

Accounts Press Conference 2006
March 14th, 2007

Hypo  Real Estate
GROUP



**Hypo Real Estate Group is changing and
becoming an asset finance house**
Explanations for the financial statement
Dr. Markus Fell, CFO, Hypo Real Estate Holding AG

Content

- I Hypo Real Estate Group
- I Commercial Real Estate (CRE)
- I Asset Finance & Asset Management (AF&AM)
- I Outlook 2007

Hypo Real Estate Group

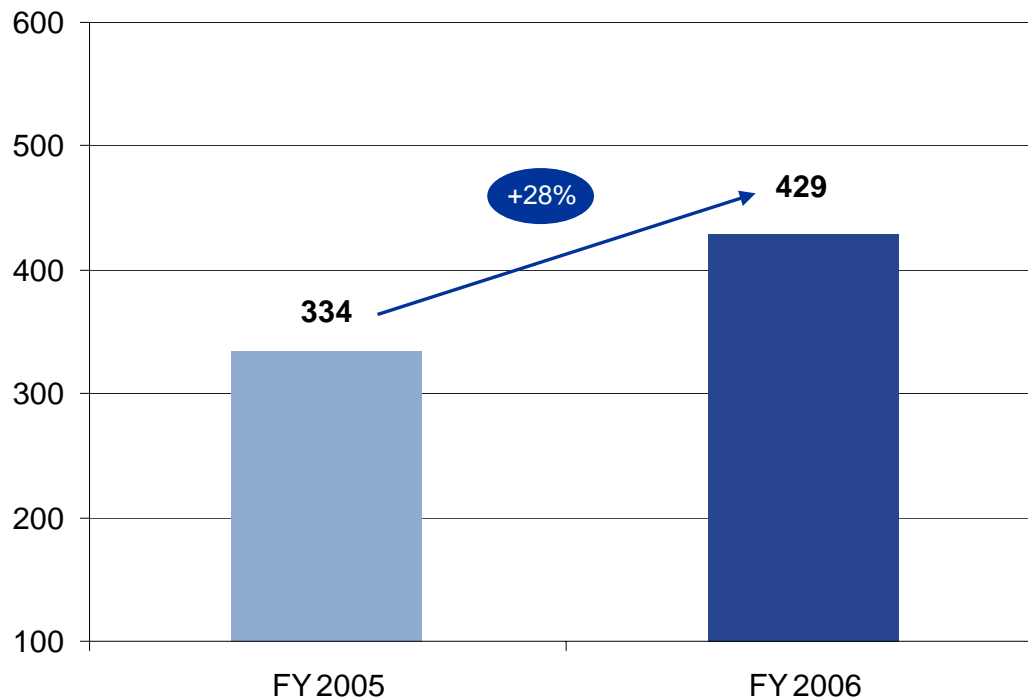
Hypo Real Estate Group

Net income up 28% in 2006

NET INCOME^(1,2) DEVELOPMENT

FY 2005 vs. FY 2006

(€MM)



I Net income up 28% to € 429 MM (2005: € 334 MM), excluding following effects:

I € 51 MM income from capitalised losses carried forward

I € 62 MM income of capitalised corporate income tax claims

I Including the tax effects, net income attributable to equity holders was € 542 MM

| 4 |

Notes:

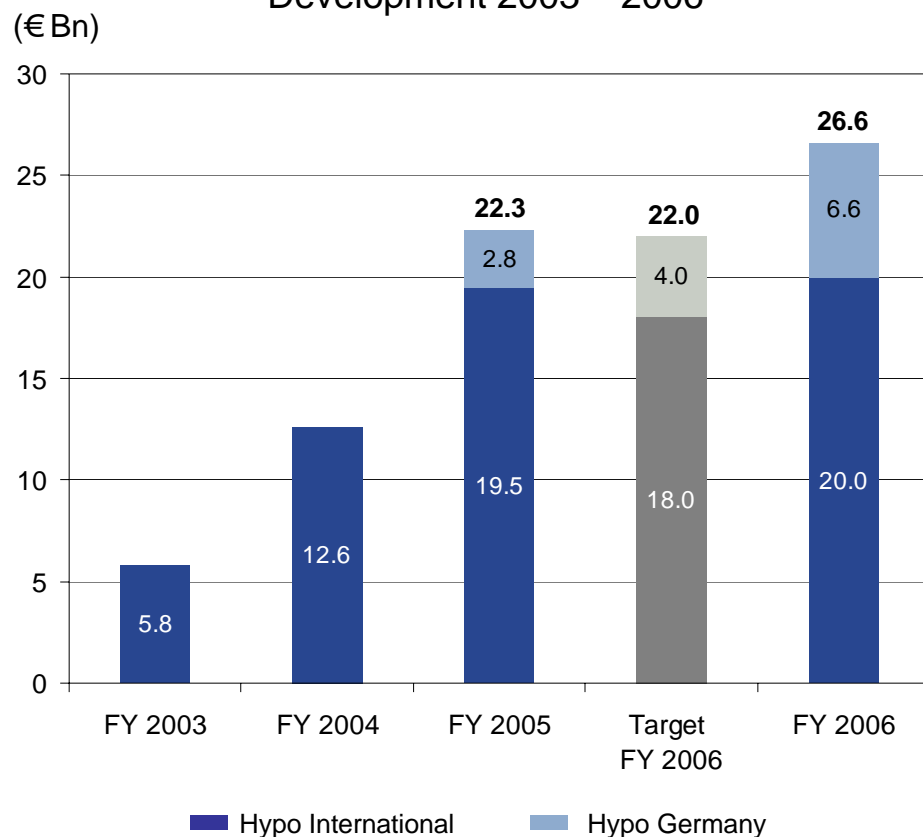
1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims
2. Including the effects from change of accounting treatment for impairment measurement according to IFRS

Hypo Real Estate Group

New real estate business well ahead of €22 Bn target

NEW REAL ESTATE BUSINESS⁽¹⁾

Development 2003 – 2006



- I Group's new real estate business was €26.6 Bn in 2006 (excl. AHBR portfolio acquisition of €3.3 Bn) and thus €4.6 Bn (21%) above target
- I Hypo International wrote €20.0 Bn vs. target of €18 Bn, despite lower business in the US y-o-y (IRR of 14%)
- I Hypo Germany with €6.6 Bn well (65%) above €4 Bn target (IRR of 13%)
- I Additional off-balance sheet business (securitisation and syndication) amounted to €2.4 Bn, resulting in a gross new real estate business origination of €32.3 Bn (incl. AHBR portfolio acquisition)
- I New business in infrastructure/asset-based finance boosted to €1.9 Bn in 2006

