sup>	60	47
<b>Net income/loss<sup>(1)</sup></b>	<b>228</b>	<b>148</b>
Total assets (€ Bn)	33	23
Tier 1 (€ MM) <sup>(2)</sup>	1.881	1.584
RWA (€ Bn) <sup>(2)</sup>	21,2	17,3
CIR (%)	35,2	37,3
LLP in Bp of total real estate loans <sup>(3)</sup>	7	26
ROE after taxes (%) <sup>(1)</sup>	13,0	10,1
<b>Operating revenues</b>	<b>463</b>	<b>365</b>

- | Net increase of portfolio, as well as additional earnings from the “Capital Markets” segment resulted in higher operating revenues (+27%)
- | IAS 39 (revised in 2003) limited portfolio-based risk-provisioning
- | General administrative expenses increased (+20%) as a result of further business expansion

### | 12 | Notes

1. Excluding expenses from deferred taxes on capitalised losses carried forward of € 1 MM in 2005 (2004: deferred tax income of € 1 MM)
2. According to BIS
3. Credit volume (including US portfolio synthetically transferred)

# WuerttHyp

## Key financials 2005

Key Financials (IFRS)		
(€MM)	2005	2004
Net interest income	122	108
Provisions for losses on loans and advances	18	23
<b>Net interest income after provisions for losses on loans and advances</b>	<b>104</b>	<b>85</b>
Net commission income	-9	-6
Net income from investments	16	14
General administrative expenses	35	33
Balance of other operating income/expenses	-	-
<b>Operating profit/loss</b>	<b>76</b>	<b>60</b>
Balance of other income/expenses	-	-
<b>Net income/loss before taxes</b>	<b>76</b>	<b>60</b>
Taxes on income	1	1
<b>Net income/loss</b>	<b>75</b>	<b>59</b>
Total assets (€Bn)	38	35
Tier 1 (€MM) <sup>(1)</sup>	779	710
RWA (€Bn) <sup>(1)</sup>	12.4	10.1
CIR (%)	27.1	28.4
LLP in Bp of total real estate loans	14	18
ROE after taxes (%)	11.0	9.0
<b>Operating revenues</b>	<b>129</b>	<b>116</b>

- I Net interest income has risen due to portfolio growth and higher prepayment fees
- I Loan loss provisions lower than in previous year - relevant only for German portfolio part
- I General administrative expenses increased slightly over prior year but still led to a lower CIR of 27.1%

| 13 | Note  
1. According to BIS

# The new Hypo Real Estate Bank International

## Pro-forma key financials 2005

Key Financials (IFRS) <sup>(1)</sup>		
(€MM)	2005	2004
Net interest income	384	321
Provisions for losses on loans and advances	29	56
<b>Net interest income after provisions for losses on loans and advances</b>	<b>355</b>	<b>265</b>
Net commission income	123	120
Net trading income	1	-
Net income from investments	25	13
General administrative expenses	156	139
Balance of other operating income/expenses	-1	1
<b>Operating profit/loss</b>	<b>347</b>	<b>260</b>
Balance of other income/expenses	-1	-1
<b>Net income/loss before taxes</b>	<b>346</b>	<b>259</b>
Taxes on income <sup>(2)</sup>	59	49
<b>Net income/loss<sup>(3)</sup></b>	<b>287</b>	<b>210</b>
RWA (€ Bn) <sup>(3)</sup>	31,6	25,4
Tier I ratio (%) <sup>(3,4)</sup>	7,5	8,2
CIR (%)	29,3	30,5
ROE after taxes (%) <sup>(2,4)</sup>	12,9	10,2
<b>Operating revenues</b>	<b>532</b>	<b>455</b>

I Strong new business further increased operating revenues by 17%

I Loan-loss provisions remained at a low level, reflecting excellent asset quality

I Cost Income Ratio of less than 30% underlines already achieved efficiency

### | 14 | Notes

1. Pro-forma figures include former WuerthHyp and the lending business of former Hypo International, Dublin
2. Excluding expenses from deferred taxes on capitalised losses carried forward
3. According to BIS
4. Based on allocated capital

# Hypo Real Estate Bank Germany

## Key financials 2005

Key Financials		
(€MM)	2005	2004
Net interest income	283	354
Provisions for losses on loans and advances	120	220 <sup>(1)</sup>
<b>Net interest income after provisions for losses on loans and advances</b>	<b>163</b>	<b>134</b>
Net commission income	-1	-25
Net income from investments	39	31
General administrative expenses	98	126
Balance of other operating income/expenses	1	-2
<b>Operating profit/loss</b>	<b>104</b>	<b>12</b>
Balance of other income/expenses	-	-21
thereof: Restructuring expenses	-	21
<b>Net income/loss before taxes</b>	<b>104</b>	<b>-9</b>
Taxes on income <sup>(2)</sup>	24	1
<b>Net income/loss<sup>(2)</sup></b>	<b>80</b>	<b>-10</b>
Total assets (€Bn)	86	92
Tier 1 (€MM) <sup>(3)</sup>	1.836	2.044
RWA (€Bn) <sup>(3)</sup>	24,0	24,2
CIR (%)	30,4	35,2
LLP in bp of total real estate loans <sup>(4)</sup>	42	115
ROE after taxes (%) <sup>(2)</sup>	4,2	-0,5
<b>Operating revenues</b>	<b>322</b>	<b>358</b>

