

Roadshow  
**August 2005**

Hypo  Real Estate  
GROUP



**“Continued Success - Further Optimisation”**

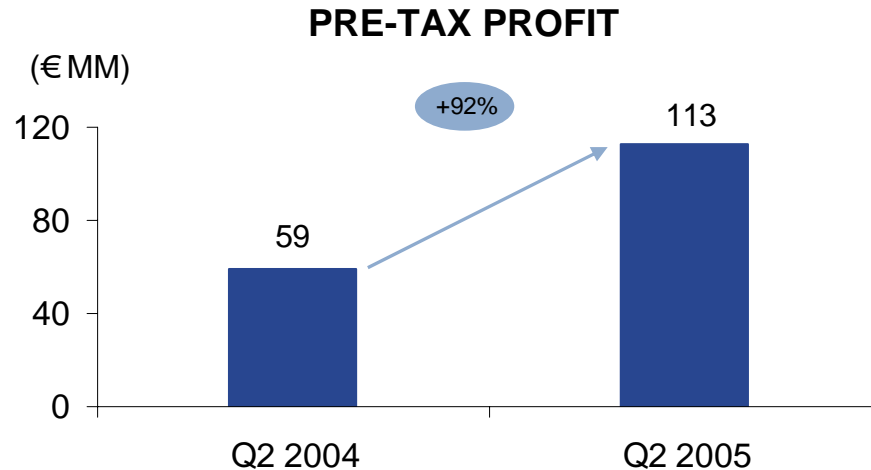


- I Sound financial development of Hypo Real Estate Group in Q2 2005
- I Creating one platform for international real estate finance by combining Hypo International and WuerthHyp
- I New Hypo International – Leader in international real estate financing
- I New initiative in State Finance and Capital Markets activities in Hypo Public Finance
- I Hypo Germany as centre of competence for the German market
- I Summary and outlook for Hypo Real Estate Group

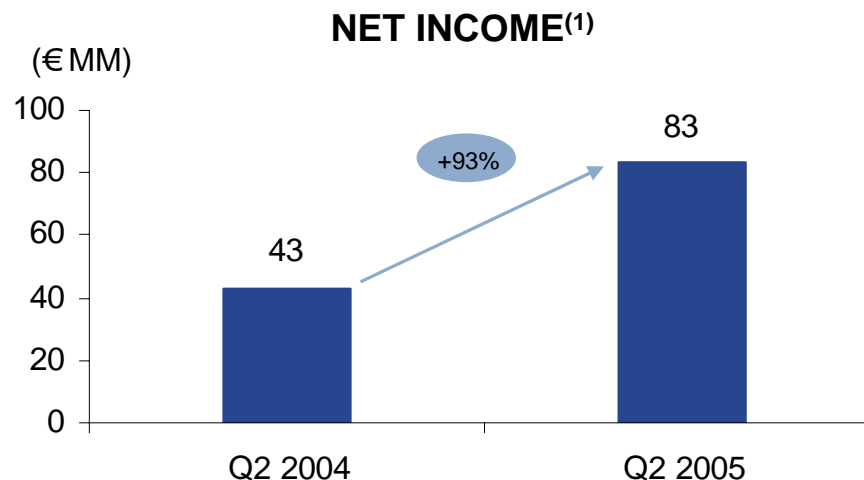
# Sound Financial Development of Hypo Real Estate Group in Q2 2005

# Hypo Real Estate Group

## Q2 2005 pre-tax profit up 92%



- | Pre-tax profit in H1 of €215 MM in line to reach target of €400 - 425 MM by year end
- | Pre-tax profit in Q2 up 92% primarily due to increased operating revenues and lower loan-loss provisions



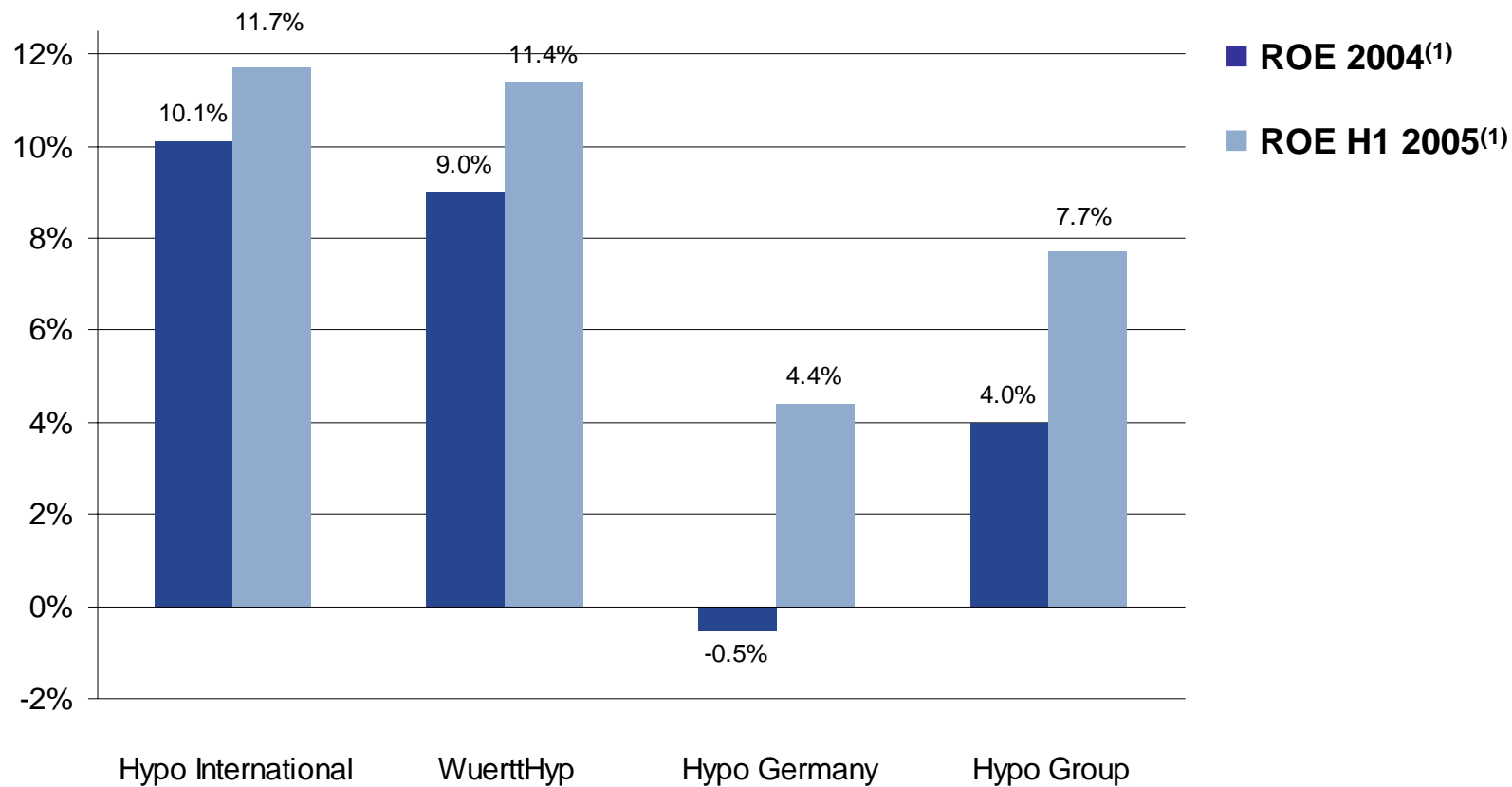
| 5 | **Note**

1. Excluding the effects from capitalised losses carried forward

# Hypo Real Estate Group

## A substantial increase in profitability

### RETURN ON EQUITY DEVELOPMENT – SPLIT BY SEGMENT



| 6 |

**Note**

1. Excluding the effects from capitalised losses carried forward

# Hypo Real Estate Group

## Q2 - a further step to reach 2005 targets

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	165	180	-8.3
Net commission income	38	25	52.0
Net trading income	7	2	>+100
Net income from investments	12	4	>+100
<b>Total operating revenues</b>	<b>225</b>	<b>212</b>	<b>6.1</b>
Provisions for losses on loans and advances	36	75 <sup>(1)</sup>	-52.0
General administrative expenses	76	77	-1.3
<b>Operating result</b>	<b>113</b>	<b>60</b>	<b>88.3</b>
<b>Net income/loss before taxes</b>	<b>113</b>	<b>59</b>	<b>91.5</b>
<b>Net income/loss<sup>(2)</sup></b>	<b>83</b>	<b>43</b>	<b>93.0</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
<b>ROE after taxes<sup>(2)</sup> (%)</b>	<b>7.7</b>	<b>4.0</b>	
<b>Cost-income ratio (%)</b>	<b>34.3</b>	<b>37.7</b>	

- | Total operating revenues increased by 6% despite overall portfolio reduction of 3%
- | Net interest income decreased due to portfolio reduction in Hypo Germany and IFRS effects in HI
- | Net commission income went up by 52% due to strong new business
- | Loan-loss provisions on low level due to improved asset quality and limitation of portfolio-based risk provisioning
- | General administrative expenses at previous year level; higher expenses at Hypo International offset by reductions at Hypo Germany
- | EPS increased to € 0.61 in Q2 2005 (€ 0.31 in Q2 2004)

### | 7 | Notes

1. Including pro-rata risk shelter of € 32.5 MM from HVB AG
2. Excluding the effects from capitalised losses carried forward

# Hypo Real Estate Group

## Quarterly development

(€MM)	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>212</b>	<b>201</b>	<b>220</b>	<b>210</b>	<b>225</b>
Net interest income	180	161	176	165	165
Net commission income	25	35	10	23	38
Net trading income	2	3	6	7	7
Net income from investments	4	-1	33	11	12
Balance of other operating income/expenses	1	3	-5	4	3
Provisions for losses on loans and advances	75	75	55	35	36
General administrative expenses	77	80	86	73	76
Balance of other income/expenses	-1	-5	-13	-	-
<b>Net income/loss before taxes</b>	<b>59</b>	<b>41</b>	<b>66</b>	<b>102</b>	<b>113</b>
<b>Net income/loss<sup>(1)</sup></b>	<b>43</b>	<b>36</b>	<b>48</b>	<b>78</b>	<b>83</b>