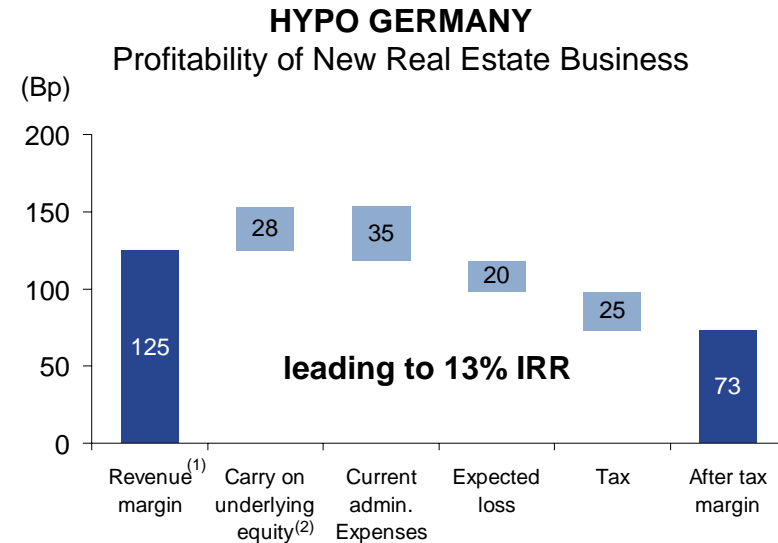
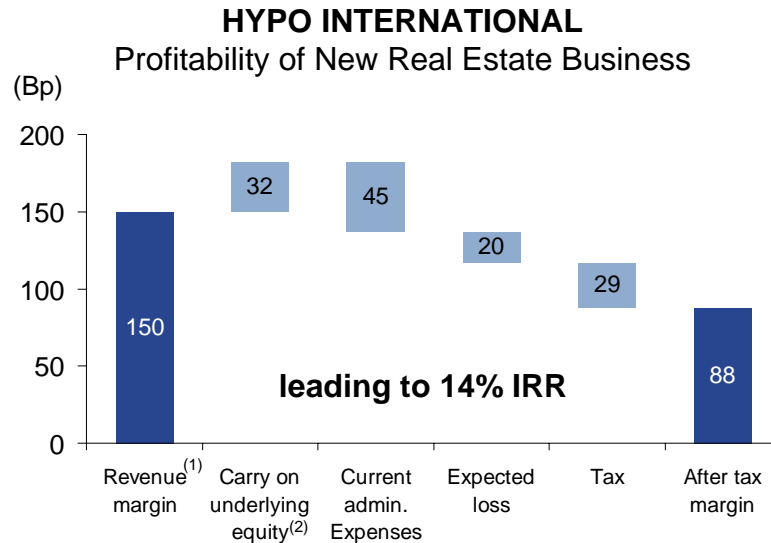
| 5 |

Note:

1. Commitments after syndication and securitisation

Hypo Real Estate Group

Stable risk-adjusted returns (IRR) throughout the year



- I Risk-adjusted IRR for new real estate business of Hypo International stable at 14% and above minimum target of 13%
- I Revenue margins up again in Q4, benefiting from a slight change in regional business-mix and stabilised credit spreads; but quarterly view is not representative

- I Risk adjusted IRR for new real estate business of Hypo Germany stable at 13% and consequently higher than threshold (12%) despite much higher volume
- I Hypo Germany's new business thus comparable with international profitability, size and quality

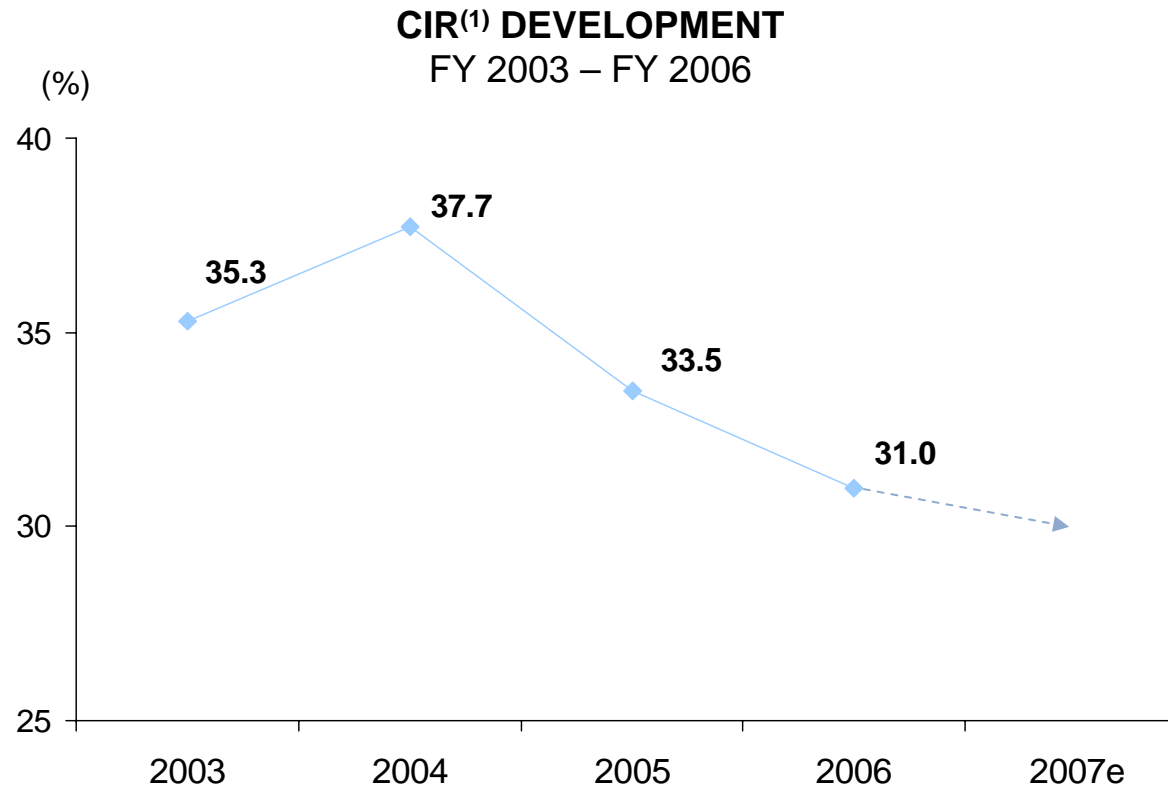
| 6 |

Notes:

