

Accounts press conference



**“The Hypo Real Estate Group has made a successful start  
and will pick up more speed”**

29 March 2004

Georg Funke

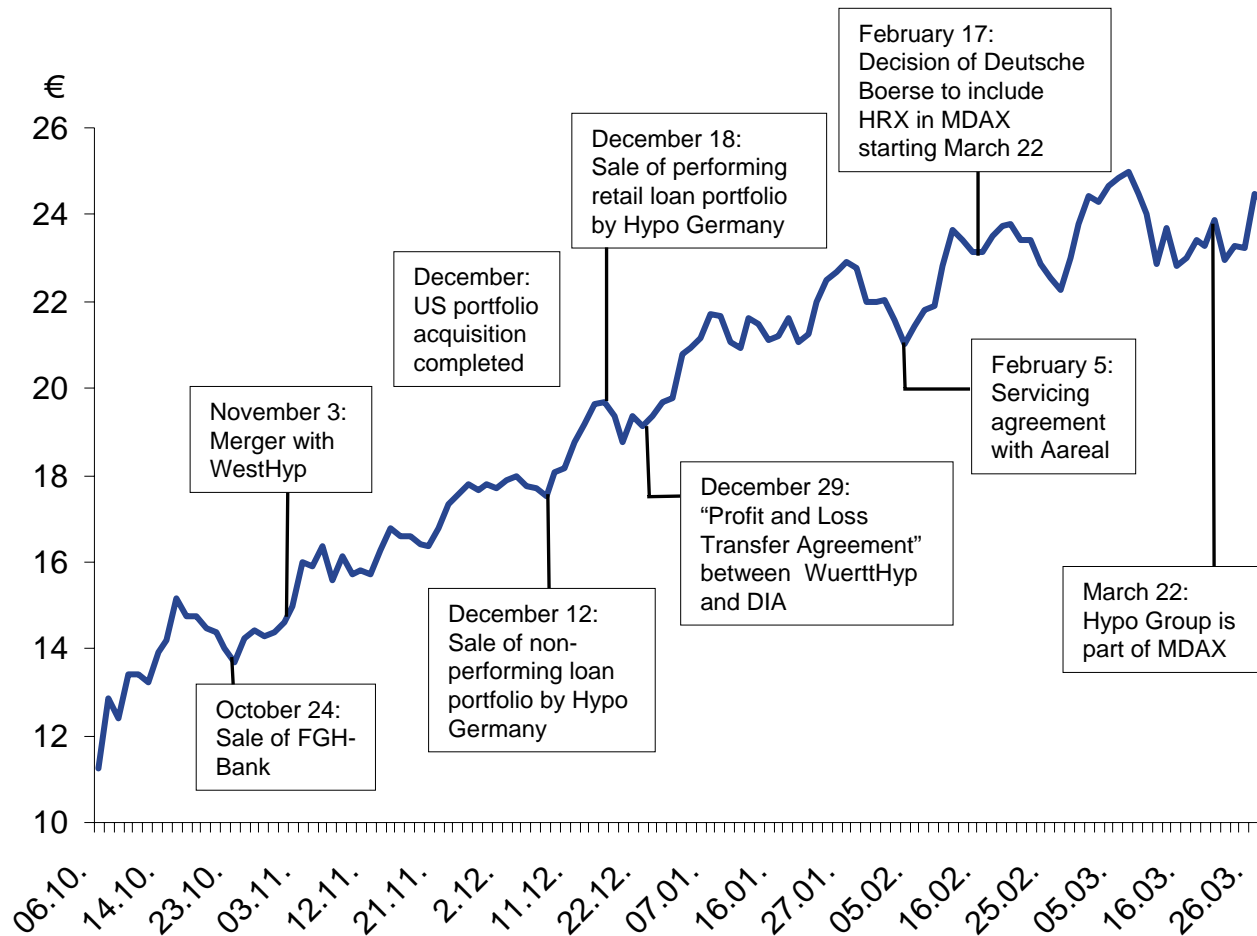
Hypo Real Estate Group  
Accounts press conference, Munich, 29 March 2004

- I) Georg Funke, Chairman of the Board of Managing Directors:
  - Summary 2003
  - Outlook
  
- II) Dr. Markus Fell, (CFO):
  - Economic data
    - 1) Hypo Real Estate Group
    - 2) Hypo Real Estate International
    - 3) WürttHyp
    - 4) Hypo Real Estate Germany
    - 5) Outlook

## **2003 – The Hypo Real Estate Group has made a successful start**

- I The spin-off process from HVB has been completed in record time
- I The shares were listed as planned on the stock exchanges in Frankfurt/Main and Vienna on 6 October 2003
- I Earnings targets for 2003 exceeded:
  - I Pre-tax profit in group: € 156 million
  - I net income before minorities: € 116 million
- I Rapid restructuring of Hypo Real Estate Bank AG
  - Plans for streamlining the portfolio have been exceeded
- I Progress being made with expanding the regional spread of business
  - Important step: Acquisition of the US real estate financing portfolio of HVB
- I Very positive share performance - admitted to the MDAX on 22.3.2004

# Hypo Real Estate Group Share price



- | Equity markets have recognized the potential of Hypo Real Estate
- | Market capitalization of €3.2 Bn as of March 26 represents a 116% increase in market capitalization since October 6
- | Average daily share turnover of about 730,000<sup>(1)</sup> shares proves Hypo Group to be a very liquid stock
- | Since March 22 Hypo Group is part of MDAX

Source: Deutsche Boerse

| 4 | **Note**  
1. Excluding first 20 trading days

# Hypo Real Estate International

## status quo

- I New business better than planned (€ 4.7 billion, incl. € 1 billion PBI)
- I The foundation has been laid for further growth
  - I Establishment of headquarters in Dublin
  - I Key staff have not been lost, structure recruitment of staff
  - I Acquisition of the commercial US real estate portfolio of HVB Group represents a major step in the direction of expanding the regional spread of the portfolio
- I Clear framework for refinancing with initial medium-term note programme (volume € 10 billion), the first tranches have been successfully placed (€ 450 million)
- I New unit Capital Markets: Expansion of the value creation chain in the group

