

Press release

Hypo Real Estate Group has published preliminary figures for 2005

- **Plans to raise the dividend to EUR 1 per share**
- **Excluding restructuring expenses preliminary consolidated net income before taxes stated as EUR 442 million**
- **Including restructuring expenses consolidated net income before taxes of EUR 408 million is in line with budget**
- **New business of EUR 22.3 billion considerably higher than budget**

Munich, 25 January 2006: The DAX-listed Hypo Real Estate Holding AG is able to look back on a successful financial 2005. The Management Board and the Supervisory Board accordingly intend to propose to the Annual General Meeting on 8 May 2006 that a dividend of EUR 1 per share be paid for financial 2005. This would represent an increase of EUR 0.65 compared with the dividend for last year (EUR 0.35 per share).

Net income before taxes and total operating revenues are either in line or have exceeded budget (all figures in the following are preliminary). At EUR 22.3 billion, new business in real estate financing was considerably better than expectations.

Preliminary figures

Excluding restructuring expenses the Group generated preliminary net income before taxes of EUR 442 million (net income before taxes in 2004: EUR 221 million). If the one-off additional charge of EUR 34 million due to the reorganisation resulting into the new Group structure which has been effective since January 2006 is taken into consideration, the preliminary net income before taxes amounted to EUR 408 million and is thus within the communicated target range of EUR 400 to 425 million.

Total operating revenues (sum of net interest income and net commission income, net trading income, net income from investments and balance of other operating income/expenses) amounted to EUR 909 million in 2005 (previous year figure: EUR 835 million; budgeted range: EUR 895 to 915 million).

The addition to provisions for losses on loans and advances amounted to EUR 149 million, and was considerably lower than budget (previous year figure: EUR 276 million incl. risk shelter provided by HVB AG of EUR 130 million; budgeted range: EUR 190 to 180 million); this is particularly due to the much improved portfolio quality.

General administrative expenses amounted to EUR 317 million (previous year figure: EUR 315 million) and are thus slightly higher than the budgeted range of up to EUR 315 million. This increase is attributable mainly to additional costs incurred prior to the reorganisation of the Group and bonus accruals.

According to preliminary calculations, new business (real estate financing) amounted to EUR 22.3 billion, and is thus considerably higher than the target of EUR 13.5 billion for the year (previous year figure: EUR 12.6 billion). New business at Hypo Real Estate International segment amounted to EUR 15.1 billion (target figure: EUR 10 billion). At Württembergische Hypothekbank, new business amounted to EUR 4.4 billion (target figure: EUR 2.5 billion). With acquired new business of EUR 2.8 billion, Hypo Real Estate Germany segment also exceeded its target of EUR 1 billion for the year.

Outlook for 2006

For 2006, the Management Board expects to see consolidated net income before taxes increase by at least 20% compared with the figure of EUR 442 million stated for the previous year amount which was adjusted by the restructuring expenses. New business is expected to come in at last year's level.

Georg Funke, Chairman of the Managing Board of Hypo Real Estate

Holding AG: "In 2005, our group has met its operating and strategic aims. We intend to expand further and boost our profitability in 2006. The Hypo Real Estate Group is to become one of the leading specialized global players in the field of commercial real estate financing, with a strong presence in Public Finance and Capital Markets."

The figures published in this document are preliminary and unaudited. The accounts press conference for the publication of the annual report for 2005 will be held on 29 March 2006.

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Hypo Real Estate Group

Preliminary figures for 2005 - an overview

Hypo Real Estate Group			
Operating performance (EUR million)	2005	Budget 2005	2004
Total operating revenues	909	895 to 915	835
Provisions for losses on loans and advances	149	190 to 180	276 ¹⁾
General administrative expenses	317	315 to 305	315
Net income before taxes (excl. restructuring expenses)	442	400 to 425 ²⁾	221
Restructuring expenses	34	30 to 35	
Net income before taxes (incl. restructuring expenses)	408	400 to 425 ³⁾	

¹⁾ excl. EUR 130 million risk shelter provided by HVB AG

²⁾ Original target as of 15 March 2005

³⁾ Updated target as of 10 August 2005, incl. additional restructuring expenses

Hypo Real Estate Group				
	1st Quarter 2005	2nd Quarter 2005	3rd Quarter 2005	4th Quarter 2005
Operating performance in EUR million				
Total operating revenues	210	225	233	241
Provisions for losses on loans and advances	35	36	41	37
General administrative expenses	73	76	79	89
Net income before taxes (excluding restructuring expenses)	102	113	112	115