

**Accounts Press Conference
15th March 2005**

**Hypo  Real Estate
GROUP**



**Growth, profitability, innovation:
The Hypo Real Estate Group is on the move
Explanations for the financial statement
Dr. Markus Fell, CFO, Hypo Real Estate Holding AG**

Hypo Real Estate Group

Key Financials 2004

Key Financials (IFRS) (€MM)	2004	2003
Net interest income	683	674
Provisions for losses on loans and advances	276	252
Net interest income after provisions for losses on loans and advances	407	422
Net commission income	94	45
Net trading income	11	-
General administrative expenses	315	260
Balance of other operating income/expenses	-	19
Operating profit/loss	197	226
Net income from investments	47	-1
Balance of other income/expenses	-23	-69
thereof: Restructuring expenses	21	86
Net income/loss before taxes	221	156
Taxes on income	-50	40
thereof: Deferred taxes on capitalised losses carried forward	-103	-
Net income/loss	271	116
thereof: attributable to equity holders	270	115
thereof: Minority interest	1	1
Net income/loss excluding income from deferred taxes on capitalised losses carried forward	168⁽¹⁾	116
ROE after taxes (%)	4.0 ⁽¹⁾	2.8
Operating revenues	788	738

- | 2004 net interest income and net commission income increased due to international expansion (NII 2003 included a € 33 MM dividend from FGH Bank)
- | Gross loan-loss provisions have been reduced by € 306 MM (excluding the risk shelter from HVB of € 130 MM)
- | International expansion resulted in higher general administrative expenses
- | In 2003, net income from investments included a € 33 MM write-off on FGH Bank
- | Income taxes include deferred tax yield on capitalised losses carried forward of € 103 MM
- | Net income increased by 45% to € 168 MM⁽¹⁾ (2003: € 116 MM), leading to a ROE of 4 %⁽¹⁾
- | Including the positive tax effect of the capitalisation of some of our losses carried forward net income was € 271 MM⁽²⁾

| 2 | Note

1. Excluding income from deferred taxes on capitalised losses carried forward of € 103 MM
2. Equivalent to ROE after taxes of 6.5 %

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Quarterly development 2004

Summary of quarterly financial data 2004				
(€MM)	Q1	Q2	Q3	Q4
Net interest income	166	180	161	176
Provisions for losses on loans and advances	71	75	75	55
Net interest income after provisions for losses on loans and advances	95	105	86	121
Net commission income	24	25	35	10
Net trading income	-	2	3	6
General administrative expenses	72	77	80	86
Balance of other operating income/expenses	1	1	3	-5
Operating profit/loss	48	56	47	46
Net income from investments	11	4	-1	33
Balance of other income/expenses	-4	-1	-5	-13
thereof: Restructuring expenses	3	2	5	11
Net income/loss before taxes	55	59	41	66
Taxes on income	14	16	5	-85
thereof: Deferred taxes on capitalised losses carried forward	-	-	-	-103
Net income/loss	41	43	36	151
Operating revenues	191	208	202	187

- | Loan-loss provisions in Q4 lower due to revised portfolio-based provision model consistent with IAS 39
- | Fee income lower in Q4 due to introduction of new fee recognition policy
- | “Capital Markets” increasingly generated net trading income
- | Net income from investments in Q4 primarily resulted from sale of securities at WuerttHyp and Hypo Germany

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Results in line with profit targets

Key Figures (IFRS)		
(€ MM)	Target 2004	2004
Total Operating Revenues	≈ 790 - 805	788
Risk Provisions	≈ 275 - 285	276
General Administrative Expenses	≈ 300 - 310	315
Profit before tax	≈ 205 - 225	221
ROE after tax (%)	≈ 3.5% - 4.0%	4.0 ⁽¹⁾
Hypo International – Profit before tax	≈ 175 - 185	195
WuerttHyp – Profit before tax	≈ 55 - 60	60
Hypo Germany – Profit before tax	≈ -20 - 0 ⁽²⁾	-9
RWA (€ Bn) ⁽³⁾	≈ 58	51.0

- | Despite weaker USD operating revenues are in line.
- | Due to portfolio sales the general administrative expenses were slightly higher than planned
- | All three banks have met or exceeded financial targets
- | RWA lower due to bigger reductions in Hypo Germany - leading to a better capitalisation (Group Tier 1 ratio of 8.3 %)

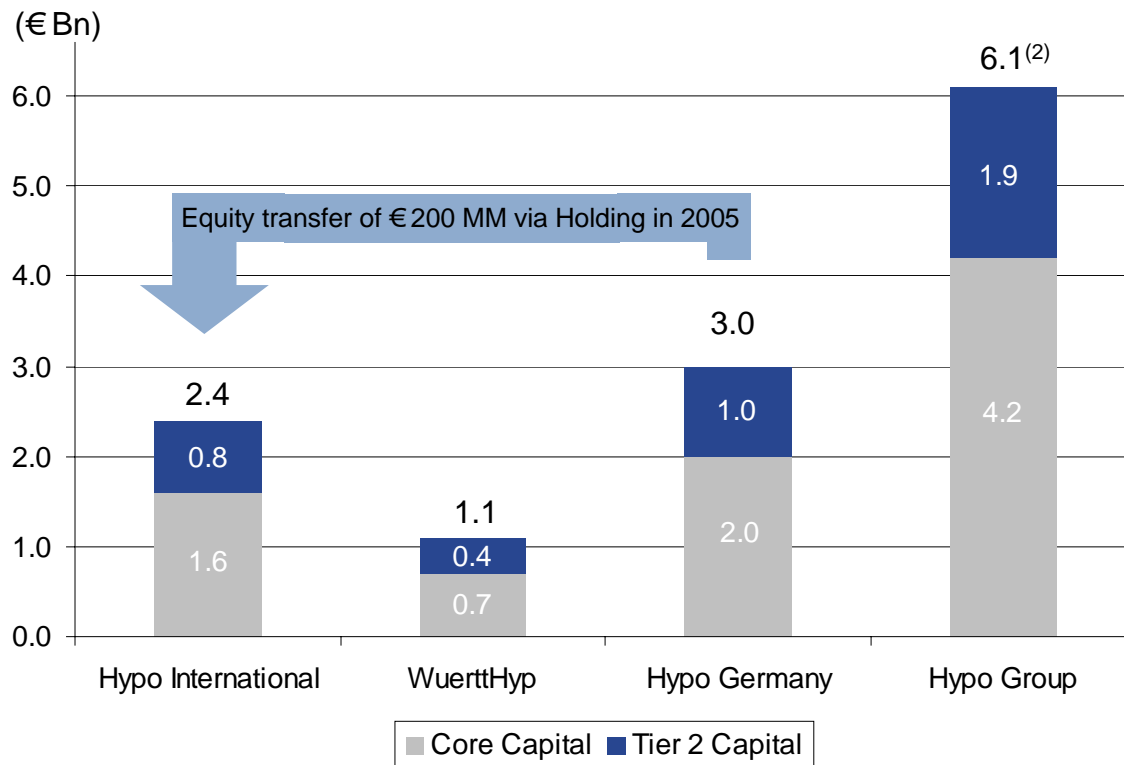
| 4 | Notes

1. Excluding income from deferred taxes on capitalised losses carried forward of € 103 MM
2. Revised in September 2004 after portfolio sale
3. According to BIS

