

Analyst Presentation  
March 29, 2004

Hypo  Real Estate  
GROUP

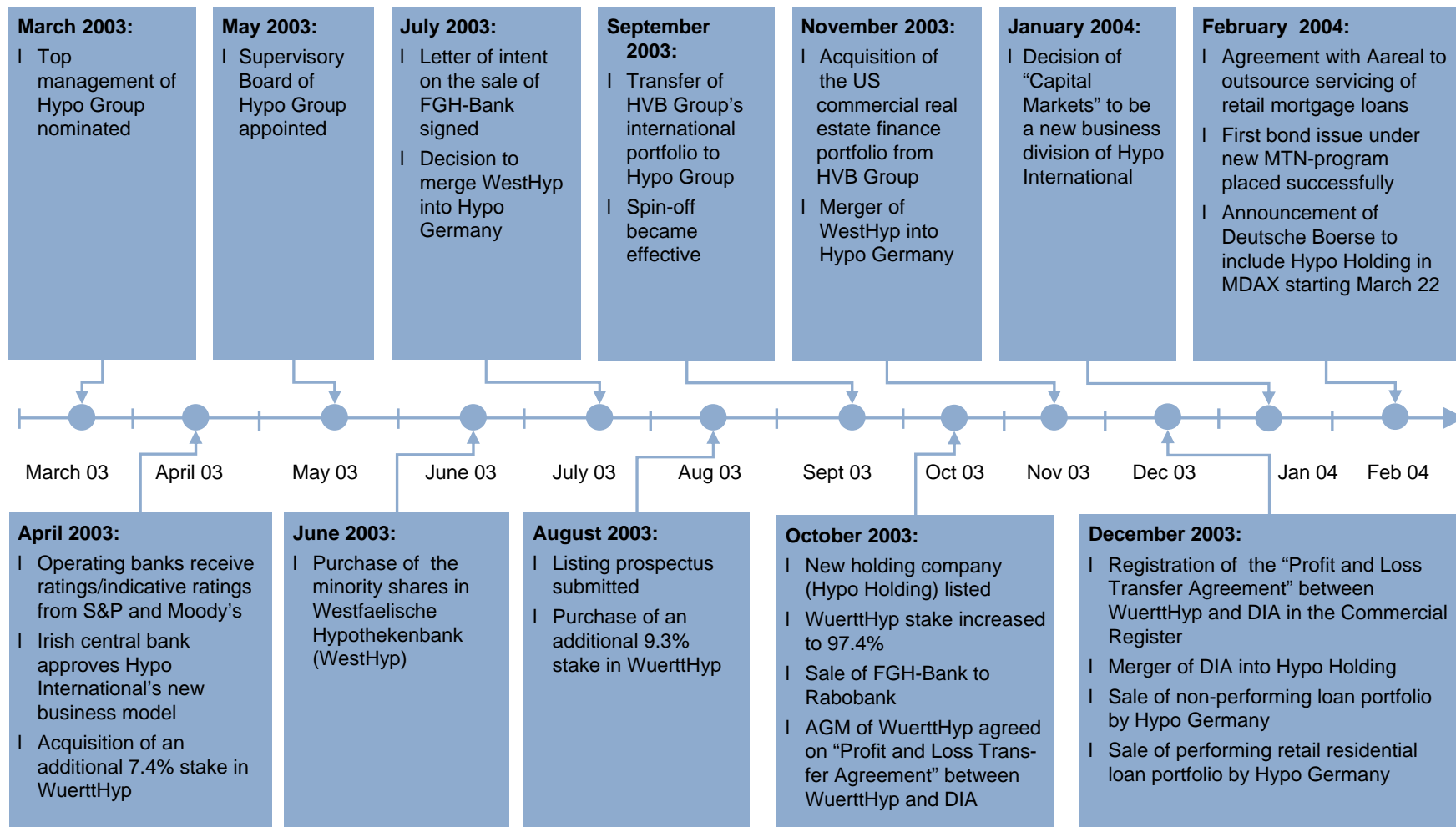


**“Delivering on Promises”**

# Content

- I Successful year of spin-off
- I Hypo Real Estate Group
- I Hypo Real Estate Bank International
- I WuerttHyp
- I Hypo Real Estate Bank in Germany
- I Outlook 2004

# Within just a few months we have built a new player in the European Banking Industry



## Two key developments are the current value drivers of Hypo Group

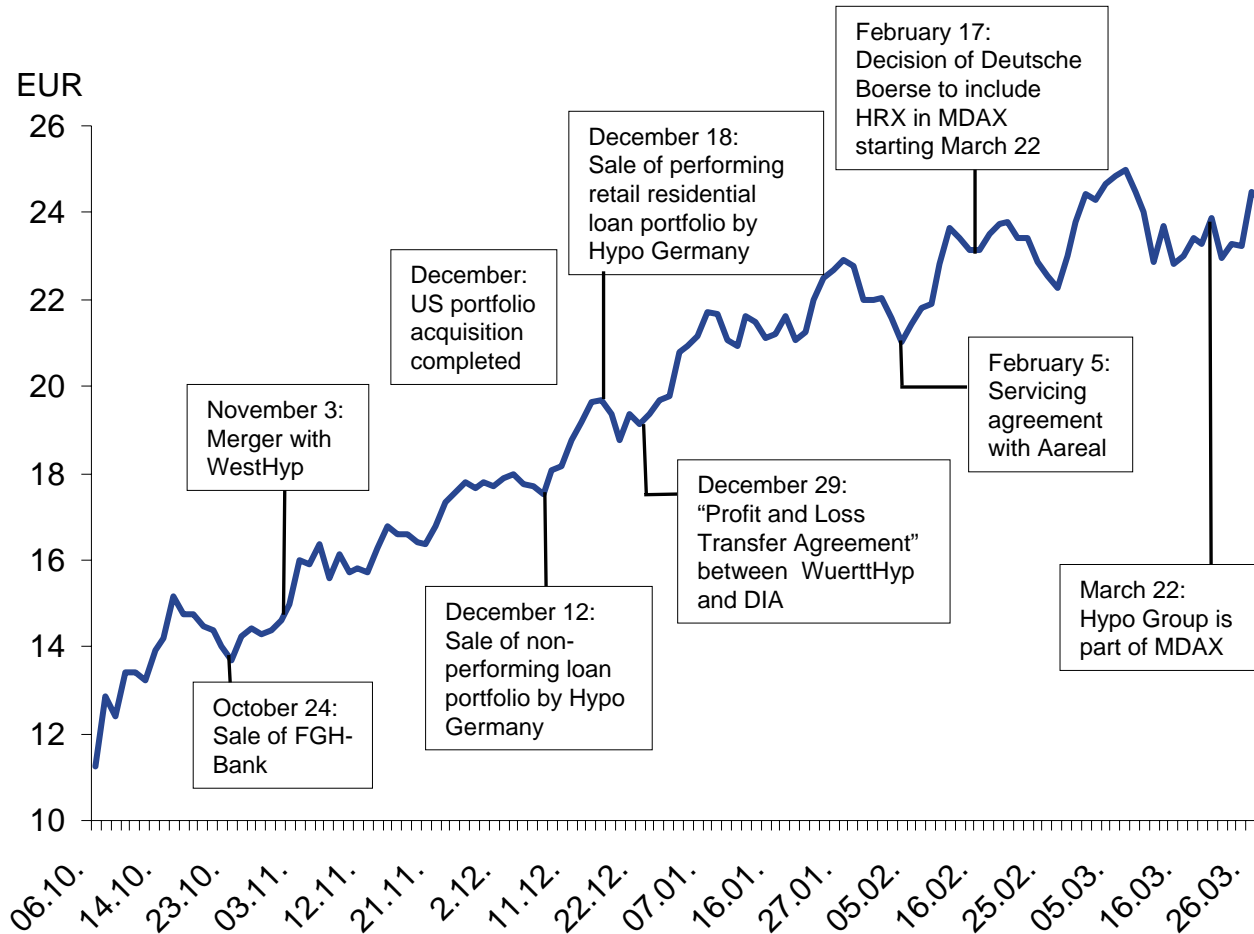
### **Restructuring of Hypo Germany**

- | Significant portfolio reduction (€ 15.0 Bn)
- | Higher margins of > 160 bps instead of 125 bps
- | Lower prolongation rate of 52% instead of 65%
- | Sale of non-performing loan portfolio (€ 490 MM)
- | Sale of performing retail residential loan portfolio (€ 600 MM)
- | Servicing of remaining retail residential mortgage loans outsourced
- | Significant headcount reduction of about 20%

### **Foundation for future growth in international business**

- | Operational set-up of Hypo International completed
- | Marketing franchise platform up and running
- | New business volume of € 3.7 Bn (excl. PBI's new business of € 1.0 Bn) in 2003 despite challenging market conditions and tied-up resources due to spin-off
- | Acquisition of US portfolio (commitments of € 4.9 Bn) completed
- | Close refinancing co-operation between Hypo International and WuerthHyp (i.e. US-portfolio) will optimize funding resources
- | Starting capital markets business with new business division "Capital Markets"

