

Investor & Capital Market's Day
October 2, 2006

Hypo  Real Estate
GROUP



“Further Profitable Growth Ahead”

- I Georg Funke
 - I Four Initiatives for Profitable Growth
- I Frank Lamby
 - I Real Estate Markets' Potential
 - I Introduction of a New Expected Loss Model Based on Basle II
- I Stephan Bub
 - I Hypo Public Finance Bank – New Basis for Strong Growth
 - I Pfandbrief & Funding of Hypo Real Estate Group
- I Dr. Markus Fell
 - I Lower Risk and Higher Profitability

Investor & Capital Market's Day
October 2, 2006
Georg Funke, CEO

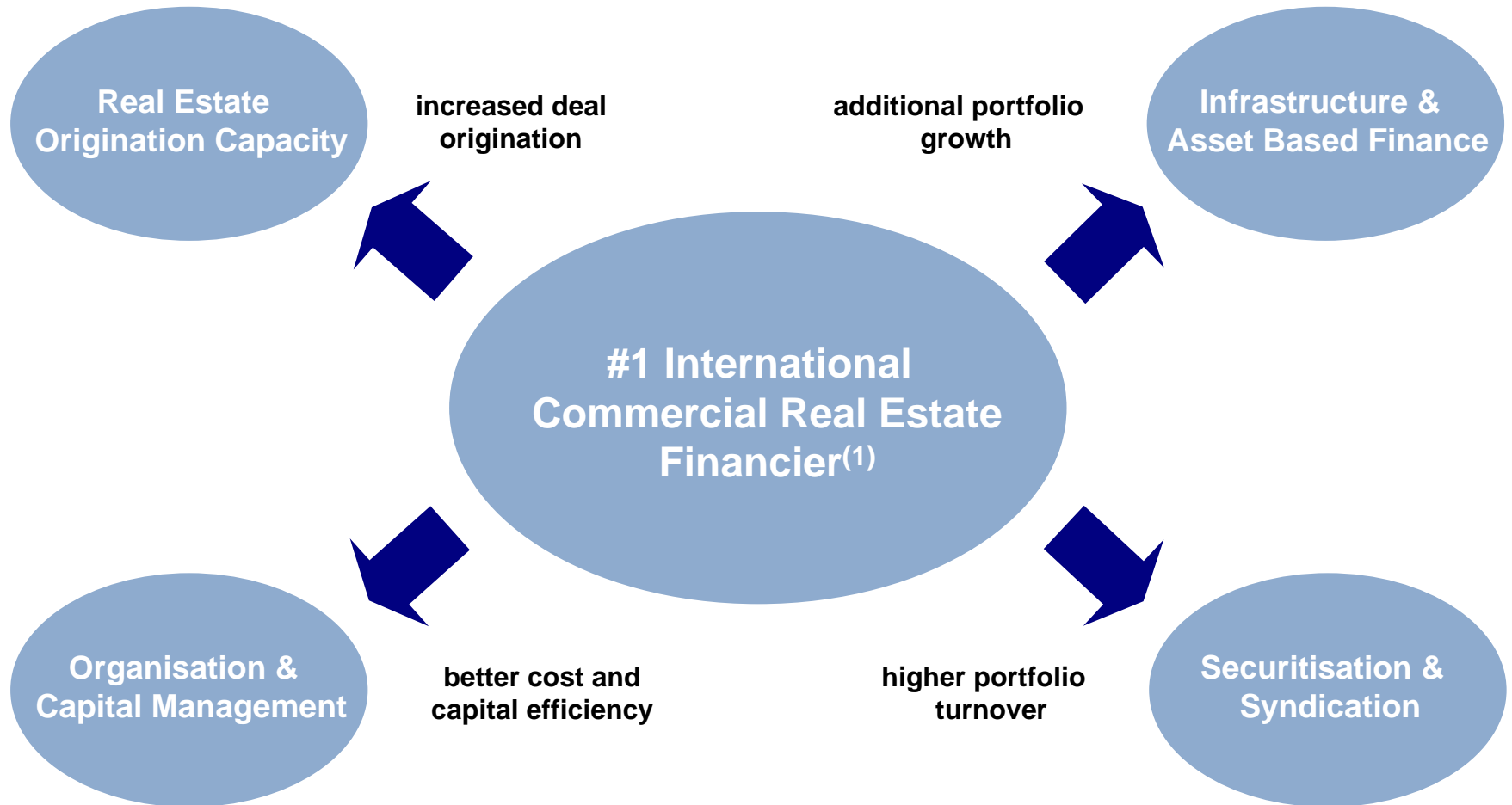
Hypo  **Real Estate**
GROUP



“Four Initiatives for Profitable Growth”