- | First specialist for Pfandbrief-funded foreign business
- | New mortgage lending worth €3.3 billion (incl. refinancing of US portfolio)
- | 99% of new business in 2003 acquired abroad
- | Sound contribution to result (EBT) of €54 million

- I Consistent restructuring of loan portfolio in 2003:
  - I Loan portfolio has been reduced to €74.4 billion
  - I Sale of a portfolio with non-performing loans (NPL) amounting to €490 million
  - I Transfer of a non-strategic portfolio worth around €600 million
  
- I Consistent improvement of margins:
  - I Prolongation rate around 52 %
  - I Average prolongation margin more than 160 basis points
  
- I Cost savings and efficiency improvements as planned:
  - I Merger of Westhyp with Hypo Real Estate Bank AG
  - I Reduction of workforce to 853 persons

- I Sales ability to be strengthened in 2004
- I Regional expansion with new branches in Amsterdam, Tokyo and Hongkong
- I Continuous assessment of business opportunities in existing and new local markets
- I Product range to be expanded to include new Capital Markets unit

- I Continuation of the successful business model
- I New mortgage lendings to be increased, with focus on western European markets
- I On the refinancing site: Expansion of collaboration with Hypo Real Estate Bank International

- I Further redimensioning of business in Germany:
  - I Portfolio streamlining will be continued
  - I Improvement of margins
  
- I Further streamlining of processes
  
- I Preparation of a new business strategy has commenced  
Refinancing mainly via German Pfandbrief
  
- I Restructuring may be completed by the end of 2004, in other words earlier than planned

Accounts press conference

Hypo  Real Estate  
GROUP



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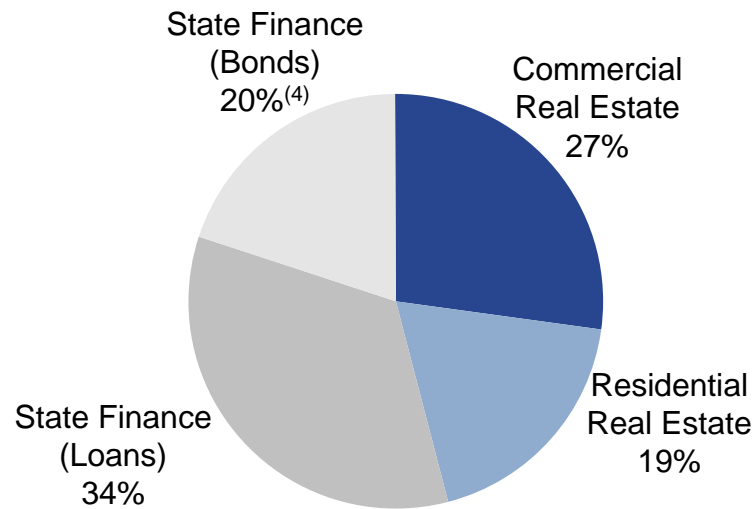
Dr. Markus Fell

# Hypo Real Estate Group

# Hypo Real Estate Group

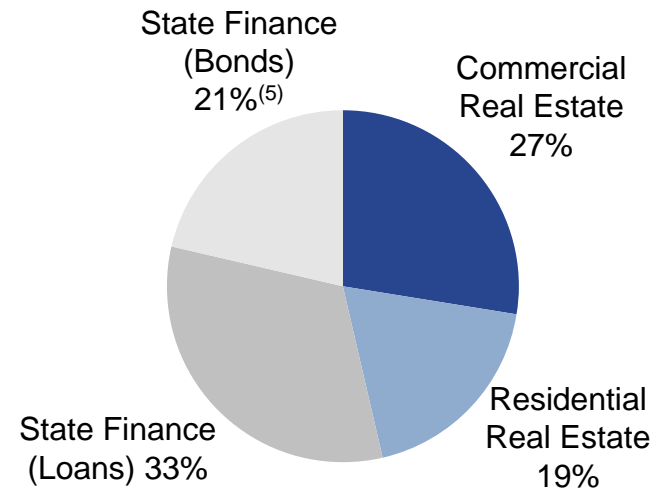
The group portfolio has been reduced in total by €13 Bn

**SPLIT BY PRODUCT**  
Total Portfolio 05/2003<sup>(1,2)</sup>



100% = €150.5 Bn

**SPLIT BY PRODUCT**  
Total Portfolio 12/2003<sup>(1,3)</sup>



100% = €137.5 Bn

| 13 | **Notes**

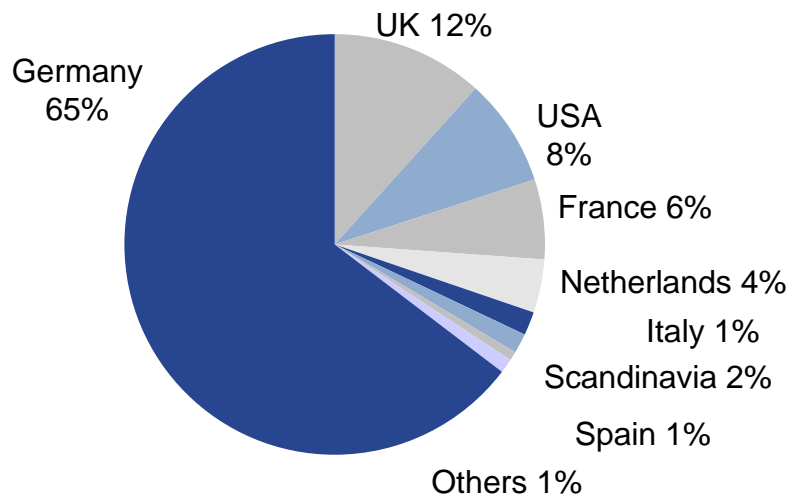
1. Based on commitments (Hypo Germany loans outstanding)
2. Internal, unaudited figures as of 05/2003, pro-forma including US-portfolio
3. Internal, unaudited figures as of 12/2003
4. First time incl. € 18.9 Bn bonds state finance in Hypo Germany, rest is Hypo International and WuerthHyp
5. First time incl. € 18.6 Bn bonds state finance in Hypo Germany, rest is Hypo International and WuerthHyp

# Hypo Real Estate Group

The geographical diversification of the Hypo Group portfolio has increased...