- I Lower operating revenues reflect downsizing of portfolio
- I Loan-loss provisions have been reduced by € 100 MM over prior year, which include € 130 MM risk shelter from HVB
- I General administrative expenses have declined by 22% due to restructuring and have led to a CIR of 30.4 %

### | 15 | Notes

1. Including risk shelter from HVB AG of € 130 MM
2. Excluding income from deferred taxes on capitalised losses carried forward of € 14 MM in 2005 (2004: € 80 MM)
3. According to BIS
4. Excluding risk shelter from HVB AG

# Hypo Public Finance Bank

## Pro-forma key financials 2005

Key Financials		
(€MM)	2005	2004
Net interest income	25	11
Provisions for losses on loans and advances	-	-
<b>Net interest income after provisions for losses on loans and advances</b>	<b>25</b>	<b>11</b>
Net commission income	3	-1
Net trading income	26	11
Net income from investments	3	4
General administrative expenses	42	30
Balance of other operating income/expenses	3	-
<b>Operating profit/loss</b>	<b>18</b>	<b>-5</b>
Balance of other income/expenses	-	-
<b>Net income/loss before taxes</b>	<b>18</b>	<b>-5</b>
Taxes on income	2	-1
<b>Net income/loss</b>	<b>16</b>	<b>-4</b>
RWA (€ Bn) <sup>(1)</sup>	2.0	2.0
Tier I ratio (%) <sup>(1,2)</sup>	15.0	8.0
CIR (%)	70.0	120.0
ROE after taxes (%) <sup>(2)</sup>	7.9	-4.2
<b>Operating revenues</b>	<b>60</b>	<b>25</b>

I Operating revenues rose considerably (+140%) due to a significant increase in business activities

I General administrative expenses increased less than revenues, leading to a vastly improved CIR

I High capitalization of the segment provides the basis for the planned expansion of activities (especially infrastructure finance)

| 16 | **Notes**

1. According to BIS
2. Based on allocated equity

# Hypo Real Estate Group

# Hypo Real Estate Group

## Business plan snapshot for 2006

Key Figures		
(€ MM)	Target 2006	2005
Total Operating Revenues	> 1000	909
Profit before taxes	> 530	408 <sup>(1)</sup> /442 <sup>(2)</sup>
ROE after taxes <sup>(3)</sup>	> 9%	7.4% <sup>(1)</sup> /8.0% <sup>(2)</sup>
Hypo International – Profit before taxes	≈ 380 – 410	346
Hypo Public Finance – Profit before taxes	≈ 25 – 35	18
Hypo Germany – Profit before taxes	≈ 120 – 140	104

- I Profit before taxes (excl. restructuring expenses) anticipated to grow by at least 20% in 2006
- I Group's new business expected to reach the ambitious level of 2005 again, maintaining our strict risk-return profile

### New Business Target 2006

I Hypo Real Estate International: ~ € 18 Bn

I Hypo Real Estate Germany: ~ € 4 Bn

#### | 18 | Notes

1. Including restructuring expenses
2. Excluding restructuring expenses
3. Excluding income from capitalised losses carried forward

## Hypo Real Estate Group Target ROE for 2007 of 11-12%

- ▶ Group's target ROE of 11-12% in 2007 confirmed (Hypo Real Estate International 13-14%, Hypo Real Estate Germany 8-9%, Hypo Public Finance Bank 14-15%)
- ▶ Further reduction of Cost Income Ratio to below 30% in 2007 (35% in 2005)
- ▶ Our underlying business model is strong enough to finance organic growth and to pay an attractive dividend to our shareholders
  - Envisaged mid-term growth rate in capital employed for the group of about 5-6% p.a.
  - A planned stable dividend policy with a payout ratio of 40-50%