Hypo Real Estate Group

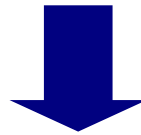
New initiatives for profitable growth



Note:

1. € 37 Bn commitments in Hypo International as of 31.07.2006 (after acquisition of AHBR portfolio)

- I Spin-off October 2003
- I Restructuring of Hypo Germany completed in 2004
- I Set-up of Hypo Public Finance Bank completed in 2005
- I Reorganisation of international lending completed in 2006



3 years of far-reaching changes result in a well performing company, much earlier than initially expected

Start October 2003 with €1.5 Bn market cap

RETURN ON EQUITY

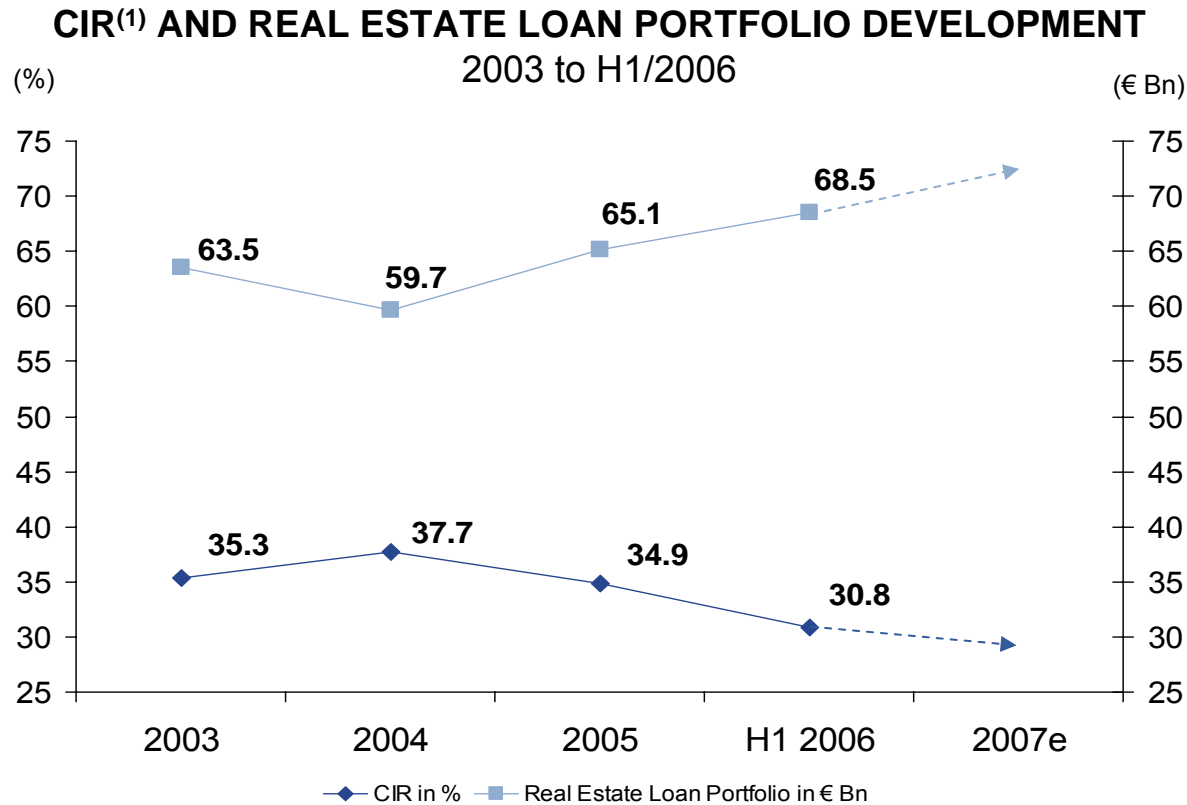
	Plan Sept. 2003	Actual	Plan Aug. 2005
2003	1.4%	2.8%	
2005	4%	8% ⁽¹⁾	
2007e	9%		11-12%