Hypo Real Estate Group

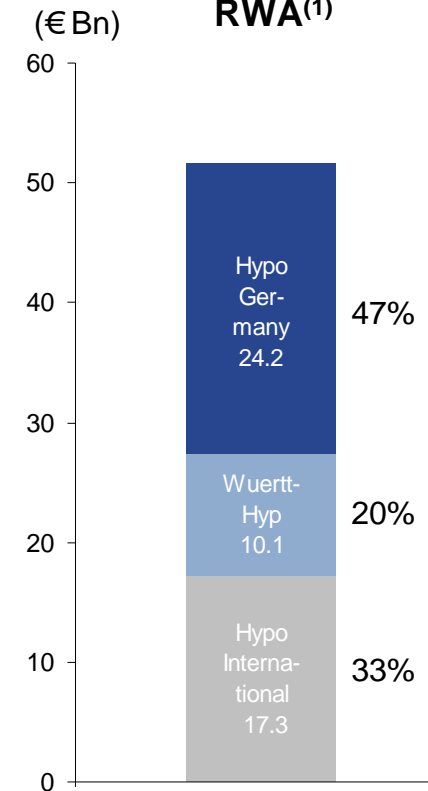
All entities are well capitalised and can finance significant growth

Core Capital and Total Capital⁽¹⁾



Tier 1 Ratio (%) ⁽¹⁾	9.2	7.1	8.4	8.3
Target Tier 1 Ratio (%) ⁽¹⁾	8.5	6.75	7.0	
Total Equity Funds Ratio (%) ⁽¹⁾	12.6	10.6	12.4	11.7

RWA⁽¹⁾



100% = €51.0 Bn⁽³⁾

| 5 | Notes

1. According to BIS
2. €-0.4 Bn consolidation effect
3. €-0.6 Bn consolidation effect

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Strengthening the balance sheet and income statement

- I Introduction of portfolio-based risk provisioning according to IAS 39 (revised)
- I Outsourcing of pension liabilities
- I Introduction of new fee recognition policy
- I Capitalisation of tax losses carried forward

Hypo Real Estate Group

Balance sheet overview

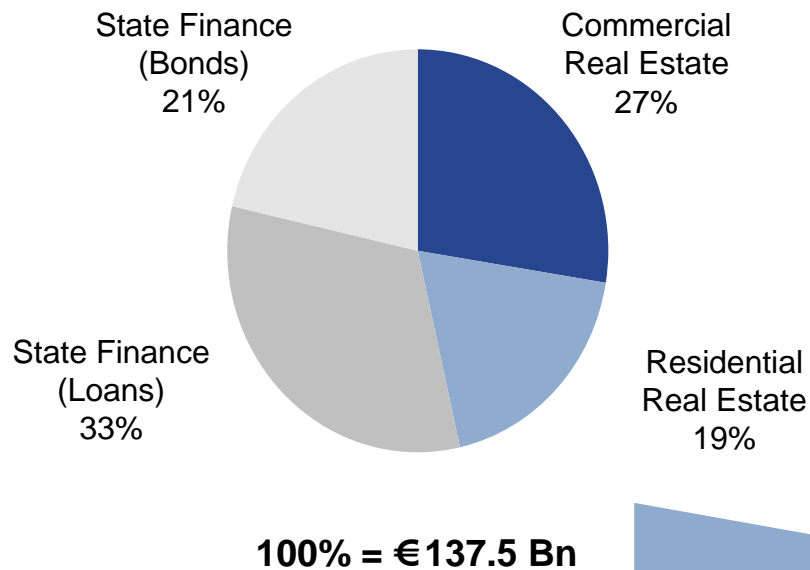
ASSETS	2004	2003	CHANGE	
in MM €				in %
Cash reserve	275	489	-214	-43.8
Assets held for trading purposes	1,513	-	+1,513	> +100
Placements with, and loans and advances to, other banks	21,651	24,981	-3,330	-13.3
Loans and advances to customers	77,044	85,505	-8,461	-9.9
Allowances for losses on loans and advances	-776	-1,896	+1,120	+59.1
Investments	36,165	36,471	-306	-0.8
Intangible assets	29	13	+16	> +100
Property, plant and equipment	15	29	-14	-48.3
Other assets	7,479	5,029	+2,450	+48.7
Tax assets	4,733	2,256	+2,477	> +100
Total assets	148,128	152,877	-4,749	-3.1
EQUITY AND LIABILITIES	2004	2003	CHANGE	
in MM €				in %
Deposits from other banks	18,552	19,351	-799	-4.1
Amounts owed to other depositors	8,824	7,844	+980	+12.5
Promissory notes and other liabilities evidenced by securities	99,173	110,153	-10,980	-10.0
Liabilities held for trading purposes	926	-	+926	> +100
Provisions	221	210	+11	+5.2
Other liabilities	11,654	8,786	+2,868	+32.6
Tax liabilities	3,609	1,273	+2,336	> +100
Subordinated capital	2,297	2,476	-179	-7.2
Liabilities	145,256	150,093	-4,837	-3.2
Equity attributable to equity holders	2,856	2,770	+86	+3.1
<i>thereof revaluation reserve</i>	-1,437	-1,415	-22	-1.6
Minority interests	16	14	+2	+14.3
Equity	2,872	2,784	+88	+3.2
Total equity and liabilities	148,128	152,877	-4,749	-3.1
Contingent liabilities and other commitments	7,786	11,602	-3,816	-32.9

- | Total assets decreased by € 4.7 Bn, primarily reflecting the reduction of the German Portfolio
- | Tax assets and liabilities consist almost entirely of deferred taxes
- | Equity (excluding revaluation reserve) slightly increased from € 4.2 Bn to € 4.3 Bn