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# Appendix

# Old Hypo Real Estate Bank International

# Old Hypo Real Estate Bank International

## Quarterly development

(€MM)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
<b>Total operating revenues</b>	<b>89</b>	<b>102</b>	<b>109</b>	<b>128</b>	<b>124</b>
Net interest income	60	65	65	74	83
Net commission income	23	29	31	39	36
Net trading income	6	7	7	12	1
Net income from investments	2	-	5	2	5
Balance of other operating income/expenses	-2	1	1	1	-1
Provisions for losses on loans and advances	-9	2	-	7	2
General administrative expenses	40	37	37	42	47
Balance of other income/expenses	-1	-	-	-1	-
<b>Net income/loss before taxes</b>	<b>57</b>	<b>63</b>	<b>72</b>	<b>78</b>	<b>75</b>
Taxes on income <sup>(1)</sup>	15	16	20	22	2
<b>Net income/loss<sup>(1)</sup></b>	<b>42</b>	<b>47</b>	<b>52</b>	<b>56</b>	<b>73</b>
Risk assets compliant with BIS rules (€ Bn)	17.3	17.8	19.9	20.2	21.2
Core capital ratio compliant with BIS rules (in %)	9.2 <sup>(2)</sup>	10.1	9.1	8.9	8.9 <sup>(2)</sup>
Employees	504	499	484	492	452

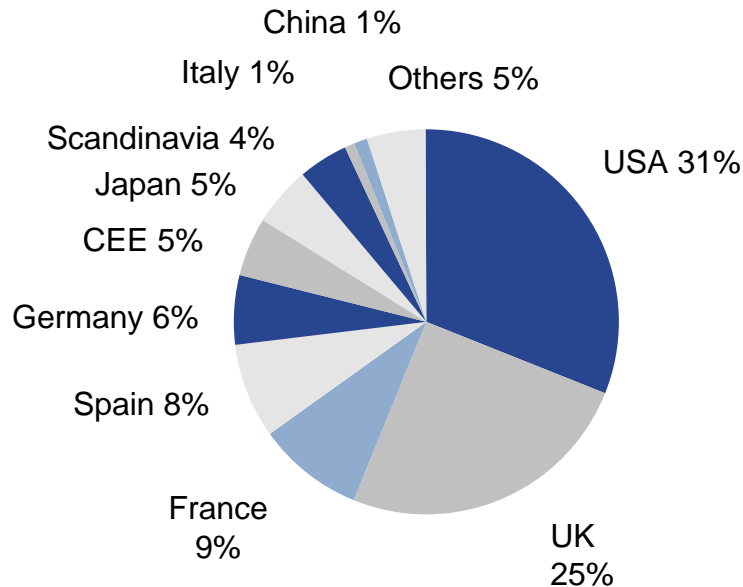
- | Strong portfolio growth further strengthened net interest income, but operating revenues declined slightly in Q4, as net trading income fell short of plan
- | Loan-loss provisions remain at low level, as specific risk provisions were unnecessary
- | Higher income in Q4 from the sale of securities
- | General administrative expenses up in Q4, primarily resulting from additional bonus accruals

# Old Hypo Real Estate Bank International

## New business of €15.1 Bn exceeded our target

### SPLIT BY REGION

New Business 01/2005 - 12/2005<sup>(1,2,3)</sup>



100% = €15.1 Bn

- I €4.9 Bn of new business in Q4 resulted in €15.1 Bn of new lending business in 2005
- I Prepayments and repayments amounted to €10.3 Bn
- I Total portfolio increase of €5.5 Bn (including €0.7 Bn due to currency fluctuations)
- I Well balanced regional mix of new business has increased diversification
- I Major regions USA, France and UK
- I New business on average written at more than 140 Bp net interest margin yielding over 14% IRR (inclusive annualised fee income)

| 24 | **Notes**

1. Excluding HPBI's new business
2. Based on commitments after syndication
3. Internal unaudited figures

WuerttHyp

# WuerttHyp

## Quarterly development

(€MM)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
<b>Total operating revenues</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>29</b>	<b>36</b>
Net interest income	26	30	33	31	28
Net commission income	-2	-2	-2	-3	-2
Net income from investments	9	4	1	1	10
Balance of other operating income/expenses	-1	-	-	-	-
Provisions for losses on loans and advances	9	3	6	4	5
General administrative expenses	9	8	7	9	11
Balance of other income/expenses	-	-	-	-	-
<b>Net income/loss before taxes</b>	<b>14</b>	<b>21</b>	<b>19</b>	<b>16</b>	<b>20</b>
Taxes on income	1	2	-	2	-3
<b>Net income/loss</b>	<b>13</b>	<b>19</b>	<b>19</b>	<b>14</b>	<b>23</b>

| Total operating revenues up in Q4, reflecting higher income following the sale of securities

| General administrative expenses rose slightly in Q4, in preparation for business transfer