1. Interest plus fees
2. Calculated on a 5% return on the underlying equity (4% coupon plus 1% from treasury activities)

Hypo Real Estate Group

High cost efficiency through streamlined organisation



Further improved CIR of 31.0% reflects the high efficiency level reached, both internationally and in Germany

Hypo Real Estate Group

FY 2006 – strengthening operating income

KEY FINANCIALS (IFRS)			
(€MM)	FY 2006	FY 2005	Change (%)
Total operating revenues	1,082	946	+14.4
Net interest income	811	722	+12.3
Net commission income	145	125	+16.0
Net trading income	38	27	+40.7
Net income from investments	86	67	+28.4
Balance of other operating income/expenses	2	5	-60.0
Provisions for losses on loans and advances	159	151	+5.3
General administrative expenses	335	317	+5.7
Balance of other income/expenses	0	-1	+100.0
Net income/loss before taxes (excluding restructuring expenses)	588	477	+23.3
Restructuring expenses	17	34	-50.0
Net income/loss before taxes (including restructuring expenses)	571	443	+28.9
Taxes on income ⁽¹⁾	142	109	+30.3
Net income/loss⁽¹⁾	429	334	+28.4

- | Total operating revenues up 14% vs. FY 2005, driven by strong increase in all main operating income lines
- | Net interest income higher (+12%) due to international portfolio growth, HPFB and improvement of average margin in Hypo Germany
- | Net commission income (+16%) especially boosted by fees earned by HPFB
- | Loan-loss provisions only slightly higher, despite strong portfolio growth; only portfolio-based risk provisioning at Hypo International
- | General administrative expenses 6% higher as international expansion more than offsets cost savings at Hypo Germany

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Note:

1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims

Hypo Real Estate Group

Quarterly development

(€MM)	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Total operating revenues	250	264	266	270	282
Net interest income	193	197	198	208	208
Net commission income	31	34	35	33	43
Net trading income	1	11	6	14	7
Net income from investments	28	20	26	14	26
Balance of other operating income/expenses	-3	2	1	1	-2
Provisions for losses on loans and advances	38	43	44	36	36
General administrative expenses	89	80	79	86	90
Balance of other income/expenses	0	0	0	0	0
Net income/loss before taxes (excluding restructuring expenses)	123	141	143	148	156
Restructuring expenses	34	0	0	0	17
Net income/loss before taxes (including restructuring expenses)	89	141	143	148	139
Taxes on income ⁽¹⁾	14	37	38	39	28
Net income/loss⁽¹⁾	75	104	105	109	111

New real estate business ⁽²⁾ (€ Bn)	8.0	5.2	6.2	6.1	9.1
Total real estate portfolio ⁽²⁾ (€ Bn)	65.1	66.1	68.5	71.9	73.4
Risk assets compliant with BIS rules (€ Bn)	56.3	58.1	59.8	64.9	66.4
Core capital ratio compliant with BIS rules (%)	7.8 ⁽³⁾	7.6	7.4	6.9	7.0 ⁽³⁾
Employees	1,233	1,176	1,172	1,206	1,229

- | Steady upward trend in operating revenues in 2006
- | Net interest income on high level in Q3 and Q4; 8% higher than in Q4 2005
- | Net commission income very high in Q4, reflecting strong new business
- | Loan-loss provisions down in Q3 and Q4 due to limitations in portfolio-based risk provisioning
- | General administrative expenses higher in Q3 and Q4, resulting from international expansion and bonus accruals in Q4
- | Tier I ratio at 7.0%, including AHBR portfolio

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Notes:

1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims
2. Internal unaudited figures; based on commitments after syndication and planned securitisation
3. As per approved annual financial statements and after profit distribution

Hypo Real Estate Group

Balance sheet overview

ASSETS	31.12.2006	31.12.2005	CHANGE
€MM			%
Cash reserve	648	182	>+100.0
Assets held for trading purposes	11,630	5,696	>+100.0
Placements with, and loans and advances to, other banks	18,010	19,542	-7.8
Loans and advances to customers	81,602	76,294	+7.0
Allowances for losses on loans and advances	-940	-889	-5.7
Investments	41,287	39,139	+5.5
Intangible assets	69	28	>+100.0
Property, plant and equipment	46	14	>+100.0
Other assets	5,682	7,427	-23.5
Tax assets	3,559	4,906	-27.5
Total assets	161,593	152,339	+6.1

EQUITY AND LIABILITIES	31.12.2006	31.12.2005	CHANGE
€MM			%
Deposits from other banks	24,609	22,446	+9.6
Amounts owed to other depositors	12,225	10,080	+21.3
Promissory notes and other liabilities evidenced by securities	102,511	95,333	+7.5
Liabilities held for trading purposes	5,745	3,753	+53.1
Provisions	55	57	-3.5
Other liabilities	8,551	11,967	-28.5
Tax liabilities	2,190	3,596	-39.1
Subordinated capital	2,262	2,028	+11.5
Liabilities	158,148	149,260	+6.0
Equity attributable to equity holders	3,445	3,079	+11.9
<i>thereof revaluation reserve</i>	-1,460	-1,424	-2.5
Minority interests	0	0	0
Equity	3,445	3,079	+11.9
Total equity and liabilities	161,593	152,339	+6.1

CONTINGENT LIABILITIES AND OTHER COMMITMENTS	31.12.2006	31.12.2005	CHANGE
€MM			%
Contingent liabilities and other commitments	12,947	10,274	+26.0
Irrevocable credit commitments	11,178	7,549	+48.1

| € 9.3 Bn increase in total assets due to increased trading assets and liabilities

