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Hypo Real Estate Group books net income before taxes of €90 million after nine months

- **Performance as planned**
- **Hypo Real Estate Bank AG in German has made good progress with the reduction of its loan portfolio**
- **New real estate group publishes first interim report**

Munich, November 5, 2003 - The Hypo Real Estate Group (HREG), one of the leading European providers of commercial real estate finance, performed as planned in the first nine months of 2003. The corporate group can report net income before taxes of €90 million after three quarters, despite the time-consuming spin-off process from HypoVereinsbank AG. Net income after taxes amounted to €47 million.

The corporate group reported net interest income of €499 million for the first nine months of 2003. Loan-loss provisions totaled €189 million, while general administrative expenses reached €187 million. Thus return on equity at the Hypo Real Estate Group came to 1.5% and the cost-income ratio totaled 36.4%. Total assets declined by more than €15 billion to around €61 billion compared with the Hypo Group segment of HVB at December 31, 2002, on account of the sale of FGH Bank and the reduction of the loan portfolio maintained by Hypo Real Estate Bank AG in Germany.

Performance of the three operating units

A major contribution to the success of the Hypo Real Estate Group in the first nine months of 2003 was provided by **Hypo Real Estate Bank International**, where the majority of the corporate group's international real estate finance activities are pooled. Operating profit totaled €66 million, while net income before taxes amounted to €64 million, and net interest income of €105 million was generated. As in the past, no loan-loss provisions were required for individual commitments again in the first nine months of the year, documenting the sustained success of the business model which targets large-volume transactions. General loan-loss provisions of €30 million were formed, however. There was also good news regarding general administrative expenses, which, at €40 million after the first nine months, were less than originally planned.

Hypo Real Estate Bank AG (Germany) has made good progress with the reduction of its loan portfolio. At the end of September 2003, the constantly declining credit volume (including municipal loans) totaled €82 billion compared with €9 billion at December 31, 2002.

The reduction of the portfolio had a dampening impact on net interest income (€307 million). Taking into account restructuring expenses notably in the IT division, net losses before taxes amounted to €38 million. Additions to loan-loss provisions totaled €143 million, with the bank booking €345 million of the risk shelter provided by HVB AG on a prorata basis for the first nine months.

Württembergische Hypothekenbank AG provided a stable contribution to profits. Net income before taxes totaled €41 million, while net interest income of €81 million was generated. General administrative expenses remained roughly constant at €22 million. Loan-loss provisions amounted to €16 million.

You will find the interim report on the website www.hyporealestate.com.

Hypo Real Estate Holding AG

Income Statement from January 1 to September 30, 2003

Income / expenses	1/1- 9/30/2003 (in million €)
Net interest income	499
Provisions for losses on loans and advances	189
Net interest income after provisions for losses on loans and Advances	310
Net commission income	14
Trading profit.	0
General administrative expenses	187
Balance of other operating income/expenses	1
Operating result	138
Net income from investments	-13
Amortization of goodwill	0
Balance of other income/expenses	-35
Thereof: Restructuring expenses	53
Additions to restructuring provisions	14
Result of ordinary activities / net income before tax	90
Taxes on income	43
Profit after tax	47
Minority interest	-1
Net Profit	46

in €	1/1- 9/30/2003
Earnings per share (excl. amortization of goodwill)	0.34
Earnings per share	0.34

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