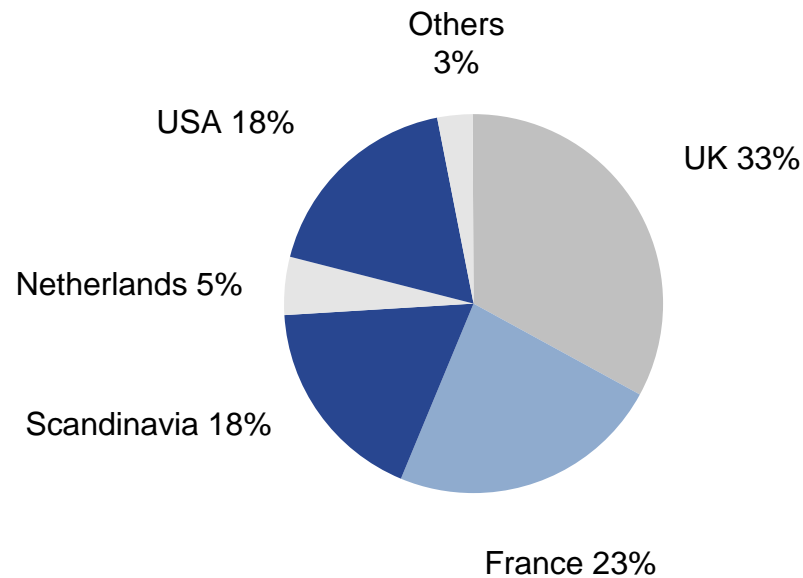
Risk assets compliant with BIS rules (€Bn)	10.1	10.5	10.6	10.7	12.4
Core capital ratio compliant with BIS rules (in %)	7.1 <sup>(1)</sup>	6.8	6.8	6.7	6.3 <sup>(1)</sup>
Employees	171	178	179	179	197

# WuerttHyp

## New business of €4.4 Bn in 2005

### SPLIT BY REGION

New Business 01/2005 - 12/2005<sup>(1,2)</sup>



100% = €4.4 Bn

- I New lending business to the value of € 4.4 Bn - a record for WuerttHyp (2004: € 2.5 Bn)
- I New business was well diversified across Europe
- I Prepayments and repayments of € 3.7 Bn led to a portfolio increase of € 0.7 Bn

| 27 | **Notes**

1. Based on commitments after syndication
2. Internal, unaudited figures

# The New Hypo Real Estate Bank International

# The new Hypo Real Estate Bank International

## Pro-forma quarterly development

Key Financials (IFRS) <sup>(1)</sup>	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
(€ MM)					
<b>Total operating revenues</b>	<b>109</b>	<b>123</b>	<b>129</b>	<b>135</b>	<b>145</b>
Net interest income	81	89	95	99	101
Net commission income	21	27	30	30	36
Net trading income	-	1	-	2	-2
Net income from investments	9	5	5	3	12
Balance of other operating income/expenses	-2	1	-1	1	-2
Provisions for losses on loans and advances	-	5	6	11	7
General administrative expenses	39	35	36	41	44
Balance of other income/expenses	-1	-	-	-1	-
<b>Net income/loss before taxes</b>	<b>69</b>	<b>83</b>	<b>87</b>	<b>82</b>	<b>94</b>
Taxes on income <sup>(2)</sup>	15	18	19	21	1
<b>Net income/loss<sup>(2)</sup></b>	<b>54</b>	<b>65</b>	<b>68</b>	<b>61</b>	<b>93</b>

Risk assets compliant with BIS rules (€ Bn)	25.4	25.8	28.0	28.4	31.6
Core capital ratio compliant with BIS rules <sup>(3)</sup> (in %)	8.2	8.9	8.3	8.1	7.5

- | Steady operating revenue growth
- | Higher income from sale of securities in Q4
- | General administrative expenses up in Q4, mainly as a result of additional bonus accruals