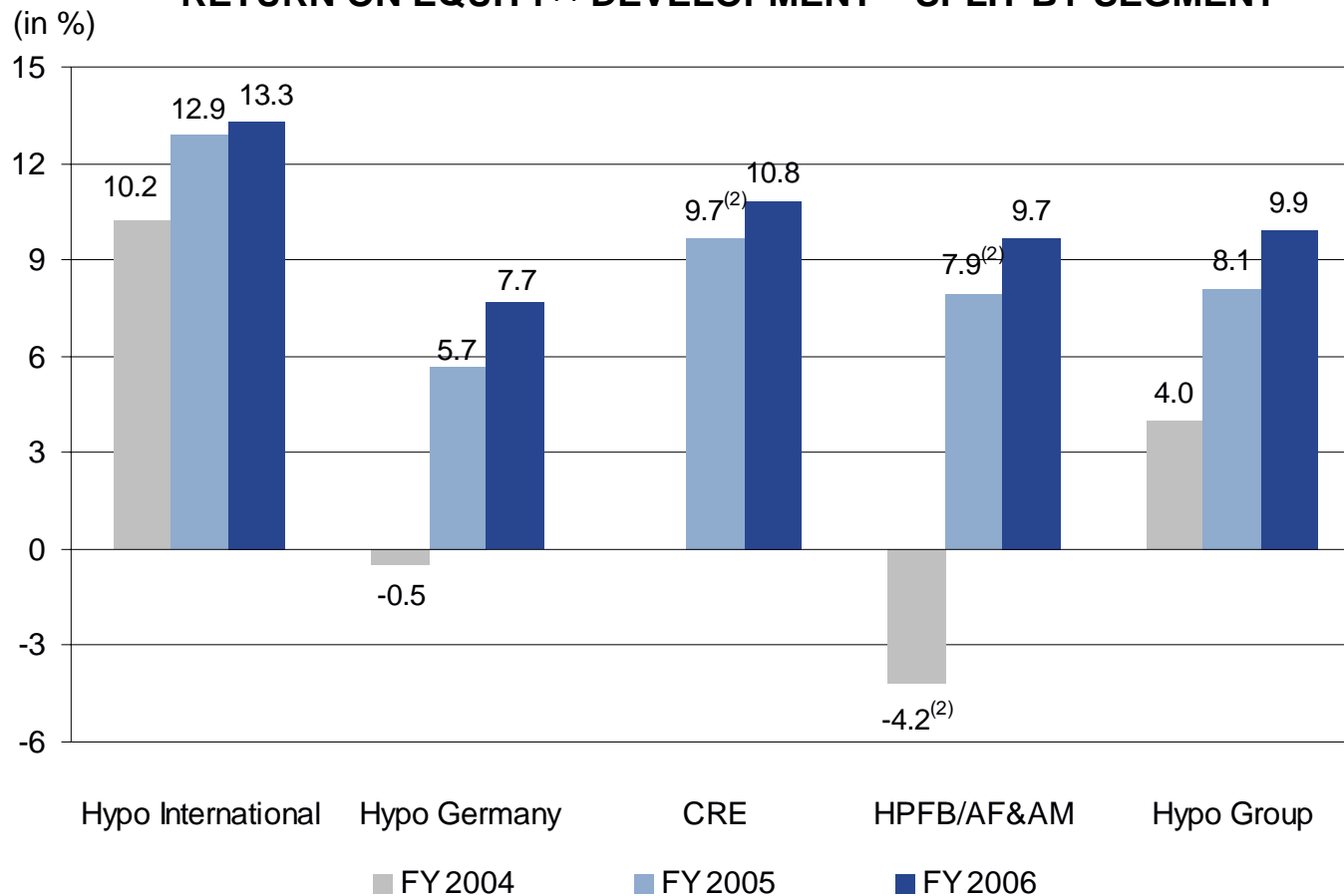
| € 4.3 Bn increase in deposits from other banks and amounts owed to other depositors

| € 7.2 Bn increase in liabilities evidenced by paper due to optimization of funding strategy

| Income tax assets and liabilities almost fully comprise deferred taxes

| Equity at € 4.7 Bn (excluding revaluation reserve and dividend)

RETURN ON EQUITY⁽¹⁾ DEVELOPMENT – SPLIT BY SEGMENT



Notes:

1. After taxes; excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims
2. Based on allocated capital

Commercial Real Estate

Hypo Real Estate Bank International

Strong profit increase due to portfolio growth

KEY FINANCIALS (IFRS)			
(€MM)	FY 2006	FY 2005	Change (%)
Total operating revenues	639	532	+20.1
Net interest income	464	384	+20.8
Net commission income	125	123	+1.6
Net trading income	0	1	-100.0
Net income from investments	48	25	+92.0
Balance of other operating income/expenses	2	-1	>+100.0
Provisions for losses on loans and advances	43	29	+48.3
General administrative expenses	173	156	+10.9
Balance of other income/expenses	0	-1	+100.0
Net income/loss before taxes	423	346	+22.3
Taxes on income ⁽¹⁾	106	59	+79.7
Net income/loss⁽¹⁾	317	287	+10.5

- | Net interest income up 21% vs. FY 2005, driven by portfolio growth
- | Net commission income only slightly up due to higher proportion of senior lending in new business
- | Higher portfolio-based risk-provisioning due to net portfolio growth of € 7.8 Bn
- | General administrative expenses higher due to international expansion (investments in Asia and set-up of securitization platforms)

| 13 | **Note:**

1. Excluding the income from capitalised losses carried forward and income of capitalised corporate income tax claims

Hypo Real Estate Bank Germany

Increasing contribution to the Group's profits

KEY FINANCIALS (IFRS)			
(€MM)	FY 2006	FY 2005	Change (%)
Total operating revenues	367	359	+2.2
Net interest income	331	320	+3.4
Net commission income	2	-1	>+100.0
Net trading income	0	0	0
Net income from investments	33	39	-15.4
Balance of other operating income/expenses	1	1	0
Provisions for losses on loans and advances	113	122	-7.4
General administrative expenses	85	98	-13.3
Balance of other income/expenses	0	0	0
Net income/loss before taxes	169	139	+21.6
Taxes on income ⁽¹⁾	25	38	-34.2
Net income/loss⁽¹⁾	144	101	+42.6

- | Net interest and commission income up vs. FY 2005, reflecting the improvement of the average interest margin and strong new business
- | Loan-loss provisions down due to improved asset quality
- | Strong reduction in general administrative expenses as a result of restructuring

| 14 | **Note:**

1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims

Commercial Real Estate

Pro-forma figures – net income increased by 19%

KEY FINANCIALS (IFRS)			
(€MM)	FY 2006	FY 2005	Change (%)
Total operating revenues	1,006	891	+12.9
Net interest income	795	704	+12.9
Net commission income	127	122	+4.1
Net trading income	0	1	-100.0
Net income from investments	81	64	+26.6
Balance of other operating income/expenses	3	0	>+100.0
Provisions for losses on loans and advances	156	151	+3.3
General administrative expenses	258	254	+1.6
Balance of other income/expenses	0	-1	+100.0
Net income/loss before taxes	592	485	+22.1
Taxes on income ⁽¹⁾	131	97	+35.1
Net income/loss⁽¹⁾	461	388	+18.8