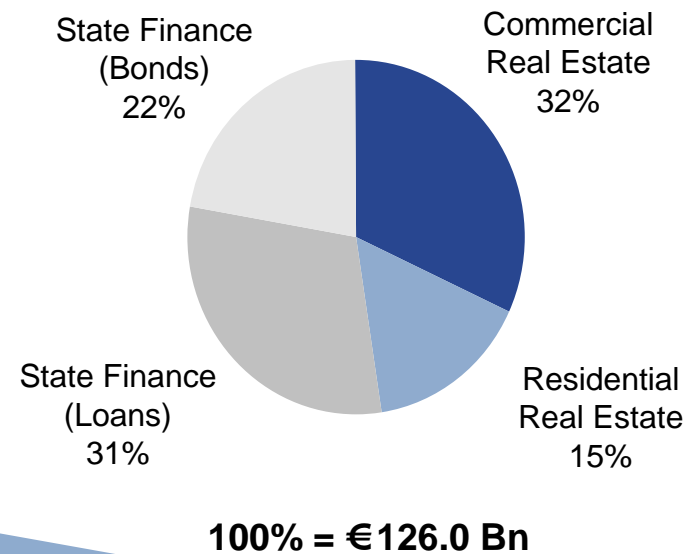
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The group portfolio has been reduced by €11.5 Bn

SPLIT BY PRODUCT
Total Portfolio 12/2003^(1,2)



SPLIT BY PRODUCT
Total Portfolio 12/2004^(1,3)



- | Reduction of €7.6 Bn in state finance (bonds and loans)
- | Decrease of €3.9 Bn in real estate portfolio

| 8 | **Notes**

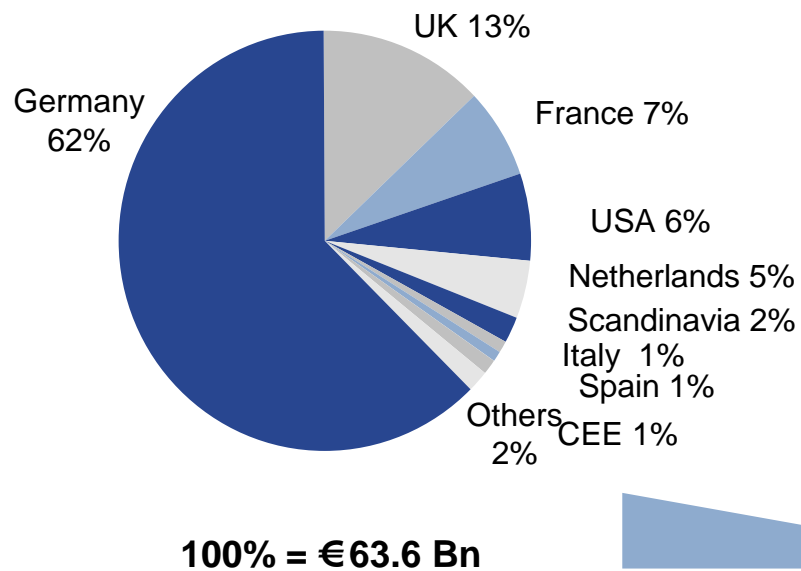
1. Based on commitments (Hypo Real Estate Bank Germany loans outstanding)
2. Internal, unaudited figures as of 12/2003
3. Internal, unaudited figures as of 12/2004

Hypo Real Estate Group

Geographical diversification has further increased...

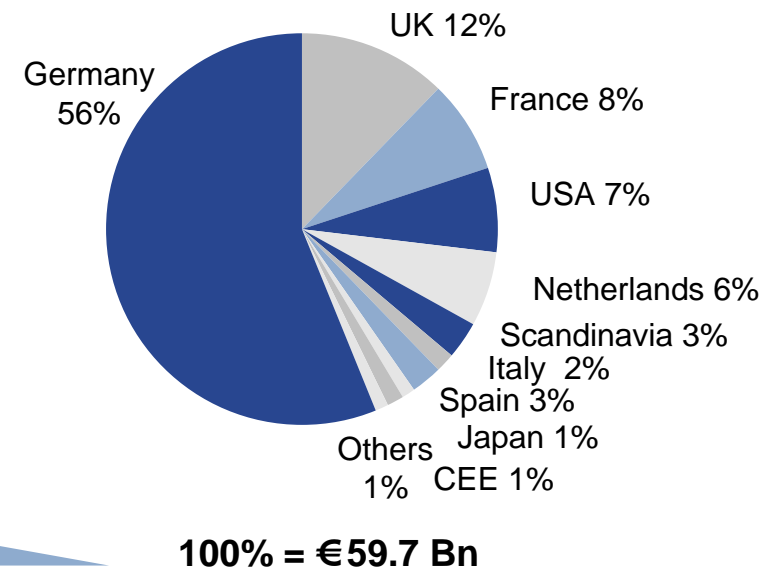
SPLIT BY REGION

Real Estate Loan Portfolio 12/2003^(1,2)



SPLIT BY REGION

Real Estate Loan Portfolio 12/2004^(1,3)