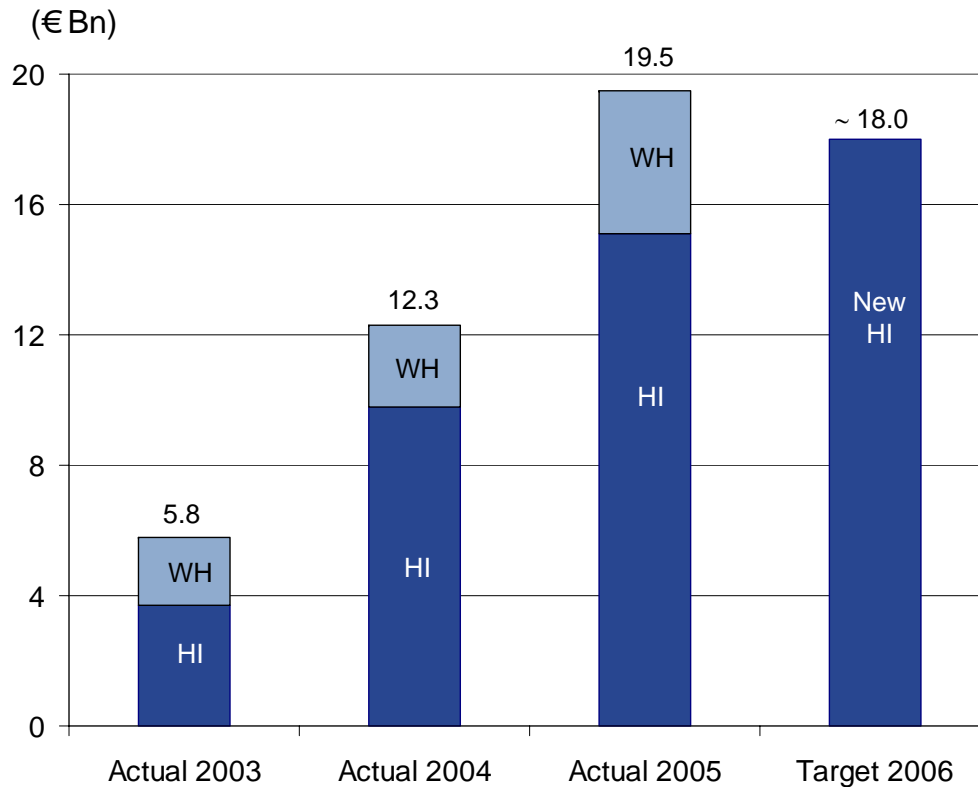
### | 29 | Notes

1. Pro-forma figures include former WuerthHyp and the lending business of former Hypo International, Dublin
2. Excluding the effects from capitalised losses carried forward
3. Based on allocated capital

# The new Hypo Real Estate Bank International

## New business of €18 Bn targeted for 2006

### New real estate business<sup>(1)</sup>



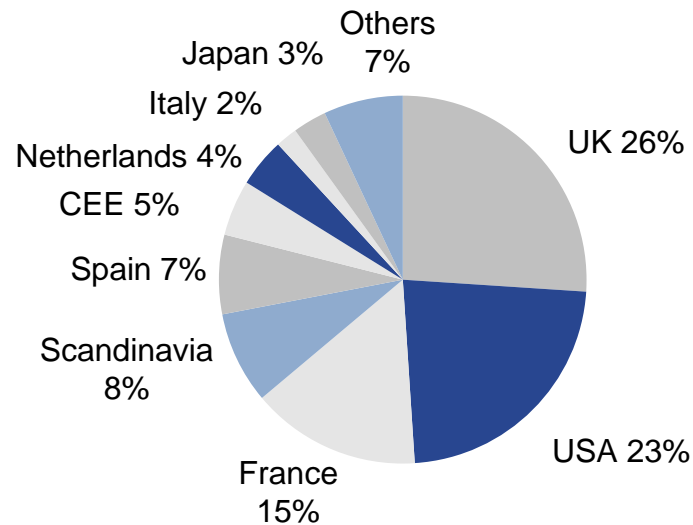
- I Planned new business of approximately € 18.0 Bn should lead to a portfolio increase of € 4.5 – 5.5 Bn in 2006

# The new Hypo Real Estate Bank International

## High level of portfolio diversification

### PRO-FORMA SPLIT BY REGION

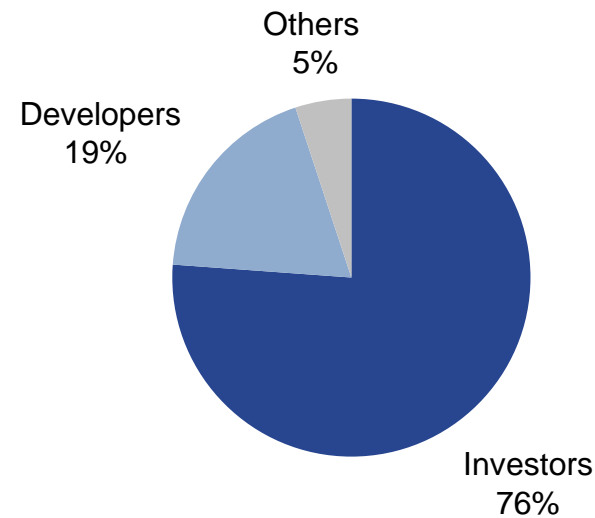
New HI Real Estate  
Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €31.2 Bn

### PRO-FORMA SPLIT BY CUSTOMER TYPE

New HI Real Estate  
Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €31.2 Bn

Excluding WuerthHyp's German Portfolio

| 31 | **Notes**

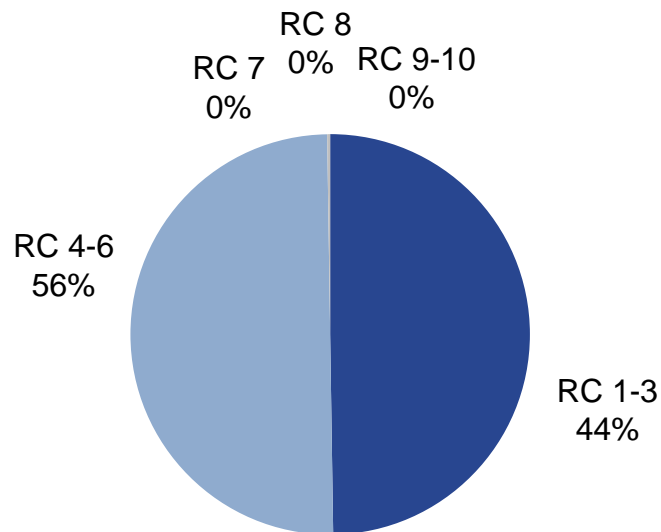
1. Based on commitments
2. Internal, unaudited figures
3. Transfer of portfolios completed as of Jan 1, 2006 (sub- and non-performing portfolios will be transferred in H2 2006)

