

Investor Relations Information

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Unchanged positive earnings trend at Hypo Real Estate Group after nine months

- **The real estate financier has reported consolidated profit before taxes of EUR 155 million for the first nine months of 2004**
- **Return on equity after taxes 3.9 %**
- **Profit targets for 2004 have been confirmed**

Munich, November 10th 2004: The MDax-listed Hypo Real Estate Holding AG has achieved a successful operating performance in the first nine months and has made considerable strategic progress. The operating results are fully in line with the ambitious budget. The managing board has confirmed its targets for the full year.

Development in earnings (Group)

The internationally operating financier of commercial real estate has reported consolidated net income before taxes of EUR 155 million for the period between January and September. This represents a growth of 33% compared with the corresponding prior-year period (EUR 117 million). If the figure is adjusted by an exceptional income item ("lucky buy") achieved last year due to the purchase of minority interests in the former WestHyp, the increase would have been 70%. Consolidated net income in the first nine months increased from EUR 87 million in the corresponding period last year to EUR 120 million (plus 38%). Return on equity after taxes has increased from 2.8% to 3.9%. After minority interest (EUR minus 1 million), consolidated profit is stated as EUR 119 million (3/4 of 2003: EUR 86 million). Earnings per share for the period between January and September are stated as EUR 0.89 (3/4 of 2003: EUR 0.64).

In the first nine months, total operating revenues (EUR 601 million) rose in line with expectations. Compared with the corresponding prior-year figure (EUR 554 million), the increase is 8 %. The addition to provisions for losses on loans and advances amounts to EUR 221 million. It is stated as a net figure after the pro-rata risk shelter of EUR 97.5

million provided by HVB AG to Hypo Real Estate Bank AG (2004: EUR 130 million). It is thus EUR 32 million higher than it was the case in the corresponding prior-year period (EUR 189 million), when a risk shelter of EUR 345 million was taken into consideration. If the risk shelter is disregarded, the addition to provisions for losses on loans and advances would have been around EUR 216 million lower. General administrative expenses increased by 17% from EUR 195 million to EUR 229 million, primarily as a result of the expansion in international activities.

The Hypo Real Estate Group has reported consolidated net income before taxes of EUR 41 million for the third quarter of 2004 (1/4 of 2003: EUR 39 million). This figure includes part of the announced exceptional expenses totalling up to EUR 20 million resulting at Hypo Real Estate Bank AG from the sale of a portfolio of German real estate financing with a volume of EUR 3.6 billion which was agreed in September. After taxes, the group has reported quarterly net income of EUR 36 million, representing growth of 24% compared with the corresponding prior-year figure in 2003 (EUR 29 million).

Balance sheet movements (group)

The consolidated total assets of the Hypo Real Estate Group amounted to EUR 151.4 billion as of 30 September 2004, slightly lower than the corresponding figure applicable as of 31 December 2003 (EUR 152.9 billion). Municipal loans which do not form part of core activities were reduced by EUR 4.5 billion during this period, whereas real estate financing increased by EUR 1.8 billion. Total volume of lending declined by EUR 7.5 billion (7%) to EUR 106.2 billion. The portfolio sale of Hypo Real Estate Germany announced in September is not yet reflected in the balance sheet.

The core capital ratio as of 30 September 2004 amounted to 7.8%, compared with 7.6% as of 31 December 2003. The equity funds ratio of 11.3% was slightly lower than the corresponding figure applicable at the end of 2003 (11.5%).

Outlook for the full year

Despite the exceptional expenses incurred for the portfolio sale in September, the managing board has fully confirmed the existing profit targets for the group for the whole year: Consolidated net income before taxes is expected to be in a range of between EUR 205 and EUR 225 million (2003: EUR 156 million), combined with return on equity after taxes of 3.5 to 4% (2003: 2.8%).

Information concerning the segments

Hypo Real Estate International

Hypo Real Estate International more than doubled net income before taxes between January and September, namely from EUR 65 million in the corresponding prior-year period to EUR 138 million. New real estate business in the segment amounted to around EUR 6.1 billion as of 30 September 2004. The main reasons behind the positive development in revenues were the contributions made by the US real estate financing portfolio acquired at the end of 2003 and excellent new business. Operating revenues increased in the first nine months by 90% from EUR 145 million in the corresponding prior-year period to EUR 275 million. A positive factor is that the percentage of net commission income has increased from 28% to 37 %. No specific loan loss provisions were needed but a portfolio-based allowance of EUR 42 million was included in the income statement as of September 30, 2004.

Wuerttembergische Hypothekenbank

In the first nine months, Wuerttembergische Hypothekenbank saw net income before taxes increase by 12% from EUR 41 million in the corresponding prior-year period to EUR 46 million. Operating revenues came in at EUR 79 million, slightly higher than the corresponding prior-year figure (EUR 78 million); the addition to provisions for losses on loans and advances of EUR 14 million is EUR 5 million lower than the corresponding prior-year figure.

Hypo Real Estate Germany

On September 16, 2004, Hypo Real Estate Bank AG sold a German real estate loan portfolio with around 4,200 loans with a total volume of EUR 3.6 billion. This portfolio comprises performing loans which have been properly serviced, but which had been mostly placed on a watch list, as well as sub-performing loans and non-performing loans. As a result of the portfolio sale, Hypo Real Estate Germany was able to complete the restructuring process sooner than planned and to start new business.