# Share price more than doubles, since first listing on October 6

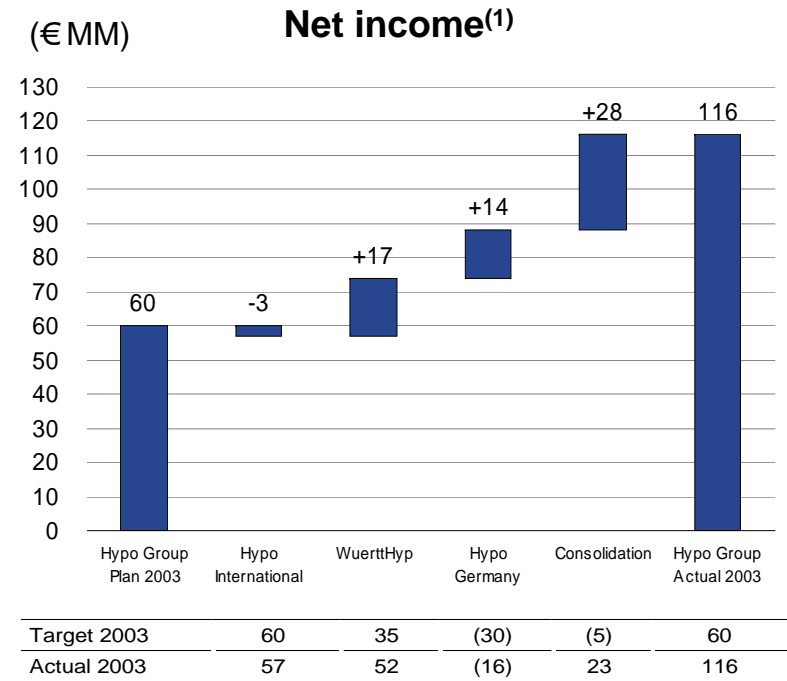
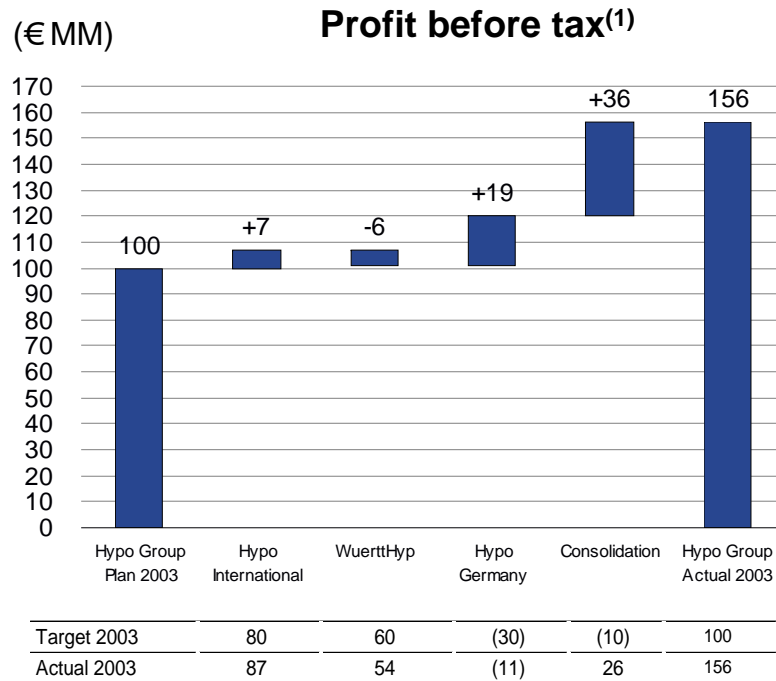


- | Equity markets have recognized the potential of Hypo Real Estate
- | Market capitalization of €3.2 Bn as of March 26 represents a 116% increase in market capitalization since October 6
- | Average daily share turnover of about 730,000<sup>(1)</sup> shares proves Hypo Group to be a very liquid stock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

Source: Deutsche Boerse

| 5 | **Note**  
1. Excluding first 20 trading days

# 2003 profit targets exceeded



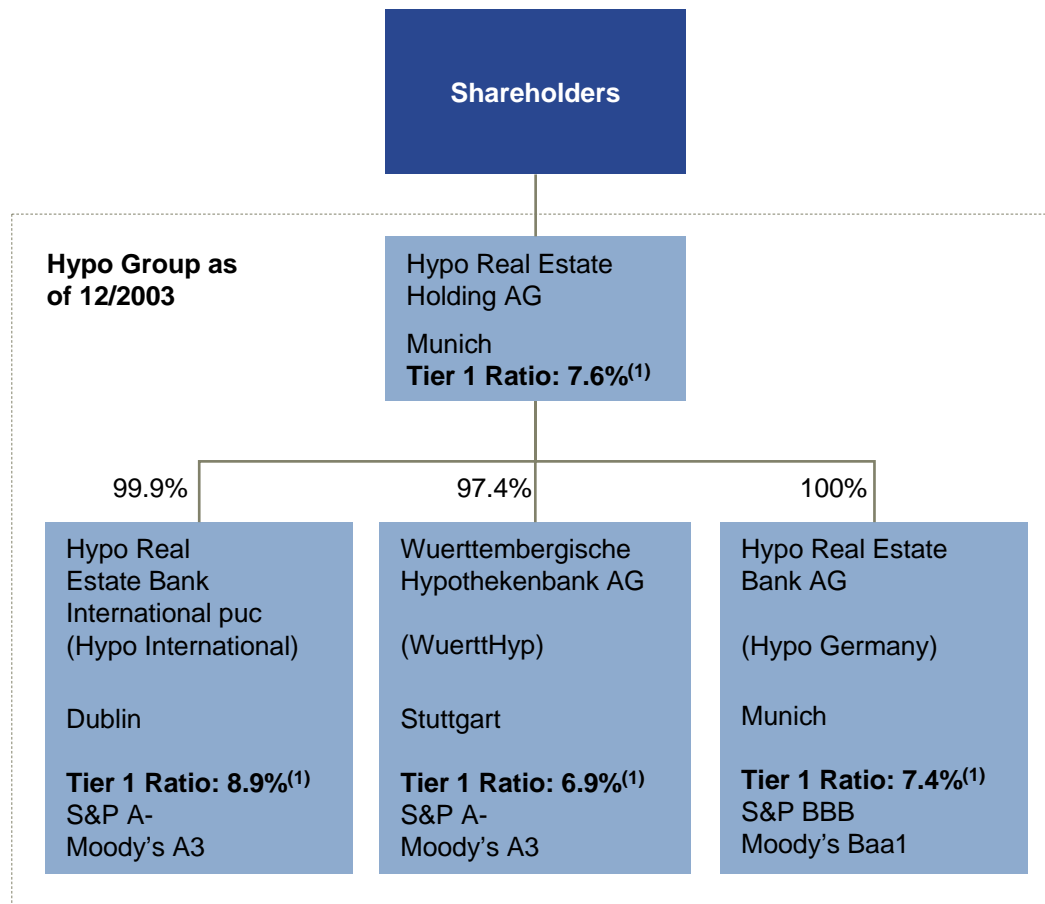
## Extraordinary/unplanned items:

- I The purchase of the remaining WestHyp shares included negative goodwill released through the P&L (“Lucky-Buy” of about € 35 MM)
- I € 19 MM tax effect of the “Profit and Loss Transfer Agreement” boosted net income significantly
- I Sale of performing retail loan portfolio

# Hypo Real Estate Group

# Hypo Real Estate Group

## After merger of Hypo Holding with DIA group structure is complete



- | Financial holding with three operating banks gives a transparent and efficient structure
- | Holding provides access to equity capital markets and strategic steering of group
- | Three separate/ dedicated capital pools enable efficient funding

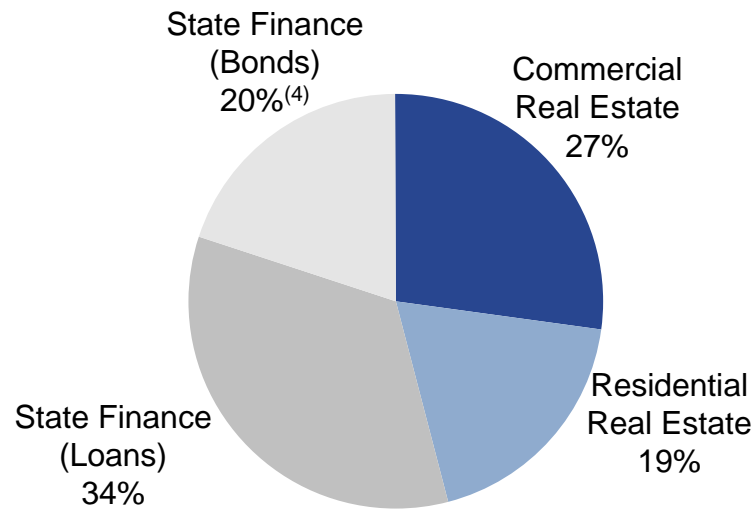
| 8 | **Note**

1. Tier 1 Ratio calculated according to BIS  
Source: Audited Annual Report 2003 (Notes 22)

# Hypo Real Estate Group

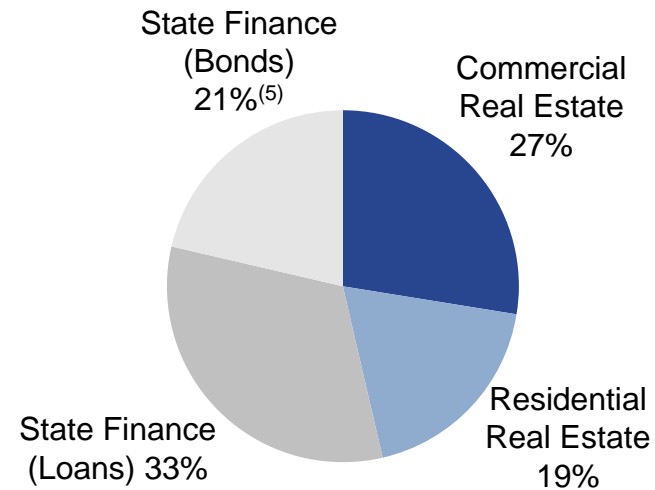
The group portfolio has been reduced in total by €13 Bn

**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

| 9 | **Notes**

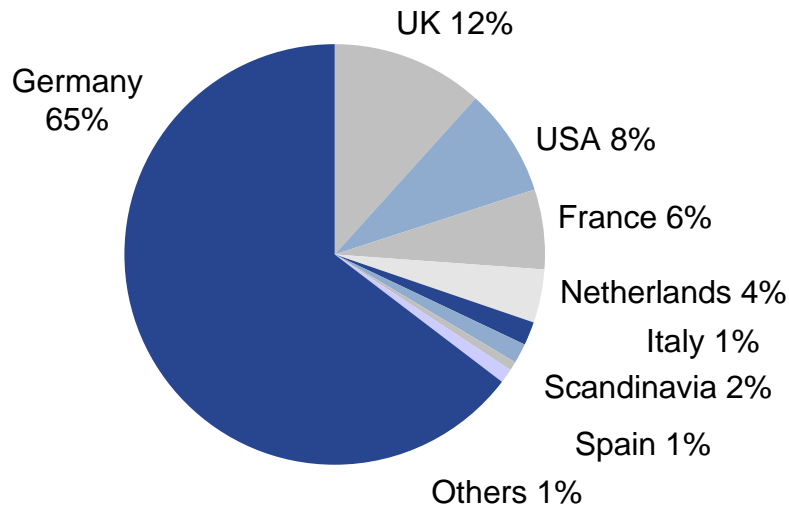
1. Based on commitments (Hypo Germany loans outstanding)
2. Internal, unaudited figures as of 05/2003, pro forma including US portfolio
3. Internal, unaudited figures as of 12/2003
4. First time incl. € 18.9 Bn bonds state finance in Hypo Germany, rest is Hypo International and WuerttHyp
5. First time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