DAX 30 company with €6.5 Bn market cap

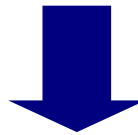
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High cost efficiency through streamlined organisation



Most competitive cost base in the industry

- | Single transaction is main focus
- | About 500 new deals p.a. closed, approximately two deals per working day
- | Solid collaterals with strong cash-flows
- | Every deal is cross-checked by the board and monitored ongoing
- | Supervision of all aggregated deals to avoid risk concentrations on client-sponsors, tenants, regions, property / customer types, etc.



Strong commitment to each transaction and prudent risk profile

- | In close relationship with clients and markets
- | Building on existing expertise – global know-how transfer
- | Expanding business, regional and product scope after careful review and consideration of risk elements
- | High flexibility and reliability of delivery
- | Buying in know-how and people where value-adding



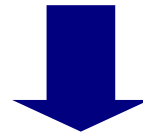
Cutting edge expertise and service to customers

- | Further growth of our lending book on a basis of 7% tier I possible
- | € 22 Bn new business in 2006, targeting an increase in 2007, 2008, 2009
- | Intensify all origination channels, widen product range



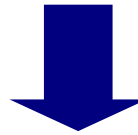
- | Germany: Increase structured finance business
- | Europe: Growth in CEE
- | USA: Expansion to West coast
- | Asia: New market entries in India, Singapore and Australia

- I New business lines through Hypo Public Finance Bank
 - I Asset based finance
 - I Infrastructure finance



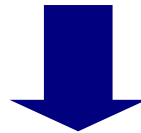
- I Proximity to real estate structured finance
- I Significant market potential
- I Set-up phase completed, origination well under way
- I Diversifying revenue stream

- | New set-up of securitisation units in New York, London, Germany
- | Enforcement of local origination teams in all markets
- | Organisational set-up, trading book, risk management process
- | Trading in and out via securitisation
- | Buying and selling via syndication
- | € 8 Bn additional off-balance sheet business p.a. in 2009 possible
- | Active portfolio management to diversify risks



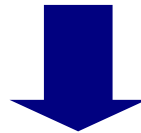
**Additional source of growth and
profitability from 2008 onwards**

- I Permanent check of organisational set-up as well as processes
- I Two German subsidiaries allow for shared services on holding level
- I Deal sizes in Hypo Germany significantly increasing



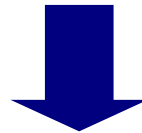
Further potential to streamline

- I Employment of capital completed by end of 2006
- I Retained earnings and higher portfolio turnover allow for further growth
- I Hybrid issues allow for add-on profitability