The segment has reported a net loss before taxes of EUR 11 million; however, this is almost exclusively attributable to recognition of some of the exceptional expenses incurred in connection with the portfolio sale in September. Net income for the first nine months is stated as EUR minus 10 million (3/4 of 2003: EUR minus 12 million). Operating revenues amounted to EUR 250 million between January and September. The decline compared with the corresponding prior-year figure (EUR 327 million) is due to the deliberate policy of streamlining loans which are not sufficiently profitable or which are no longer of a strategic nature. The corresponding prior-year figure also included the

dividend of FGH Bank (pro-rata around EUR 25 million), which the group sold in October 2003. The addition to provisions for losses on loans and advances (after the HVB risk shelter) increased by EUR 23 million to EUR 165 million. Without the risk shelter which HVB AG has provided for the last time in 2004, the risk provisioning in the segment declined by around EUR 225 million compared with the corresponding prior-year period.

Hypo Real Estate Group ⁽¹⁾ **Operating performance (IFRS)**

in €million	HREI	WuerttHyp	HREGe	Other/ consolidation	HREG
Net interest income					
01.01.-30.09.2004	164	82	264	-3	507
¾ of 2003	103	83	315	5	506
Provisions for losses on loans and advances					
01.01.-30.09.2004	42	14	165	-	221
¾ of 2003	28	19	142	-	189
Net interest income after provisions for losses on loans and advances					
01.01.-30.09.2004	122	68	99	-3	286
¾ of 2003	75	64	173	5	317
Net commission income					
01.01.-30.09.2004	103	-4	-15	-	84
¾ of 2003	41	-3	-4	-	34
Trading profit					
01.01.-30.09.2004	5	-	-	-	5
¾ of 2003	-	-	-	-	-
General administrative expenses					
01.01.-30.09.2004	96	24	95	14	229
¾ of 2003	48	23	114	10	195
Balance of other operating income /expenses					
01.01.-30.09.2004	3	1	1	-	5
¾ of 2003	1	-2	16	-1	14
Operating profit/loss					
01.01.-30.09.2004	137	41	-10	-17	151
¾ of 2003	69	36	71	-6	170
Net income from investments					
01.01.-30.09.2004	1	5	9	-1	14
¾ of 2003	-4	5	-2	-	-1
Balance of other income/expenses					
01.01.-30.09.2004	-	-	-10	-	-10
¾ of 2003	-	-	-77	25	-52
thereof:					
Restructuring expenses					
01.01.-30.09.2004	-	-	10	-	10
¾ of 2003	-	-	65	-	65
thereof:					
Additions to restructuring provisions					
01.01.-30.09.2004	-	-	5	-	5
¾ of 2003	-	-	25	-	25

Profit/loss from ordinary activities / net income/loss before taxes					
01.01.-30.09.2004	138	46	-11	-18	155
% of 2003	65	41	-8	19	117
Taxes on income					
01.01.-30.09.2004	32	-	-1	4	35
% of 2003	22	2	4	2	30
Net income/loss					
01.01.-30.09.2004	106	46	-10	-22	120
% of 2003	43	39	-12	17	87
Minority interest					
01.01.-30.09.2004					-1
% of 2003					-1
Consolidated Profit					
01.01.-30.09.2004					119
% von 2003					86

Key ratios & figures

In %	HREI	WuerttHyp	HREGe	HREG
Cost-income ratio (based on operating revenues)				
01.01.-30.09.2004	34.9	30.4	38.0	38.1
2003	33.2	29.8	34.9	35.2
Return on equity after taxes				
01.01.-30.09.2004	9.8	9.5	-0.6	3.9
2003	4.3	8.2	-0.7	2.8

Key capital ratios (compliant with BIS rules)	HREI	WuerttHyp	HREGe	HREG
Risk-weighted assets (in € billion)				
30.09.2004	16.8	9.4	26.9	52.5
31.12.2003	14.5	9.4	30.6	54.0
Core capital ratio (in %)				
30.09.2004	8.7	7.5	7.7	7.8
31.12.2003 ⁽²⁾	8.9	6.9	7.4	7.6

1) After essential restructuring was completed in the year 2003, Hypo Real Estate Holding AG came into existence by entry in the commercial register on 29 September 2003. To improve comparability, the pro-rata figures from the audited consolidated financial statements for the period ending 31 December 2003 have been used as previous-year values in this interim report.

2) According to the approved annual financial statements.

Summary of quarterly financial data

Hypo Real Estate Group	1st quarter	2nd quarter	3rd quarter
Operating performance (in €million)			
Operating revenues	191	208	202
Provisions for losses on loans and advances	71	75	75
General administrative expenses	72	77	80
Net income from investments	11	4	-1
Balance of other income/expenses	-4	-1	-5
Net income before taxes	55	59	41
Net income	41	43	36
Key indicators			
Total volume of lending (in € billion)	107.4	105.5	106.2
Risk-weighted assets (compliant with BIS rules) (in € billion)	51.9	51.8	52.5
Core capital ratio (compliant with BIS rules) (in %)	7.9	7.9	7.8

Please note our financial calendar for the year 2005.

Dates in 2005	
15 March 2005	Publication of financial statements for 2004; accounts press conference
11 May 2005	Publication of results for Q1 2005
20 May 2005	Shareholders' meeting
10 August 2005	Publication of results for Q2 2005
10 November 2005	Publication of results for Q3 2005