Risk assets compliant with BIS rules (€Bn)	51.8	52.5	51.0	51.1	52.9
Core capital ratio compliant with BIS rules (in %)	7.9	7.8	8.3 <sup>(2)</sup>	8.2	7.9
Employees	1,463	1,417	1,311	1,287	1,259

| Total operating revenues in Q2 are in line with full year targets

| Net commission income increased despite effect of deferred fee recognition policy

| Trading profit stable in 2005 despite difficult market conditions in April and May

| RWA increased by € 1.8 Bn and Tier I ratio decreased accordingly

### | 8 | Notes

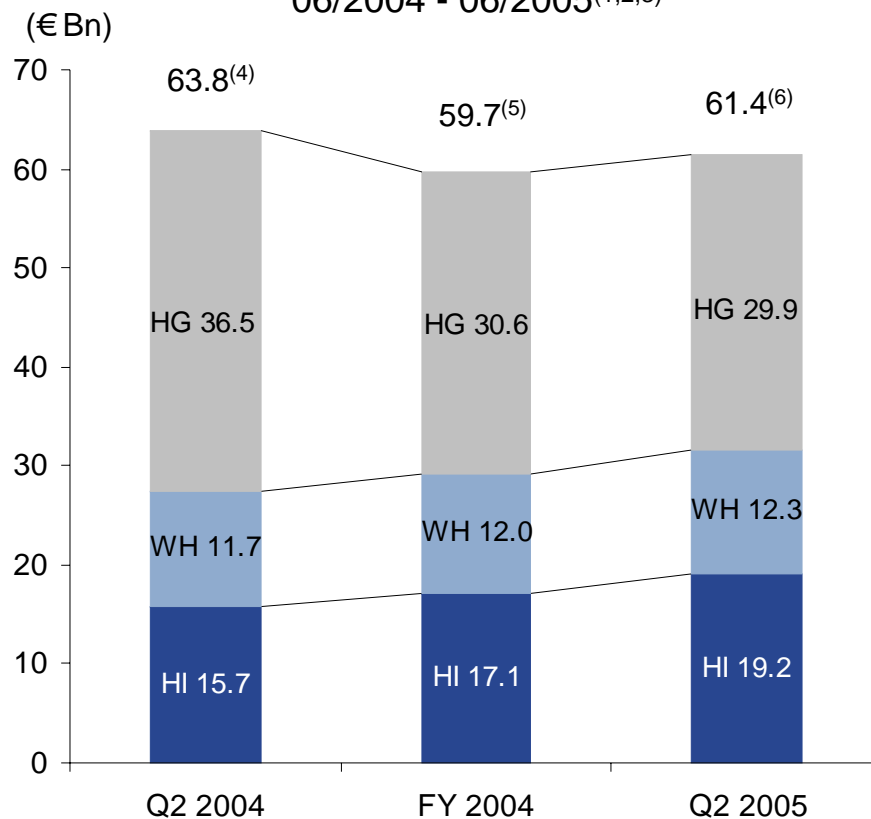
1. Excluding the effects from capitalised losses carried forward
2. As per approved annual financial statements

# Hypo Real Estate Group

## Group portfolio started growing despite decline in Hypo Germany

### Real Estate Portfolio Development by Segment

06/2004 - 06/2005<sup>(1,2,3)</sup>



- I Total real estate loans started to grow in H1 2005
- I Hypo International and WuerttHyp could grow their portfolios in sum by over € 4 Bn in the past 12 months
- I Portfolio reduction in Hypo Germany is slowing down

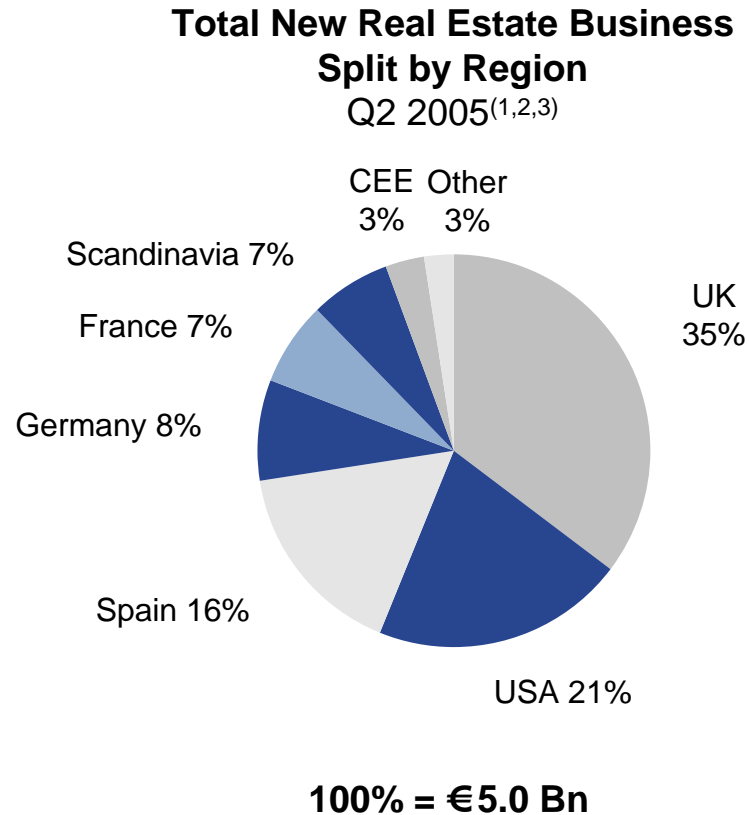
#### Notes

| 9 |

1. Excluding HPBI's new business (public finance)
2. Based on commitments after syndication
3. Internal unaudited figures
4. HI incl. € 0.9 Bn US portfolio transferred and guaranteed by Hypo International and booked by WH
5. HI incl. € 0.5 Bn US portfolio and € 1.0 Bn of UK portfolio transferred and guaranteed by Hypo International and booked by WH
6. HI incl. € 0.5 Bn US portfolio and € 0.7 Bn of UK portfolio transferred and guaranteed by Hypo International and booked by WH

# Hypo Real Estate Group

## A strong quarter with new business of €5.0 Bn



- | Group's new business of €5.0 Bn in Q2 represents a significant improvement compared to Q2 2004 (€4.0 Bn)
- | Prepayments and repayments amounted to €4.2 Bn
- | Net increase of total real estate portfolio of €0.8 Bn in Q2 2005 (incl. currency fluctuations and securitisations)

| 10 | **Notes**

1. Excluding HPBI's new business (public finance)
2. Based on commitments after syndication
3. Internal unaudited figures

# Hypo Real Estate Bank International

## Profit before taxes of Hypo Real Estate Bank International increased by 50%

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	65	61	6.6
Net commission income	31	30	3.3
Net trading income	7	2	>+100
Net income from investments	5	3	66.6
<b>Total operating revenues</b>	<b>109</b>	<b>96</b>	<b>13.5</b>
Provisions for losses on loans and advances	-	16	<-100
General administrative expenses	37	32	15.6
<b>Operating result</b>	<b>72</b>	<b>48</b>	<b>50.0</b>
<b>Net income/loss before taxes</b>	<b>72</b>	<b>48</b>	<b>50.0</b>
<b>Net income/loss</b>	<b>52</b>	<b>39</b>	<b>33.3</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
<b>ROE after taxes (%)</b>	<b>11.7</b>	<b>10.1<sup>(1)</sup></b>	
<b>Cost-income ratio (%)</b>	<b>35.1</b>	<b>37.3</b>	

- I Net interest income increased only by 7% as a large portion of the new business was written in June and repayments occurred during the course of the quarter
- I In addition NII was burdened by prefunding costs (€ 2 MM) and IFRS effects (- € 5 MM in NII and + € 5 MM in net income from investments)
- I Total operating revenues increased by 14% due to higher interest, commission and trading income
- I Continuously sound asset quality development limits portfolio-based risk provisioning
- I ROE increased to 11.7% compared to 10.1%<sup>(1)</sup> in 2004

| 11 | Note

1. Excluding the effects from capitalised losses carried forward

# Hypo Real Estate Bank International

## Quarterly development

(€MM)	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>96</b>	<b>97</b>	<b>89</b>	<b>102</b>	<b>109</b>
Net interest income	61	53	60	65	65
Net commission income	30	41	23	29	31
Net trading income	2	3	6	7	7
Net income from investments	3	-2	2	-	5
Balance of other operating income/expenses	-	2	-2	1	1
Provisions for losses on loans and advances	16	15	-9	2	-
General administrative expenses	32	38	40	37	37
Balance of other income/expenses	-	-	-1	-	-
<b>Net income/loss before taxes</b>	<b>48</b>	<b>44</b>	<b>57</b>	<b>63</b>	<b>72</b>
<b>Net income/loss<sup>(1)</sup></b>	<b>39</b>	<b>34</b>	<b>42</b>	<b>47</b>	<b>52</b>

Risk assets compliant with BIS rules (€Bn)	15.1	16.8	17.3	17.8	19.9
Core capital ratio compliant with BIS rules (in %)	9.6	8.7	9.2 <sup>(2)</sup>	10.1	9.1
Employees	464	502	504	499	484

| Strong new business in Q2 2005 is not yet fully interest-bearing

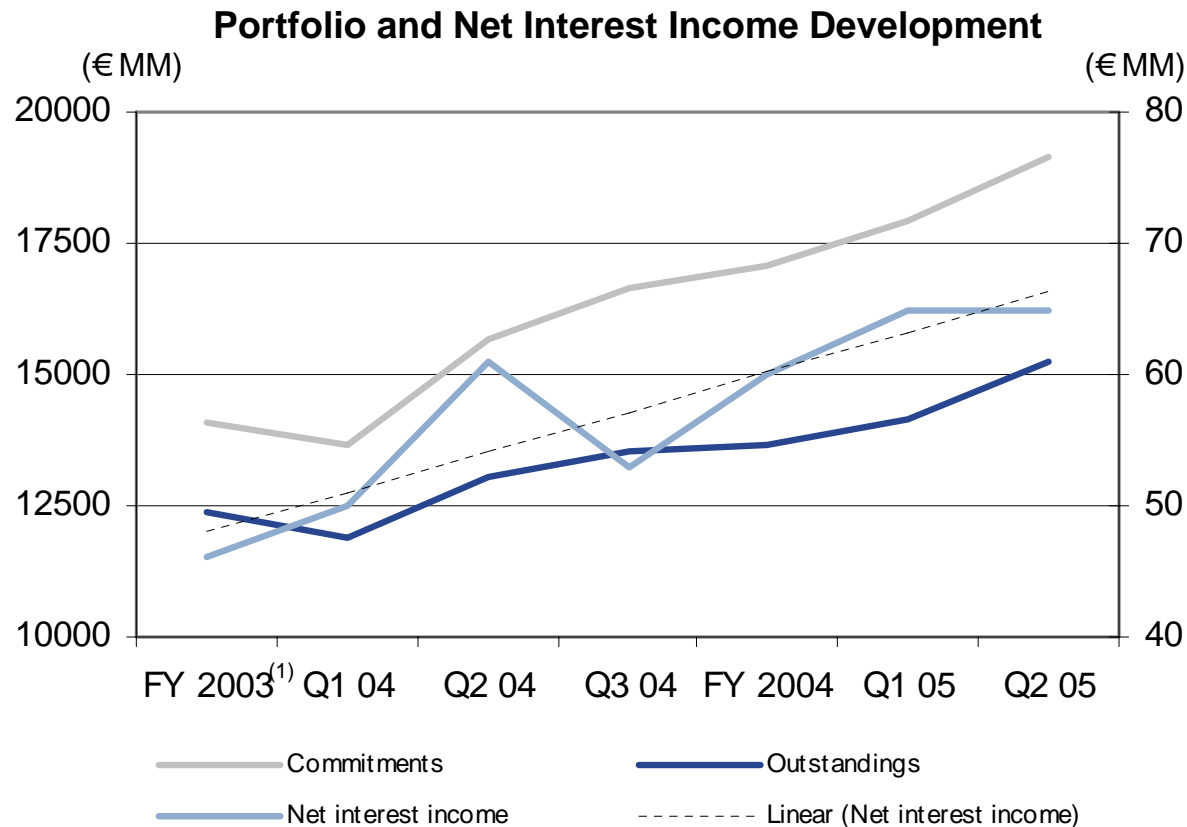
| Q1-level in trading profit has been kept despite difficult market conditions in April and May

| General administrative expenses stable in Q2

### | 12 | Notes

1. Excluding the effects from capitalised losses carried forward
2. As per approved annual financial statements

# Hypo Real Estate Bank International NII developing in line with portfolio growth



- | Outstandings increase as commitments are growing, but with a time lag as irrevocables will be drawn over time
- | Net interest income increases with portfolio growth (Outstandings)
- | Other factors in the NII (e.g. prefunding, IFRS effects, stand alone derivatives) create some volatility on a quarterly basis