Capital leverage will increase ROE

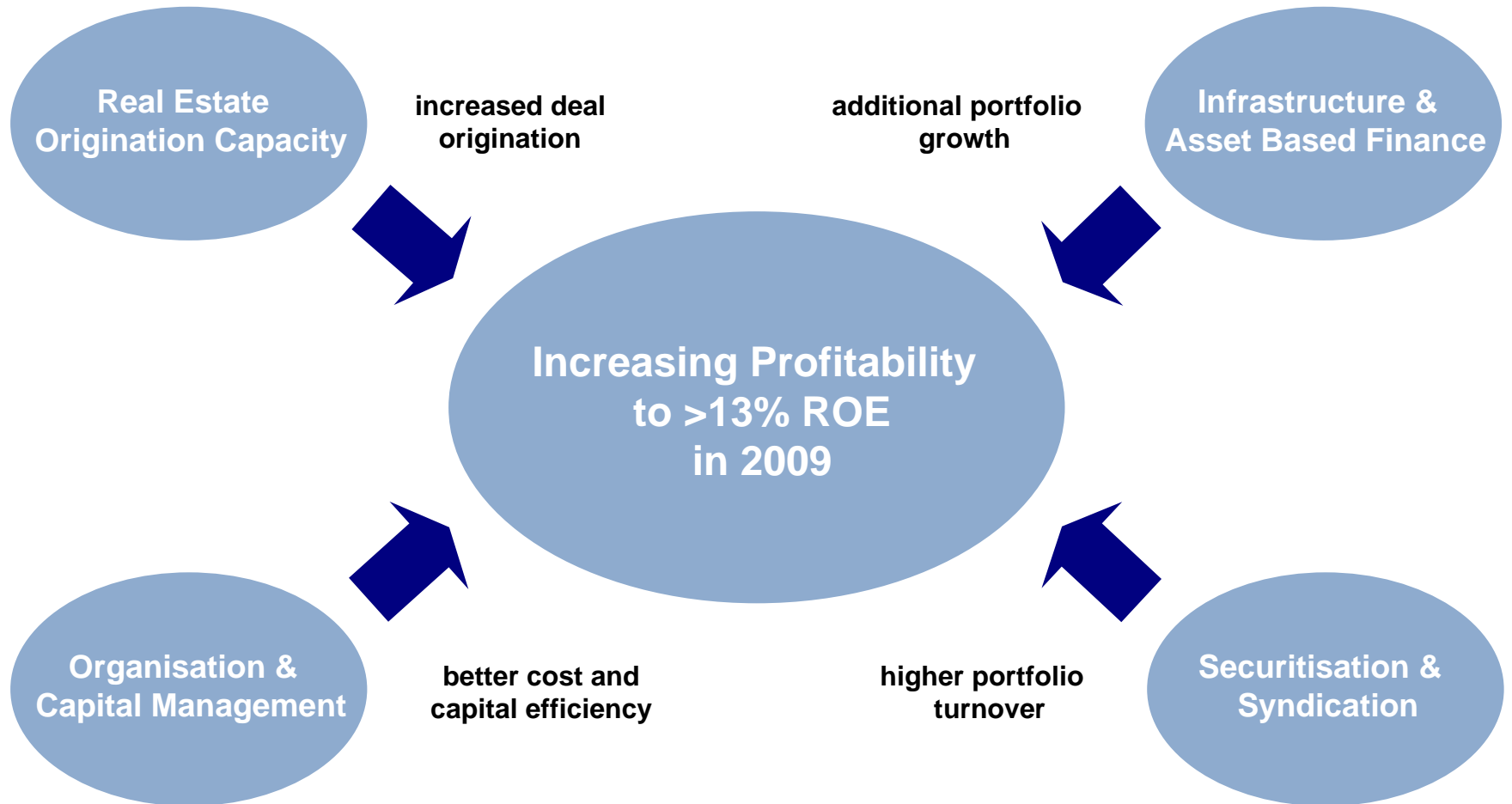
- | No pressure to do acquisitions
- | HRX is looking at all available options to enlarge wholesale franchise
- | Risk return profile must be in line with group targets
 - | Price and risk-adjusted return on investment is decisive