ROE after taxes⁽¹⁾ (%)	10.8	9.7⁽²⁾	
Cost-income ratio (%)	25.6	28.5	

- I 13% increase in total operating revenues mainly driven by international portfolio growth and average margin improvement in Germany
- I Loan-loss provisions slightly up due to international portfolio growth
- I General administrative expenses almost flat as international expansion (investments in Asia and set-up of securitization platforms) offsets cost savings at Hypo Germany
- I CIR further improved due to higher operating revenues and only moderately increased general administrative expenses

| 15 | **Notes:**

1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims
2. Based on allocated capital

Commercial Real Estate Pro-forma figures – quarterly development

(€MM)	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Total operating revenues	237	247	242	250	267
Net interest income	186	195	194	205	201
Net commission income	33	32	27	29	39
Net trading income	-2	0	0	0	0
Net income from investments	25	19	22	14	26
Balance of other operating income/expenses	-5	1	-1	2	1
Provisions for losses on loans and advances	38	43	43	36	34
General administrative expenses	69	62	60	66	70
Balance of other income/expenses	0	0	0	0	0
Net income/loss before taxes	130	142	139	148	163
Taxes on income ⁽¹⁾	11	35	34	37	25
Net income/loss⁽¹⁾	119	107	105	111	138

New real estate business ⁽²⁾ (€ Bn)	8.0	5.2	6.2	6.1	9.1
Total real estate portfolio ⁽²⁾ (€ Bn)	65.1	66.1	68.5	71.9	73.4
Risk assets compliant with BIS rules (€ Bn)	55.4	56.1	57.4	61.5	62.1
Core capital ratio compliant with BIS rules (%)	7.6 ⁽³⁾	7.6	7.4	6.9	6.7 ⁽⁴⁾
Employees	994	983	941	974	980

I Steady upward trend of operating revenues in 2006 driven by net interest and commission income

I Net interest income in Q4 8% higher than in Q4 2005, despite transfer of securitisation warehouse to HPFB

I Loan-loss provisions in Q4 stay at the low level of Q3

I General administrative expenses higher in Q3 and Q4, resulting from international expansion and bonus accruals in Q4

| 16 | **Notes:**

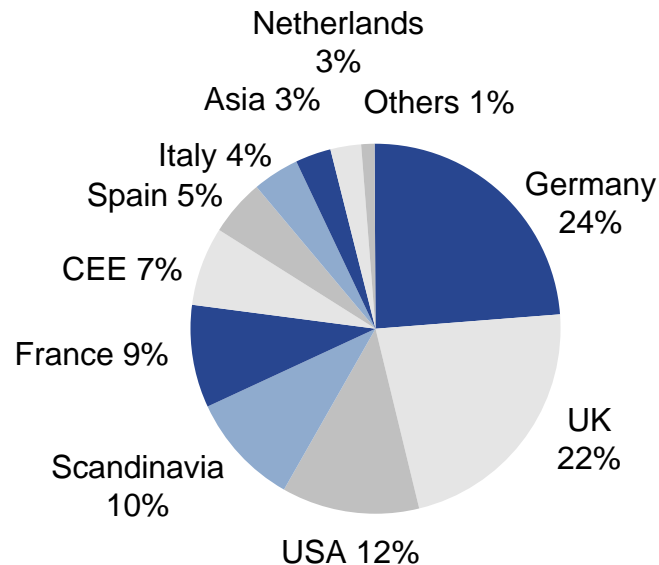
1. Excluding the effects from capitalised losses carried forward and income of capitalised corporate income tax claims
2. Based on commitments
3. Based on allocated capital
4. As per approved annual financial statements

Commercial Real Estate

FY 2006 with new business volume of €26.6 Bn at an IRR >13%

TOTAL NEW REAL ESTATE BUSINESS

Split by Region FY 2006^(1,2)



100% = €26.6 Bn

- I New business of €26.6 Bn significantly improved (+19%) in comparison to a strong previous year (€22.3 Bn)
- I Additional origination for securitisation and syndication amounted to €2.4 Bn
- I Strong new business in UK and Germany; German new business increased from €2.8 Bn in FY 2005 to €6.6 Bn
- I Repayments and prepayments of €19.6 Bn reflect high portfolio turnover
- I Net increase of total real estate portfolio of €8.3 Bn in FY 2006 (incl. AHBR portfolio acquisition)
- I Volume prolonged at Hypo Germany €2.2 Bn, which equals a prolongation rate of 54%

| 17 | Notes:

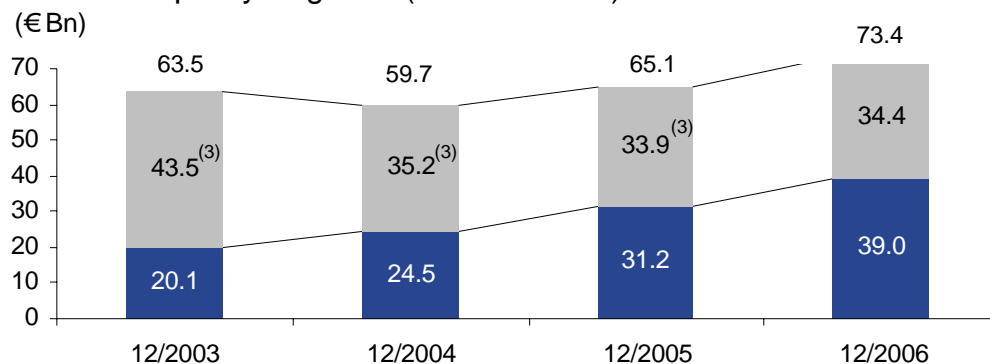
1. Internal unaudited figures
2. Based on commitments after syndication and planned securitisation