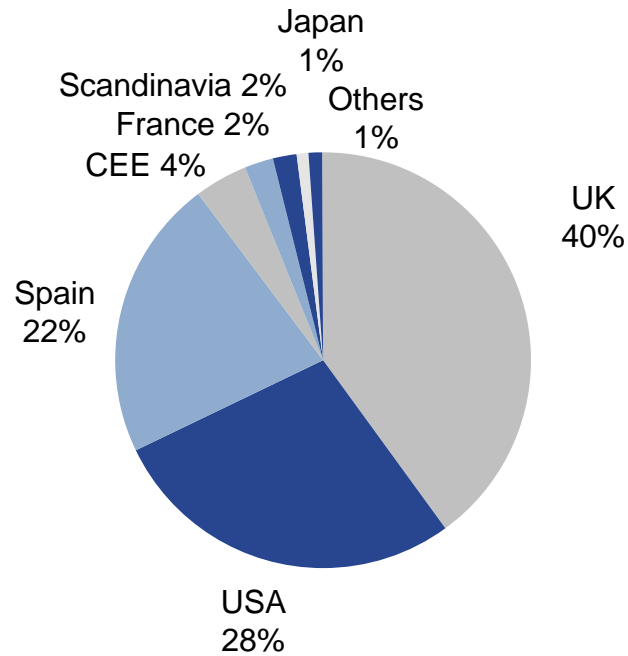
| 13 | **Note:**  
1. Adjusted for US portfolio base effect

# Hypo Real Estate Bank International

## New business of €3.6 Bn in Q2 2005

### New Real Estate Business Split by Region

Hypo International Q2 2005<sup>(1,2,3)</sup>



100% = €3.6 Bn

- I New business in Q2 amounts to € 3.6 Bn
- I Prepayments and repayments amounted to €2.3 Bn in H1
- I In Q2 total portfolio increased by € 1.3 Bn to €19.2 Bn (incl. currency fluctuations of €+0.4 Bn and securitisations of €-0.3 Bn)
- I New business on average written at more than 140 Bp net interest margin yielding >14% IRR

#### | 14 | Notes

1. Excluding HPBI's new business (Public Finance)
2. Based on commitments after syndication
3. Internal unaudited figures

# WuerttHyp

## WuerttHyp continues to increase earnings

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	33	28	17.9
Net commission income	-2	-1	-100.0
Net income from investments	1	-	>+100
<b>Total operating revenues</b>	<b>32</b>	<b>27</b>	<b>18.5</b>
Provisions for losses on loans and advances	6	4	50.0
General administrative expenses	7	7	-
<b>Operating result</b>	<b>19</b>	<b>16</b>	<b>18.8</b>
<b>Net income/loss before taxes</b>	<b>19</b>	<b>16</b>	<b>18.8</b>
<b>Net income/loss</b>	<b>19</b>	<b>16</b>	<b>18.8</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
<b>ROE after taxes (%)</b>	<b>11.4</b>	<b>9.0</b>	
<b>Cost-income ratio (%)</b>	<b>23.4</b>	<b>28.4</b>	

- | WuerttHyp's operating performance remains solid; net interest income has risen partially because of higher prepayment fees
- | Loan-loss provisions slightly higher in Q2 2005
- | Strong double digit return with 11.4% ROE

# WuerttHyp

## Quarterly development

(€MM)	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>27</b>	<b>28</b>	<b>32</b>	<b>32</b>	<b>32</b>
Net interest income	28	28	26	30	33
Net commission income	-1	1	-2	-2	-2
Net income from investments	-	-2	9	4	1
Balance of other operating income/expenses	-	1	-1	-	-
Provisions for losses on loans and advances	4	5	9	3	6
General administrative expenses	7	9	9	8	7
Balance of other income/expenses	-	-	-	-	-
<b>Net income/loss before taxes</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>21</b>	<b>19</b>
<b>Net income/loss</b>	<b>16</b>	<b>14</b>	<b>13</b>	<b>19</b>	<b>19</b>

I Total operating revenues as well as general administrative expenses show a stable trend

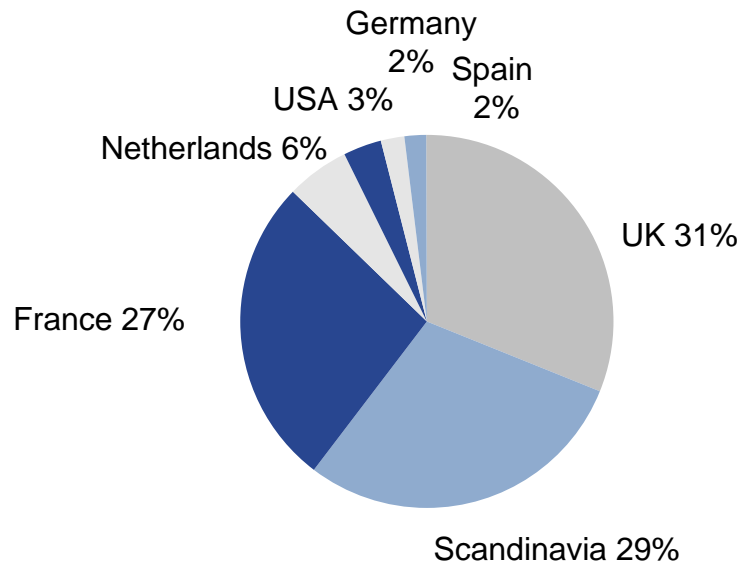
Risk assets compliant with BIS rules (€Bn)	9.2	9.4	10.1	10.5	10.6
Core capital ratio compliant with BIS rules (in %)	7.0	7.5	7.1 <sup>(1)</sup>	6.8	6.8
Employees	174	173	171	178	179

# WuerttHyp

## New business of €0.9 Bn in Q2 2005

### New Real Estate Business Split by Region

WuerttHyp Q2 2005<sup>(1,2)</sup>



100% = €0.9 Bn

- I €0.9 Bn of new business in WuerttHyp
- I Prepayments and repayments amounted to €0.9 Bn (incl. reduction of sub- and nonperforming loans of €0.2 Bn)
- I Therefore, total portfolio stayed stable at €12.3 Bn

#### | 17 | Notes

1. Based on commitments after syndication
2. Internal unaudited figures

# Hypo Real Estate Bank Germany

## Increasing profit contribution for the Group

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	68	91	-25.3
Net commission income	8	-4	>+100
Net income from investments	6	2	>+100
<b>Total operating revenues</b>	<b>85</b>	<b>90</b>	<b>-5.6</b>
Provisions for losses on loans and advances	30	55 <sup>(1)</sup>	-45.5
General administrative expenses	26	34	-23.5
<b>Operating result</b>	<b>29</b>	<b>1</b>	<b>&gt;+100</b>
<b>Net income/loss before taxes</b>	<b>29</b>	<b>-</b>	<b>&gt;+100</b>
<b>Net income/loss<sup>(2)</sup></b>	<b>22</b>	<b>-6</b>	<b>&gt;+100</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
<b>ROE after taxes (%)<sup>(2)</sup></b>	<b>4.4</b>	<b>-0.5</b>	
<b>Cost-income ratio (%)</b>	<b>30.9</b>	<b>35.2</b>	

- | Net interest income lower (-25%) due to the strong portfolio reduction (-18%) and lower prepayment fees
- | However total operating revenues decreased only by 6%
- | General administrative expenses reduced because of successful restructuring
- | Lower loan-loss provisions reflecting the improved asset quality
- | ROE in line with full year target of 4-5%

# Hypo Real Estate Bank Germany

## Quarterly development

(€MM)	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>90</b>	<b>78</b>	<b>99</b>	<b>77</b>	<b>85</b>
Net interest income	91	82	90	72	68
Net commission income	-4	-7	-10	-3	8
Net income from investments	2	3	22	7	6
Balance of other operating income/expenses	1	-	-3	1	3
Provisions for losses on loans and advances	55	55	55	30	30
General administrative expenses	34	28	31	24	26
Balance of other income/expenses	-1	-5	-11	-	-
<b>Net income/loss before taxes</b>	<b>-</b>	<b>-10</b>	<b>2</b>	<b>23</b>	<b>29</b>
<b>Net income/loss<sup>(1)</sup></b>	<b>-6</b>	<b>-3</b>	<b>-</b>	<b>19</b>	<b>22</b>

I Net interest income is starting to stabilise

I High net commission income due to lower securitisation expenses and fewer debt issues as well as more fees earned

I Decline in RWA starts to slow down

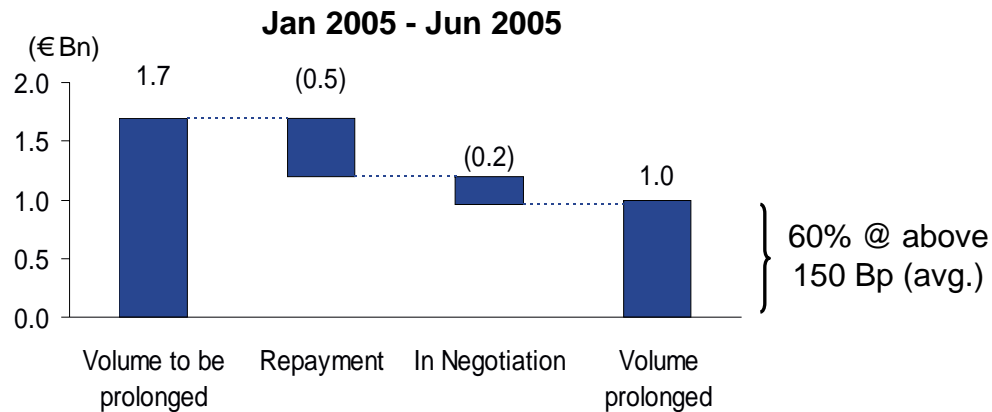
Risk assets compliant with BIS rules (€Bn)	27.8	26.9	24.2	23.4	23.0
Core capital ratio compliant with BIS rules (in %)	7.6	7.7	8.4 <sup>(2)</sup>	7.9	8.0
Employees	784	698	592	560	544

### | 19 | Notes

1. Excluding the effects from capitalised losses carried forward
2. As per approved annual financial statements

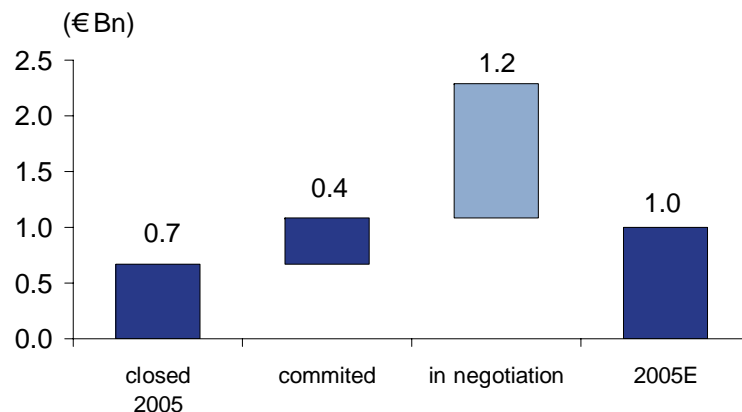
# Hypo Real Estate Bank Germany

## Continued margin improvement through prolongations and new business



- I The successful prolongation strategy continued with a total prolongation rate of 60% at above 150 Bp (avg.) still higher than the planned 130 Bp
- I 68% prolongation rate with commercial customers and 32% prolongation rate with retail customers, in line with strategy

### Overview of current new real estate business activities as of June 30, 2005<sup>(1,2,3)</sup>



- I New business amounted already to € 0.7 MM in H1 2005, thereof € 0.4 Bn in Q2
- I Prepayments and repayments of € 0.9 Bn in Q2 2005 led to a portfolio decrease of € 0.5 Bn and a total portfolio of € 29.9 Bn
- I Margins on new business around 130 Bp as well as fee income yielding >12% IRR on average

| 20 | **Notes**

1. Excluding new business of public finance
2. Based on commitments after syndication
3. Internal unaudited figures

Creating one platform for international real estate finance by combining Hypo International and WuerthHyp