Organic growth is first priority

Hypo Real Estate Group

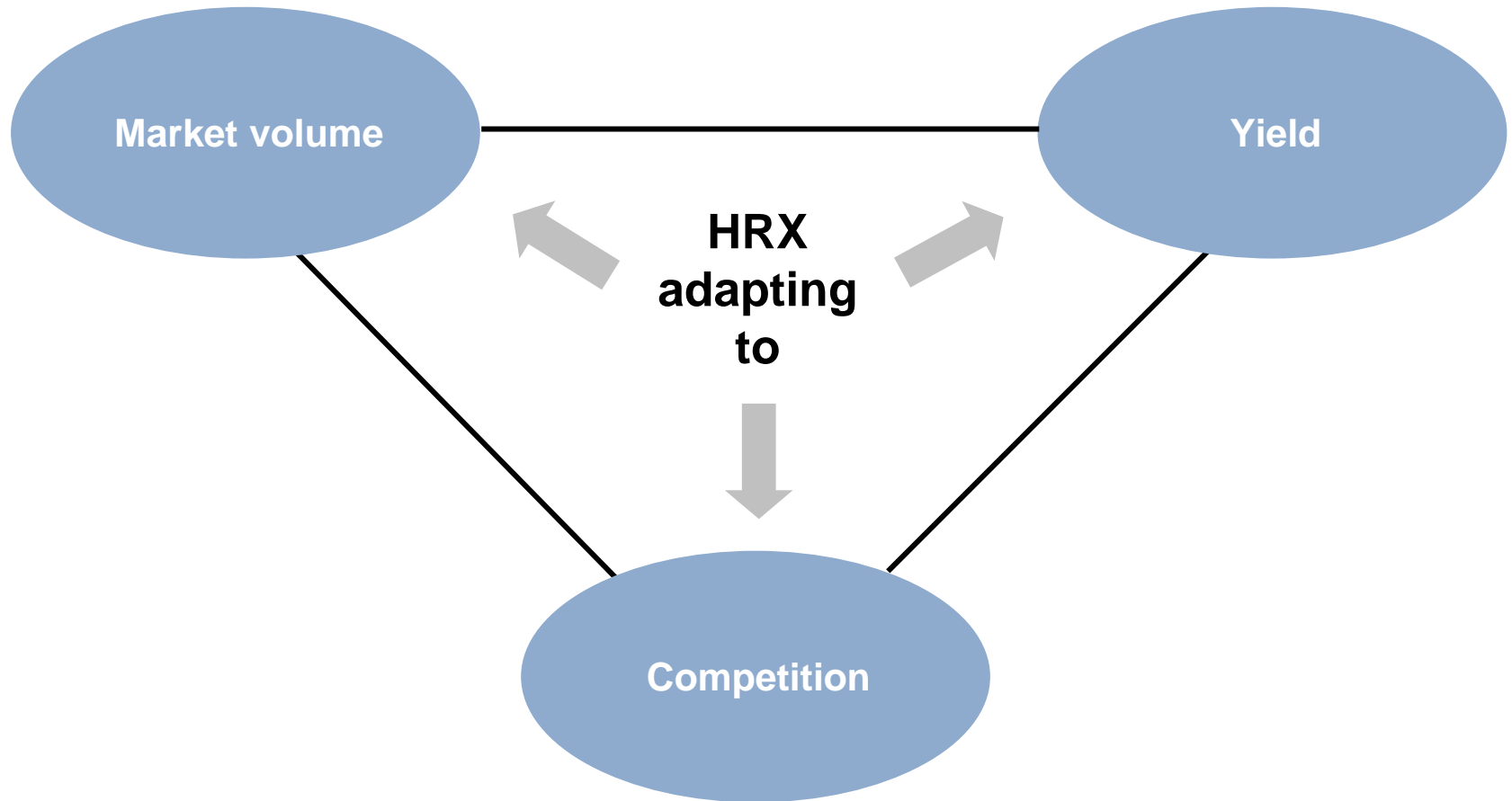
New initiatives for profitable growth



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Frank Lamby, CRO



“Real Estate Markets’ Potential”



Germany

- | Privatisations of public real estate assets
- | Sale of company assets
- | Residential developments in economic centres

Europe

- | Investors tend further East to achieve higher yields in real estate (e.g. Russia and Turkey)