# Hypo Real Estate Group

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

## SPLIT BY REGION

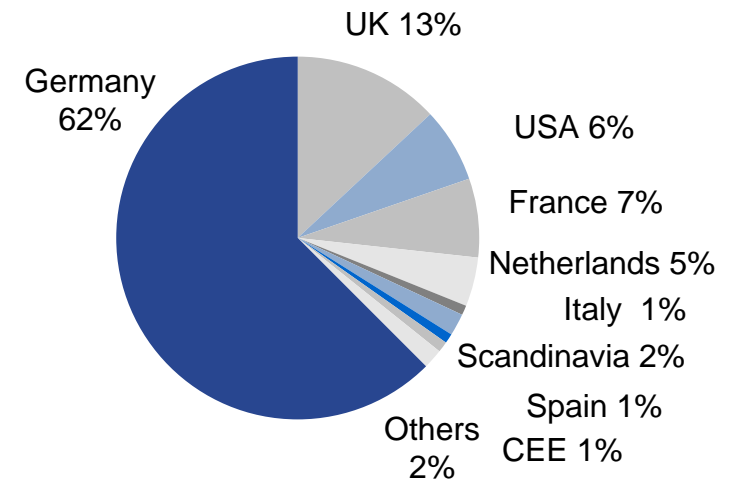
Real Estate Loan Portfolio 05/2003<sup>(1,2)</sup>



100% = €69.0 Bn

## SPLIT BY REGION

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



100% = €63.6 Bn

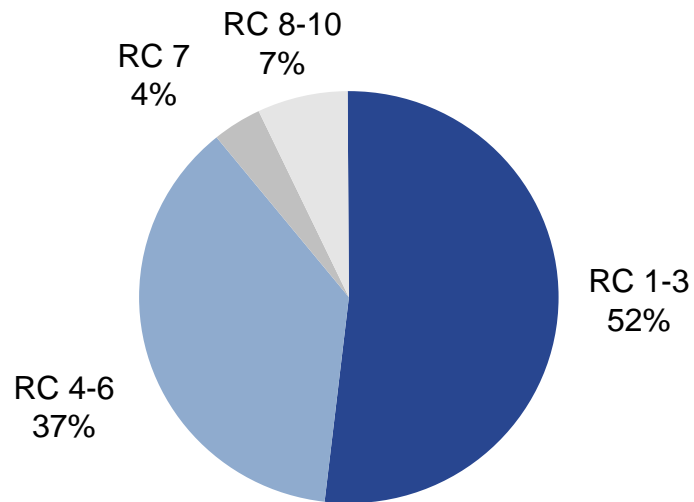
| 10 | **Notes**

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 ...while the overall asset quality was maintained

## SPLIT BY RISK CLASS

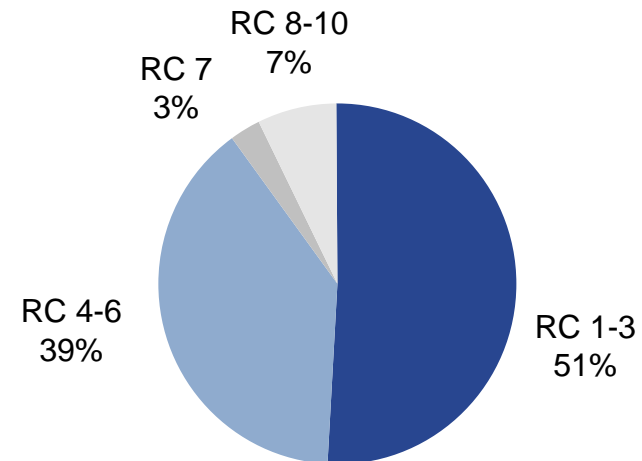
Real Estate Loan Portfolio 05/2003<sup>(1,2)</sup>



100% = €69.0 Bn

## SPLIT BY RISK CLASS

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



100% = €63.6 Bn

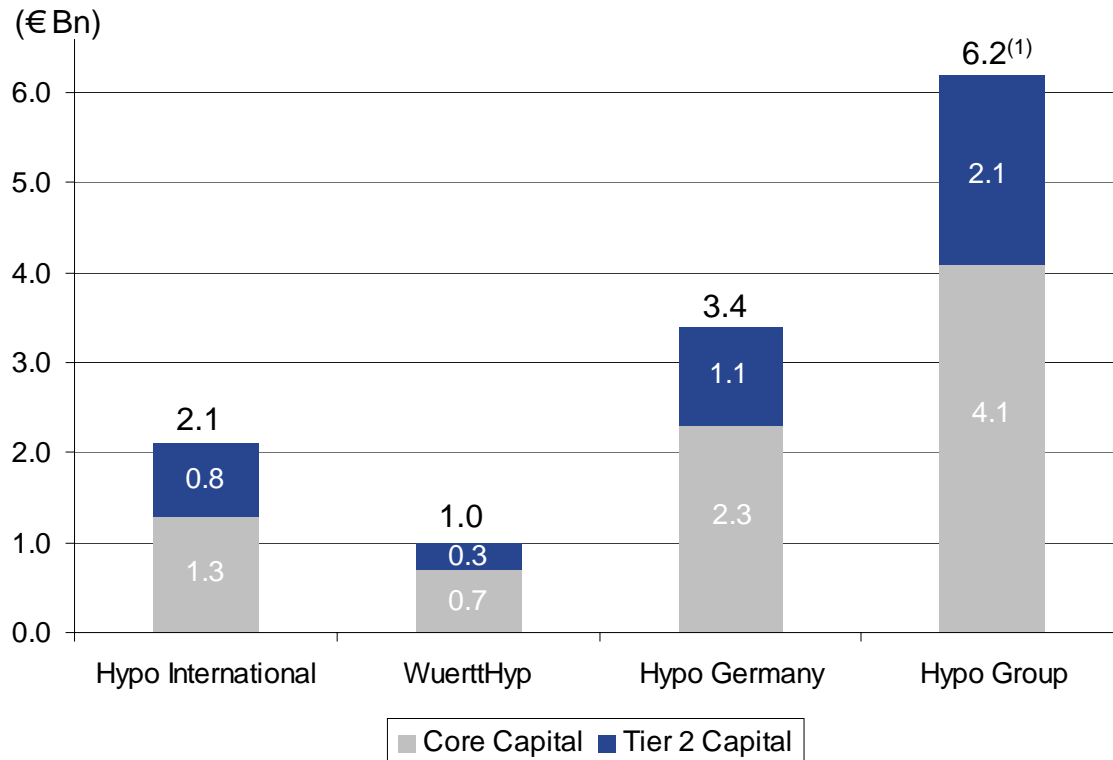
### | 11 | Notes

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

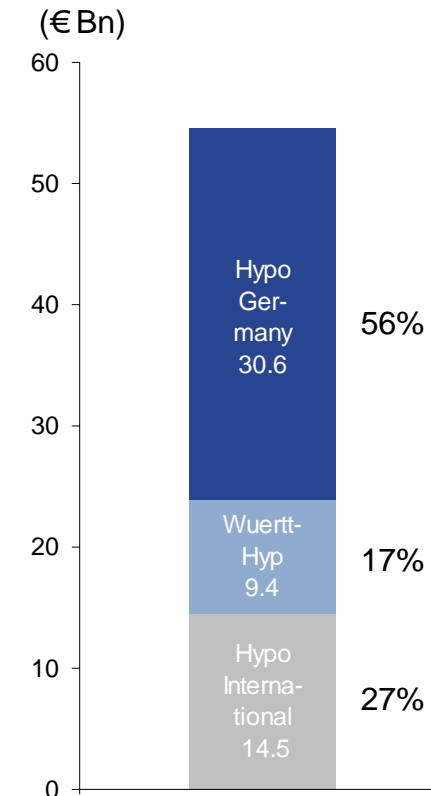
## Hypo Group is well capitalized with Tier 1 ratios exceeding original targets

### Core Capital and Total Capital



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

### RWA<sup>(2)</sup>



100% = €54.0 Bn<sup>(3)</sup>

#### | 12 | Notes

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

# 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

### | 13 | 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

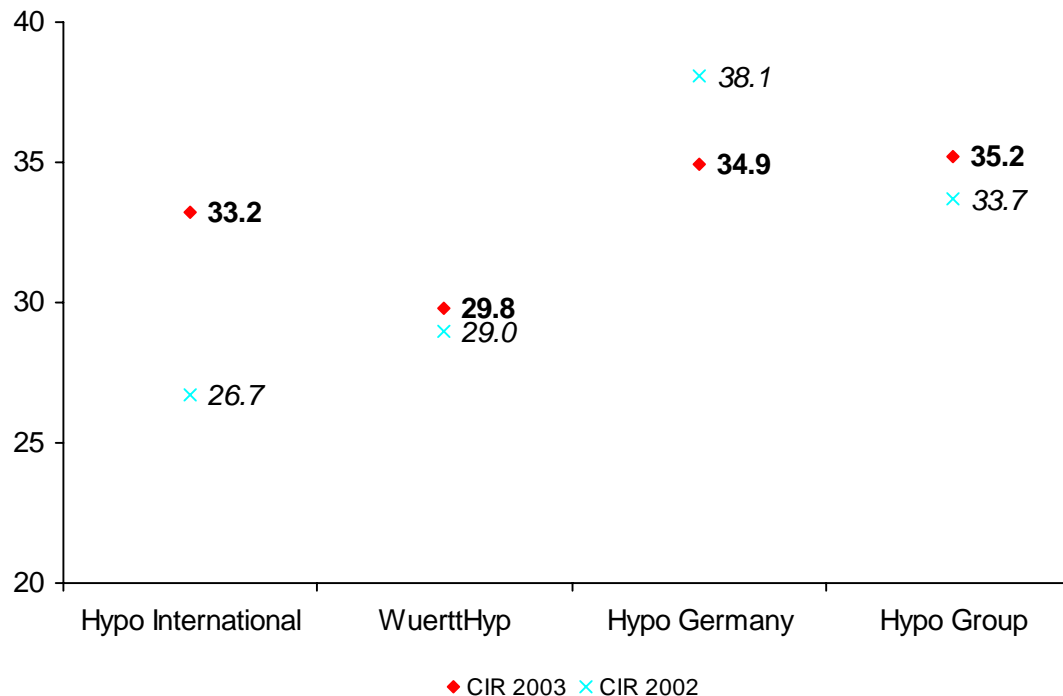
## Key Financials - breakdown by segment