## SPLIT BY REGION

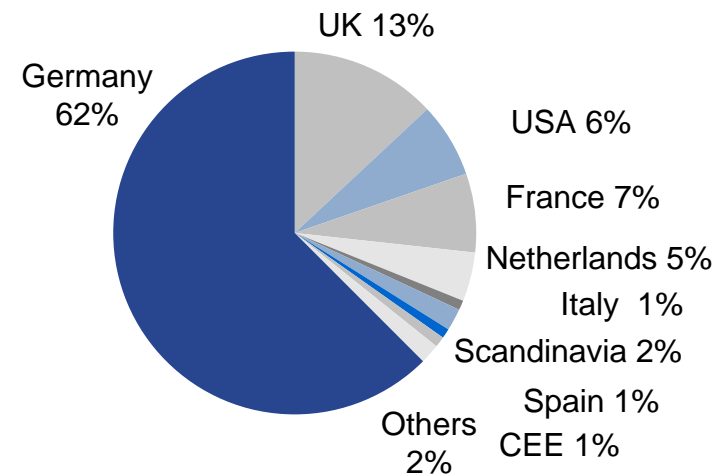
Real Estate Loan Portfolio 05/2003<sup>(1,2)</sup>



100% = €69.0 Bn

## SPLIT BY REGION

Real Estate Loan Portfolio 12/2003<sup>(1,3)</sup>



100% = €63.6 Bn

| 14 | **Notes**

1. Based on commitments (Hypo Germany loans outstanding)
2. Internal, unaudited figures as of 05/2003, pro forma including US-portfolio
3. Internal, unaudited figures as of 12/2003

# Hypo Real Estate Group

## Key Financials

KEY FINANCIALS (IFRS)		
(€MM)	2003	2002 <sup>(1)</sup>
Net interest income	674	670
Provisions for losses on loans and advances	(252)	(505)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>422</b>	<b>165</b>
Net commission income	45	11
General administrative expenses	(260)	(235)
Balance of other operating income/expenses	19	17
<b>Operating result</b>	<b>226</b>	<b>(42)</b>
Net income from investments	(1)	62
Balance of other income/expenses	(69)	(4)
<b>Result of ordinary activities/net income or loss before taxes</b>	<b>156</b>	<b>16</b>
Taxes on income	(40)	(27)
<b>Net income/loss</b>	<b>116</b>	<b>(11)</b>
Minority interest in net income/loss	(1)	(12)
Consolidated net income/loss	115	(23)
Total assets (€ Bn) <sup>(2)</sup>	153	174
Tier 1 (€ MM) <sup>(3)</sup>	4,122	-
Total loans (€ Bn) <sup>(2)</sup>	114	119
RWA (€Bn) <sup>(3)</sup>	54	58
CIR (%)	35.2	33.7
LLP in bp of total loans <sup>(4)</sup>	63	42
ROE after taxes (%)	2.8	-

- | Increased net commission income due to higher fee income in Hypo International
- | Risk provisions in line with projections (net of risk shelter of € 460 MM)
- | General administrative expenses increased by set-up of new head office functions (Hypo Holding, Hypo International)
- | Net income from investments affected by one off earnings of € 30 MM in 2002 and one off expenses in 2003
- | Balance of other income /expenses includes € 86 MM restructuring costs and € 35 MM lucky-buy WestHyp
- | Proposal to AGM not to pay dividend to strengthen capital base for further growth
- | Reduced balance sheet and RWA due to portfolio-reduction in Hypo Germany

### | 15 | Notes

1. Based on the segment data for HVB AG "Hypo Group" segment contained in the consolidated audited financial statement of HVB AG for fiscal year 2002; they have been enhanced in terms of depth of detail and the figures for FGH Bank have been excluded
2. Including accrued interests according to IFRS
3. According to BIS
4. Including Risk Shelter of HVB AG

# Hypo Real Estate Group Balance Sheet Overview

Assets in MM €	31.12.03	01.01.03	change	
			in MM €	in %
Cash reserve	489	79	410	>+100,0
Placements with, and loans and advances to other banks	24.981	31.655	-6.674	-21
Loans and advances to customers	85.505	90.514	-5.009	-6
Provisions for losses on loans and advances	-1.896	-1.475	-421	-29
Investments	36.471	40.214	-3.743	-9
Property, plant and equipment	29	133	-104	-78
Intangible assets	13	54	-41	-76
Other assets	5.029	5.951	-922	-15
Tax assets	2.256	2.775	-519	-19
<b>Total assets</b>	<b>152.877</b>	<b>169.900</b>	<b>-17.023</b>	<b>-10</b>
<b>Liabilities</b>				
Deposits from other banks	19.351	18.830	521	3
Amounts owed to other depositors	7.844	6.725	1.119	17
Promissory notes and other liabilities evidenced by paper	110.153	127.539	-17.386	-14
Provisions	210	158	52	33
Other liabilities	8.786	9.605	-819	-9
Tax liabilities	1.273	1.944	-671	-35
Subordinated capital	2.476	1.979	497	25
Minority interests	14	126	-112	-89
Shareholders' equity	2.770	2.994	-224	-8
<i>thereof Revaluation reserve</i>	<i>-1.415</i>	<i>-1.086</i>	<i>-329</i>	<i>-30</i>
<b>Total liabilities</b>	<b>152.877</b>	<b>169.900</b>	<b>-17.023</b>	<b>-10,0</b>
<b>Contingent liabilities and other commitments</b>				
	<b>11.602</b>	<b>2.003</b>	<b>9.599</b>	<b>&gt;+100,0</b>