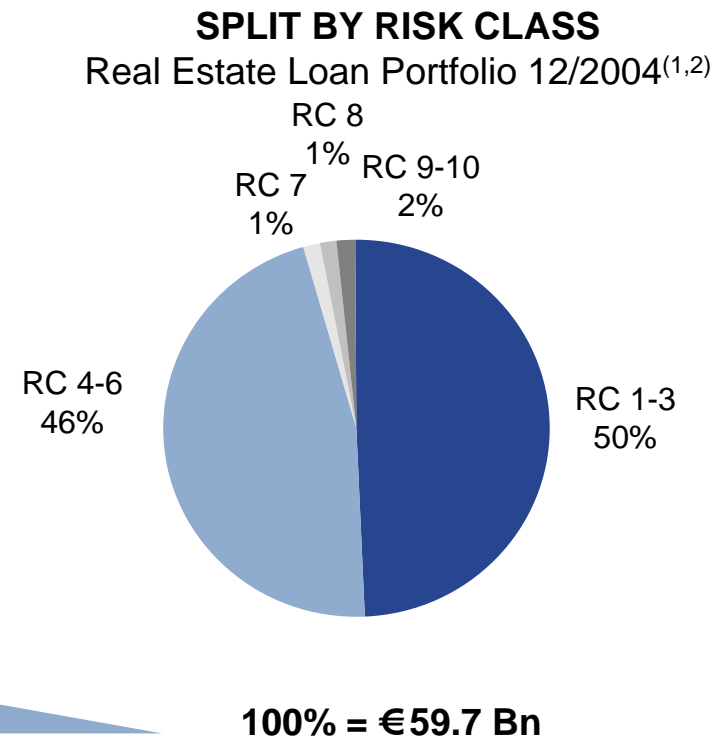
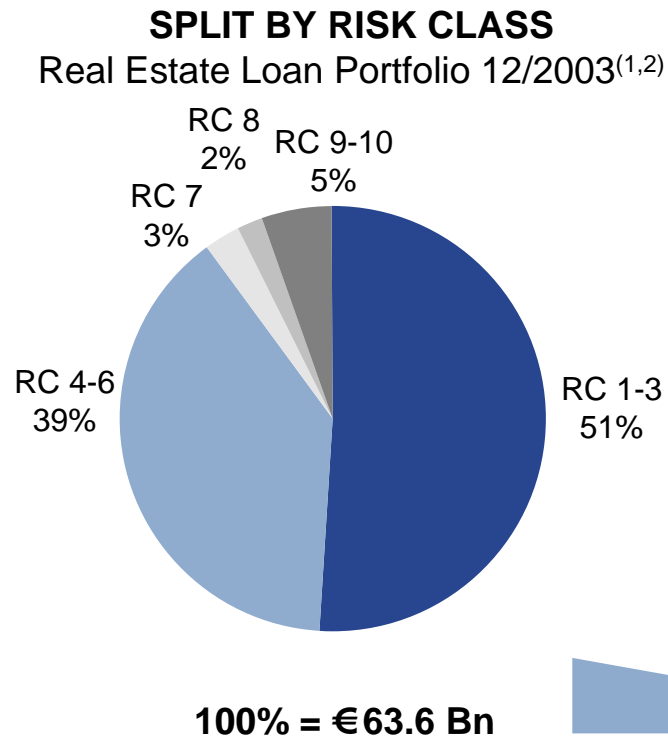
I Strategic decrease of the German portfolio

| 9 | **Notes**

1. Based on commitments (Hypo Real Estate Bank Germany loans outstanding)
2. Internal, unaudited figures as of 12/2003
3. Internal, unaudited figures as of 12/2004

Hypo Real Estate Group

...while the overall asset quality has improved significantly



I Risk provisions of € 792^(3,4) MM resulting in a NPL⁽⁵⁾ coverage ratio of about 68 %

| 10 | **Notes**

1. Based on commitments (Hypo Real Estate Bank Germany loans outstanding)
2. Internal, unaudited figures
3. Including accrued interest
4. Allowances for losses on loans and advances + provisions for losses on guarantees and indemnities
5. Risk classes 9+10 incl. accrued interest

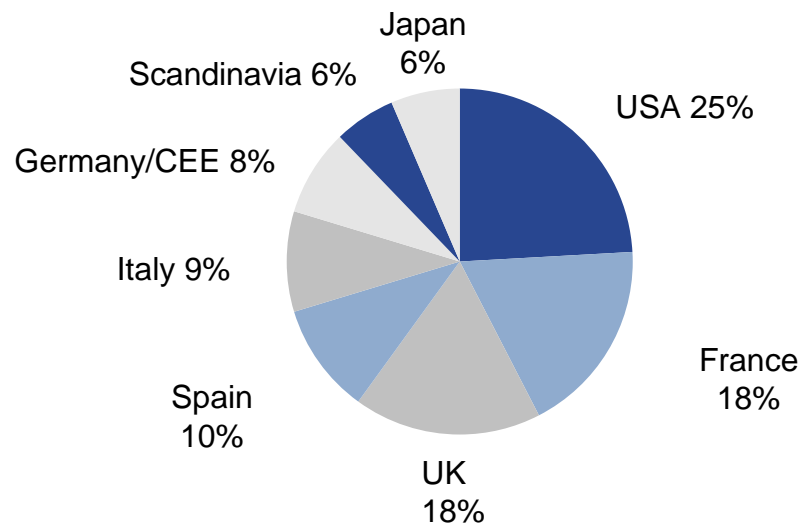
Hypo Real Estate Bank International

Hypo Real Estate Bank International

New business of €9.8 Bn exceeded our target

SPLIT BY REGION

New Business 01/2004 - 12/2004^(1,2,3)



100% = €9.8 Bn

- I €3.7 Bn of new business in Q4 result in €9.8 Bn of new real estate lending volume in 2004
- I Net increase after repayments of €3.0 Bn
- I Well balanced regional mix of new business increases diversification
- I Major regions USA, France and UK

| 12 | Notes

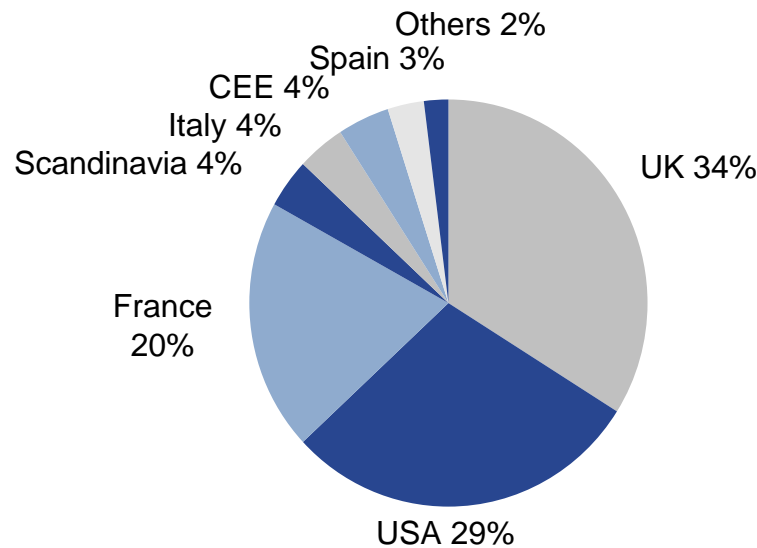
1. Excluding HPBI's new business
2. Based on commitments after syndication
3. Internal unaudited figures

Hypo Real Estate Bank International

The regional diversification has continued ...

