

Press release

Munich, October 23, 2002

## **HVB lays the foundation for the future**

**From January 1, 2003:**

- **Dieter Rampl, spokesman of Board of Managing Directors**
- **Albrecht Schmidt, Supervisory Board chairman**
- **Kurt F. Viermetz, deputy chairman, Supervisory Board**

**Further focusing on core strategy**

**Pre-tax profit at €264 million**

In agreement with the Supervisory Board, the Board of Managing Directors at its meeting yesterday unanimously elected Dieter Rampl as the new spokesman. This was approved by the Supervisory Board at its meeting today.

To implement this change in leadership at the top level of the bank as rapidly and efficiently as possible in view of the great challenges in this difficult time, both this and subsequent changes will be carried out already at the beginning of fiscal 2003.

Kurt F. Viermetz, chairman of the Supervisory Board, and Dr. Richard Trautner have therefore relinquished their mandates on the Supervisory Board and Dr. Albrecht Schmidt will relinquish his mandate on the Board of Managing Directors, all with effect from December 31, 2002. At its meeting today, the Supervisory Board resolved to have Dr. Albrecht Schmidt appointed member of the Supervisory Board by the Registry

Court with effect from January 1, 2003 and elected him from this time on as chairman of the Supervisory Board. Kurt F. Viermetz was requested to take over the office of deputy chairman from Dr. Richard Trautner.

Kurt F. Viermetz commented: " A seamless and rapid transition to the new management is in the interest of the entire Group. In this way, the new team headed by Dieter Rampf will have the opportunity to continue rapidly developing the strategic positioning of the HVB Group in the markets and European regions. To carry out this change of leadership without frictional losses and at the same time ensure entrepreneurial continuity, I have, after agreement with the Supervisory Board, relinquished my mandate as chairman of the Supervisory Board as of this date."

Dr. Albrecht Schmidt stated: "In electing Dieter Rampf as the new chairman of the Board of Managing Directors, we have a person associated with our bank over many years who, with a younger Board team, enjoys the confidence of customers, shareholders and staff. This sound foundation of full support will enable us to successfully implement the constant changes and adjustments of our bank to ever new market and customer demands. Together with the Supervisory Board, the Board of Managing Directors thanks Kurt F. Viermetz for his unfailing commitment and successful work as chairman of the Supervisory Board in a difficult period and is pleased that he will continue to provide our bank with advice and support in this prominent position. At the same time we also express our gratitude to Dr. Richard Trautner, who over decades on the bank's Board of Managing Directors and later as deputy chairman of the Supervisory Board contributed so substantially to the Group's success in good times and bad."

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**Enhancing the HVB Group's profile by further focussing on the core strategy**

HVB will continue to enhance its profile as one of the leading banks in Europe for business with retail customers and *Mittelstand* companies.

To this end, the next strategic step after establishing HVB Real Estate will now be taken. HVB will bundle all its mortgage bank holdings in a real estate financing group. Along with HVB Real Estate, this group will include FGH Bank in the Netherlands, PBI in Luxembourg, Westfälische Hypothekenbank and Württembergische Hypothekenbank. Private real estate financing operations will remain part of HVB's retail customer business. Real estate structured financing business, which is doing very well, particularly in the U.S. and Britain, will also remain in HVB and will become part of Corporates & Markets.

The new real estate financing group, with total assets of over €164 billion, will be the new Number Two in the real estate market. It will be spun off from the HVB Group and operate independently in the market and will thus be fully able to capitalize on its strength.

The preferred model for separation is the spin-off as an independent group. Other alternatives under consideration are the sale of parts of today's business segment and/or a merger with other partners.

The Group will thus separate core competencies and business segments, facilitate management, and reduce complexity and free up capital.

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In parallel, the HVB Group will strengthen the entire Group by expanding its cost-cutting program and complete it earlier than planned. Already in 2003 administrative expense will be reduced to under €7 billion, making €500 million less than so far planned. By 2004 a total of €1.7 billion (€1.2 billion so far) will be achieved through synergies and cost reductions. At the same time, in 2002 risk assets of €10 billion will be reduced to improve the core capital ratio. By March 2003 other steps will be taken to shed peripheral activities, lending processes within the Group and Group organization will be tightened up through a more functional orientation of the business segments and subsidiaries toward sales.

**HVB Group posts operating profit before loan-loss provision of €2.03 billion**

As of September 30, 2002 the HVB Group posted a operating profit before risk provision of €2.03 billion – after €2.7 billion in the comparable prior-year period. Pre-tax profit came to €264 million €1,093 million in the comparable prior-year period (down 75.8 percent). Net interest income fell 5.7 percent to approximately €5 billion. Loan-loss provisions rose to €2,48 billion on account of the high number of insolvencies in Germany and the deteriorating credit standing of German and foreign debtors for the first nine months. This corresponds to an increase of 85.5 percent over the previous year.

As securities and custodial business weakened once again, net commission income, at €2.03 billion, slipped 6.7 percent below the comparable figure for the previous year. Net commission income accounted for 26.7 percent (2001: 25.5 percent) of total operative revenues. Trading profit, which rose 3.8 percent to €493 million, was satisfactory.

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Stricter cost management enabled the bank to depress administrative expense distinctly below the prior-year figure to €5.55 (down 3.3 percent). Without the planned restructuring expenses of €225 million contained in this figure, it would be even 6 percent lower. The cost-income ratio came to 70.2 percent (2001: 67.7 percent) excluding restructuring expenses. Return on equity adjusted for amortization of goodwill at September 30, 2002 was 1.8 percent.

Contact:

Cornelia Klaila, Tel. (089) 378-26017

[cornelia.klaila@hvbgroup.com](mailto:cornelia.klaila@hvbgroup.com)

Attention editorial boards:

The press talk will be broadcast live on the Internet from 3:00 p.m. at [www.hvbgroup.com/presse](http://www.hvbgroup.com/presse)