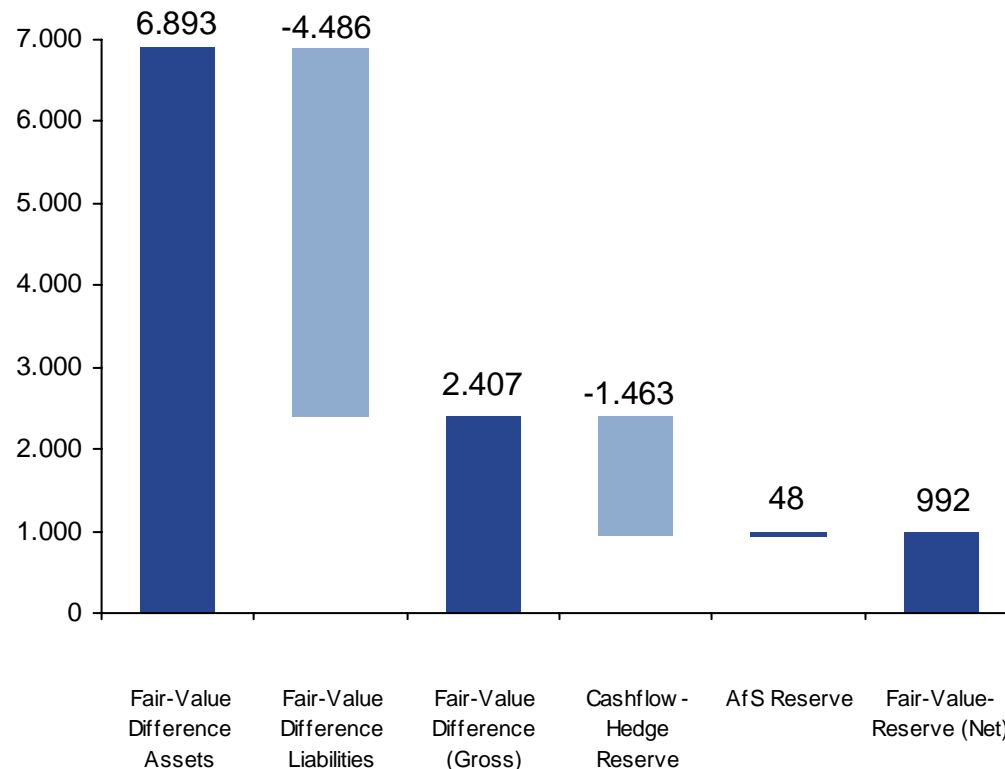
| The total assets could be reduced as planned. The increase in Hypo International has been more than covered by reducing the real estate (-4.3 %) and public sector loans (-16.9 %)

| The reduced finance volume of € 17 bn led at the same time to a reduction in Promissory notes and other liabilities evidenced by paper in almost same extent

| The Equity <sup>(1)</sup> increased from € 4,080 MM to € 4,185 MM mainly by the consolidated profit

# Hypo Real Estate Group

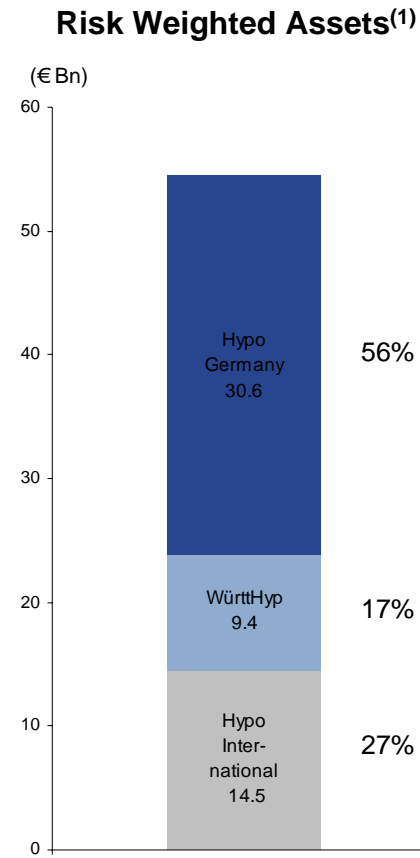
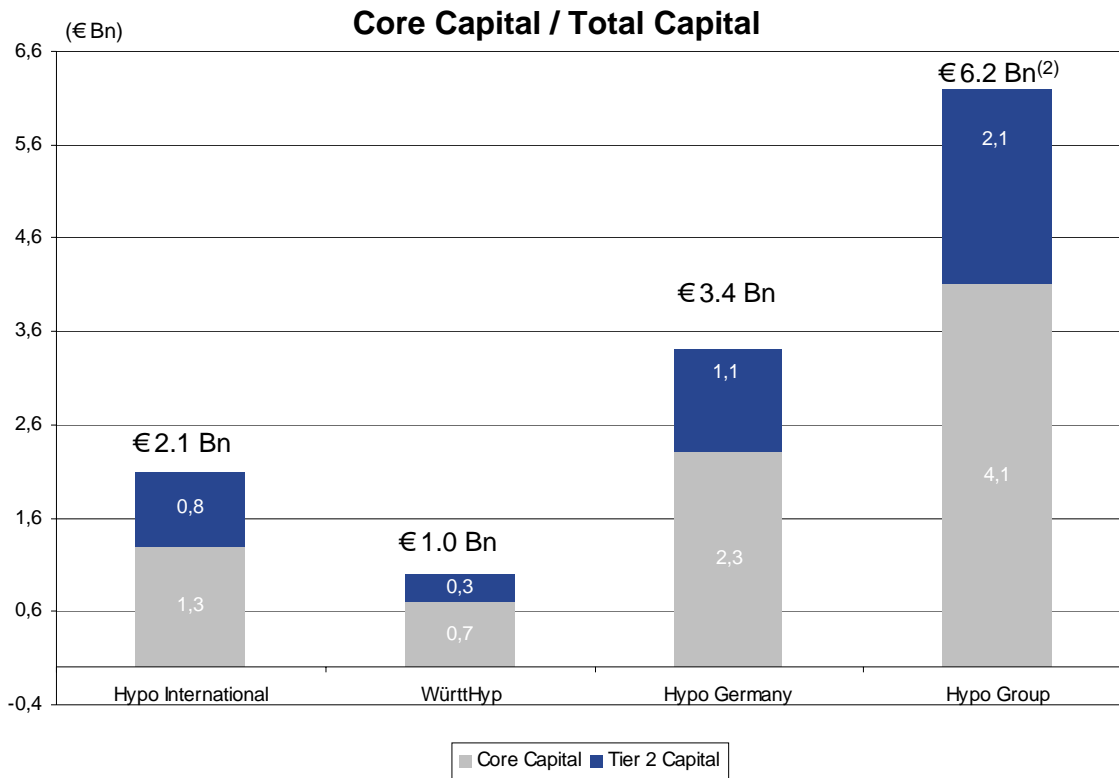
## Economic assessment of the cash-flow hedge reserve