# Combining the international lending activities

## How it began

At spin-off, the Holding structure with three subsidiaries was chosen in order to have maximum stability under difficult circumstances:


- I Hypo Real Estate Bank AG (Hypo Germany) : Ring-fenced restructuring
- I WuerttHyp: Established issuer and stable operating company (restricted business activities under the old German mortgage banking law)
- I Hypo International:
  - Hub needed for successful international structured finance business within short time frame
  - Existing bank license and small operation in Ireland could be enlarged
  - Funding needed to be based on unsecured debt

## Combining the international lending activities Convergence of individual businesses

- I Successful cooperation between WuerthHyp and Hypo International since spin-off
  - Support in financing the US portfolio in 12/2003
  - Financing of existing portfolios
  - Cross reference of new business
  - Leverage of customer base
- I New “Pfandbriefgesetz“, which has become effective July 19th, offers more strategic flexibility in Germany
- I Completed squeeze-out at WH offers more operational flexibility and easy regrouping

 **2 years after the spin-off and significant progress, cost base and competitiveness can be further improved by combining the complementary international lending businesses of HI and WH**

## Combining the international lending activities Combining the best of two worlds

Württembergischer  
Hypo 

Stuttgart, A-/A2,

- I Established name in the debt capital markets
- I Mid size market player in commercial real estate lending
- I Low cost producer, cheap funding through German Pfandbriefe

Hypo  Real Estate

BANK INTERNATIONAL

Dublin, A-/ A3,

- I Leading niche position in the major global commercial real estate markets
- I Innovative structured big ticket transactions
- I Unsecured funding

- I Full product offering from one single platform, speed and quality – “one stop shop”
- I Strong position in the middle and top end commercial real estate finance markets
- I More diversified real estate portfolio with lower risk profile
- I Well positioned on the funding side, low cost base and flexible tranching of transactions to optimally respond to customer needs

## Combining the international lending activities

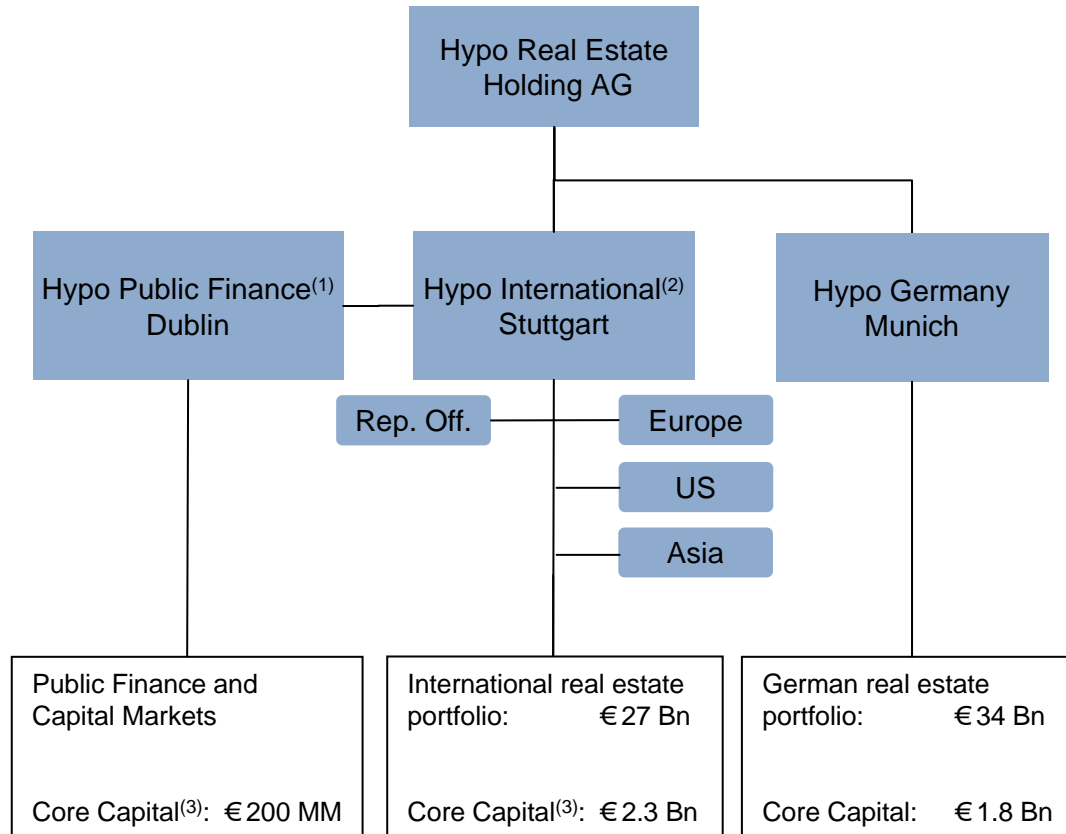
### Key benefits

- I Clear and efficient Group structure
- I Integrated market approach for international real estate lending
- I Optimisation of funding costs
- I Significant cost reductions
- I New initiative in Public Finance and Capital Markets

▶ **Capital leverage and cost savings allow to raise ROE target for 2007 from 10-11 % to 11-12 % at Group level**

# Combining the international lending activities

## More efficient Group structure



- I Clear distinction of business segments “International Real Estate Finance “, “German Real Estate Finance“ and “Public Finance” as a new segment
- I Two German-based operating centers allow for more shared services at Holding level
- I Portfolio of former HI will be transferred to new HI (former WH). International business model will apply while local business is unaffected
- I The next step will be the transfer of the remaining German lending portfolio (€ 4.3 Bn) from former WuerttHyp to Hypo Germany in H1 2006

### | 26 | Notes

1. Former Hypo International
2. Former WuerttHyp
3. Allocated capital

## Combining the international lending activities

### Integrated market approach for international real estate lending

- I One stop shop - all international real estate finance products from one platform
  - Increased efficiency – in terms of ability to respond to customer needs and in respect to the internal structure
  - Higher integrated capacity for large deals i.e. significantly increased large exposure limit
  - Origination of low and high leverage transactions, long and short-term durations
  - Tranching of business in various lending buckets
  - Optimal balance sheet / off balance sheet usage and increased volume for securitisation and syndication
  - Stable operations in Stuttgart as good base to take over international branches and portfolios; can be scaled up to future business needs within a short time; branches and rep. offices will be unaffected

 **Well-established expertise and long-term regional in-depth know-how to deliver value to our clients**

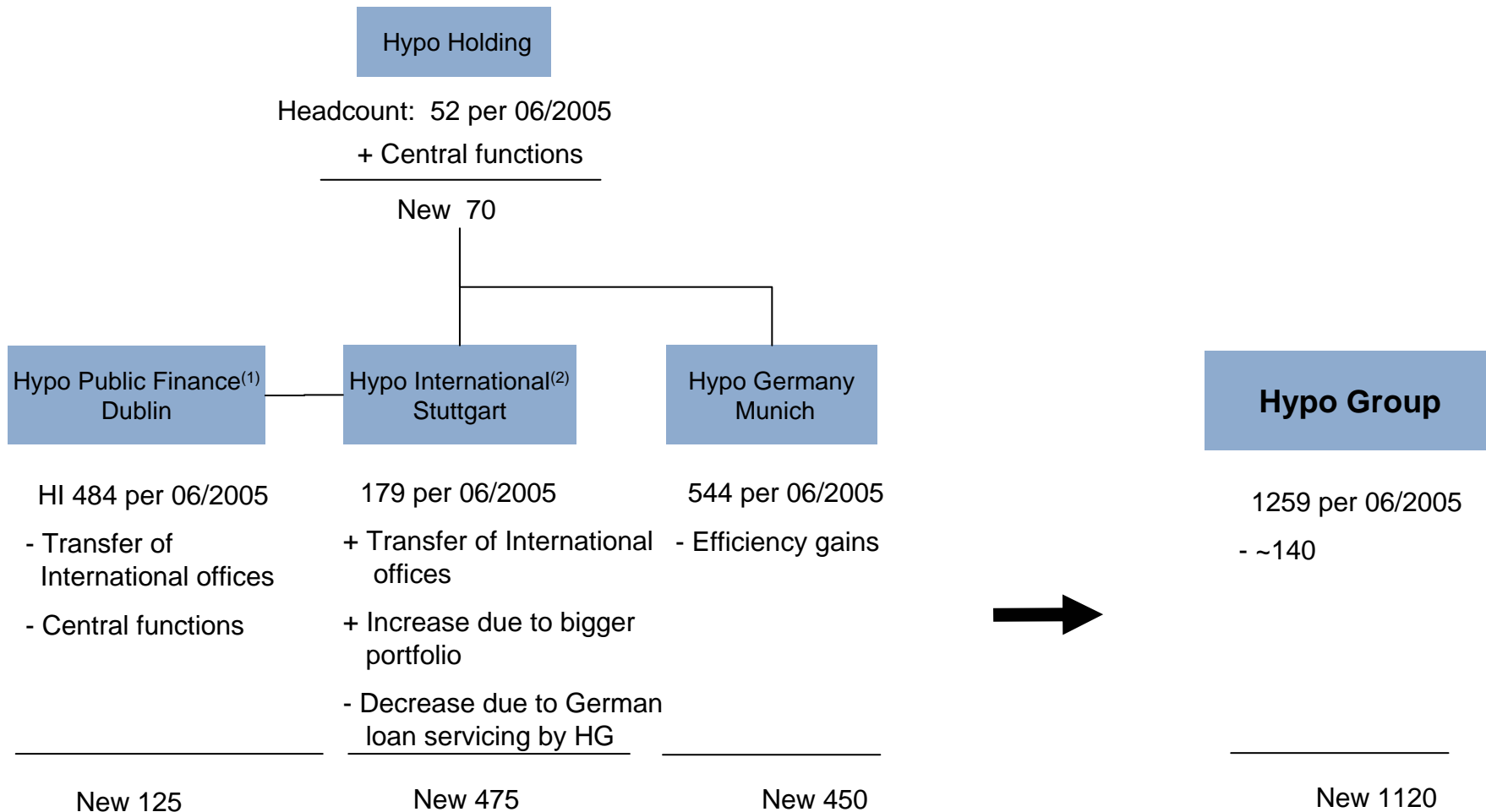
## Combining the international lending activities

### Optimisation of funding costs

- I Leveraging the strong position of former WuerthHyp in the debt capital markets for the new combined entity
  - Difference between former HI and WH in senior unsecured funding of about 10 Bp for same maturity
- I Ability to directly combine Pfandbrief refinanced business and unsecured business (flexible tranching of transactions)
- I Synergies due to combined treasury activities
- I Maximum utilisation of Pfandbrief funding

 **Funding expected to be approx. 10 Bp lower for the former Hypo International part**

# Combining the international lending activities Significant cost synergies on Group level ...



## Combining the international lending activities ...leading to a value creation of about €200 MM

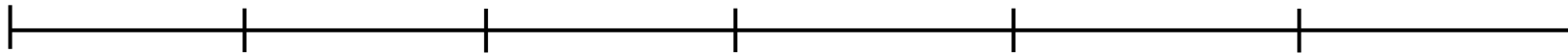
- I Total savings approx. € 25 MM p.a. by streamlining overhead costs and redundant services
  - Headcount reduction will lead to savings of administrative expenses of about € 15 MM in new HI and of about € 14 MM in HG
  - The expansion of shared services at Hypo Holding leads to an increase in costs of about € 4 MM
- I Required restructuring costs of approx. € 30 - 35 MM in 2005
- I NPV of cost savings after taxes and restructuring costs around € 200 MM<sup>(1)</sup> which is equivalent to about € 1.50 per share