KEY FINANCIALS (IFRS)					
(€MM) 2003	Hypo International	WürttHyp	Hypo Germany	Others / Consolidation	Hypo Group
Net interest income	137	110	420	7	674
Provisions for losses on loans and advances	(37)	(25)	(190)	-	(252)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>100</b>	<b>85</b>	<b>230</b>	<b>7</b>	<b>422</b>
Net commission income	55	(4)	(6)	-	45
General administrative expenses	(64)	(31)	(152)	(13)	(260)
Balance of other operating income/expenses	1	(2)	22	(2)	19
<b>Operating result</b>	<b>92</b>	<b>48</b>	<b>94</b>	<b>(8)</b>	<b>226</b>
Net income from investments	(5)	6	(2)	-	(1)
Balance of other income/expenses	0	0	(103)	34	(69)
<b>Result of ordinary activities / net income or loss before taxes</b>	<b>87</b>	<b>54</b>	<b>(11)</b>	<b>26</b>	<b>156</b>
Taxes on income	(30)	(2)	(5)	(3)	(40)
<b>Net income/loss</b>	<b>57</b>	<b>52</b>	<b>(16)</b>	<b>23</b>	<b>116</b>
Total assets (€ Bn)	16	30	108	(1)	153
Tier 1 (€ MM)	1,300	646	2,262	(86)	4,122
Total loans (€ Bn)	18	19	77	-	114
RWA (€Bn) <sup>(1)</sup>	14.5	9.4	30.6	(0.5)	54,0
CIR (%)	33.2	29.8	34.9	-	35,2
LLP in bp of total loans	21	13	85 <sup>(3)</sup>	-	63 <sup>(3)</sup>
ROE after taxes (%)	4.3	8.2	(0.7)	-	2,8
Adjusted ROE after taxes (%) <sup>(2)</sup>	9.4	--	--	-	-

### | 14 | Notes

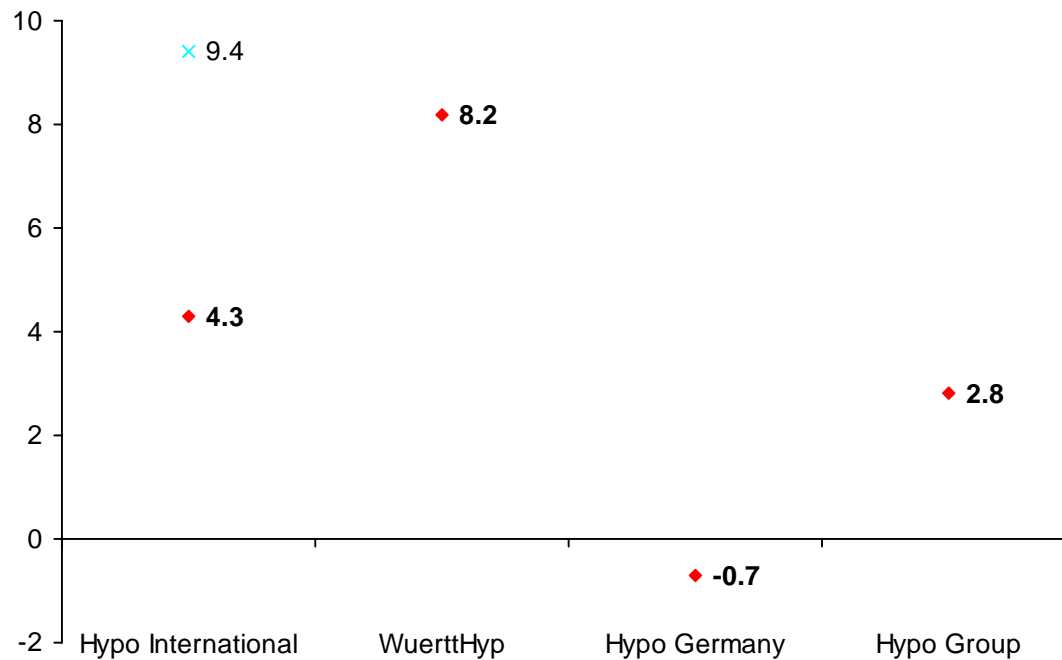
1. According to BIS
2. Adjusted for general loan loss provisions and equity capital tied up by US portfolio
3. Including Risk Shelter of HVB AG

# Hypo Real Estate Group Cost-Income-Ratio (based on operating revenues)



- I The CIR of the Group increased from 33.7% by 1.5 percentage points to 35.2%
- I The CIR of Hypo International was mainly influenced by the expenses for the set-up of Head-Office functions
- I Within Hypo Germany the net interest income was positively affected by one-time effects (~ €43 MM).

# Hypo Real Estate Group Return on equity after taxes



- I The Return on Equity of the Group by year-end amounts to 2.8% and clearly exceeds our expectations
- I The high core capital ratio of 7.6% according to BIS reduces the Return on Equity
- I The Return on Equity of Hypo International is reduced by a general loan loss provision and the equity charge of the US Portfolio, which has been acquired in December 2003 and therefore did not contribute to the profit and loss in 2003. The adjusted Return on Equity amounts to 9.4%

# Hypo Real Estate Group

## Balance sheet overview

ASSETS	CHANGE			
	in MM €		in MM €	in %
	<b>37,986</b>	<b>37,622</b>		
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</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>

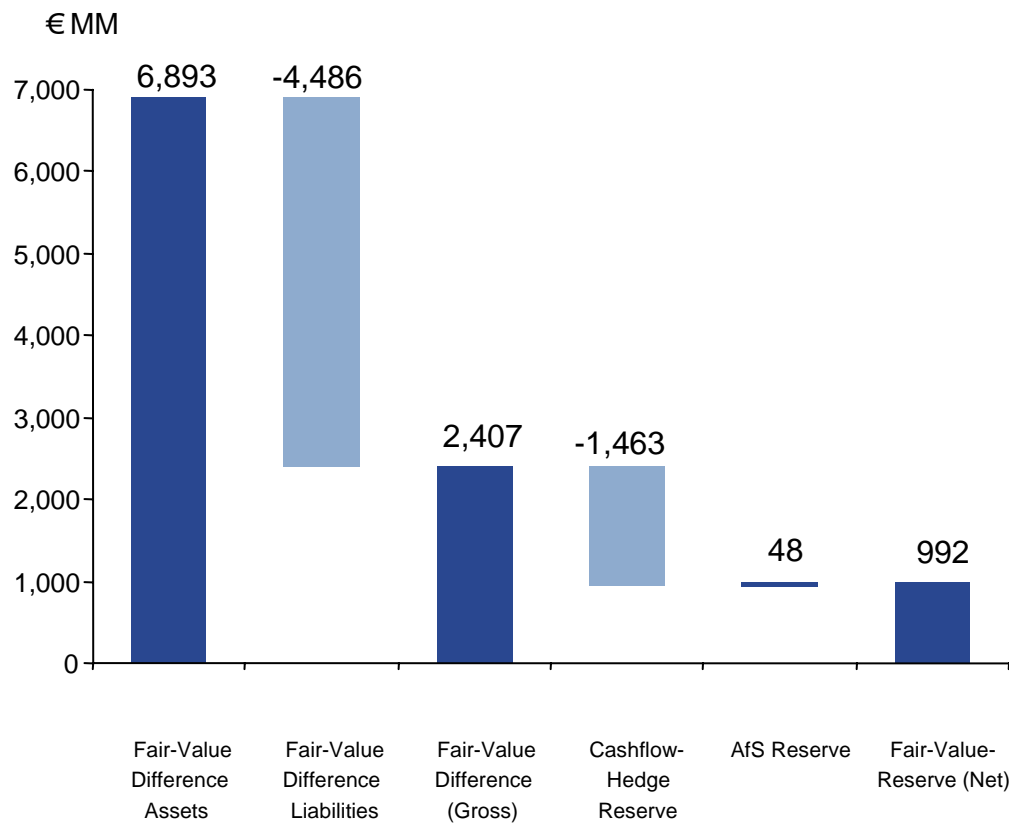
The total assets have been reduced as planned. The increase in Hypo International has been more than covered by reducing the real estate (-4.3 %) and public sector loans (-16.9 %)

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



- | The Fair-Value valuation according to IAS 32 leads to a Fair-Value Reserve (Gross) in the financial assets of about €2,407 MM
- | 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
- | The Fair-Value reserve of the financial assets exceeds the negative Revaluation reserve of roughly €1 Bn
- | 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 Bank International

# Hypo Real Estate Bank 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 create a risk cushion
- | Increased fee income due to higher arrangement fees
- | Increase in general administrative expenses to build up an independent banking operation
- | Comparability with 2002 limited caused by one time effects in net income from investments of €30 MM in 2002 and general loan loss provision in 2003
- | Hypo International earns cost of capital after adjustments for one-time effects (US-portfolio capital requirement, general loan loss provision)

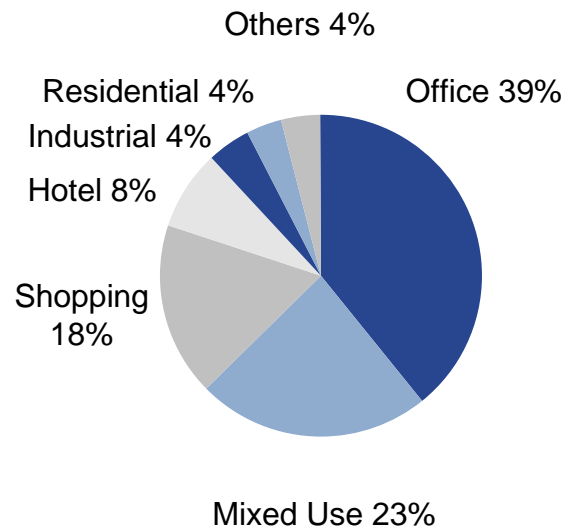
### | 20 | Notes

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

# Hypo Real Estate Bank International

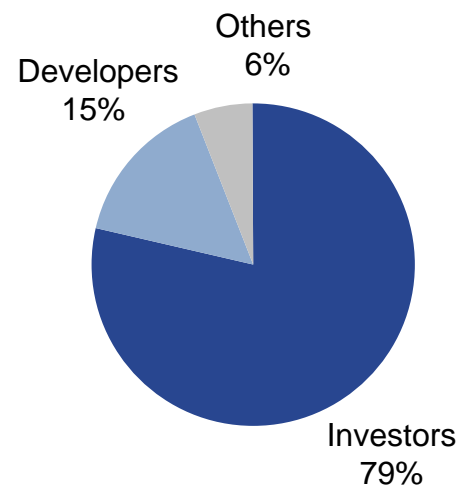
## Current portfolio structure is well-diversified...