- I The Fair-Value valuation according to IAS 32 leads to a Fair-Value Reserve (Gross) in the financial assets of about €2.407 MM
- I The Revaluation reserve of €- 1,415 MM results from the fact, that within the Cashflow-Hedges only the market value of the derivatives are accounted while the underlying business is still accounted at cost
- I The Fair-Value reserve of the financial assets exceeds the negative Revaluation reserve of roughly €1 Bn
- I A dilution of shareholders' equity did not take place, so that the economical Shareholders' equity<sup>1)</sup> is €4.185 MM

# Hypo Real Estate Group

The group is well capitalized with Tier 1 ratios exceeding original targets



100% = €54.0 Bn<sup>(3)</sup>

Tier 1 Ratio (%)	8.9	6.9	7.4	7.6
Target Tier 1 Ratio (%)	8.5	6.75	7.0	7.0
Total Capital Ratio (%)	14.6	10.5	11.1	11.5

#### Notes

1. According to BIS
2. € (0.3) Bn consolidation effect
3. € (0.5) Bn consolidation effect

# Hypo Real Estate International

# Hypo Real Estate International

## Key Financials

KEY FINANCIALS (IFRS)		
(€MM)	2003	2002
Net interest income	137	152
Provisions for losses on loans and advances	(37)	(19)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>100</b>	<b>133</b>
Net commission income	55	33
General administrative expenses	(64)	(50)
Balance of other operating income/expenses	1	2
<b>Operating result</b>	<b>92</b>	<b>118</b>
Net income from investments	(5)	34
Balance of other income/expenses	0	(1)
<b>Result of ordinary activities / net income or loss before taxes</b>	<b>87</b>	<b>151</b>
Taxes on income	(30)	(25)
<b>Net income/loss</b>	<b>57</b>	<b>126</b>
Total assets (€ Bn)	16	17
Tier 1 (€MM)	1,300	-
Total loans (€ Bn)	18	10
RWA (€Bn) <sup>(1)</sup>	14.5	12.2
CIR (%)	33.2	26.7
LLP in bp of total loans	21	19
ROE after taxes (%)	4.3	-
Adjusted ROE after taxes (%) <sup>(2)</sup>	9.4	-

- | The real estate portfolio has been economically transferred as of January 1st, 2003
- | US portfolio acquisition completed in 12/2003; only marginal profit contribution
- | Prudent general loan loss provision of €37 MM to build-up a risk cushion
- | Increased fee income due to higher arrangement fees
- | Increase in general administrative expenses to build up an independent banking operation
- | Comparability against 2002 limited caused by one time effects in net income from investments of €30 MM in 2002 and general loan loss provision in 2003
- | HI earns cost of capital after adjustments for one time effects (US-portfolio capital requirement, general loan loss provision)

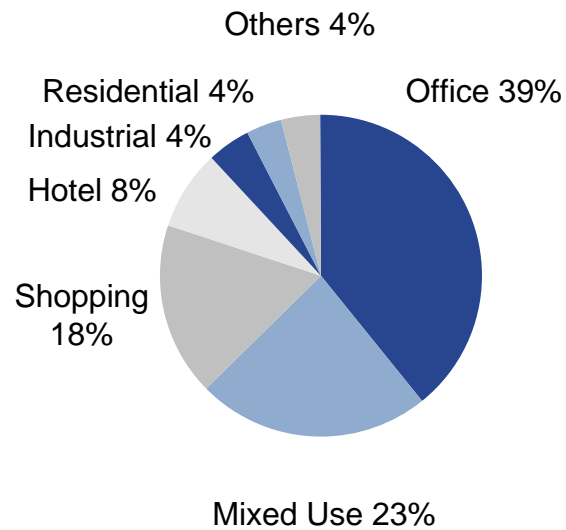
### Notes

1. According to BIS
2. Adjusted for general loan loss provisions and equity capital tied up by US portfolio

# Hypo Real Estate Bank International

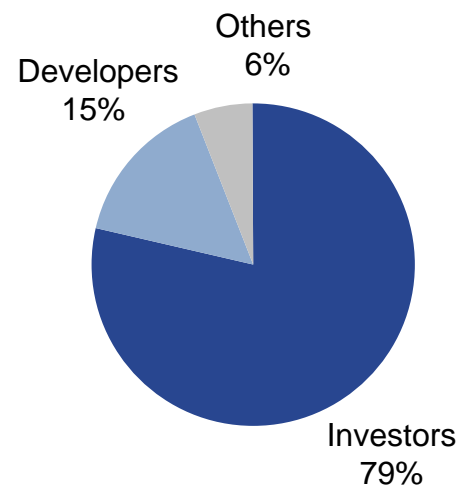
## Current portfolio structure is well-diversified...

