

## **Press release**

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

- **Performance as planned**
- **Hypo Real Estate Bank AG in Germany 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. Despite the handicaps relating to the time-consuming spin-off process from HypoVereinsbank AG (HVB), the corporate group can report net income before taxes of €90 million after three quarters. Net income after taxes amounted to €47 million.

The Hypo Real Estate Group emerged at the beginning of October 2003 from the spin-off of large portions of HVB Group's commercial real estate business. HREG consists of the non-operational, listed holding company Hypo Real Estate Holding AG headquartered in Munich and the three operating units: *Hypo Real Estate Bank International* headquartered in Dublin, *Württembergische Hypothekenbank AG* headquartered in Stuttgart, and *Hypo Real Estate Bank AG Deutschland* headquartered in Munich.

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%. On account of the sale of FGH Bank and the paring back of the loan portfolio maintained by Hypo Real Estate Bank AG in Germany, total assets declined by more than €15 billion to around €61 billion compared with the "Hypo Group" segment of HVB at December 31, 2002.

"We are satisfied with the results for the first nine months. The Hypo Real Estate Group has had a good start to its independence," commented **Georg Funke, the Chairman of the Board of Managing Directors of Hypo Real Estate Holding AG**. "Now we can rapidly found off the organizational structure of the corporate group. After mastering the complex process of spinning off from HVB, the principle for us now is to once more devote all our attention to our customers and the markets," added Funke.

### **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 €6 million, while net income before taxes amounted to €4 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, totaled 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 €2 billion compared with €9 billion at December 31, 2002.

The contribution to profits made by Hypo Germany for the first nine months of 2003 is affected by the paring back of the portfolio, which inevitably 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 €8 million. Additions to loan-loss provisions totaled €43 million, with the bank booking €45 million of the risk shelter provided by HVB on a prorated basis for the first nine months.

**Württembergische Hypothekenbank AG** provided a stable contribution to profits. Net income before taxes totaled €1 million, while net interest income of €1 million was generated. General administrative expenses totaled €2 million. Loan-loss provisions amounted to €6 million.

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**Note for editorial offices:**

**You will find the interim report on the website [www.hyporealestate.com](http://www.hyporealestate.com). A telephone conference on the nine-month results with Georg Funke, the chairman of the Board of Managing Directors of the Hypo Real Estate Group, and Dr. Markus Fell, CFO, will be held at 11 am today. We would be happy to supply you with the dial-up number upon request.**

This document does not constitute an offer to sell or a solicitation of an offer to purchase any securities. Shares of Hypo Real Estate Holding AG will be distributed only to existing shareholders of Bayerische Hypo- und Vereinsbank AG (HVB AG) in connection with the spin-off of the commercial real estate financing business of HVB AG into Hypo Real Estate Holding AG, and no shares of Hypo Real Estate Holding AG are for sale in connection with such spin-off or the listing of such shares on the Frankfurt Stock Exchange.

The securities referred to herein will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to or for the benefit of United States persons, except pursuant to an applicable exemption from registration.

# 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
<b>Net interest income after provisions for losses on loans and advances</b>	<b>310</b>
Net commission income	14
Trading profit.	0
General administrative expenses	187
Balance of other operating income/expenses	1
<b>Operating result</b>	<b>138</b>
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/loss before taxes .	90
Taxes on income	43
<b>Net income/loss</b>	<b>47</b>
Minority interest	-1
<b>Profit/loss</b>	<b>46</b>

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