Commercial Real Estate

Further portfolio growth

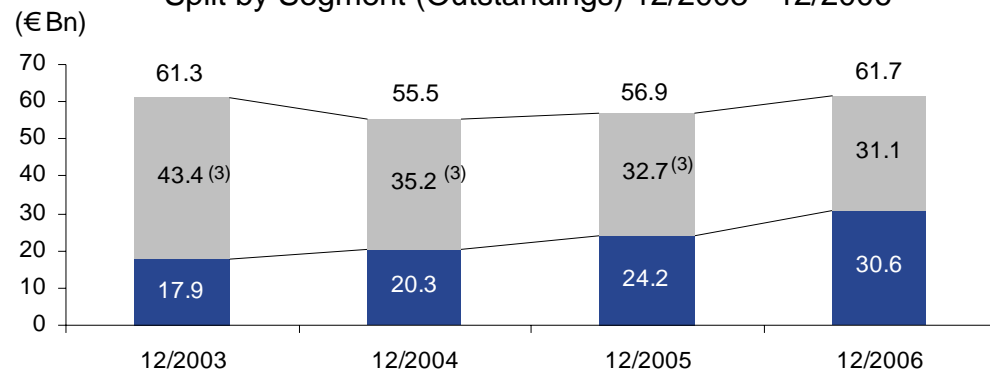
REAL ESTATE PORTFOLIO DEVELOPMENT

Split by Segment (Commitments) 12/2003 - 12/2006^(1,2)



REAL ESTATE PORTFOLIO DEVELOPMENT

Split by Segment (Outstandings) 12/2003 - 12/2006⁽¹⁾



■ Hypo International

■ Hypo Germany

I Change in commitments y-o-y:

I CRE	+12.7%
I Hypo Germany	+1.5%
I Hypo International	+25.0%

I Change in outstandings y-o-y:

I CRE	+8.4%
I Hypo Germany	-4.9%
I Hypo International	+26.4%

I Gap between commitments and outstandings increased from € 8.2 Bn as of 12/2005 to € 11.7 Bn as of 12/2006 due to record level of new business in Q4 and FY 2006

| 18 | **Notes:**

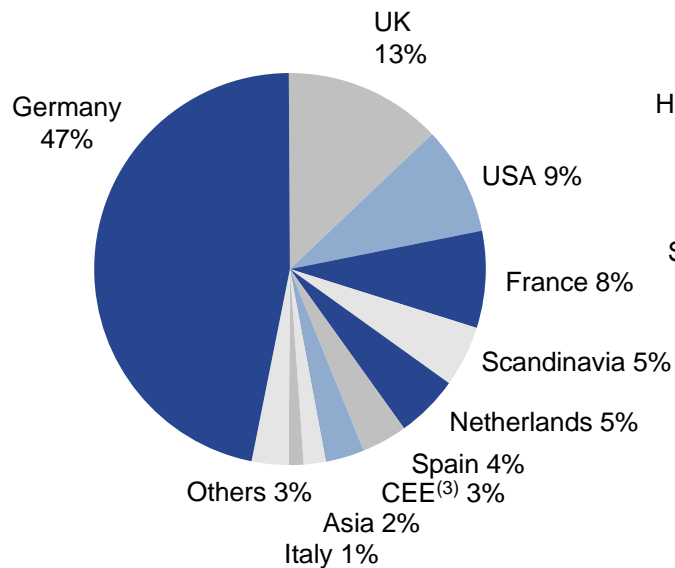
1. Internal unaudited figures
2. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
3. Figures including former WuerthHyp's German portfolio

Commercial Real Estate

Well diversified real estate loan portfolio ...

SPLIT BY REGION

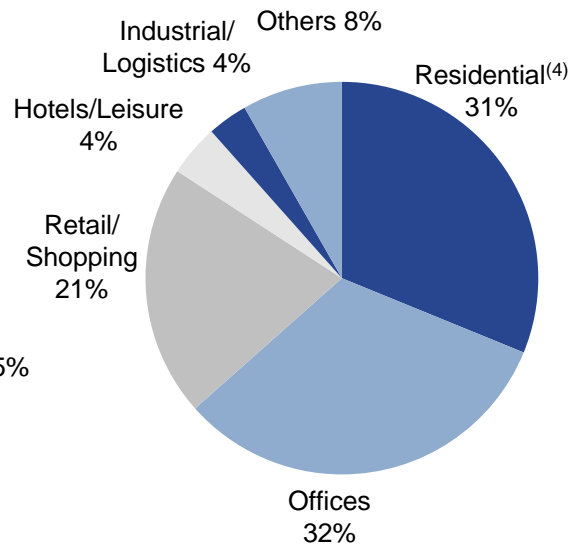
Real Estate Loan Portfolio
12/2006^(1,2)



100% = €73.4 Bn

SPLIT BY PROPERTY

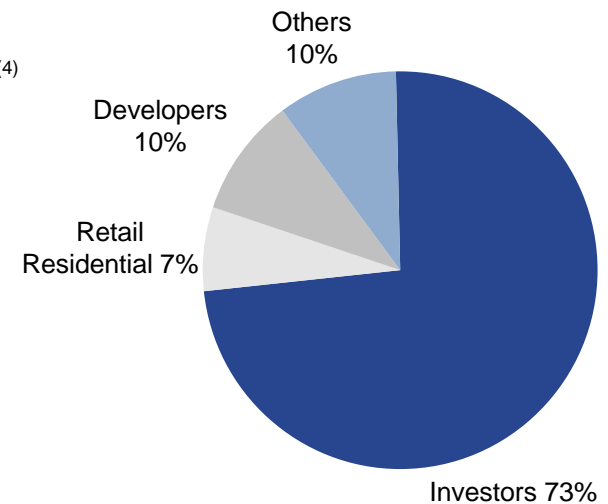
Real Estate Loan Portfolio
12/2006^(1,2)



100% = €73.4 Bn

SPLIT BY CUSTOMER TYPE

Real Estate Loan Portfolio
12/2006^(1,2)



100% = €73.4 Bn

| 19 | **Notes:**

1. Internal, unaudited figures
2. Based on commitments
3. CEE mainly comprises Hungary, Poland and the Czech Republic
4. Including retail residential of € 4.9 Bn

Asset Finance & Asset Management

Hypo Public Finance Bank

Growing profit contribution

KEY FINANCIALS (IFRS)			
(€MM)	FY 2006	FY 2005	Change (%)
Total operating revenues	96	60	+60.0
Net interest income	34	25	+36.0
Net commission income	18	3	>+100.0
Net trading income	38	26	+46.2
Net income from investments	5	3	+66.7
Balance of other operating income/expenses	1	3	>-100.0
Provisions for losses on loans and advances	3	0	>+100.0
General administrative expenses	46	42	+9.5
Balance of other income/expenses	0	0	0
Net income/loss before taxes	47	18	>+100.0
Taxes on income	11	2	>+100.0
Net income/loss	36	16	>+100.0
ROE after taxes (%)	9.7	7.9⁽¹⁾	
Cost-income ratio (%)	47.9	70.0	