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



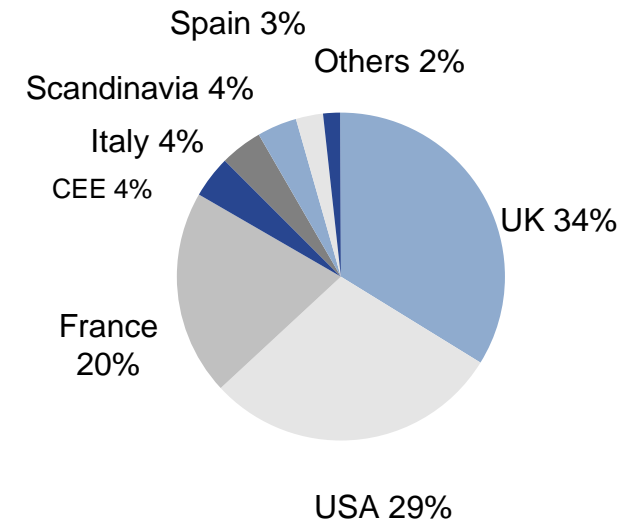
**100% = €14.1 Bn<sup>(3,4)</sup>**

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



**100% = €14.1 Bn<sup>(3,4)</sup>**

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



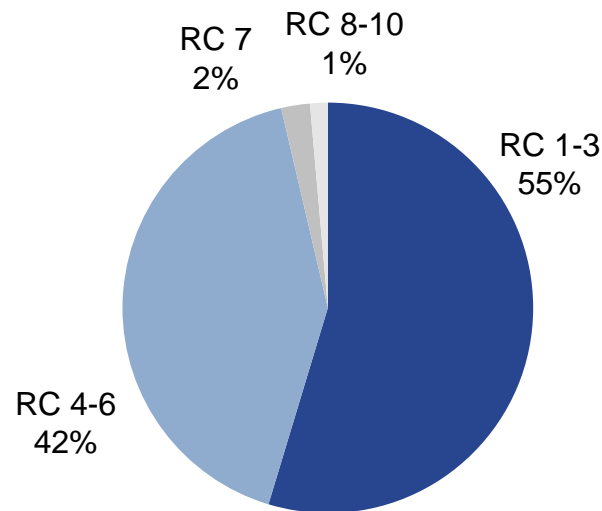
**100% = €14.1 Bn<sup>(3,4)</sup>**

| 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

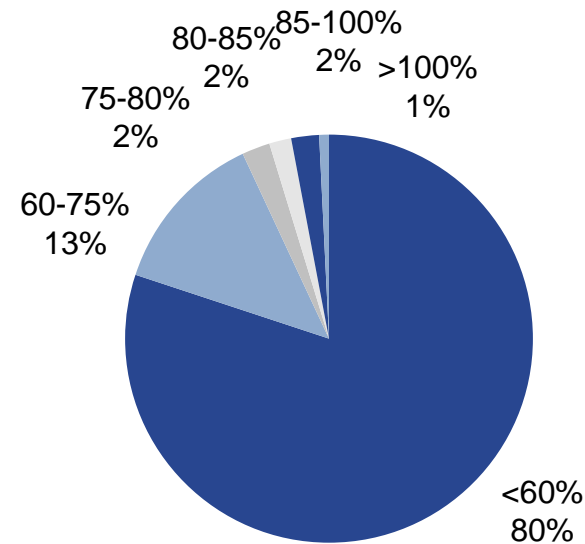
# Hypo Real Estate Bank International ...and of sound asset quality

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



**100% = €14.1 Bn<sup>(3,4)</sup>**

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



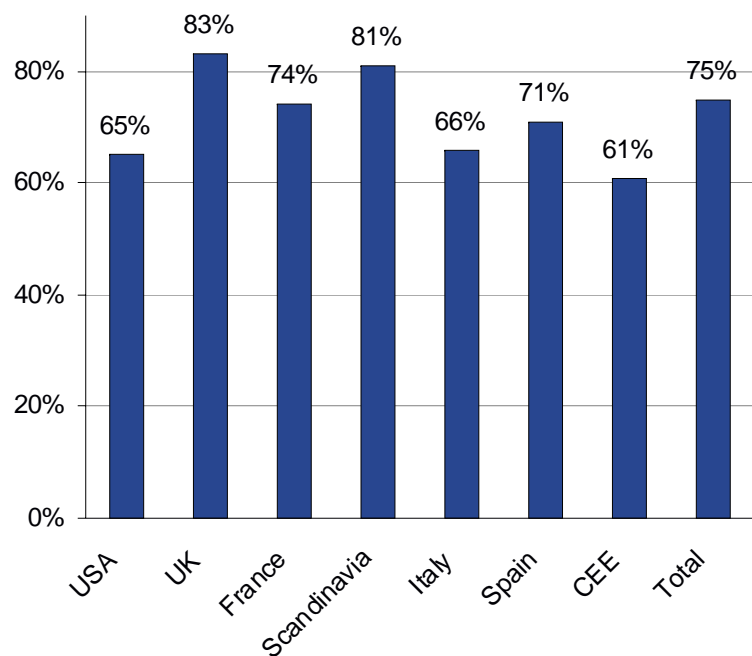
**100% = €10.3 Bn<sup>(3,4,5)</sup>**

| 22 | **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
5. Only for loans secured by mortgages, not included: € 3.8 Bn: VAT bridge loans (12/2003: € 0.2 Bn), guarantees (12/2003: € 1.0 Bn), corporate loans (12/2003: € 0.7 Bn), construction loans (12/2003: € 1.7 Bn), undrawn loans (12/2003: € 0.2 Bn)

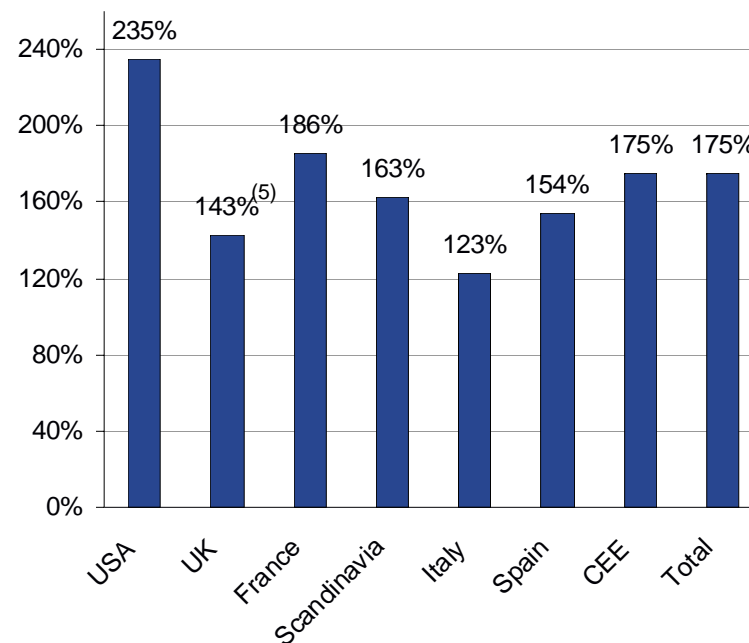
# Hypo Real Estate Bank International Breakdown by LTV and DSC

**LTV PER COUNTRY 12/2003<sup>(1,2)</sup>**



**100% = €10.1 Bn<sup>(4)</sup>**

**DSC PER COUNTRY 12/2003<sup>(2,3)</sup>**



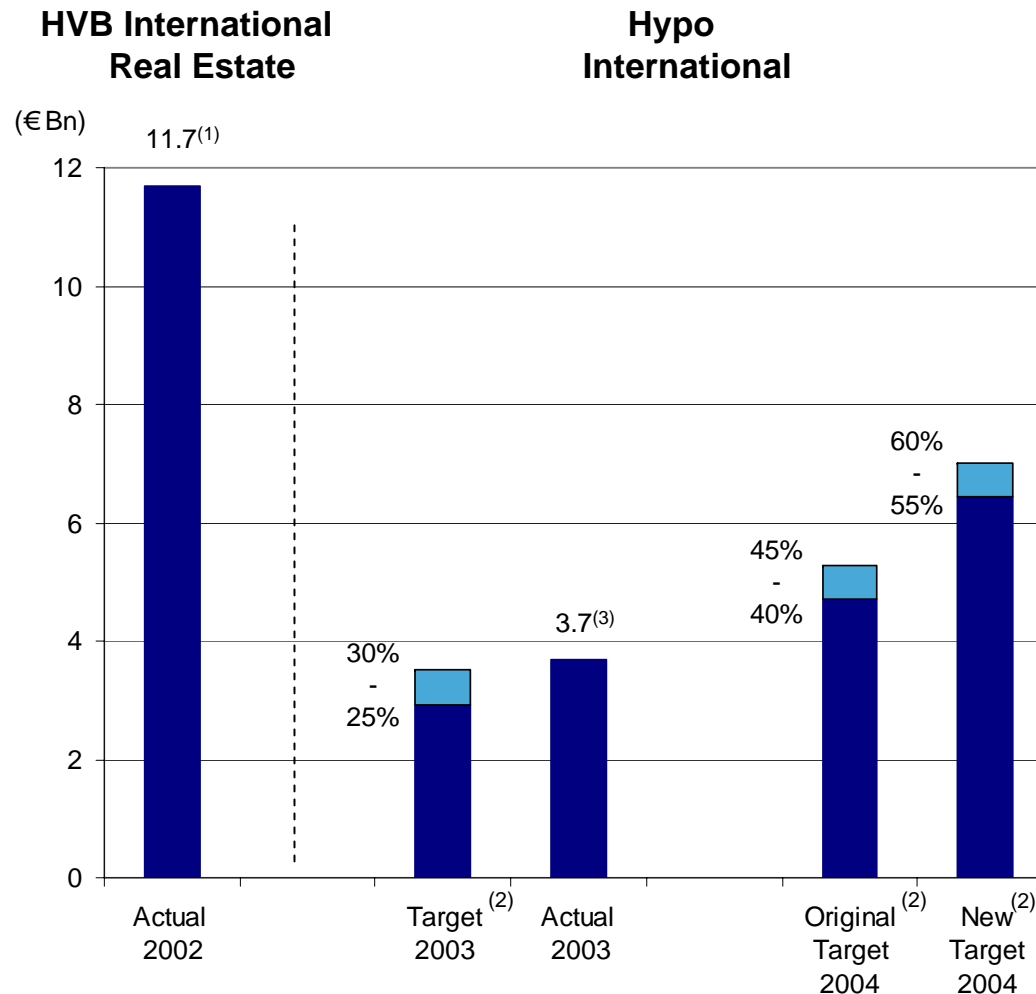
**100% = €9.5 Bn<sup>(4)</sup>**

| 23 | **Notes**

1. Based on closed commitments
2. Internal, unaudited figures as of 12/2003
3. Based on loans outstanding
4. Excl. corporate loans (€0.7 Bn), construction loans (€1.7 Bn), guarantees (€1.0 Bn), Bridge loans (€0.2 Bn), totally un-drawn loans (€0.2 Bn) and remaining loans of HVB Bank Ireland (€0.2 bn)
5. ISC because DSC not meaningful due to non-fixed amortisation schedule