# The new Hypo Real Estate Bank International

## A sound and well diversified portfolio

### PRO-FORMA SPLIT BY RISK CLASS

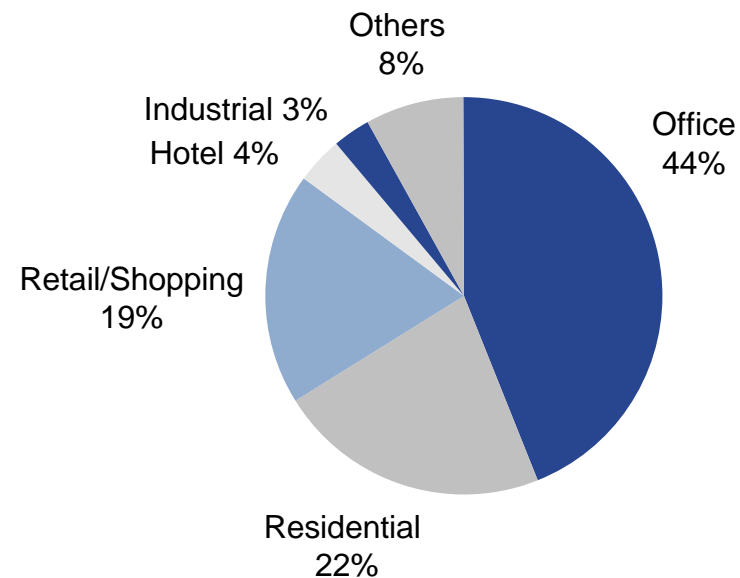
New HI Real Estate  
Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €31.2 Bn

### PRO-FORMA SPLIT BY PROPERTY

New HI Real Estate  
Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €31.2 Bn

Excluding WuerthHyp's German Portfolio

| 32 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Transfer of portfolios completed as of Jan 1, 2006 (sub- and non-performing portfolios will be transferred in H2 2006)

# Hypo Real Estate Bank Germany

# Hypo Real Estate Bank Germany

## Quarterly development

(€MM)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
<b>Total operating revenues</b>	<b>99</b>	<b>77</b>	<b>85</b>	<b>77</b>	<b>83</b>
Net interest income	90	72	68	67	76
Net commission income	-10	-3	8	-3	-3
Net income from investments	22	7	6	13	13
Balance of other operating income/expenses	-3	1	3	-	-3
Provisions for losses on loans and advances	55 <sup>(1)</sup>	30	30	30	30
General administrative expenses	31	24	26	23	25
Balance of other income/expenses	-11	-	-	-	-
<b>Net income/loss before taxes</b>	<b>2</b>	<b>23</b>	<b>29</b>	<b>24</b>	<b>28</b>
Taxes on income <sup>(2)</sup>	2	4	7	6	7
<b>Net income/loss<sup>(2)</sup></b>	<b>-</b>	<b>19</b>	<b>22</b>	<b>18</b>	<b>21</b>

Risk assets compliant with BIS rules (€ Bn)	24.2	23.4	23.0	22.8	24.0
Core capital ratio compliant with BIS rules (in %)	8.4 <sup>(3)</sup>	7.9	8.0	8.1	7.7 <sup>(3)</sup>
Employees	592	560	544	534	520

I Total operating revenues up in Q4 as net interest income increased due to higher prepayment fees

I General administrative expenses rose slightly in Q4

I Increase in RWA in Q4 reflects drawings of new business

### | 34 | Notes

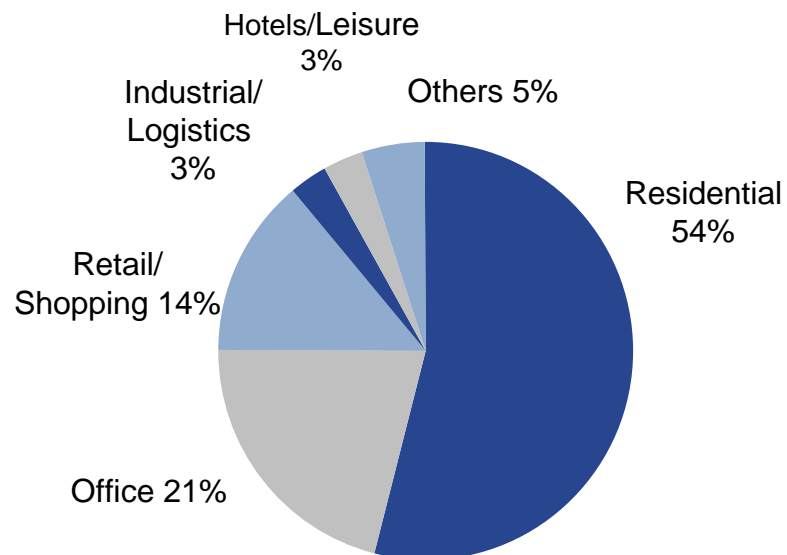
1. Including pro-rata risk shelter of € 32.5 MM from HVB AG
2. Excluding the effects from capitalised losses carried forward
3. As per approved annual financial statements