**SPLIT BY  
PROPERTY TYPE<sup>(1,2)</sup>**



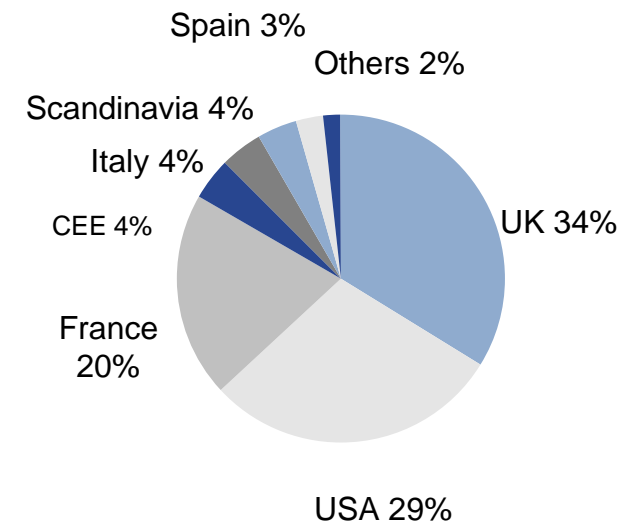
100% = €14.1 Bn<sup>(3,4)</sup>

**SPLIT BY  
CUSTOMER TYPE<sup>(1,2)</sup>**



100% = €14.1 Bn<sup>(3,4)</sup>

**SPLIT BY  
REGION<sup>(1,2)</sup>**



100% = €14.1 Bn<sup>(3,4)</sup>

| 21 | **Notes**

1. Based on commitments
2. Internal, unaudited figures as of 12/2003
3. Excl. PBI portfolio (€5.6 Bn state finance)
4. Incl. €1.2 Bn of US portfolio refinanced and booked by WuerthHyp and guaranteed by Hypo International

WuerttHyp

# WuerttHyp Key Financials

KEY FINANCIALS (IFRS)		
(€MM)	2003	2002
Net interest income	110	107
Provisions for losses on loans and advances	(25)	(25)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>85</b>	<b>82</b>
Net commission income	(4)	(9)
General administrative expenses	(31)	(31)
Balance of other operating income/expenses	(2)	9
<b>Operating result</b>	<b>48</b>	<b>51</b>
Net income from investments	6	7
Balance of other income/expenses	0	0
<b>Result of ordinary activities / net income or loss before taxes</b>	<b>54</b>	<b>58</b>
Taxes on income	(2)	(9)
<b>Net income/loss</b>	<b>52</b>	<b>49</b>
Total assets (€ Bn) <sup>(1)</sup>	30	31
Tier 1 (€ MM)	646	408
Total loans (€ Bn) <sup>(1)</sup>	19	19
RWA (€Bn) <sup>(2)</sup>	9.4	9.1
CIR (%)	29.8	29.0
LLP in bp of total loans	13	13
ROE after taxes (%)	8.2	-

- | Steady interest income mainly resulting from mortgage loan business
- | Increased foreign mortgage loans strengthened profitability
- | Further reduction of public sector loans once more reduced total assets
- | Net income higher due to the profit and loss pooling agreement between Hypo Holding and WürttHyp
- | WuerttHyp refinanced €1.2 Bn tranche of US portfolio acquired by Hypo International