- | Total operating revenues up 60% over FY 2005
- | Net interest income increased due to growing asset finance (infrastructure/ asset-based finance) portfolio
- | Net commission income boosted by fees earned from asset management/ administration
- | Net trading income up in absolute terms, but proportion vs. total operating revenues further down
- | General administrative expenses higher due to business expansion
- | CIR improved significantly to 47.9%

| 21 | **Note:**
1. Based on allocated capital

Hypo Public Finance Bank

Quarterly development

(€ MM)	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Total operating revenues	15	21	26	25	24
Net interest income	10	7	7	7	13
Net commission income	-2	2	8	4	4
Net trading income	3	11	6	14	7
Net income from investments	3	1	4	0	0
Balance of other operating income/expenses	1	0	1	0	0
Provisions for losses on loans and advances	0	0	1	0	2
General administrative expenses	14	11	11	13	11
Balance of other income/expenses	0	0	0	0	0
Net income/loss before taxes	1	10	14	12	11
Taxes on income	-2	2	4	2	3
Net income/loss	3	8	10	10	8

Risk assets compliant with BIS rules (€ Bn)	2.0	2.1	2.4	3.2	4.3
Core capital ratio compliant with BIS rules (%)	15.0 ⁽¹⁾	14.7	13.6	10.6	8.4 ⁽²⁾
Employees	175	170	161	158	167

- | Total operating revenues stable in Q4 2006 vs. Q3 due to strong net interest income but lower trading income
- | Net trading income more volatile although positive in all market environments
- | Portfolio-based loan loss provisions of € 2 MM in Q4 due to growing asset finance portfolio

| 22 | **Notes:**

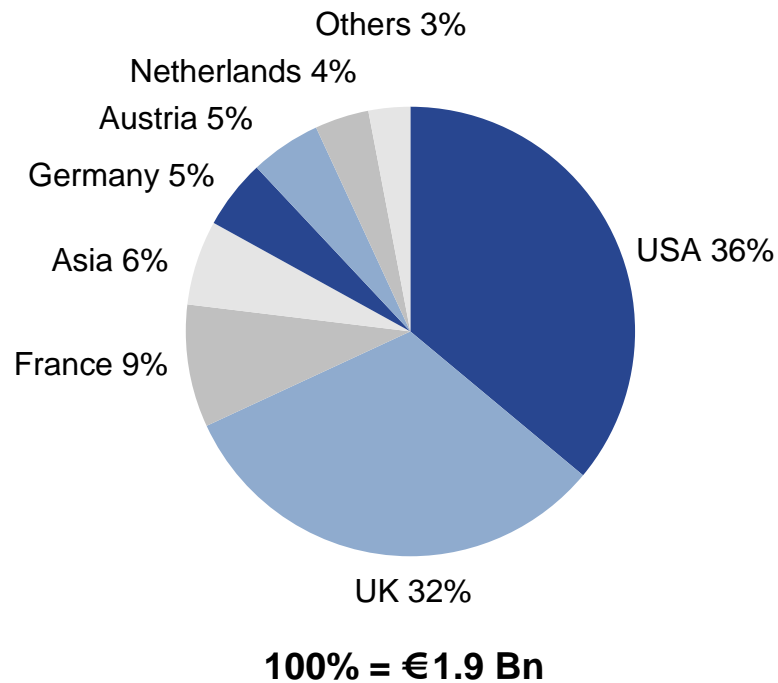
1. Based on allocated capital
2. As per approved annual financial statements

Asset Finance & Asset Management

Asset finance portfolio

SPLIT BY REGION

Asset Finance Portfolio 12/2006^(1,2)



- | Just started in 2006, new asset finance (infrastructure/asset-based finance) already reached € 1.9 Bn
- | Overall 34 diverse transactions originated (17 London/17 New York platform) in the last 12 months
- | Key relationships established with corporates, financial sponsors, network operators, lessors and commercial advisors
- | Net increase of asset finance portfolio of € 1.2 Bn in Q4

| 23 | **Notes:**

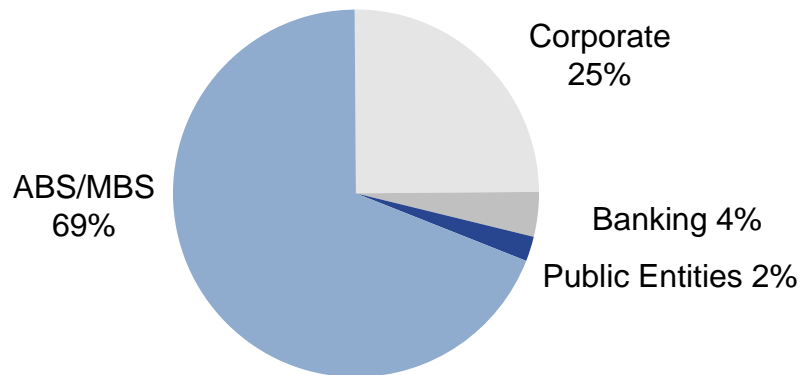
1. Internal, unaudited figures
2. Based on commitments

Asset Finance & Asset Management

Growing assets under management/administration

SPLIT BY BUSINESS TYPE

Assets under Management/Administration
12/2006^(1,2)