# Hypo Real Estate Bank International

## New business target to exceed the original conservative plan



- I UK and US will remain main markets for acquisition of new business short-term
- I Start of new business planned, i.e. Netherlands, Japan
- I New target 2004 slightly higher than original target 2005

| 24 | **Notes**

1. New business p.a. before syndication, amortization and securitization
2. As % of 2002 volume
3. Excluding PBI's new business of € 1.0 Bn

# Hypo Real Estate Bank International

## Transaction highlights 2003 - combination of state of the art structuring capabilities with big ticket underwriting capacity

<p><i>Uni-Invest Take-private</i></p> <p><b>€1.6 Bn</b></p> <p>Arranger &amp; Underwriter Take-out facility Hypo Real Estate Bank International London</p>	<p><i>Hercules Unit Trust Chartwell Land Portfolio</i></p> <p><b>£ 118 MM</b></p> <p>Senior Credit Facility Hypo Real Estate Bank International London</p>	<p><i>The Whitehall Funds "Blanche 7" mixed use Portfolio France</i></p> <p><b>€164 MM</b></p> <p>Refinancing Hypo Real Estate Bank International France</p>	<p><i>Lone Star Funds French Thales Portfolio</i></p> <p><b>£ 154 MM</b></p> <p>Investment Facility Hypo Real Estate Bank International France</p>	<p><i>Debenhams Take-private</i></p> <p><b>£ 80 MM</b></p> <p>Joint Mandated Lead Arranger &amp; Lender Bridge Facility Hypo Real Estate Bank International London</p>
<p><i>ProLogis European Properties Fund Central and Eastern European Distribution Properties Portfolio</i></p> <p><b>€110 MM</b></p> <p>Refinancing Hypo Real Estate Bank International Germany</p>	<p><i>CenterParcs Propco/Opco Structure</i></p> <p><b>£ 60 MM</b></p> <p>Joint Arranger &amp; Lender Refinancing Hypo Real Estate Bank International London</p>	<p><i>Tornet Take-private</i></p> <p><b>SEK 600 MM</b></p> <p>Joint Arranger &amp; Lender Mezz. Bridge Facility Hypo Real Estate Bank International Stockholm/London</p>	<p><i>Morgan Stanley Real Estate Funds, Pirelli &amp; C. Real Estate S.p.A. Mixed-use Portfolio Italy</i></p> <p><b>€70 MM</b></p> <p>Investment Facility Hypo Real Estate Bank International Italy</p>	<p><i>LaSalle Investment Management Logistics Warehouses in Madrid &amp; Valls</i></p> <p><b>€51 MM</b></p> <p>Acquisition Financing Hypo Real Estate Bank International Spain</p>

## Hypo Real Estate Bank International Outlook

- I Despite challenging market conditions we plan to write new business of €6.5 Bn - €7.0 Bn
- I Geographic expansion of successful business model going forward without any dilution of strict risk-return criteria
- I "Capital Markets" division (created at the beginning of 2004) will expand value-added chain and will generate additional commission income
- I Hypo International's earnings will exceed cost of capital with a target profit before tax between €175 MM and €185 MM (2004)

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 Transfer” agreement between Hypo Holding and WuerttHyp
- | WuerttHyp refinanced € 1.2 Bn tranche of US portfolio acquired by Hypo International

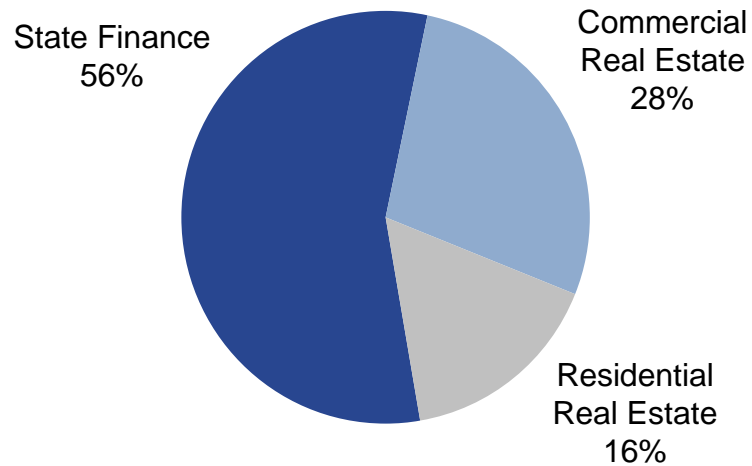
| 28 | Note

1. Including accrued interests
2. According to BIS

# WuerttHyp

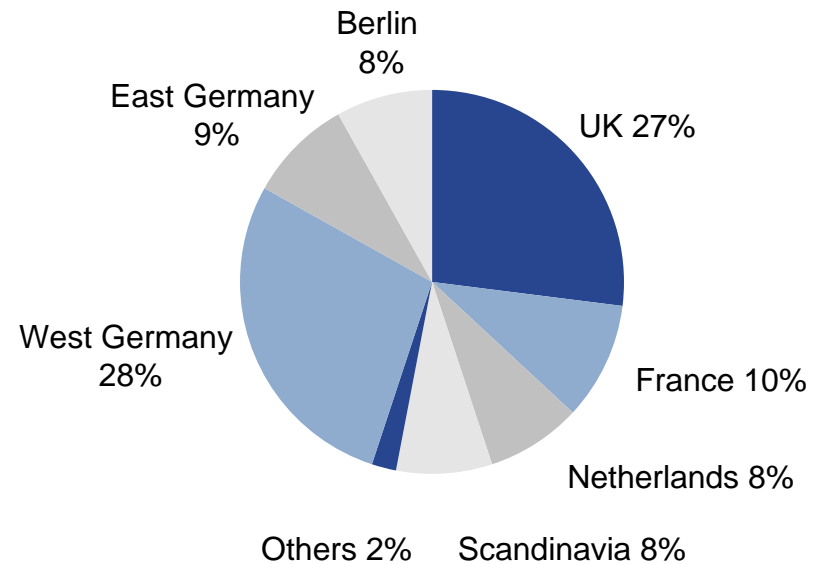
## Current portfolio breakdown

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



100% = €24.8 Bn<sup>(3)</sup>

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



100% = €11.0 Bn<sup>(3)</sup>

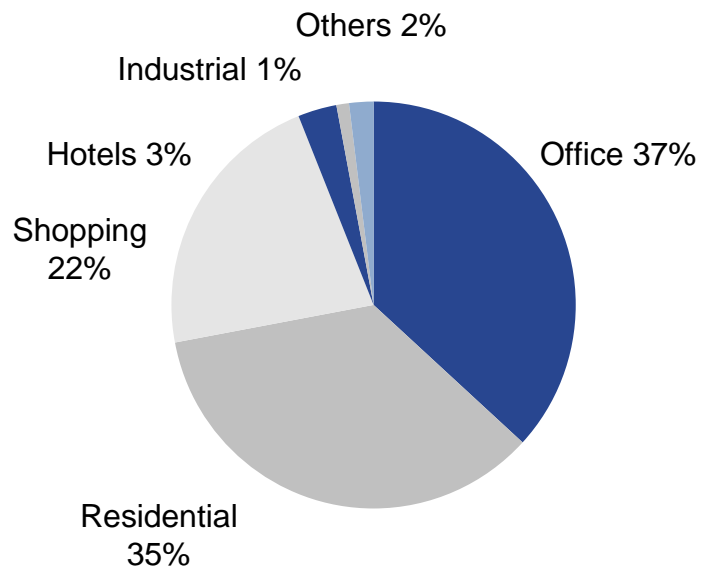
| 29 | **Notes**

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

# WuerttHyp

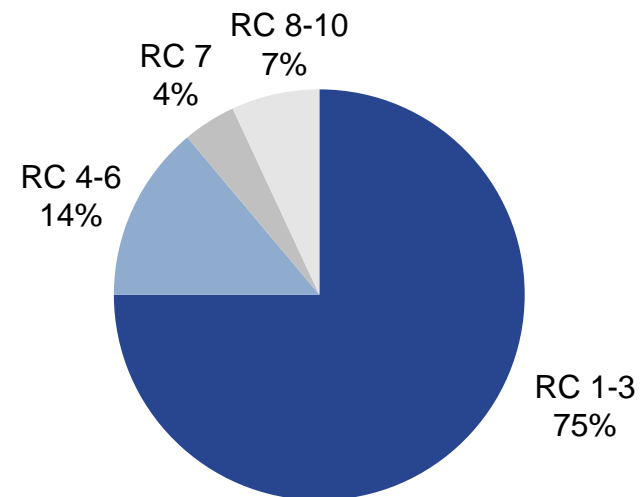
## Current loan portfolio breakdown (cont'd)

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



100% = €11.0 Bn<sup>(3)</sup>

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



100% = €11.0 Bn<sup>(3)</sup>

| 30 | **Notes**

1. Based on commitments
2. Internal, unaudited figures as of 12/2003
3. Excl. guaranteed US Portfolio by Hypo International (€ 1.2 Bn )

## WuerttHyp Outlook

- | WuerttHyp will continue its proven and successful business model as part of Hypo Group and will focus on the origination of Pfandbrief-eligible loans (“low risk approach”)
- | New business will mostly be underwritten in international markets
- | A close co-operation with Hypo International will support the growth of WuerttHyp as well as optimize Hypo Group’s funding base
- | Moderate increase of profitability with a target profit before tax planned between € 55 MM and € 60 MM (2004)

# Hypo Real Estate Bank in Germany

# Hypo Real Estate Bank in Germany

## Key Financials

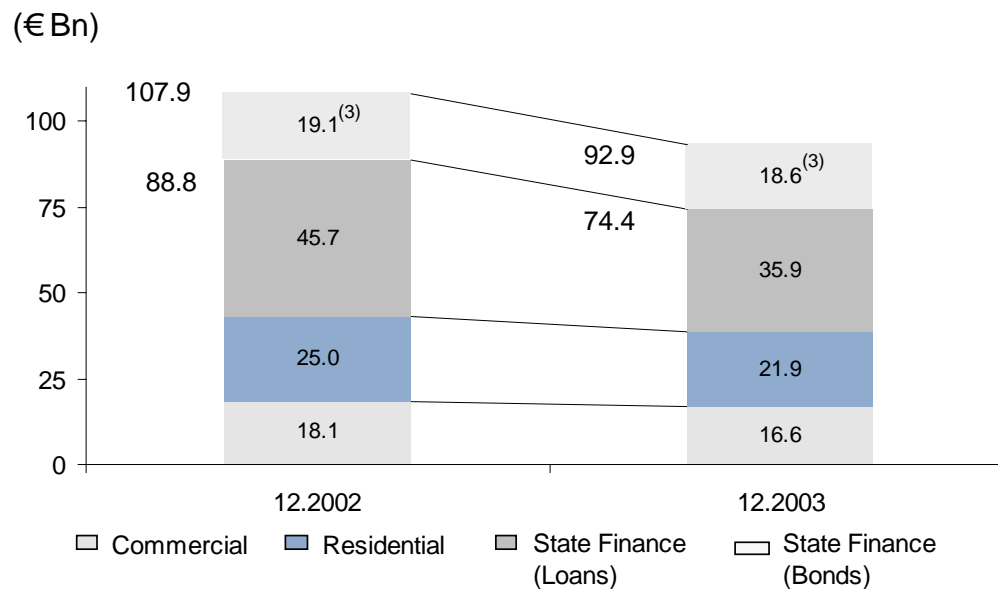
KEY FINANCIALS (IFRS)		
(€MM)	2003	2002
Net interest income	420	411
Provisions for losses on loans and advances	(190)	(461)
<b>Net interest income after provisions for losses on loans and advances</b>	<b>230</b>	<b>(50)</b>
Net commission income	(6)	(13)
General administrative expenses	(152)	(154)
Balance 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