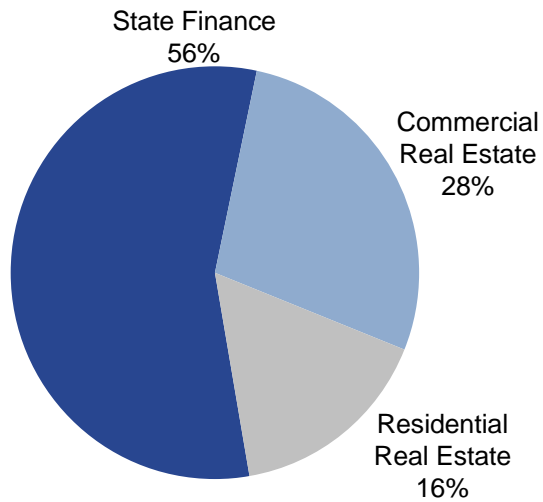
**Note**

1. Including accrued interests
2. According to BIS

# WuerttHyp

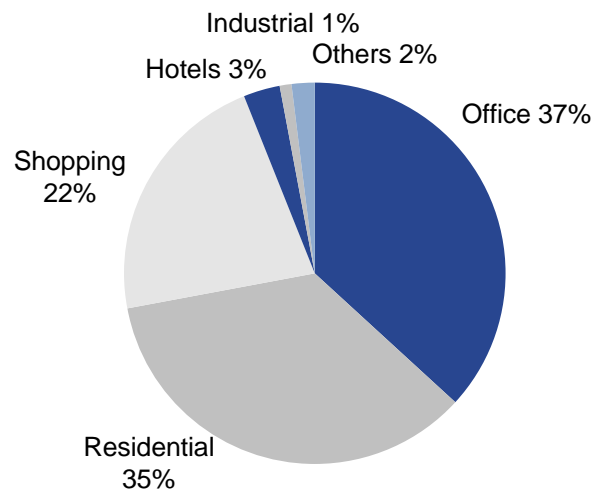
## Current portfolio breakdown

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



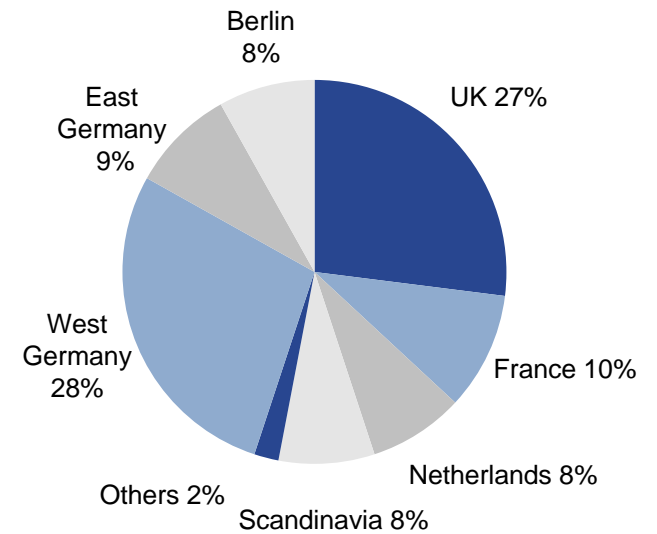
100% = €24.8 Bn<sup>(3)</sup>

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



100% = €11.0 Bn<sup>(3)</sup>

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



100% = €11.0 Bn<sup>(3)</sup>

| 24 | **Notes**

1. Based on commitments
2. Internal, unaudited figures as of 12/2003
3. Excluding €1.2 Bn tranche of US portfolio guaranteed by Hypo International



# Hypo Real Estate Germany

## Key Financials

KEY FINANCIALS (IFRS)		
(€MM)	2003	2002
Net interest income	420	411
Provisions for losses on loans and advances	(190)	(461)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>230</b>	<b>(50)</b>
Net commission income	(6)	(13)
General administrative expenses	(152)	(154)
Balance of other operating income/expenses	22	6
<b>Operating result</b>	<b>94</b>	<b>(211)</b>
Net income from investments	(2)	21
Balance of other income/expenses	(103)	(3)
<b>Result of ordinary activities / net income or loss before taxes</b>	<b>(11)</b>	<b>(193)</b>
Taxes on income	(5)	7
<b>Net income/loss</b>	<b>(16)</b>	<b>(186)</b>
Total assets (€ Bn)	108	126
Tier 1 (€MM) <sup>(1)</sup>	2,262	1,763
Total loans (€Bn)	77	89
RWA (€Bn) <sup>(1)</sup>	30.6	36.7
CIR (%)	34.9	38.1
LLP in bp of total loans	85 <sup>(2)</sup>	52
LLP in bp of total mortgage loans	169 <sup>(2)</sup>	107
ROE after taxes (%)	(0.7)	-

- I Interest income decreased due to lower loan portfolio and higher unrealized interest on the workout portfolio, but has been more than offset by FGH dividend of € 33 MM
- I Risk provisions net of risk shelter by HVB of € 460 MM
- I Reduction of personnel expenses and increase of IT expenses off-set each other; thus stable general administrative expenses
- I Restructuring costs in line with restructuring plan (write-off of IT € 34 MM, indemnity payments for staff reduction € 29 MM and other administrative restructuring expenses € 23 MM)
- I Restructuring costs include an addition to restructuring reserve (€ 33 MM) for future costs

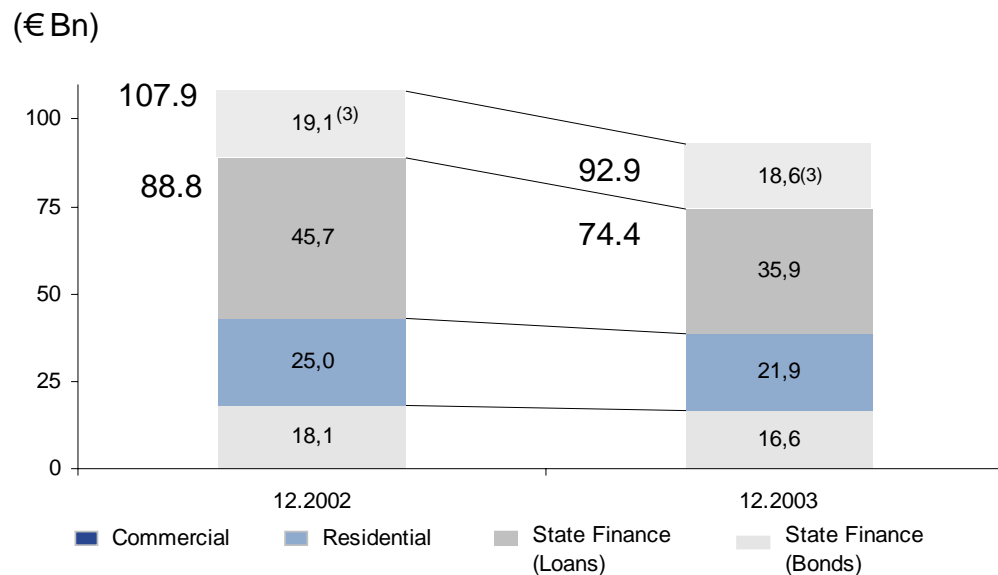
### Notes

1. According to BIS
2. Including Risk shelter of HVB AG

# Hypo Real Estate Bank in Germany

## Reduction of portfolio is well on track

### Portfolio Development 12/02 – 12/03<sup>(1,2)</sup>



- I Decrease in state finance  
€ 10.4 Bn
  - Run-off according to maturities as planned
- I Decrease in mortgage loans  
€ 4.6 Bn
  - Run off according to regular repayments and prolongation rate
  - Includes portfolio sale of € 1.1 Bn
  - Ahead of plan