# Combining the international lending activities

## Timetable

### With effect of 1 January 2006

- Transfer of business and subsidiaries
- Transfer of interest in Hypo International to WuerttHyp
- Rebranding WuerttHyp to Hypo International



### Q4 2005

- Licenses for European branches in place
- Rebranding Hypo International to Hypo Public Finance

### H1 2006

- Transfer of WuerttHyp's German portfolio (€ 4.3 Bn) to Hypo Germany
- Start of Hypo Public Finance in Dublin

# New Hypo International – Leader in International real estate financing

# The new Hypo Real Estate Bank International

## Pro-forma financial overview of the new Hypo Real Estate Bank International

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	95	89	6.7
Net commission income	30	29	3.4
Net trading income	-	-	-
Net income from investments	5	-	>+100
<b>Total operating revenues</b>	<b>129</b>	<b>118</b>	<b>9.3</b>
Provisions for losses on loans and advances	6	20	-70.0
General administrative expenses	36	33	9.1
<b>Operating result</b>	<b>87</b>	<b>65</b>	<b>33.8</b>
<b>Net income/loss before taxes</b>	<b>87</b>	<b>65</b>	<b>33.8</b>
<b>Net income/loss</b>	<b>68</b>	<b>55</b>	<b>23.6</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
<b>ROE after taxes<sup>(1)</sup> (%)</b>	<b>12.3</b>	<b>10.2<sup>(2)</sup></b>	
<b>Cost-income ratio (%)</b>	<b>28.2</b>	<b>30.5</b>	

- | Total operating revenues increased by 9% due to higher interest income
- | Net commission income increased despite effect of deferred fee recognition policy
- | Reduction in loan loss provisions reflects improvement in portfolio quality
- | Profit before taxes increased by 34%
- | Strong ROE of 12.3%

| 33 | Notes:

1. Based on allocated capital
2. Excluding effects from capitalised losses carried forward

# The new Hypo Real Estate Bank International

## Pro-forma quarterly development

(€MM)	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>110</b>	<b>118</b>	<b>118</b>	<b>109</b>	<b>123</b>	<b>129</b>
Net interest income	74	89	77	81	89	95
Net commission income	28	29	42	21	27	30
Net trading income	-	-	-	-	1	-
Net income from investments	7	-	-3	9	5	5
Balance of other operating income/expenses	1	-	2	-2	1	-1
Provisions for losses on loans and advances	16	20	20	-	5	6
General administrative expenses	28	33	39	39	35	36
Balance of other income/expenses	-	-	-	-1	-	-
<b>Net income/loss before taxes</b>	<b>66</b>	<b>65</b>	<b>59</b>	<b>69</b>	<b>83</b>	<b>87</b>
<b>Net income/loss<sup>(1)</sup></b>	<b>53</b>	<b>55</b>	<b>48</b>	<b>54</b>	<b>65</b>	<b>68</b>

- I Continued growth in operating revenues
- I Less volatility for the combined entity on a quarterly basis
- I Strong growth in RWA

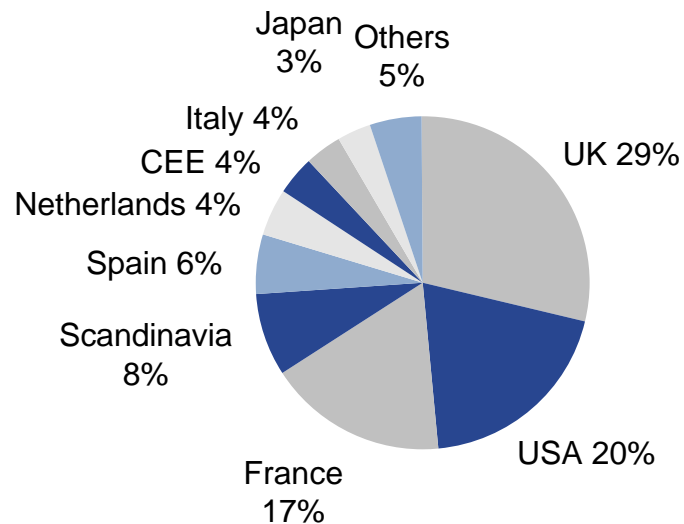
Risk assets compliant with BIS rules (€Bn)	22.9	23.6	24.8	25.4	25.8	28.0
Core capital ratio compliant with BIS rules <sup>(2)</sup> (in %)	9.2	8.1	7.9	8.2	8.9	8.3

1. Excluding the effects from capitalised losses carried forward
2. Based on allocated capital

# The new Hypo Real Estate Bank International

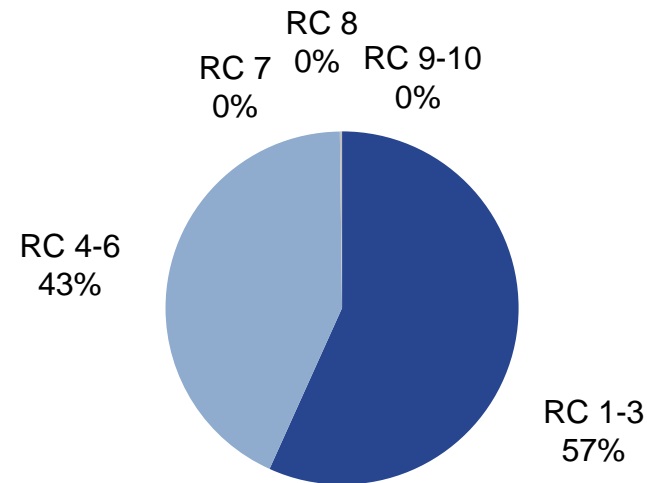
## High degree of portfolio diversification and sound asset quality of the combined entity

**SPLIT BY REGION**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

**SPLIT BY RISK CLASS**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

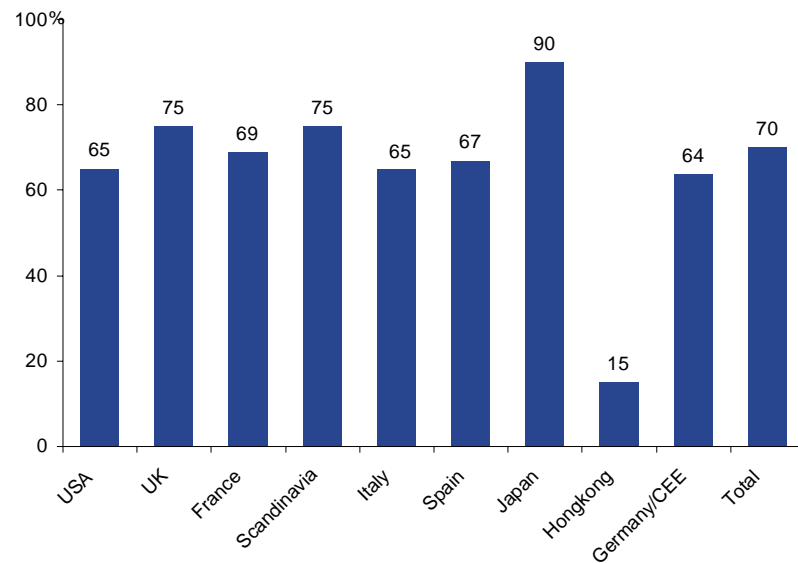
Excluding WuerthHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

1. Based on commitments
2. Internal, unaudited figures

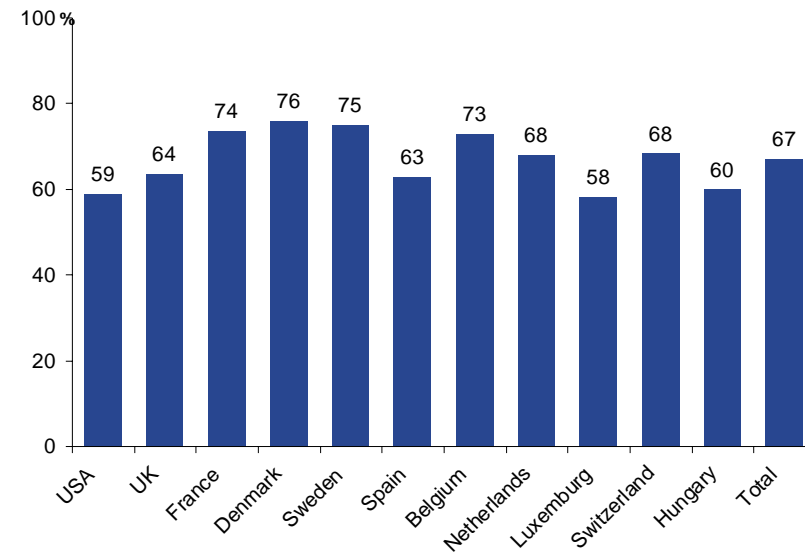
# The new Hypo Real Estate Bank International

## Strong LTV ratios

**Old Hypo International**  
LTV (Loan to Value)  
per country 12/2004



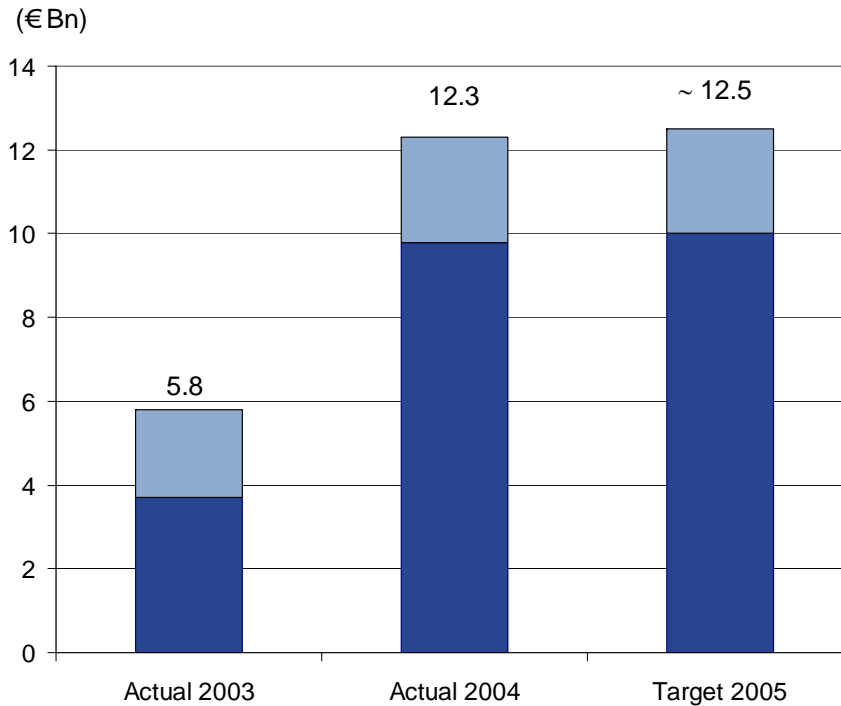
**WuerttHyp**  
LTMV<sup>(1)</sup> (Loan to Mortgage Value)  
per country 12/2004



# The new Hypo Real Estate Bank International

## Planned new business in 2005

### New real estate business<sup>(1)</sup>



- I 2005 planned new business of around € 12.5 Bn which should lead to a portfolio increase of € 4.5 - 5 Bn
- I ~ 15% net portfolio growth