# Hypo Real Estate Bank in Germany

## Reduction of portfolio is well on track

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

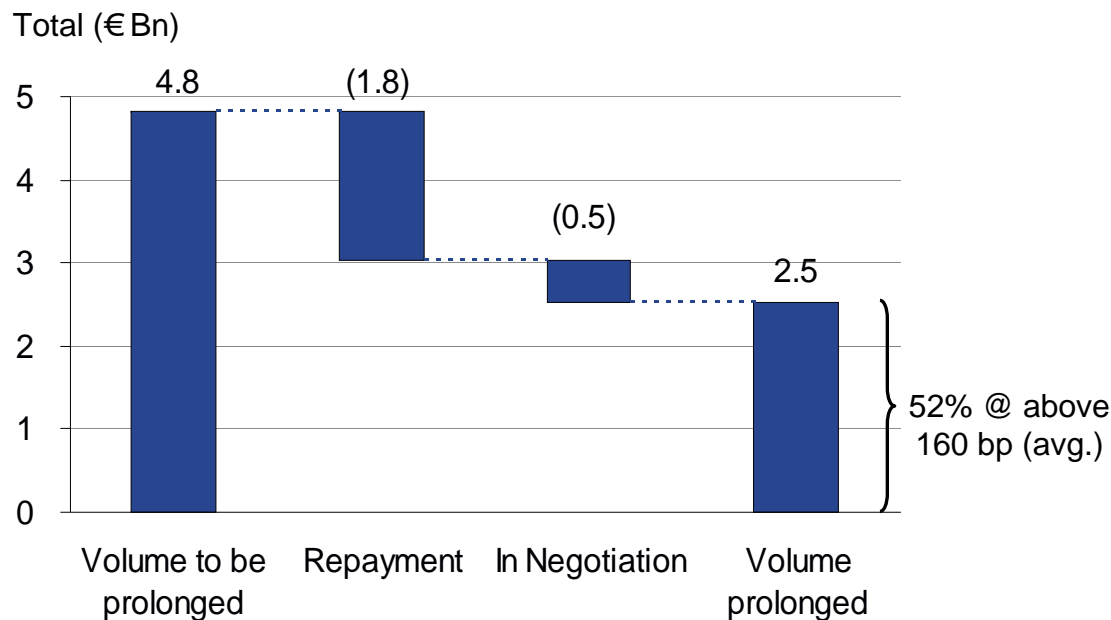


- I Decrease in state finance  
€ 10.4 Bn
  - Run-off according to maturities as planned
- I Decrease in mortgage loans  
€ 4.6 Bn
  - Run off according to regular repayments and prolongation rate
  - Includes portfolio sale of € 1.1 Bn
  - Ahead of plan

# Hypo Real Estate Bank in Germany

## Volume was melting down fast and margins are significantly higher than planned

### Real Estate Prolongations 01-12/2003

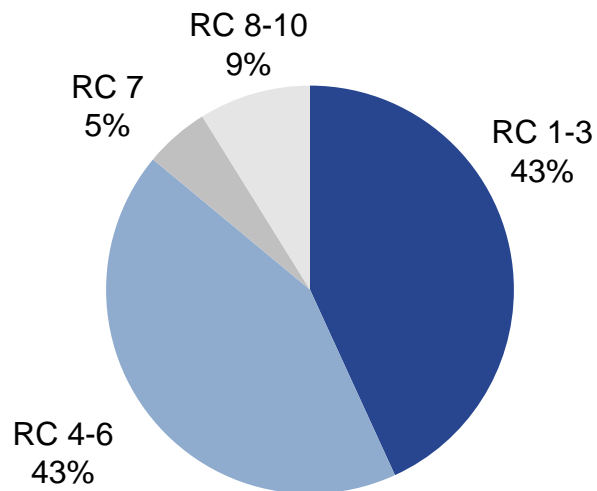


- I In line with business strategy
  - Actual prolongation rate (Jan-Dec): 52% (compared to planned 65%)
  - Actual margin (Jan-Dec): > 160 bps compared to average 140 bps (Jan-Jun) and >125 bps in original spin-off plan
- I Average prolongation period of about two years

# Hypo Real Estate Bank in Germany

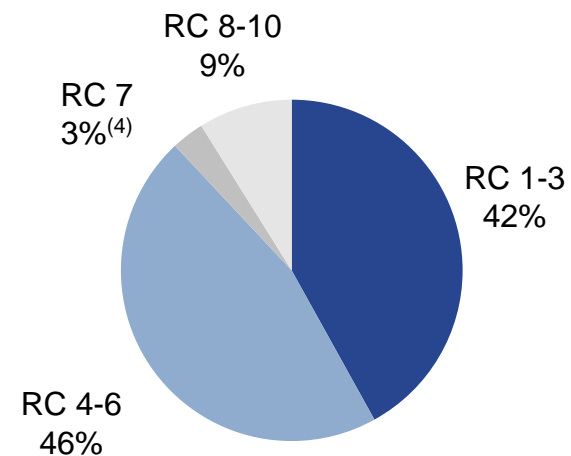
## Risk structure and asset quality have remained stable in the ongoing process of portfolio reduction

**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

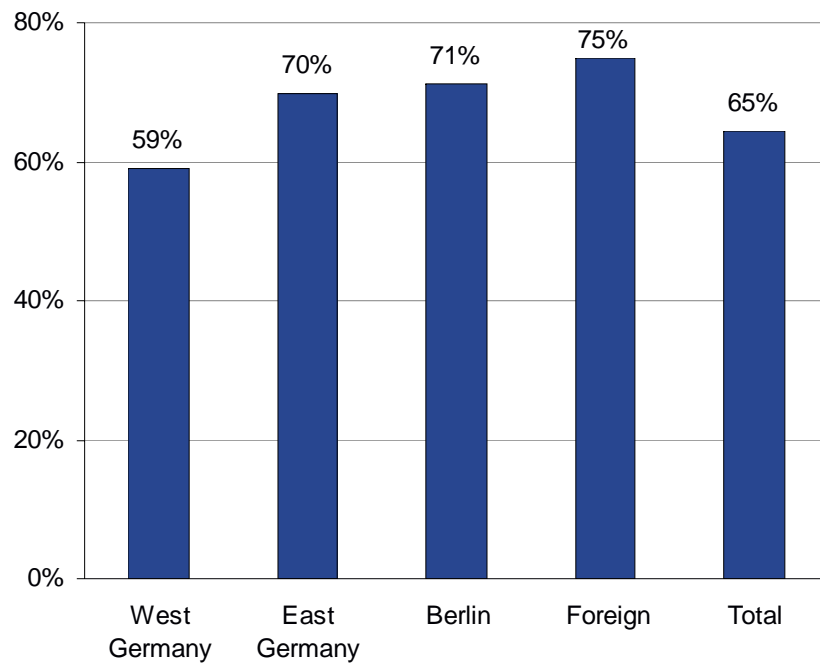
| 36 | **Notes**

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

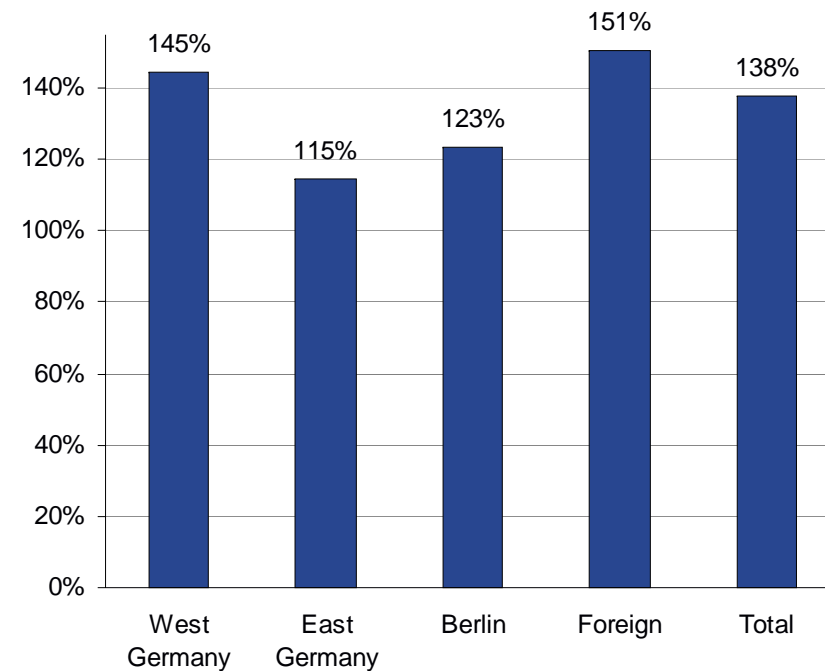
# Hypo Real Estate Bank in Germany

## Geographical analysis of LTMV and DSC

**LTMV (loan to mortgage value)  
PER REGION 12/2003<sup>(1,2)</sup>**



**DSC PER REGION 12/2003<sup>(1,2)</sup>**



| 37 | **Notes**

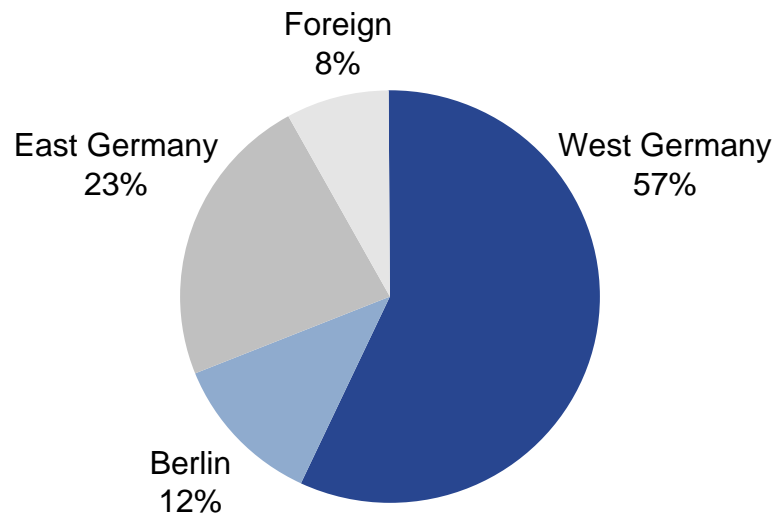
1. 80% of loans to private and commercial investors as well as housing companies in rating class 1-8; selection was top down based (not included retail, internal rating 9-10 and property developers)
2. Internal, unaudited figures as of 12/2003