# Hypo Real Estate Bank Germany

## Portfolio overview including portfolio transferred from WuerttHyp

### SPLIT BY PROPERTY

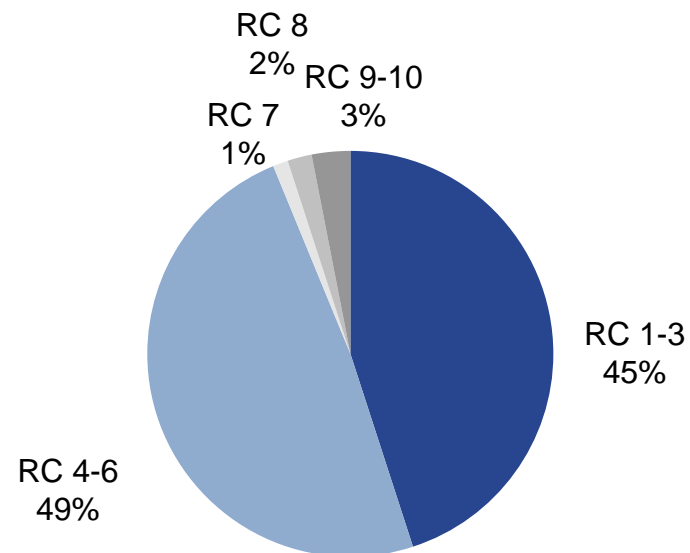
Real Estate Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €33.9 Bn

### SPLIT BY RISK CLASS

Real Estate Loan Portfolio 12/2005<sup>(1,2,3)</sup>



100% = €33.9 Bn

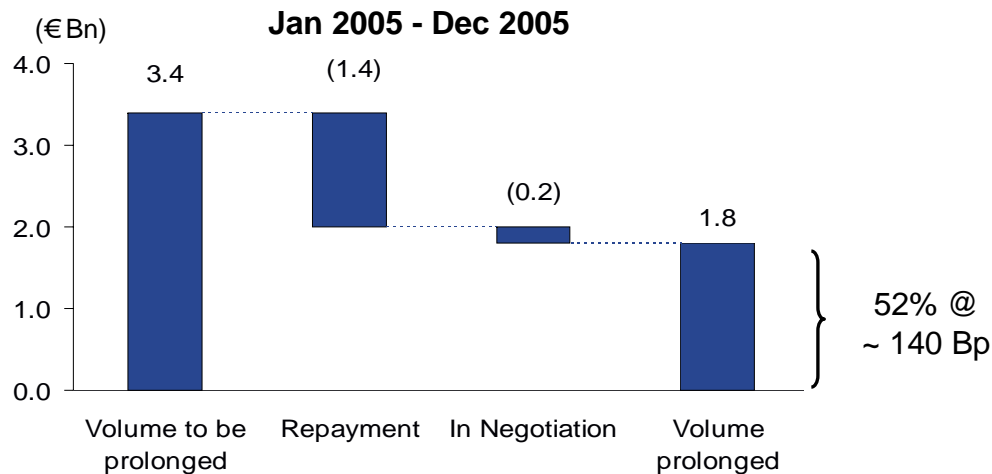
Including WuerttHyp's German Portfolio

35 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Transfer of portfolios completed as of Jan 1, 2006 (sub- and non-performing portfolios will be transferred in H2 2006)

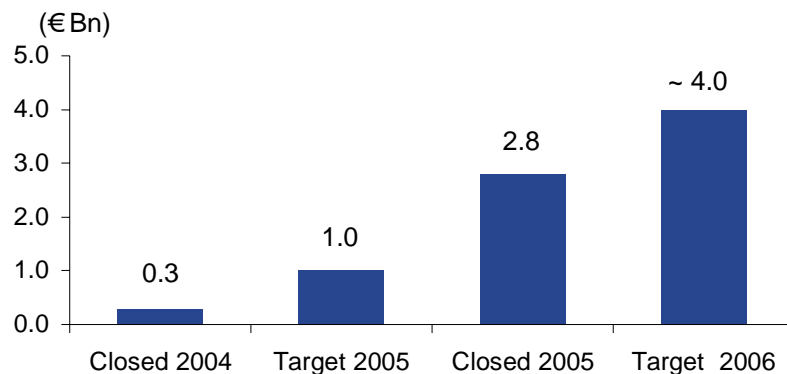
# Hypo Real Estate Bank Germany

## Margin improvement through prolongations and new business



- | Prolongation margin of around 140 Bp is still higher than the planned 130 Bp
- | 52% prolongation rate due to high repayments by housing associations in Q4. Meanwhile, prolongation rate has risen again
- | 56% credit extension rate with commercial customers and 38% credit extension rate with retail customers