SPLIT BY REGION

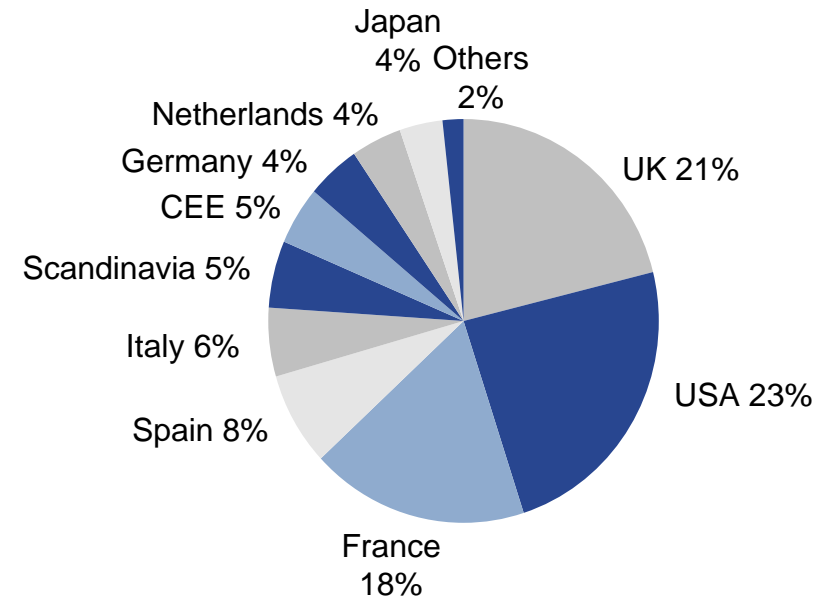
Real Estate Loan Portfolio 12/2003^(1,2)



100% = €14.1 Bn^(3,4)

SPLIT BY REGION

Real Estate Loan Portfolio 12/2004^(1,5)



100% = €17.1 Bn^(6,7)

13 | **Notes**

1. Based on commitments
2. Internal, unaudited figures as of 12/2003
3. Excl. HPBI portfolio (€5.6 Bn state finance)
4. Incl. €1.2 Bn of US portfolio refinanced and booked by WuerthHyp and guaranteed by Hypo Real Estate International
5. Internal unaudited figures as of 12/2004
6. Excl. HPBI portfolio (€5.7 Bn state finance)
7. Incl. €0.5 Bn of US portfolio and €1.0 Bn of UK Portfolio refinanced and booked by WuerthHyp and guaranteed by Hypo Real Estate International

Hypo Real Estate Bank International

Key Financials 2004

Key Financials (IFRS)				
(€MM)	2004	2003	Q4 / 2004	¼ / 2003
Net interest income	224	137	60	34
Provisions for losses on loans and advances	33	37	-9	9
Net interest income after provisions for losses on loans and advances	191	100	69	25
Net commission income	126	55	23	14
Net trading income	11	-	6	-
General administrative expenses	136	64	40	16
Balance of other operating income/expenses	1	1	-2	-
Operating profit/loss	193	92	56	23
Net income from investments	3	-5	2	-1
Balance of other income/expenses	-1	-	-1	-
Net income/loss before taxes	195	87	57	22
Taxes on income	47 ⁽¹⁾	30	15 ⁽¹⁾	8
Net income/loss	148⁽¹⁾	57	42⁽¹⁾	14
Total assets (€Bn)	23	16		
Total lending volume (€Bn)	18	18		
Cost-Income-Ratio (CIR %)	37.6	33.2		
ROE after taxes (%)	10.1 ⁽¹⁾	4.3		
Operating revenues	362	193	87	48

| The purchase of the US-portfolio from HVB (Dec 2003) and new business boosted net interest income and net commission income in 2004

| Despite portfolio growth loan-loss provisions lower than in 2003, resulting from adoption of portfolio-based risk provisioning according to IAS 39

| "Capital Markets" generated trading income for the first year

| International expansion, establishment of "Capital Markets" and inclusion of US costs resulted in higher general administrative expenses

| Net income more than doubled; ROE after taxes 10.1 %⁽¹⁾

| 14 | Notes

1. Excluding income from deferred taxes on capitalised losses carried forward of € 1 MM

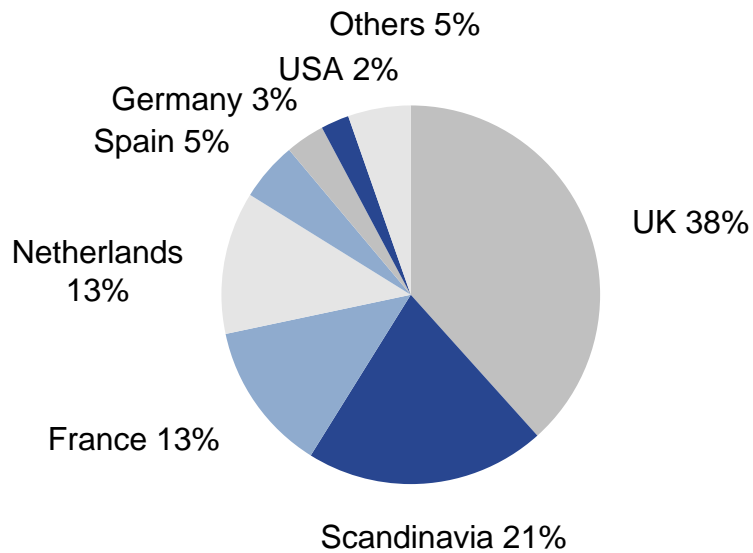
WuerttHyp

WuerttHyp

New business of €2.5 Bn in 2004

SPLIT BY REGION

New Business 01/2004 - 12/2004⁽¹⁾



100% = €2.5 Bn⁽²⁾

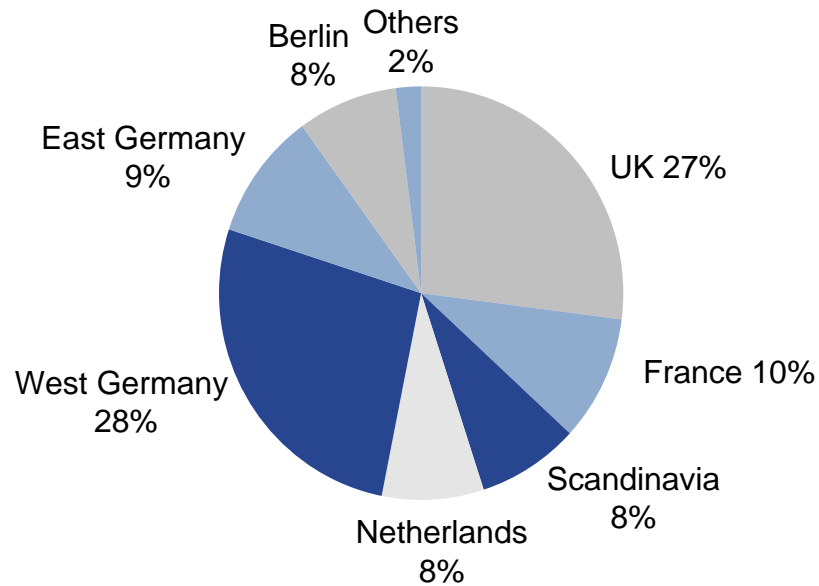
- I New lending business is a record for WuerttHyp
- I New business was well diversified across Europe
- I Prepayments and repayments of €1.5 Bn led to a portfolio increase of €1.0 Bn

| 16 | **Notes**

1. Excluding €1.0 Bn of UK Portfolio refinanced and booked by WuerttHyp and guaranteed by Hypo International
2. Based on commitments after syndication

