

Press release

Third Investors' Day of the Hypo Real Estate Group

- **Confirmation of forecast for the year 2006**
- **Return on equity after taxes expected to rise to more than 13% in 2009**
- **Four initiatives for further profitable growth**

Munich, 2 October 2006: The Hypo Real Estate Group continues to grow. This underlines the CEO of Hypo Real Estate Holding AG, Georg Funke, on the occasion of the third Investors' Day of the international real estate financier. He confirms the forecasts for the year 2006. Accordingly, net income before taxes is expected to increase to a figure in the range of EUR 550 to 560 million. Return on equity after taxes is expected to be more than 9% in 2006.

As already announced, return on equity after taxes is expected to rise to 11% to 12% in the year 2007. The Hypo Real Estate Group has now issued guidance for the year 2009 for the first time: Return on equity after taxes is expected to be more than 13% in that year; it is also expected that the cost-income ratio will decline from 34.9% (in 2005) to less than 28%.

According to Georg Funke, the largest independent specialist commercial real estate financier aims to use four growth initiatives in this respect:

- **Growth of the real estate financing portfolio by way of greater sales efforts:** Structured financing business will be expanded on the German market for this purpose. The group also intends to expand its business in Central and Eastern Europe, and also achieve growth on the West coast of America. It is also about to break into the markets of Singapore and Australia.

- **Portfolio growth and diversification by the activities of Hypo Public Finance Bank:** Particularly by way of asset-based finance and infrastructure financing.
- **Strengthening of off-balance sheet activities** by way of expanding securitisation and syndication activities.
- Further **optimising of costs** by permanent organisation and cost control as well as further optimised **capital management**.

Georg Funke: “Following the expansion of international business, the restructuring of our German activities and the successful start of Public Finance activities, the group is now entering a new phase. With stronger sales efforts in national and international real estate financing as well as new initiatives – particularly at Hypo Public Finance Bank and in off-balance sheet activities – we shall take advantage of market opportunities and further enhance the group's profitability.“

Editorial note:

The presentations for the Investors' Day 2006 will be available in the internet (www.hyporealestate.com/IR.html) today after approx. 13 hours (1 PM). The Investors' Day will also be broadcasted live in the internet (live-stream).

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