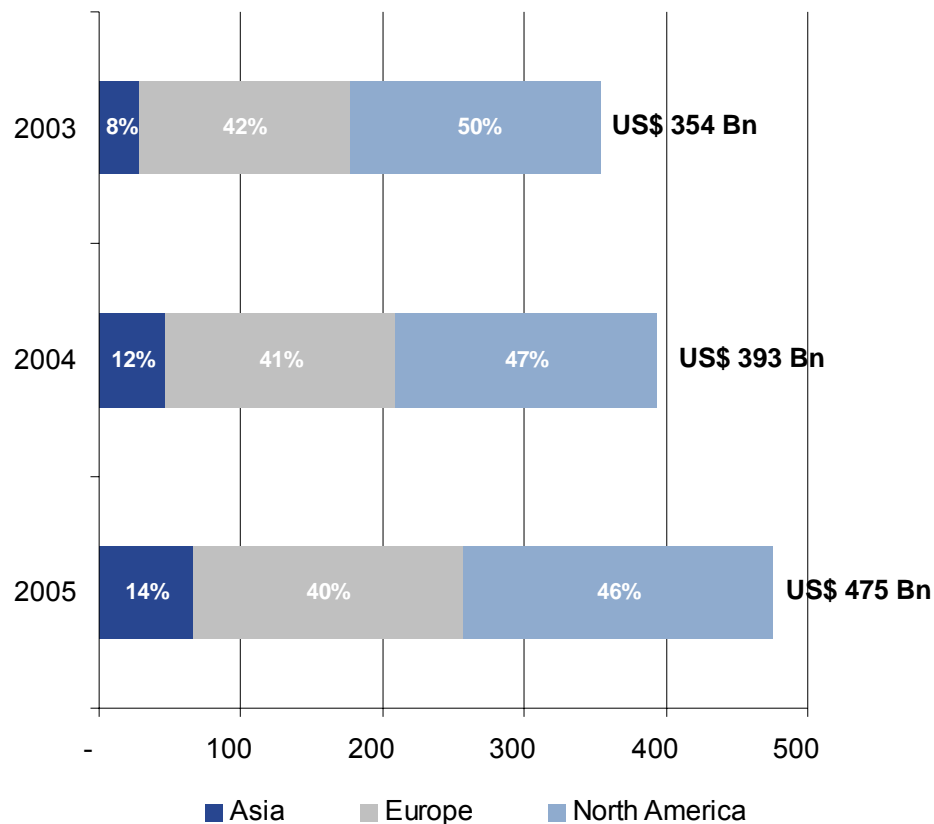
US

- | Investors look more into niche properties for yield

Asia

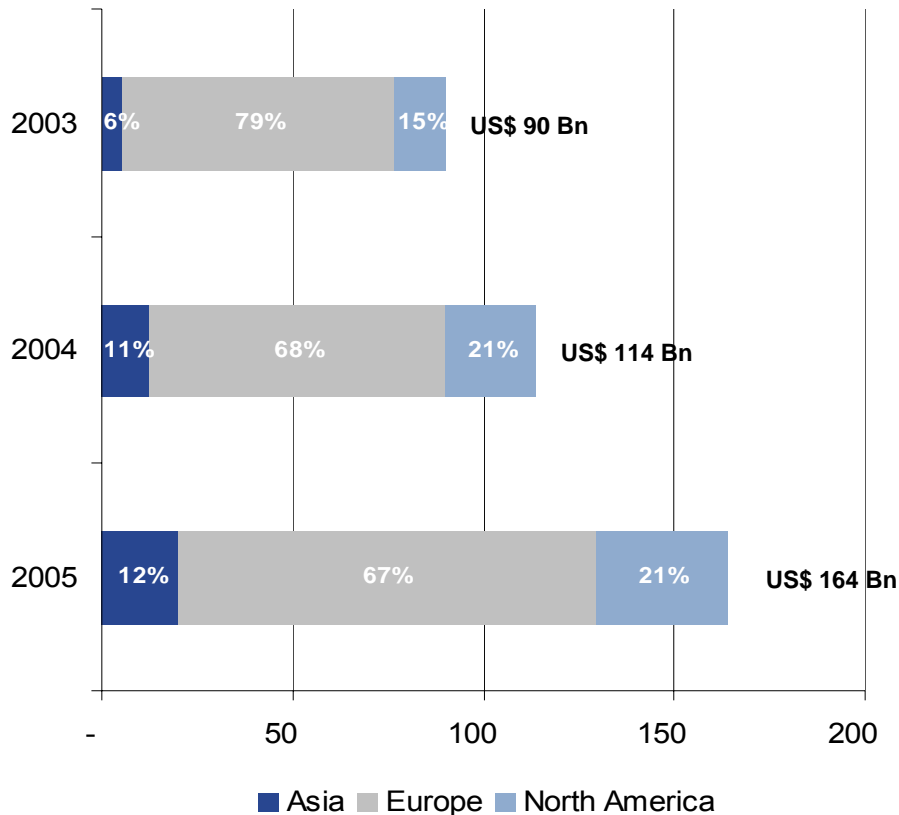
- | Economic growth prospects, increased urbanisation and a growing middle class improve fundamentals for Asian real estate
- | Japan: the 2nd largest global economy is recovering from a decade of stagnation/deflation

TOTAL REAL ESTATE INVESTMENTS⁽¹⁾ 2003-2005



- I Investors have rediscovered the value of the real estate asset class: inflation-linked, long-term steady income returns, combined with capital growth
- I Total allocation of capital to real estate increased in 2005
- I In the first half of 2006 already US\$ 290 Bn were invested in commercial real estate (+30% compared to 2005)
- I Asia has been experiencing the highest growth level