SPLIT BY REGION

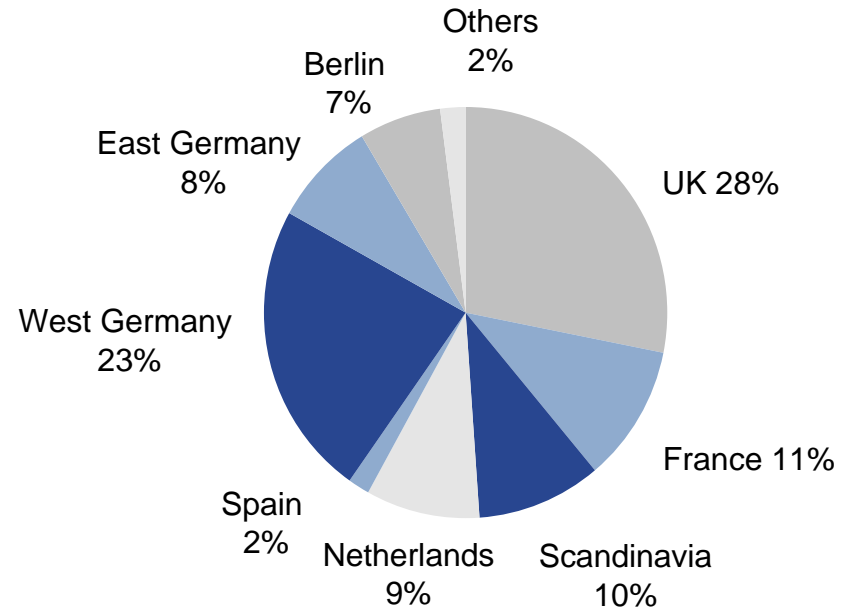
Real Estate Loan Portfolio 12/2003^(1,2)



100% = €11.0 Bn⁽³⁾

SPLIT BY REGION

Real Estate Loan Portfolio 12/2004^(1,4)



100% = €12.0 Bn⁽⁵⁾

| 17 | **Notes**

1. Based on commitments
2. Internal, unaudited figures as of 12/2003
3. Excluding € 1.2 Bn tranche of US portfolio guaranteed by Hypo Real Estate International
4. Internal, unaudited figures as of 12/2004
5. Excluding € 0.5 Bn tranche of US portfolio and € 1.0 Bn UK portfolio guaranteed by Hypo Real Estate International

WuerttHyp

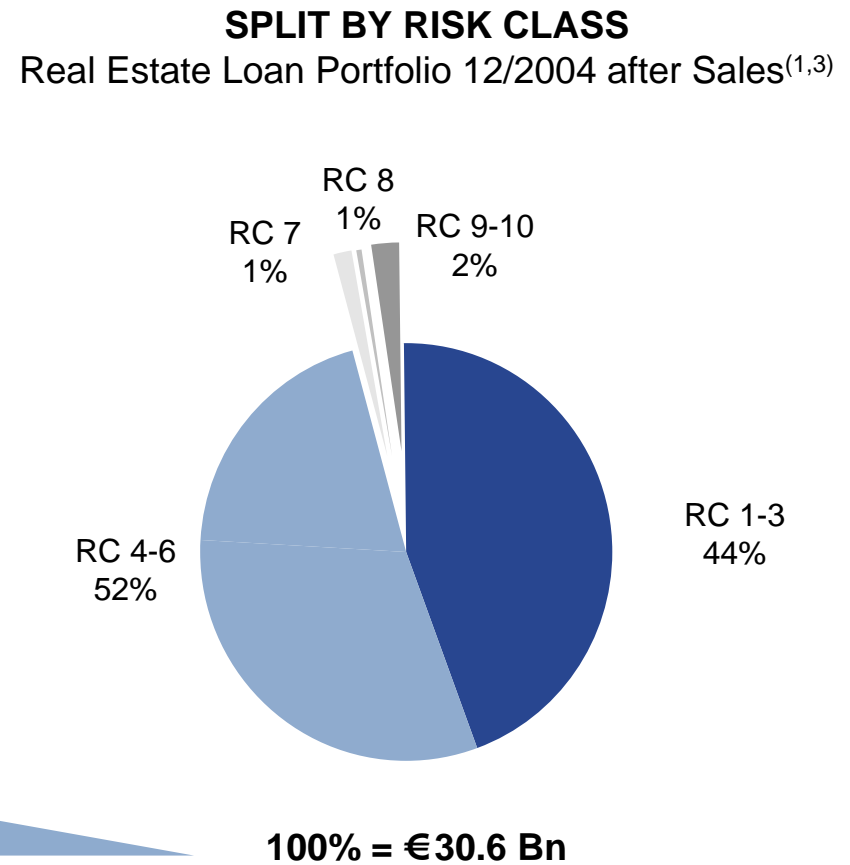
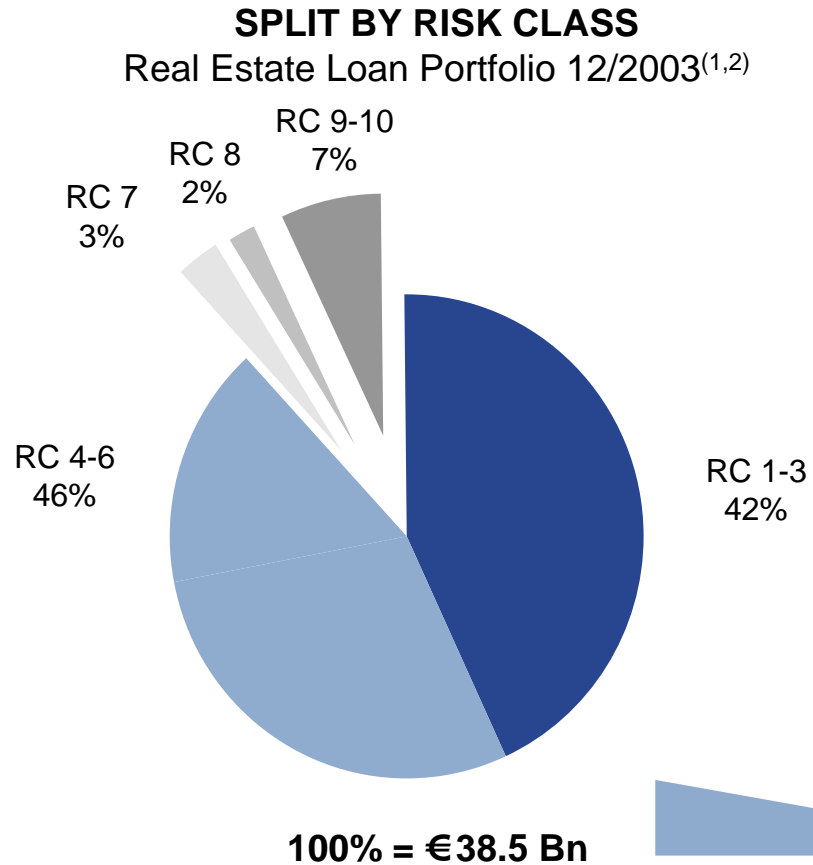
Key Financials 2004

