

Press release

Hypo Real Estate Bank AG sells portfolio of non-performing loans with a volume of around €490 million

- Important step in the planned restructuring of the domestic real estate portfolio
- One of the largest transactions of this type in Germany

Munich, December 12, 2003: Hypo Real Estate Bank AG has sold a portfolio of non-performing-loans with a total volume of around €490 million. The buyer is a consortium consisting of the financial investor Lone Star and JPMorgan. The parties have agreed not to reveal the purchase price.

"The sale of this portfolio is an important step in the restructuring of Hypo Real Estate Bank AG," comments Johann Berger, spokesman of the Board of Managing Directors of the bank in Munich. "The move helps us to reduce our workout portfolio as planned and concentrate internal resources," continues Berger. "We're getting serious about quickly and consistently implementing the announced restructuring of our domestic portfolio."

The portfolio sale, which is one of the largest transactions of this type in Germany to date, is a so-called true sale. Under the terms of the deal, the bank has sold the loan receivables already terminated complete with all associated collateral to the investor. The sales transaction thus entails a change of lender. The portfolio sold comprises a total of around 1,350 loans concerning 960 properties. Around half of the loans (by volume) were extended to private individuals for residential properties, while the other half relates to commercial loans. HypoVereinsbank acted as arranger for the transaction.

Hypo Real Estate Bank AG

Hypo Real Estate Bank AG, Munich, is a member of Hypo Real Estate Group (HREG). Hypo Real Estate Group (HREG) is one of Europe's largest providers of commercial real estate financing. However, neither the private residential mortgage business nor public-sector lending are included in its core business activities. HREG consists of the non-operational, listed holding company Hypo Real Estate Holding AG, domiciled in Munich, and three operational business units: besides *Hypo Real Estate Bank AG Deutschland* domiciled in Munich, these are *Hypo Real Estate Bank International* with headquarters in Dublin and *Württembergische Hypothekenbank AG (WürttHyp)* with headquarters in Stuttgart.

The new bank's business model is cash-flow oriented and transaction controlled. That means that every transaction is considered individually and accepted or rejected on its own merits. There are no fixed rulings on industries, sites or real estate locations. Profitability and risk management take precedence; market share considerations and volume play a subordinate role.

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