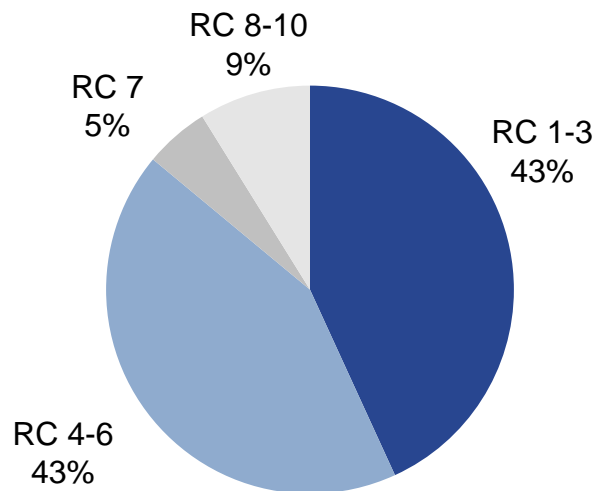
| 27 | **Notes**

1. Based on loans outstanding
2. Internal, unaudited figures as of 12/2003
3. State finance bonds

# Hypo Real Estate Bank in Germany

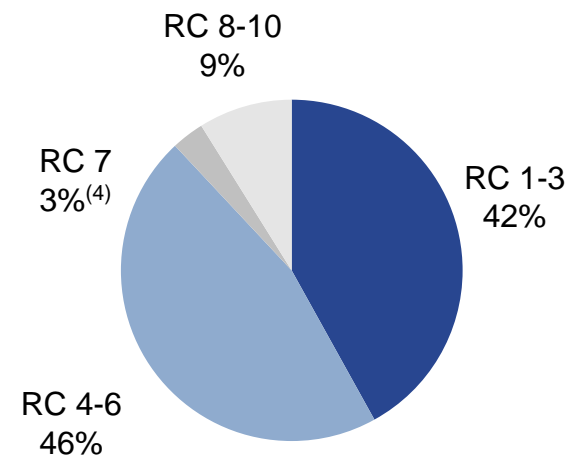
## Risk structure and asset quality have remained stable in the ongoing process of portfolio reduction

**SPLIT BY RISK CLASS**  
Real Estate Portfolio 05/2003<sup>(1,2)</sup>



100% = €42.2 Bn

**SPLIT BY RISK CLASS**  
Real Estate Portfolio 12/2003<sup>(1,3)</sup>



100% = €38.5 Bn

| 28 | **Notes**

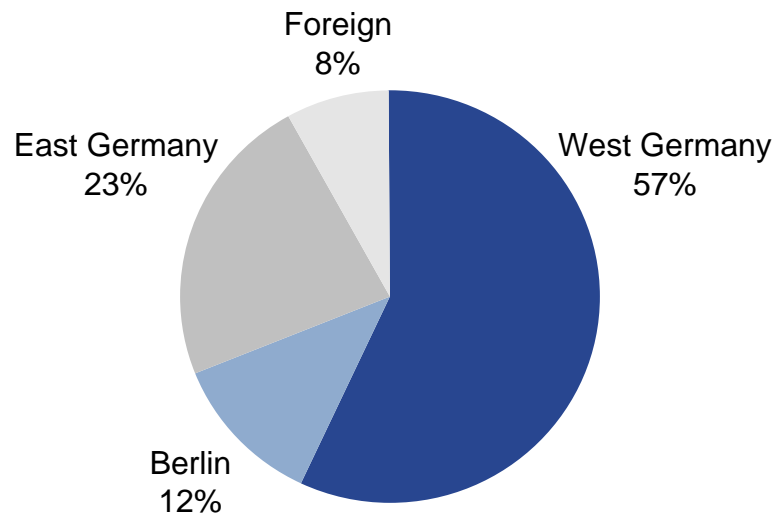
1. Based on loans outstanding
2. Internal, unaudited figures as of 05/2003
3. Internal, unaudited figures as of 12/2003
4. Watchlist loans only

# Hypo Real Estate Bank in Germany

## No change in regional breakdown of real estate portfolio

### SPLIT BY REGION

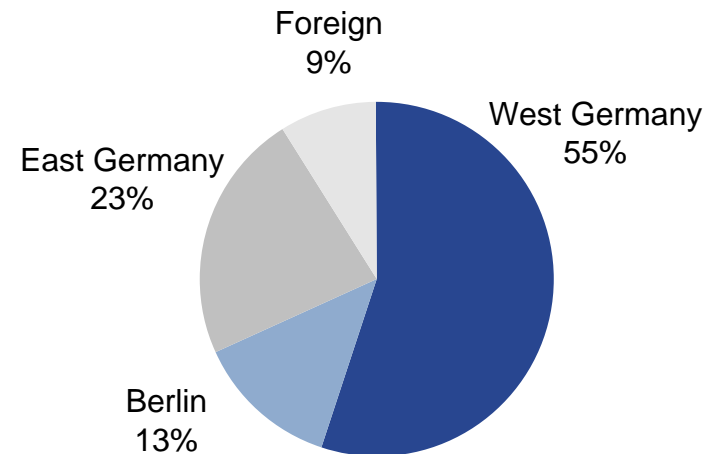
Real Estate Loan Portfolio 05/2003<sup>(1,2)</sup>



100% = €42.2 Bn

### SPLIT BY REGION

Real Estate Loan Portfolio 12/2003<sup>(1,3)</sup>



100% = €38.5 Bn

| 29 | **Notes**

1. Based on loans outstanding
2. Internal, unaudited figures as of 05/2003
3. Internal, unaudited figures as of 12/2003

# Hypo Real Estate Group - Outlook 2004

## Business plan snapshot 2004

Key Figures		
(€ MM)	Target 2004	2003
Profit before tax	≈ 205-225	156 <sup>(1)</sup>
ROE after tax (%)	≈ 3.5%-4.0%	2.8 <sup>(2)</sup>
Hypo International – Profit before tax	≈ 175-185	87
WuerttHyp – Profit before tax	≈ 55-60	54
Hypo Germany – Profit before tax	≈ (5)-0	(11)

- I Continued conservative cost planning in the new plan
- I Group RoE expectation between 3.5-4.0%

 Business development of Hypo Group is one year ahead of plan

| 30 | **Notes**

1. incl. € 35 Mio "Lucky-Buy" WestHyp
2. 2,0 % without "Lucky-Buy" WestHyp

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