Key Financials (IFRS)				
(€MM)	2004	2003	Q4 / 2004	¼ / 2003
Net interest income	108	110	26	27
Provisions for losses on loans and advances	23	25	9	6
Net interest income after provisions for losses on loans and advances	85	85	17	21
Net commission income	-6	-4	-2	-1
General administrative expenses	33	31	9	8
Balance of other operating income/expenses	-	-2	-1	-
Operating profit/loss	46	48	5	12
Net income from investments	14	6	9	1
Balance of other income/expenses	-	-	-	-
Net income/loss before taxes	60	54	14	13
Taxes on income	1	2	1	-
Net income/loss	59	52	13	13
Total assets (€ Bn)	35	30		
Total lending volume (€ Bn)	21	19		
Cost-Income-Ratio (CIR %)	32.4	29.8		
ROE after taxes (%)	9.0	8.2		
Operating revenues	102	104	23	26

- I Solid performance of WuerttHyp; operating income and expenses nearly stable
- I Net income from investments higher, resulting from the sale of securities
- I Accordingly, pre-tax profit and ROE after taxes higher than in previous year

Hypo Real Estate Bank Germany

Hypo Real Estate Bank Germany Portfolio is now of outstanding quality

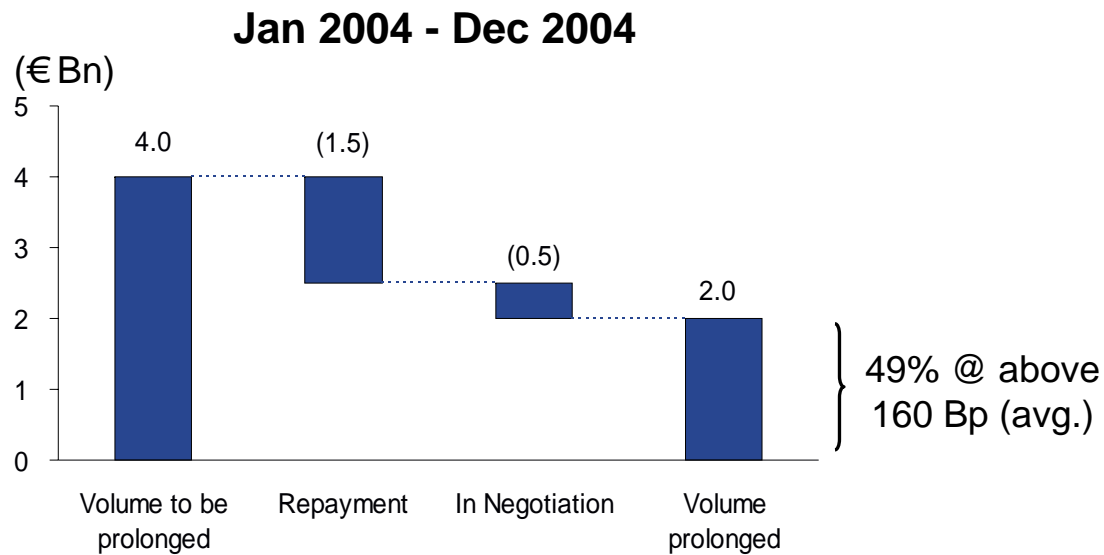


| 20 | **Notes**

1. Based on loans outstanding
2. Internal, unaudited figures as of 12/2003
3. Internal, unaudited figures as of 12/2004

Hypo Real Estate Bank Germany

Continued success in repricing existing loans...

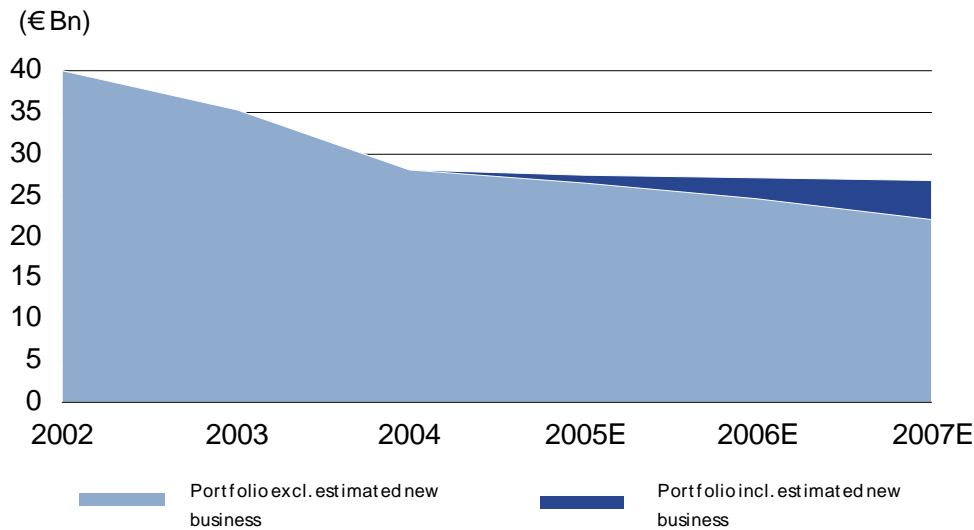


- I The successful prolongation strategy will be continued with an average margin of more than 160 Bp
- I 59% prolongation rate with commercial customers
- I 17% prolongation rate with retail customers, in line with strategy
- I Shorter prolongation periods