## The new Hypo Real Estate Bank International Even more attractive business case for the combined entity

Key Parameters of the new business			
(BP)	Hypo International	WuerttHyp	HI new
Operating margin	> 200	~ 100	> 150
Risk Costs	~ 20	~ 15	15 - 20
Administrative Expenses	~ 60	~ 30	40 - 45
ROE	> 14%	10%	> 14%

► **For the new entity only 150 BP operating margin are already sufficient to reach ROE of 14%**

# The new Hypo Real Estate Bank International Outlook

- | Enhancing service to customers by covering the entire value chain
- | Taking full advantage of the combination of real estate structured finance and Pfandbrief refinancing
- | New structure provides more flexibility to take advantage of business opportunities; while maintaining the strict risk-return profile, the portfolio can therefore grow faster
- | Target profit before taxes of between € 305 MM and € 325 MM (2005 pro forma)
- | Medium-term, new HI aims to originate € 10 - 15 Bn of new business p.a. which is sufficient to achieve its profitability and growth targets

# New initiative in Public Finance and Capital Markets

- | Realisation of high degree of synergies between Public Finance and Capital Markets
- | Strategic diversification of Hypo Real Estate Group through low risk public finance business
- | Existing public finance portfolios will stay in the respective entities and continue to be in wind-down mode
- | New lending will take place in Dublin benefiting from the low tax environment, issuing covered bonds<sup>(1)</sup>
- | Clear cost and profit responsibilities; high external transparency due to segment reporting
- | Leverage high existing structuring skills, especially in the US

# Hypo Public Finance

## Business model, products and customers

- I The business model is based on a business mix, which is characterised by:
  - Low risk profile, low market and liquidity risk
  - High portion of fee income in Capital Markets and high recurring revenues in Public Finance
  - High equity ratios with high ROE
  - Experienced team with successful multi-year track record
  
- I Improve efficiency of existing public finance activities
  - Public sector finance: State loans refinanced by covered bonds
  - Infrastructure finance: Cross Border Lease, PPP
  - Cash management for municipalities: GIC Programme

## Hypo Public Finance

### Business model, products and customers continued

- I Focus of Capital Markets on secondary market real estate business
  - Financial services: CDO structuring
  - Third party asset management of CDOs
  - Structured finance: ABS, CMBS, MBS, CDO, CLO
  - Trading & Investments
- I Customers include governments, municipalities, supra national institutions, multinationals, financial institutions
- I Minimum capitalisation 8.0% Tier I ratio

# Hypo Public Finance

## Pro-forma key financial overview

KEY FINANCIALS (IFRS)			
(€MM)	Q2 2005	Q2 2004	Change (%)
Net interest income	3	-	>+100
Net commission income	-1	-	<-100
Net trading income	7	2	>+100
Net income from investments	1	3	-66.7
<b>Total operating revenues</b>	<b>12</b>	<b>5</b>	<b>100.0</b>
Provisions for losses on loans and advances	-	-	-
General administrative expenses	8	6	33.3
<b>Operating result</b>	<b>4</b>	<b>-1</b>	<b>&gt;+100</b>
<b>Net income/loss before taxes</b>	<b>4</b>	<b>-1</b>	<b>&gt;+100</b>
<b>Net income/loss</b>	<b>3</b>	<b>-</b>	<b>&gt;+100</b>
	<b>H1 2005</b>	<b>FY 2004</b>	
ROE after taxes <sup>(1)</sup> (%)	4.3	-4.2	
Cost-income ratio (%)	78.3	120.0	

- I Total operating revenues more than doubled
- I Moderate cost development due to careful expansion of the business
- I Outlook 2005: Profit before taxes between € 10 MM and € 15 MM

# Hypo Public Finance Bank

## Pro-forma quarterly development

(€MM)	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
<b>Total operating revenues</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>13</b>	<b>11</b>	<b>12</b>
Net interest income	2	-	3	6	6	3
Net commission income	-	-	-	-1	-	-1
Net trading income	-	2	3	6	6	7
Net income from investments	-	3	-1	2	-1	1
Balance of other operating income/expenses	-	-	-	-	-	2
Provisions for losses on loans and advances	-	-	-	-	-	-
General administrative expenses	6	6	7	11	10	8
Balance of other income/expenses	-	-	-	-	-	-
<b>Net income/loss before taxes</b>	<b>-4</b>	<b>-1</b>	<b>-2</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Net income/loss</b>	<b>-4</b>	<b>-</b>	<b>-1</b>	<b>1</b>	<b>1</b>	<b>3</b>

Risk assets compliant with BIS rules (€Bn)	-	0.7	1.4	2.0	2.5	2.5
Core capital ratio compliant with BIS rules <sup>(1)</sup> (in %)	-	8.0	8.0	8.0	8.0	8.0

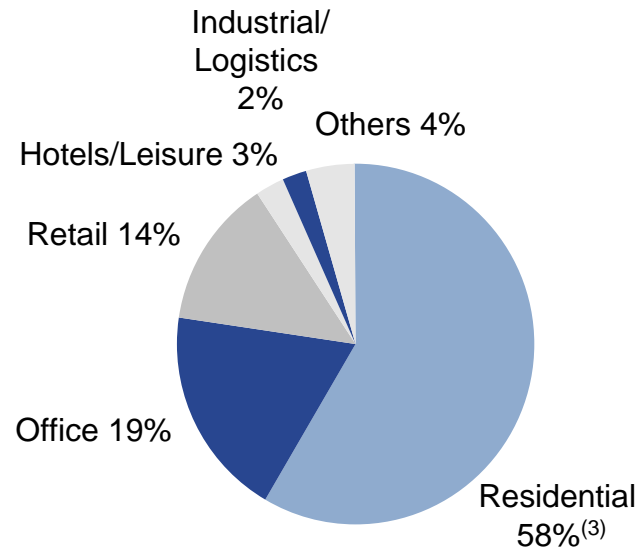
- I Reduced NII in Q2 due to execution of CMBS transactions and IFRS effects
- I Stable trading income despite difficult market conditions in April and May

# Hypo Germany as centre of competence for the German market

# Hypo Real Estate Bank Germany

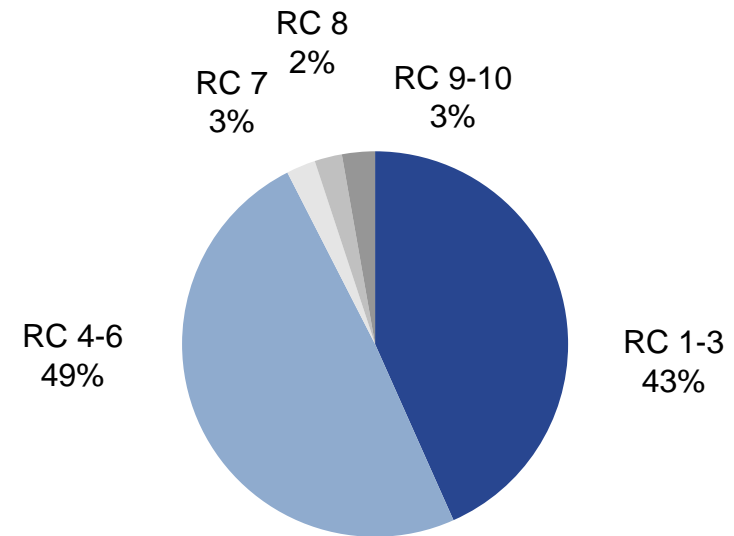
## Portfolio after the transfer of the German portfolio of WuerttHyp (€ 4.3 Bn)

**PRO-FORMA SPLIT BY PROPERTY**  
Real Estate Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €34.2 Bn

**PRO-FORMA SPLIT BY RISK CLASS**  
Real Estate Loan Portfolio 06/2005 <sup>(1,2)</sup>



100% = €34.2 Bn

Including WuerttHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

| 47 | **Notes**

1. Based on loans outstanding
2. Internal, unaudited figures
3. Thereof a volume of about €6 Bn is retail residential business

# Hypo Real Estate Bank Germany

## Outlook

- | Further reduction of workforce to approx. 450 by mid 2006 due to additional streamlining and reduction of redundant services
- | Continued selective underwriting of new business
- | Margin improvement in the portfolio will continue
- | Prudent risk provisioning of 35 - 45 Bp in 2005
- | 2005 is the year of transition to regain profitability with a target profit before taxes of € 95 - 105 MM

# Summary and outlook for Hypo Real Estate Group

### Continuity:

- | Origination platforms of former Hypo International and WuerthHyp remain unchanged, i.e. customer relationships are unaffected and customers will be offered the full product range from one platform
- | Central service functions (e.g. funding, treasury, portfolio management, operations, accounting) are based on the teams in Stuttgart supplemented by experienced staff transferred from Dublin
- | Top management of new HI combines experience from both former banks: Dr. Paul Eisele (CEO), Jürgen Fenk (Origination), Dr. Robert Grassinger (Treasury), Friedrich Ladda (German Portfolio), Bettina von Scheven (Risk Management), Manfred Weil (Origination)
- | Public finance and selective capital market activities are part of the Group's activities and will be operated from Dublin
- | Hypo Germany will remain the centre of competence for Germany. Eckehard Dettinger-Klemm (Treasury) will join the Board

### Progress:

- I Origination, origination steering and securitisation are strongly integrated (by process, staff and reporting lines)
- I The enlarged team represents a first class group of experienced real estate professionals from various backgrounds focused on delivering tailor-made solutions to our clients
- I Funding advantage of Pfandbriefe is more intensively used
- I Synergies in central service functions increase profitability
- I The international loan book of €27 Bn allows strong and stable earnings. The loan book proves the high-profile market position
- I The new HI is a dominant player in international real estate financing (with substantial new underwritings of approx. €10 - 15 Bn p.a.)
- I The efficiency of public finance will be further improved

# Hypo Real Estate Group

## Confirming full year profit target

<b>Key Figures</b>			
(€MM)	<b>Target 2005</b>	<b>½ Target</b>	<b>H1/05</b>
Total Operating Revenues	≈ 895 - 915	≈ 448 - 458	435
Risk Provisions	≈ 180 - 190	≈ 90 - 95	71
General Administrative Expenses	≈ 305 - 315	≈ 153 - 158	149
Profit before taxes	≈ 400 - 425	≈ 200 - 213	215
ROE after taxes (%) <sup>(1)</sup>	≈ 7.5 - 8.0	≈ 7.5 - 8.0	7.7
<b>Hypo International – Profit before taxes</b>			
	≈ 250 - 270	≈ 125 - 135	135
<b>WuerttHyp – Profit before taxes</b>			
	≈ 65 - 70	≈ 33 - 35	40
<b>Hypo Germany – Profit before taxes</b>			
	≈ 95 - 105	≈ 48 - 53	52
RWA (€ Bn) <sup>(2)</sup>	≈ 56 - 57		52.9

- I Operating revenues below pro-rata target but expected to pick up during the second half of 2005 (Q2 already in line with full year projection)
- I Despite restructuring charges of € 30 - 35 MM the full year target of € 400- 425 MM profit before taxes is confirmed

<b>Adapted Key Figures</b>			
(€MM)	<b>Adapted Target 2005</b>	<b>½ Adapted Target</b>	<b>H1/05</b>
Hypo International – Profit before taxes	≈ 305 - 325	≈ 153 - 163	170
Hypo Public Finance – Profit before taxes	≈ 10 - 15	≈ 5 - 8	5
Hypo Germany – Profit before taxes	≈ 95 - 105	≈ 48 - 53	52

| 52 | **Notes**

1. Excluding the effects from capitalised losses carried forward
2. According to BIS

## Hypo Real Estate Group

### Raising medium-term ROE target to 11-12%

- ▶ Group's new target of 11-12% in 2007 derives from
  - Increase of new HI's profitability to 13 - 14%
  - Profitability of Hypo Germany of 8 - 9%
  - Hypo Public Finance earning between 14 - 15 %
  - An unchanged competitive situation
- ▶ Our underlying business model is strong enough to finance organic growth and to pay an attractive dividend to our shareholders
  - Envisaged growth rate in capital employed for the group of about 5-6% p.a. after 2007
  - A stable dividend policy with a payout ratio of 40-50% by 2007
- ▶ Well capitalised for strong portfolio growth and for underwriting large portfolio deals as long as they are highly value creating and fulfilling our strict requirements