# Hypo Real Estate Bank in Germany

## No change in regional breakdown of real estate portfolio

### SPLIT BY REGION

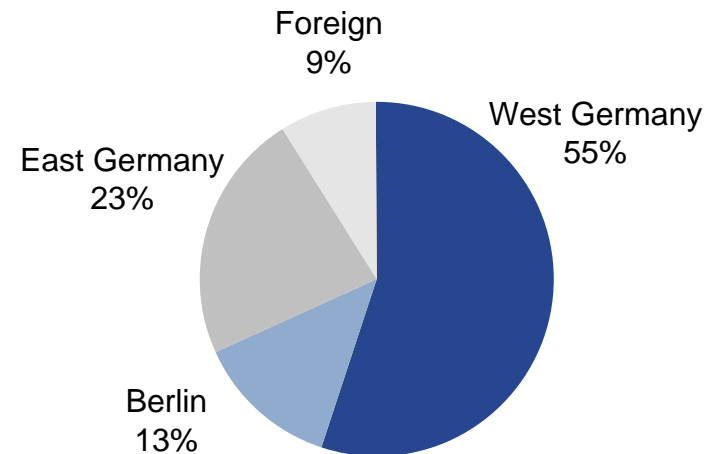
Real Estate Loan Portfolio 05/2003<sup>(1,2)</sup>



100% = €42.2 Bn

### SPLIT BY REGION

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



100% = €38.5 Bn

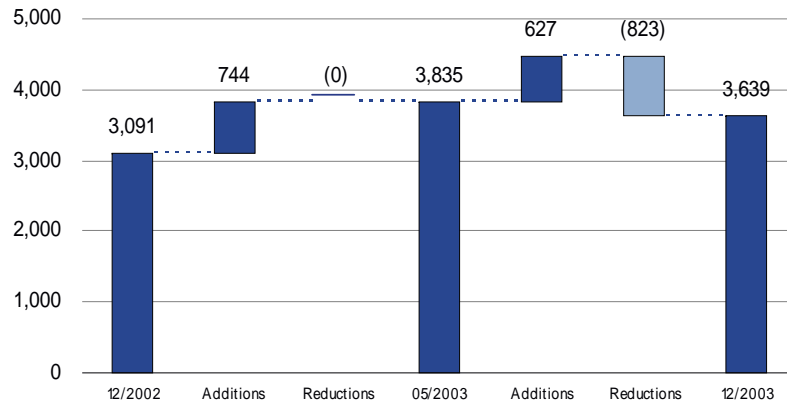
| 38 | **Notes**

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

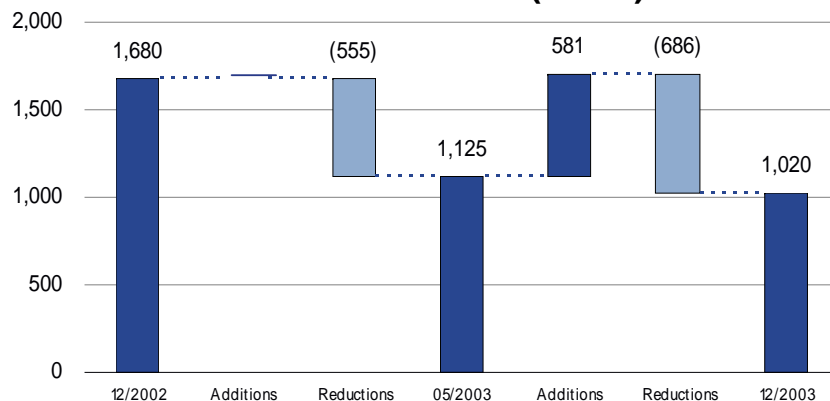
# Hypo Real Estate Bank in Germany

## Planned coverage ratios have proven to be sufficient

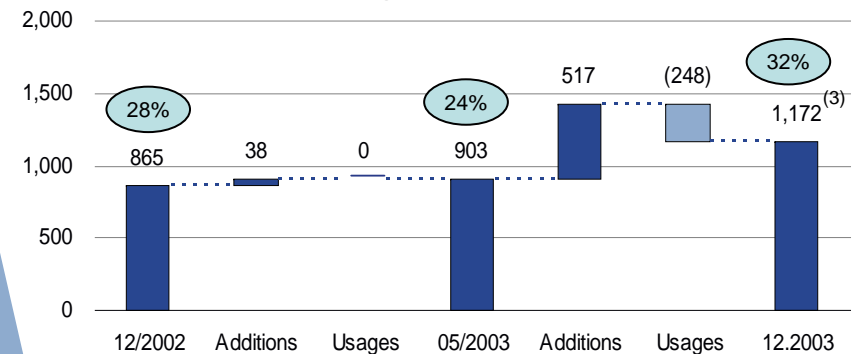
### Workout Portfolio (€MM)<sup>(1)</sup>



### Watchlist Portfolio (€MM)<sup>(1)</sup>



### Risk Provision on Balance Sheet (+ Provisioning Rates) (€MM)<sup>(2)</sup>



- | Workout portfolio as of 12/2003 of € 3.6 Bn
- | Risk provisions as planned using risk shelter provided to Hypo Germany by HVB AG
- | Recovery rates are in line with provisioning
- | In addition general loan loss provisions of € 65 MM provide us with a further cushion

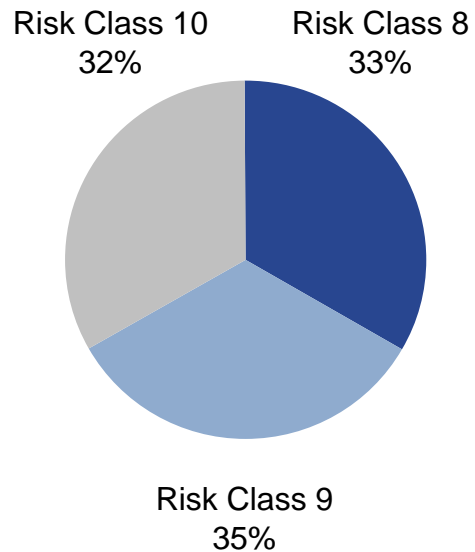
#### | 39 | Notes

1. Based on loans outstanding
2. Specific loan loss provisions for principle amount only
3. The € 1.172 MM reflect the write-downs on the outstanding loan volume and a part of the total write-downs on loans and advances

# Hypo Real Estate Bank in Germany

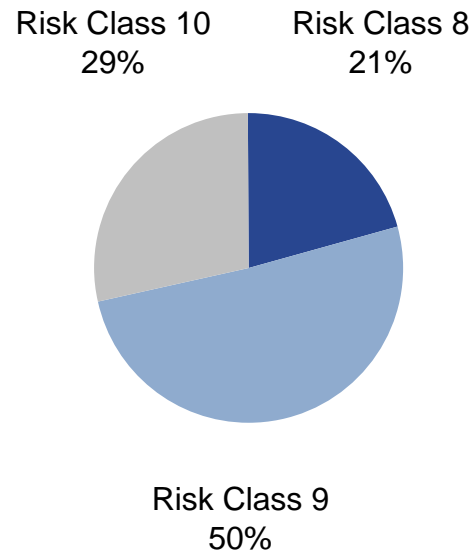
## This gives us comfort for a further reduction of the workout portfolio in 2004

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



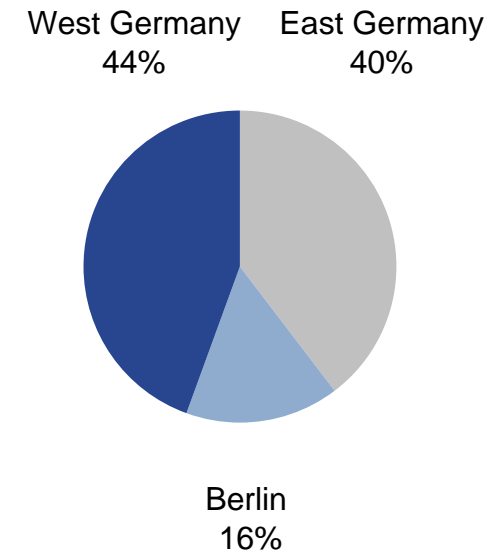
**Total: €3.8 Bn**

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



**Total: €3.6 Bn**

**SPLIT BY REGION**  
Workout Portfolio 12/2003<sup>(1,3)</sup>



**Total: €3.6 Bn**

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

## Hypo Real Estate Bank in Germany

### Outlook

- | Finalizing restructuring over the next 12-15 months to strengthen profitability and to improve asset quality
- | Further reduction of workout portfolio
- | Continue the prolongation strategy without forcing adverse selection and improving overall profitability of the performing portfolio by margin enhancements on prolongations
- | Further headcount reduction
- | Dependent on market conditions new business can be written after the completion of the restructuring phase 2005 onwards
- | Enhancing relationships with existing customer base as well as identification of new customer groups for future new business
- | Target pre-tax profit between € (5) MM and € 0 for 2004 by using remaining risk shelter of € 130 MM

# Hypo Real Estate Group - Outlook 2004

## Business plan snapshot 2004

Key Figures		
(€ MM)	Target 2004	2003
Total Operating Income	≈ 790-805	738
Risk Provisions	≈ (285)-(275)	(252)
General Administrative Expenses	≈ (310)-(300)	(260)
Profit before tax	≈ 205-225	121 <sup>(1)</sup>
ROE after tax (%)	≈ 3.5%-4.0%	2.0 <sup>(1)</sup>
Hypo International – Profit before tax	≈ 175-185	87
WuerttHyp – Profit before tax	≈ 55-60	54
Hypo Germany – Profit before tax	≈ (5)-0	(11)
RWA (€ Bn) <sup>(2)</sup>	≈ 58	54.0

- 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**

| 42 | **Note**

1. Without € 35 MM "Lucky-Buy" WestHyp
2. According to BIS

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