### Overview of current new real estate finance business activities as of December 30, 2005<sup>(1,2)</sup>

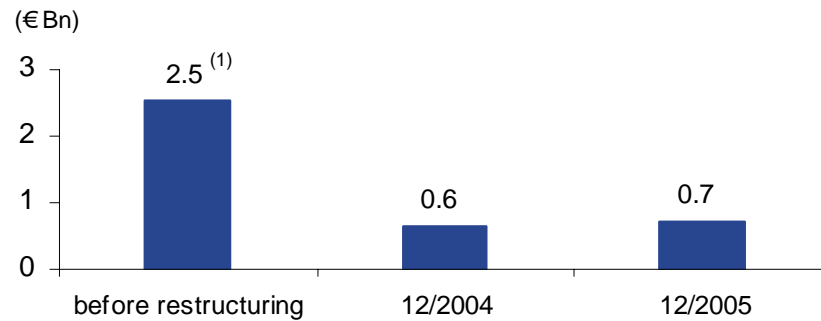


- | New business of € 2.8 Bn at the end of 2005
- | Stable IRR of new business >12% as higher annualized fee income compensated for lower net interest margin of >110 Bp
- | New business of around € 4 Bn targeted for 2006

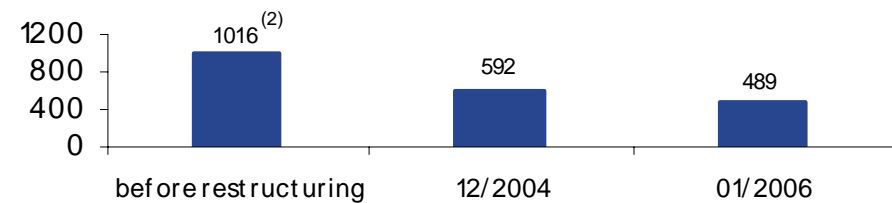
# Hypo Real Estate Bank Germany

## Improvement of Business basics

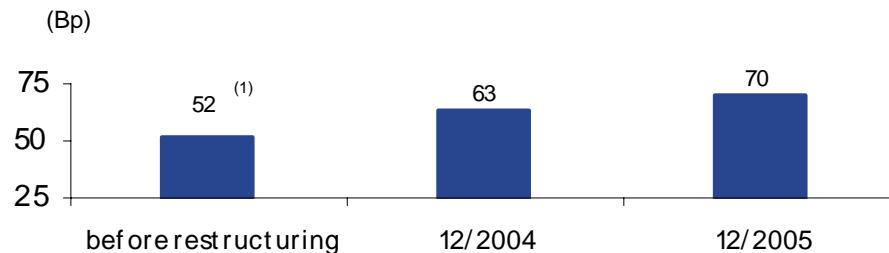
**Development of Risk Classes 9+10**



**Workforce Development**



**Margin Development of Total Portfolio<sup>(3)</sup>**



| Target number of employees (as already communicated) by mid-2006 of 450

Excluding WuerttHyp's German Portfolio

| 37 | **Notes**

1. Based on internal, unaudited figures as of 05/2003
2. Based on 12/2002
3. Calculated blended customer interest margin without fees

# Hypo Public Finance Bank

# Hypo Public Finance Bank

## Pro-forma quarterly development

(€MM)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
<b>Total operating revenues</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>22</b>	<b>15</b>
Net interest income	6	6	3	6	10
Net commission income	-1	-	-1	6	-2
Net trading income	6	6	7	10	3
Net income from investments	2	-1	1	-	3
Balance of other operating income/expenses	-	-	2	-	1
Provisions for losses on loans and advances	-	-	-	-	-
General administrative expenses	11	10	8	10	14
Balance of other income/expenses	-	-	-	-	-
<b>Net income/loss before taxes</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>12</b>	<b>1</b>
Taxes on income	1	-	1	3	-2
<b>Net income/loss</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>3</b>

Risk assets compliant with BIS rules (€ Bn)	2.0	2.5	2.5	2.5	2.0
Core capital ratio compliant with BIS rules <sup>(1)</sup> (in %)	8.0	8.0	8.0	8.0	15.0

| Following a strong Q3, revenues down in Q4; net interest income increased further, but net commission and trading income fall short of plan

| General administrative expenses up in Q4, resulting from the setting up of the new Public Finance Bank