

Press release

Hypo Real Estate Bank AG sells real estate loan portfolio with a volume of around EUR 394 million – the bank's portfolio quality has improved further

Munich, October 20th 2004: Hypo Real Estate Bank AG, a member of the Hypo Real Estate Group, has sold a further real estate loan portfolio following the sale of a portfolio to the investment company Lone Star in the middle of last month. This portfolio, with a volume of around EUR 394 million, has been bought by a syndicate comprising Morgan Stanley Real Estate Funds and Citigroup. The parties have agreed not to reveal the purchase price.

As part of the transaction, the investors will take on around 800 loans extended to 380 customers. The portfolio consists of sub-performing loans with a volume of around EUR 77 million as well as non-performing loans with a volume of around EUR 163 million. It also consists of performing loans with a volume of around EUR 154 million, most of which however have been placed on a watch list. The portfolio comprises commercial loans (approx. 55%) as well as residential loans (45%). The arranger of this transaction is HVB Real Estate Structured Products/M&A.

It will not have any impact on the earnings target of Hypo Real Estate Bank AG as well as the group for the year 2004.

"After the sale of our real estate loan portfolio to Lone Star, we are still experiencing strong interest of international investors in such transactions, and we are in a good position to cope with such interest," says Johann Berger, managing board spokesman of Hypo Real Estate Bank AG and member of the managing board of Hypo Real Estate Holding AG. "I am very pleased that we have been able to complete this attractive transaction with a

well-known syndicate. The transaction will further improve the portfolio structure of Hypo Real Estate Bank AG," according to Berger.

Fourth portfolio sale

In addition to this portfolio, Hypo Real Estate Bank AG has sold three other portfolios during the past eleven months. As recently as 16 September of this year, a real estate loan portfolio comprising performing and non-performing loans with a volume of EUR 3.6 billion was sold to the US investment company Lone Star. In December 2003, it sold a portfolio with a volume of EUR 490 million with non-performing loans to a syndicate consisting of Lone Star and JPMorgan. In the same month, a portfolio with a volume of around EUR 600 million of non-strategic residential performing loans was sold to Allgemeine Hypothekenbank Rheinboden AG. "These transactions confirm the bank's competence in portfolio sales," according to Berger.

Hypo Real Estate Bank AG

Hypo Real Estate Bank AG, Munich, is part of the Hypo Real Estate Group (HREG), one of the largest European providers of commercial real estate financing. The bank's core business does not include private mortgage lending or municipal lending. HREG consists of the non-operational listed holding company, namely Hypo Real Estate Holding AG, based in Munich, and three operating entities. These are *Hypo Real Estate Bank AG Deutschland* in Munich, *Hypo Real Estate Bank International* in Dublin and *Württembergische Hypothekenbank AG (WürttHyp)* in Stuttgart.

Press contact:

Hypo Real Estate Group

Oliver Gruß

Telephone: +49 (0)89 203007 781

Telefax: +49 (0)89 203007 772

E-mail: oliver.gruss@hyporealestate.com