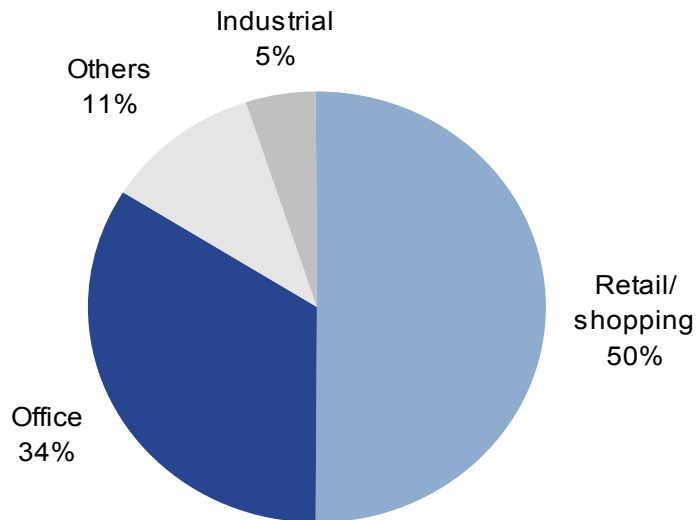
CROSS-BORDER INVESTMENTS⁽¹⁾ 2003-2005



- I Cross-border activity increased by 43% in 2005, dominated by pan-European deals; activity in Asia doubled over two years
- I Market performance combined with the size of the market is no longer the only core reason for cross border investments
- I Today, investors are also influenced by
 - I The need for diversification
 - I Increased transparency of markets
 - I Global village effect – in particular in terms of transport, logistics, IT and the globalisation of corporations
 - I Favourable economic prospects of sizeable emerging markets
 - I Interest rate differentials

TOTAL VOLUME OF CAPITAL INVESTED IN GERMAN COMMERCIAL PROPERTY⁽¹⁾

Split by Property Jan - June 2006



100% = €20 Bn

- I € 20 Bn capital investments in German commercial property⁽²⁾ in the first half of 2006 and thus already at total 2005 level
- I Share of international investors increased to over 80% (of invested capital)
- I Demand for retail/shopping premises is still especially high
- I In addition, significant investments were executed in multifamily/residential portfolios

Notes:

1. Source: Jones Lang LaSalle research
2. Excluding retail residential

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Market potential for HRX

Market	Commercial real estate market size in US\$ ⁽¹⁾	HRX' new business average per year 2004 - 06/2006 in € ⁽²⁾
UK	1043 Bn	4.5 Bn
France	803 Bn	2.3 Bn
Germany	1094 Bn	3.8 Bn
USA	4991 Bn	3.6 Bn
Japan	1967 Bn	0.7 Bn
CEE/Russia	331 Bn	1.3 Bn
Hong Kong/China	289 Bn	0.1 Bn

- I HRX is a clear niche player – there are no market share targets
- I However, the relationship of market size and new business indicates further potential in all markets
- I In CEE, HRX has already reached a similar relationship like in established markets and will benefit from strong growth in the market