Hypo Real Estate Bank Germany

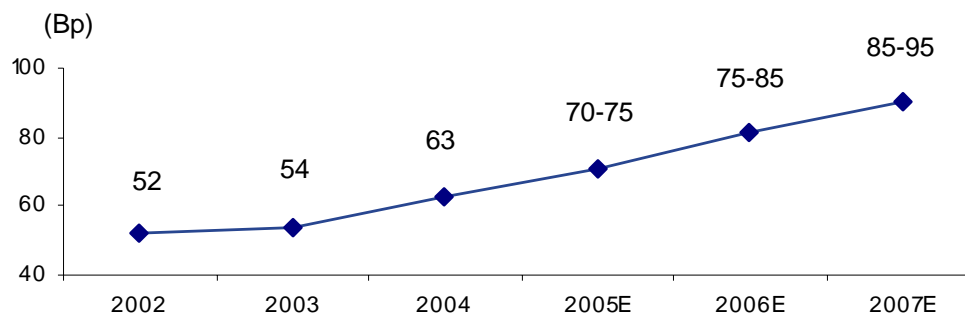
...which leads to a strong improvement of the total book's profitability

RE PORTFOLIO DEVELOPMENT INCL. NEW BUSINESS⁽¹⁾



- I In 2005, the reduction of the underlying portfolio will continue because of:
 - Continuation of our prolongation strategy (assumed prolongation rate of 60%)
 - Modestly planned new business volume of € 1 Bn in 2005
- I 2006 onwards the portfolio will remain stable with planned new business of:
 - € 2 Bn in 2006
 - € 3 Bn in 2007

MARGIN DEVELOPMENT OF THE RE PORTFOLIO⁽¹⁾



- I Portfolio profitability increases through prolongations and new business at planned margins of 130 Bp interest income plus fees

Hypo Real Estate Bank Germany

Key Financials 2004

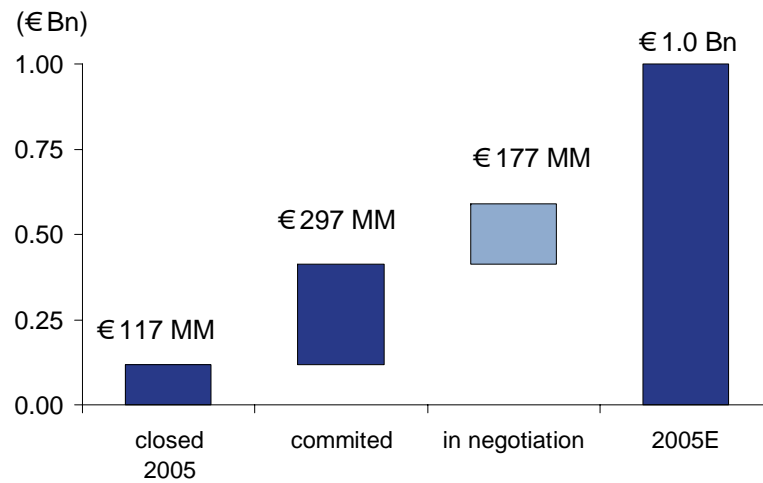
Key Financials (IFRS)				
(€MM)	2004	2003	Q4 / 2004	¼ / 2003
Net interest income	354	420	90	105
Provisions for losses on loans and advances	220	190	55	48
Net interest income after provisions for losses on loans and advances	134	230	35	57
Net commission income	-25	-6	-10	-2
General administrative expenses	126	152	31	38
Balance of other operating income/expenses	-2	22	-3	6
Operating profit/loss	-19	94	-9	23
Net income from investments	31	-2	22	-
Balance of other income/expenses	-21	-103	-11	-26
thereof: Restructuring expenses	21	86	11	22
Net income/loss before taxes	-9	-11	2	-3
Taxes on income	1 ⁽¹⁾	5	2 ⁽¹⁾	1
Net income/loss	-10⁽¹⁾	-16	0⁽¹⁾	-4
Total assets (€ Bn)	92	108		
Total lending volume (€ Bn)	62	76		
Cost-Income-Rate (CIR (%))	38.5	34.9		
ROE after taxes (%)	-0.5 ⁽¹⁾	-0.7		
Operating revenues	327	436	77	109

- | Net interest income decreased substantially due to portfolio reduction; 2003 includes FGH Bank dividend of € 33 MM
- | Gross loan loss provisions have been reduced by € 300 MM (excluding risk shelter from HVB of € 130 MM (2003: € 460 MM))
- | General administrative expenses lower due to reduced headcount and IT costs
- | Net income from investments higher in Q4, primarily due to sale of securities; 2003 includes write-off on FGH Bank of € 33 MM

Hypo Real Estate Bank Germany

Already favourable new business in Germany

Overview of current new business activities as of February 25, 2005



I €414 MM have already been closed and committed in 2005

Hypo Real Estate Group Outlook 2005

Hypo Real Estate Group

Business plan snapshot for 2005

Key Figures		
(€ MM)	Target 2005	2004
Total Operating Revenues	≈ 895 - 915 ⁽¹⁾	788
Risk Provisions	≈ 180 - 190	276
General Administrative Expenses	≈ 315 - 305	315
Profit before tax	≈ 400 - 425	221
ROE after tax (%)	≈ 7.5% - 8.0%	4.0 ⁽²⁾
Hypo International – Profit before tax	≈ 250 - 270	195
WuerttHyp – Profit before tax	≈ 65 - 70	60
Hypo Germany – Profit before tax	≈ 95 - 105	-9
RWA (€ Bn) ⁽³⁾	≈ 56 - 57	51.0

- I Hypo Group aims to earn its cost of capital with a target ROE of 7.5 - 8.0%
- I Additional revenues of more than € 100 MM result from business expansion in Hypo International as well as from margin improvement in Hypo Germany
- I ~ € 100 MM drop in loan loss provisions are due to return to normality in Hypo Germany
- I Stable general administrative expenses for Hypo Group; increase in Hypo International is offset by savings in Hypo Germany

| 26 | Notes

1. Including net income from investments
2. Excluding income from capitalised losses carried forward of € 103 MM
3. According to BIS

Hypo Real Estate Group

Medium-term perspectives for shareholders

- I Target ROE of 10 – 11 % (after taxes) in 2007 as a result of:
 - Increase of HI's profitability to over 14 %
 - Regaining profitability at Hypo Germany of 8 – 9 %
 - Stable profitability at WuerttHyp of 10 %
- I This should allow organic growth to be financed and part of the profit to be paid out to the shareholders
 - Envisaged medium-term growth rate in capital employed for the group should be approx. 5 % per annum
 - In the medium-term we are aiming for a stable dividend policy with a payout ratio of 40 – 50 %

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