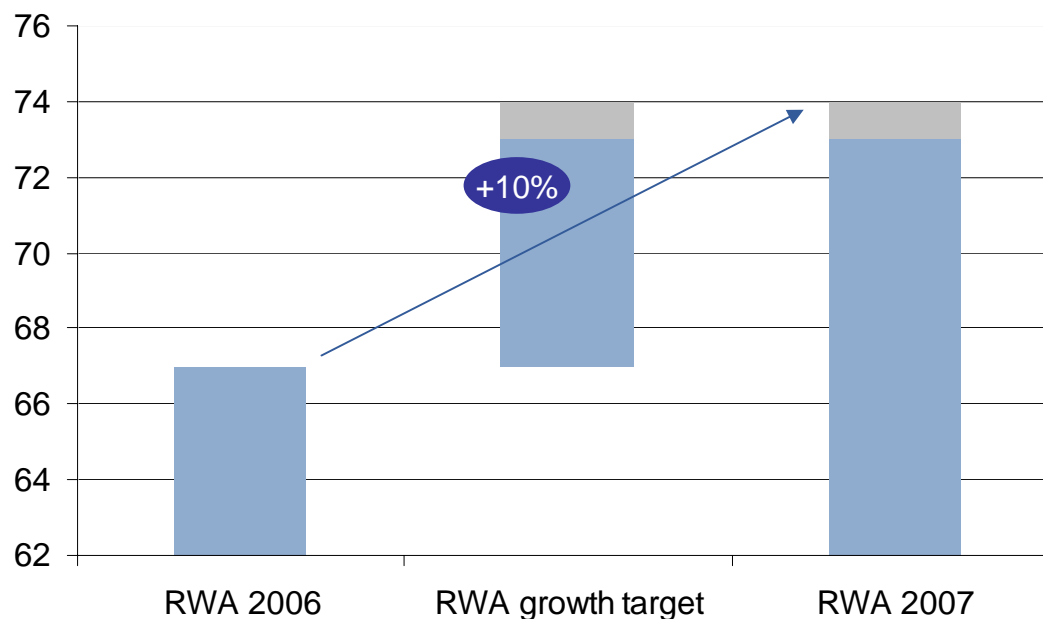
100% = €31.7 Bn

- | Collineo Asset Management manages various portfolios for third parties (institutional clients) with total assets under management of € 14.6 Bn
- | It is one of the leading managers of cash-flow CDO's of structured finance securities both by size and number of transactions
- | Core business of Collineo is advisory, management and structuring services for the European structured finance CDO market, with a focus on real estate, infrastructure and asset-based products
- | In addition, HPFB administers an asset backed commercial paper (ABCP) conduit of currently € 17.1 Bn, which risks are supported by agreements with A-1/P-1 counterparties. According to S&P, Morigan TRR is ranked 5th largest US ABCP programme.

Outlook 2007: Hypo Real Estate Group

STRONG GROWTH PERSPECTIVES

(€ Bn)



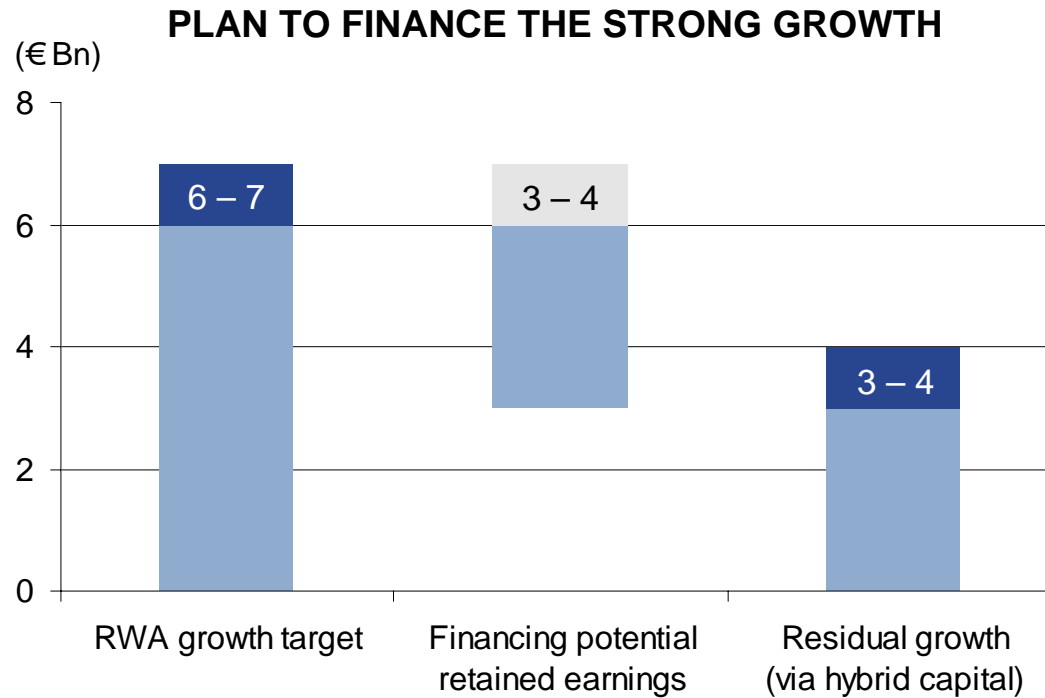
- I HRX plans to increase its RWA on Group level by 10% in 2007, despite a roughly flat portfolio in Germany
- I RWA growth of €6-7 Bn means a RWA target of €73-74 Bn as per year-end



HRX can take advantage of the strong growth opportunities in the commercial real estate as well as infrastructure/asset-based finance market

Hypo Real Estate Group

Growth potential financed by issuing of hybrid capital



- I Due to a self-financing capacity of €3-4 Bn out of retained earnings the residual amount has to be financed by additional capital
- I Due to the unleveraged capital base HRX has ample room to finance the strong portfolio growth
- I Hybrid capital issue of approx. €300 MM targeted to be issued in Q2 2007



Leveraging the balance sheet helps to boost future profitability

- I Double-digit ROE of 11-12%
- I Pre-tax profit increase of min. 20% to at least € 680 MM
- I Operating revenue growth to at least € 1.2 Bn, thereof more than 85% from interest and fee income
- I Moderately rising cost side: loan-loss provisions of € 150-160 MM, general administrative expenses of € 360-370 MM
- I New lending business target of at least € 25 Bn with an average IRR of >13%; additionally more than € 10 Bn targeted to be securitised and syndicated
- I A stable dividend policy with 40-50% dividend pay-out

 **Higher profitability and even more stable earnings development due to further increasing real estate lending volume and diversification into other asset classes**

Hypo Real Estate Group Outlook 2007: Overview

(€MM)	CRE FY 2007e	AF&AM FY 2007e	Hypo Group FY 2007e	Hypo Group FY 2006
Total operating revenues			>1,200	1,082
Provisions for losses on loans and advances			150 - 160	159
General administrative expenses			360 - 370	335
Pre-tax profit	630 - 650	90 - 110	>680	571
ROE after taxes (%)	>12	14 - 15	11 - 12	9.9
New business (€ Bn)	>22	>3 ⁽¹⁾	>25	28.5
IRR of new business (%)	>13	>13 ⁽¹⁾	>13	>13
RWA growth (€ Bn)	>4	2 - 3	6 - 7	10.1 ⁽²⁾

Notes:

1. Only asset finance
2. Including AHBR portfolio acquisition

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