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# Appendix

# Hypo Real Estate Group

## Balance sheet overview

ASSETS	06/2005	2004	CHANGE	
in MM €			in MM €	in %
Cash reserve	64	275	-211	-76.7
Assets held for trading purposes	3,632	1,513	+2,119	>+100
Placements with, and loans and advances to, other banks	20,199	21,651	-1,452	-6.7
Loans and advances to customers	76,726	77,044	-318	-0.4
Allowances for losses on loans and advances	-766	-776	+10	+1.3
Investments	38,367	36,165	2,202	+6.1
Intangible assets	32	29	+3	+10.3
Property, plant and equipment	13	15	-2	-13.3
Other assets	9,237	7,479	+1,758	+23.5
Tax assets	5,833	4,733	+1,100	+23.2
<b>Total assets</b>	<b>153,337</b>	<b>148,128</b>	<b>+5,209</b>	<b>+3.5</b>
EQUITY AND LIABILITIES	06/2005	2004	CHANGE	
in MM €			in MM €	in %
Deposits from other banks	20,739	18,552	+2,187	+11.8
Amounts owed to other depositors	9,059	8,824	+235	+2.7
Promissory notes and other liabilities evidenced by securities	97,065	99,173	-2,108	-2.1
Liabilities held for trading purposes	2,605	926	+1,679	>+100
Provisions	48	221	-173	-78.3
Other liabilities	13,890	11,654	+2,236	+19.2
Tax liabilities	4,727	3,609	+1,118	+31.0
Subordinated capital	2,248	2,297	-49	-2.1
<b>Liabilities</b>	<b>150,381</b>	<b>145,256</b>	<b>+5,125</b>	<b>+3.5</b>
Equity attributable to equity holders	2,941	2,856	+85	+3.0
<i>thereof revaluation reserve</i>	-1,460	-1,437	-23	-1.6
Minority interests	15	16	-1	-6.3
<b>Equity</b>	<b>2,956</b>	<b>2,872</b>	<b>+84</b>	<b>+2.9</b>
<b>Total equity and liabilities</b>	<b>153,337</b>	<b>148,128</b>	<b>+5,209</b>	<b>+3.5</b>
<b>Contingent liabilities and other commitments</b>	<b>8,838</b>	<b>7,786</b>	<b>+1,052</b>	<b>+13.5</b>

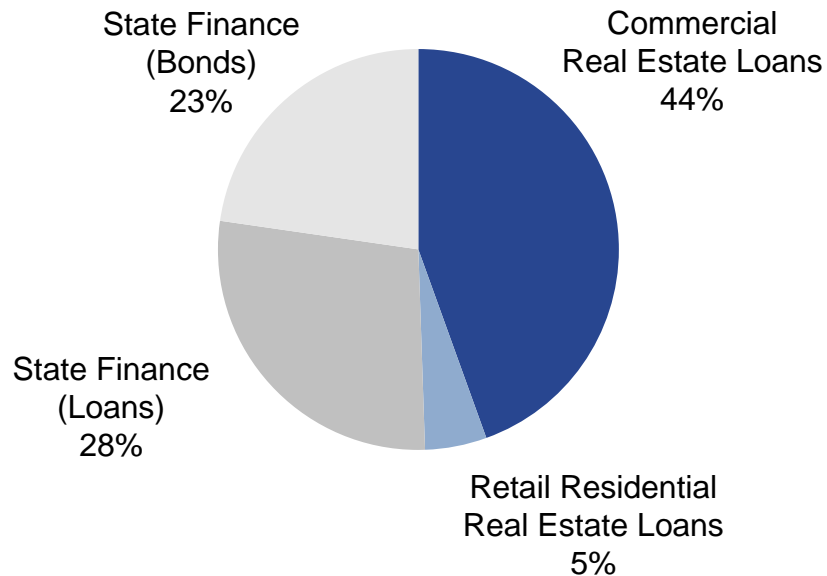
- I Total assets increased by € 5.2 Bn; reduced portfolio at Hypo Germany but increased investments as well as trading assets, which are due to extended “Capital Markets” business
- I Tax assets almost fully consist of deferred taxes (€ 5,818 MM)
- I € 2.4 Bn increase in deposits from other banks and amounts owed to other depositors, but decrease in liabilities evidenced by paper of € 2.1 Bn
- I Trading liabilities increased due to extended “Capital Markets” business
- I Tax liabilities almost fully consist of deferred taxes (€ 4,656 MM.)
- I Equity (excluding revaluation reserve) at € 4.4 Bn, after € 4.3 Bn by year end 2004

# Hypo Real Estate Group

## Group portfolio by product and property type

### SPLIT BY PRODUCT

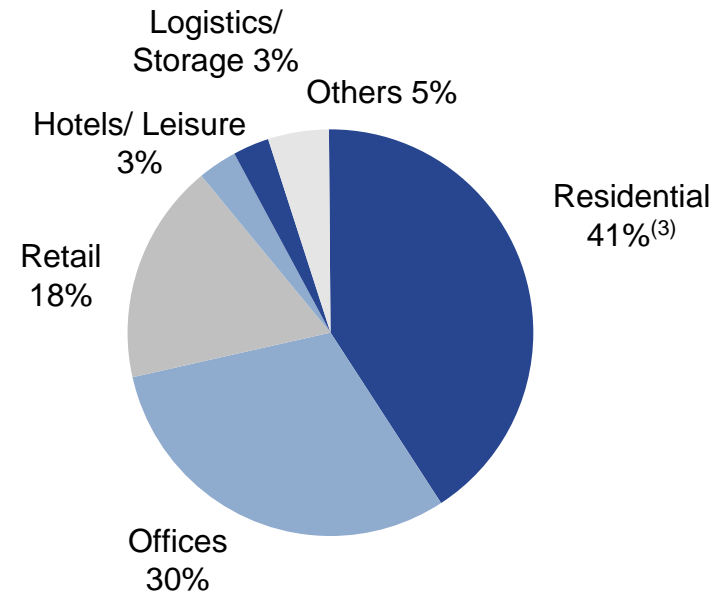
Total Portfolio 06/2005<sup>(1,2)</sup>



100% = €124.4 Bn

### SPLIT BY PROPERTY

Total Real Estate Portfolio 06/2005<sup>(1,2)</sup>



100% = €61.4 Bn

58 | **Notes**

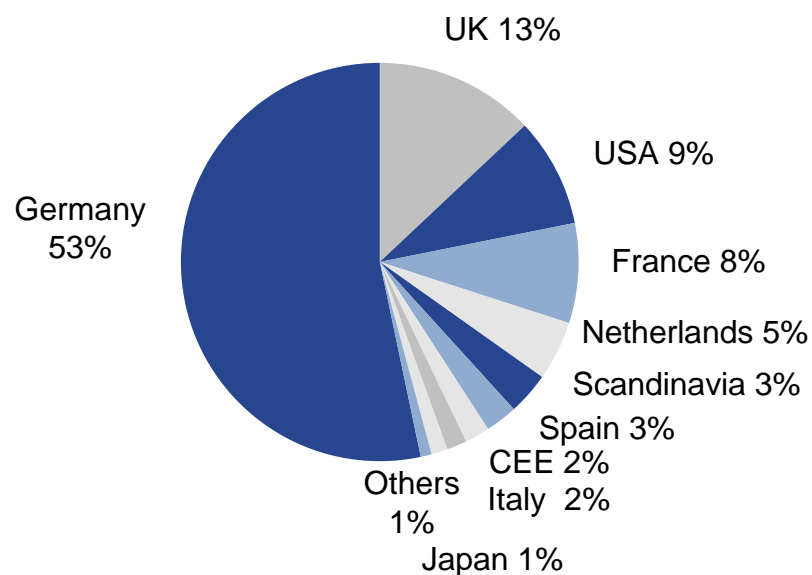
1. Based on commitments
2. Internal, unaudited figures
3. Thereof a volume of about €6 Bn is retail residential business

# Hypo Real Estate Group

## Portfolio by geographical distribution and risk classes

### SPLIT BY REGION

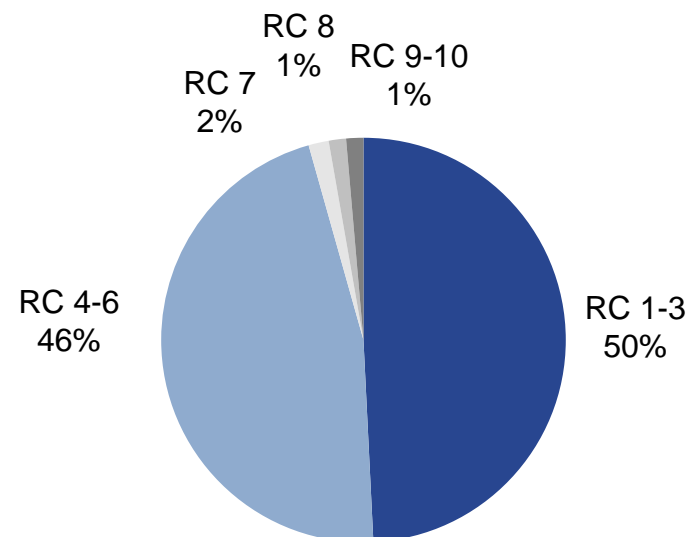
Real Estate Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €61.4 Bn

### SPLIT BY RISK CLASS

Real Estate Loan Portfolio 06/2005<sup>(1,2)</sup>

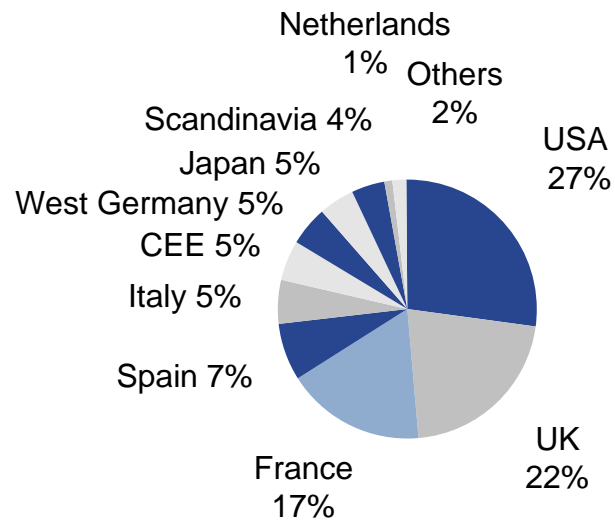


100% = €61.4 Bn

1. Based on commitments
2. Internal, unaudited figures

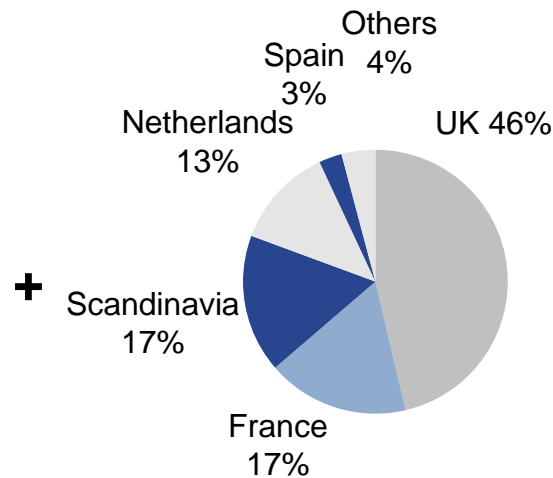
# The new Hypo Real Estate Bank International Regional split

**SPLIT BY REGION**  
Hypo International Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



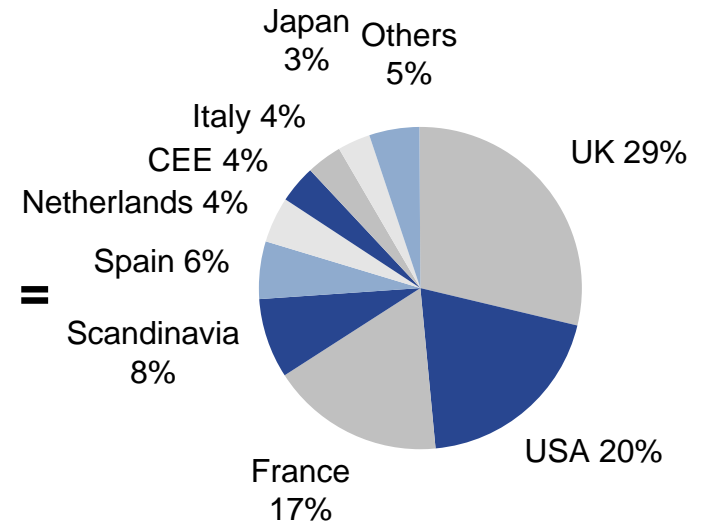
100% = €19.2 Bn<sup>(3)</sup>

**SPLIT BY REGION**  
WuerttHyp Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €8.0 Bn

**SPLIT BY REGION**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

Excluding WuerttHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

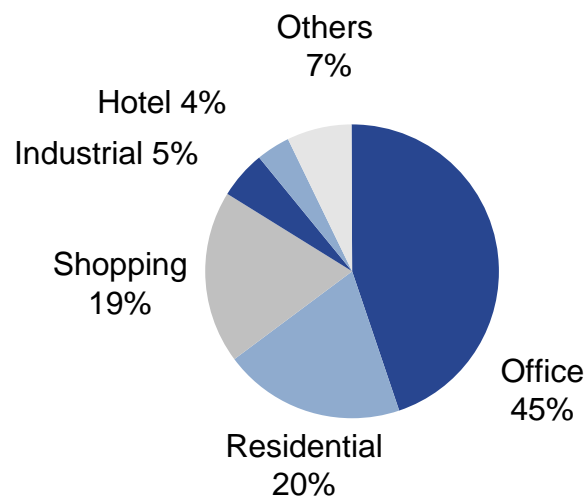
60 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Incl. €0.5 Bn of US portfolio and 0.7 Bn of UK portfolio refinanced and booked by WuerttHyp and guaranteed by Hypo International

# The new Hypo Real Estate Bank International

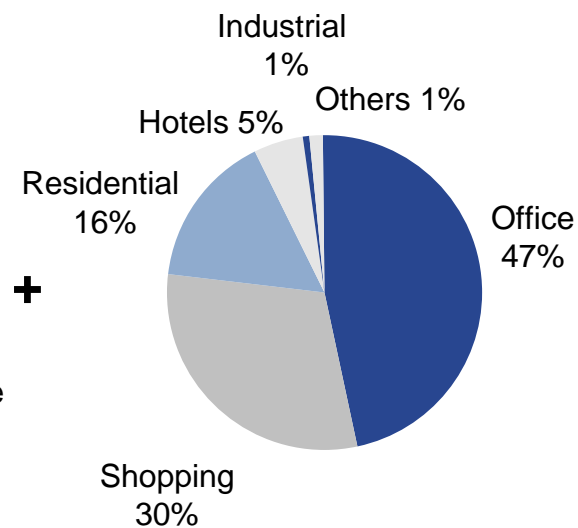
## Split by property

**SPLIT BY PROPERTY**  
Hypo International Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



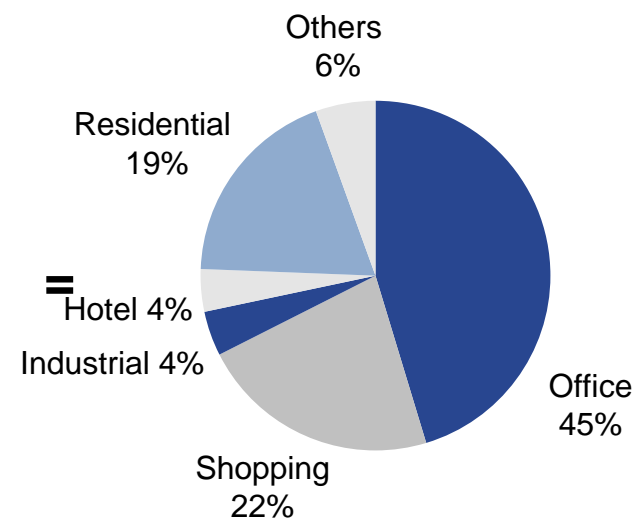
100% = €19.2 Bn<sup>(3)</sup>

**SPLIT BY PROPERTY**  
WuerttHyp Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €8.0 Bn

**SPLIT BY PROPERTY**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

Excluding WuerttHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

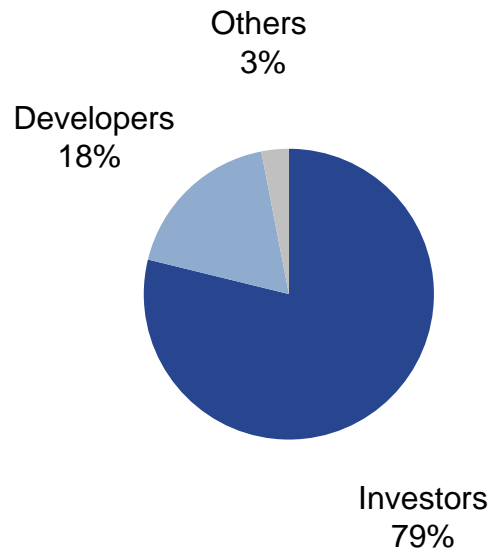
| 61 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Including €0.5 Bn tranche of US portfolio and €0.7 Bn UK portfolio guaranteed by Hypo International and booked by WuerttHyp

# The new Hypo Real Estate Bank International

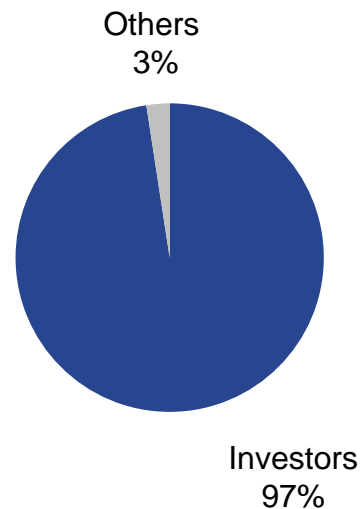
## Split by customer type

**SPLIT BY CUSTOMER TYPE**  
Hypo International Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



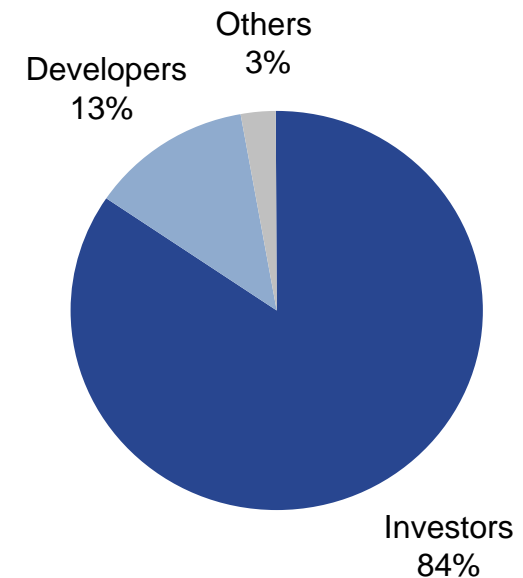
100% = €19.2 Bn<sup>(3)</sup>

**SPLIT BY CUSTOMER TYPE**  
WuerttHyp Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €8.0 Bn

**SPLIT BY CUSTOMER TYPE**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

Excluding WuerttHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

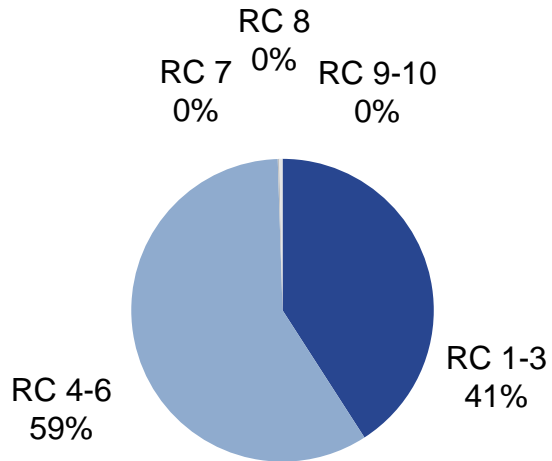
| 62 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Incl. €0.5 Bn of US portfolio and €0.7 Bn of UK portfolio refinanced and booked by WuerttHyp and guaranteed by Hypo International

# The new Hypo Real Estate Bank International

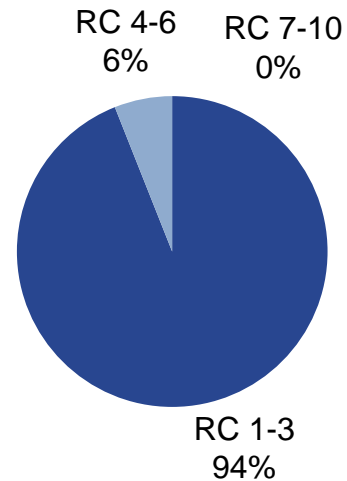
## Split by risk class

**SPLIT BY RISK CLASS**  
Hypo international Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



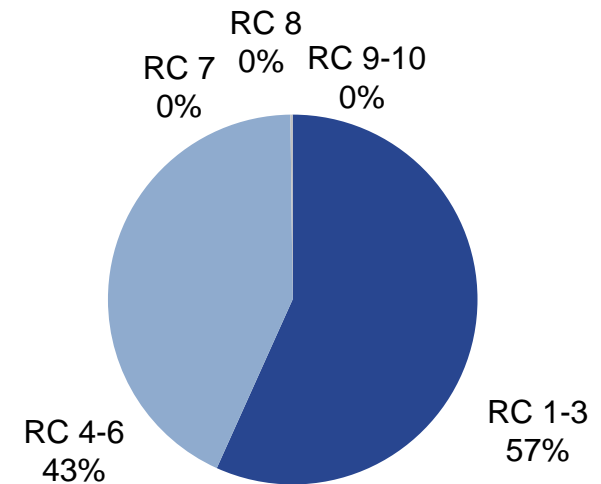
100% = €19.2 Bn<sup>(3)</sup>

**SPLIT BY RISK CLASS**  
WuerttHyp Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €8.0 Bn

**SPLIT BY RISK CLASS**  
New HI Real Estate  
Loan Portfolio 06/2005<sup>(1,2)</sup>



100% = €27.2 Bn

Excluding WuerttHyp's German Portfolio of €4.3 Bn which will be transferred to HG in H1/06

| 63 | **Notes**

1. Based on commitments
2. Internal, unaudited figures
3. Incl. €0.5 Bn of US portfolio and 0.7 Bn of UK portfolio refinanced and booked by WuerttHyp and guaranteed by Hypo International