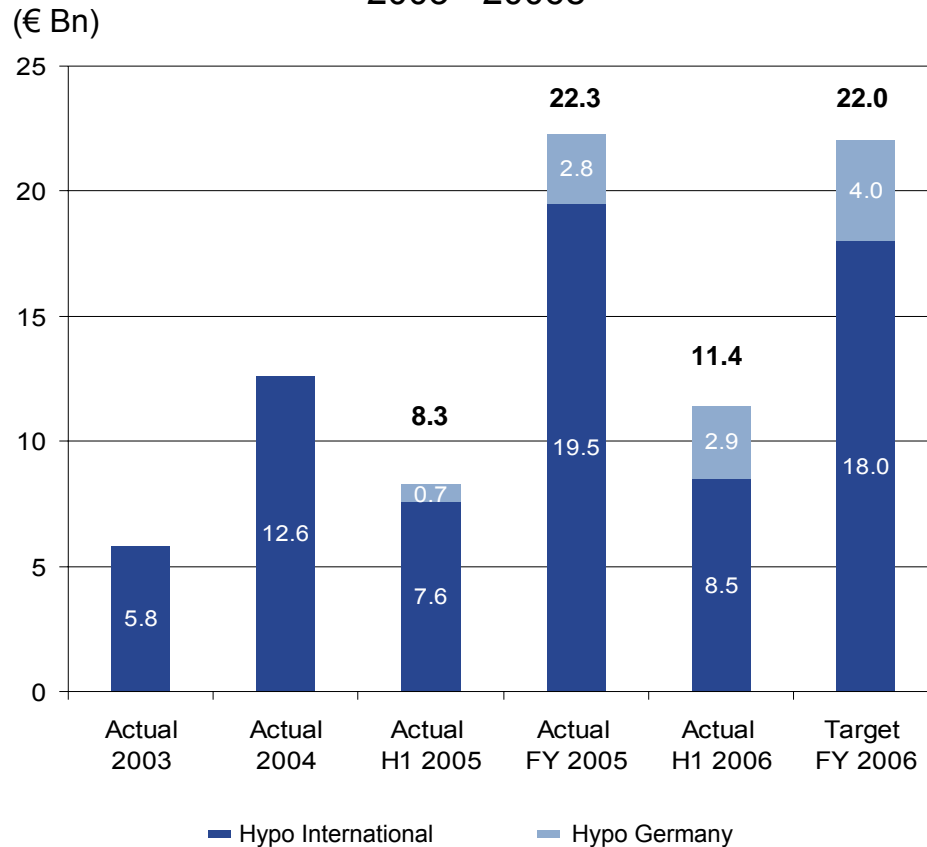
Notes:

1. Sources: World Bank Organisation, FTSE, EPRA
2. Germany calculated on the basis of FY 2005 and H1 2006 as new business only started end of 2004

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HRX's real estate lending engine is running well

NEW BUSINESS DEVELOPMENT⁽¹⁾ 2003 - 2006e



- | Origination machine is running quickly
- | Increasing regional portfolio diversification
- | More and more strategic business in Germany going hand in hand with a professionalism in the German market
- | New market entries enlarge network, customer relationships and growth opportunities

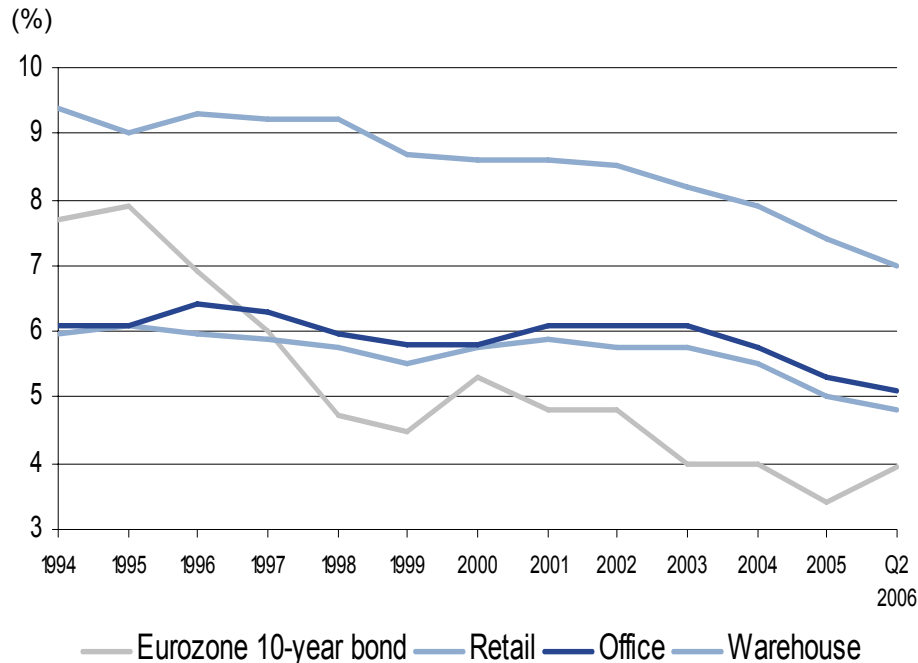
Note:

1. Based on commitments after syndication and securitization

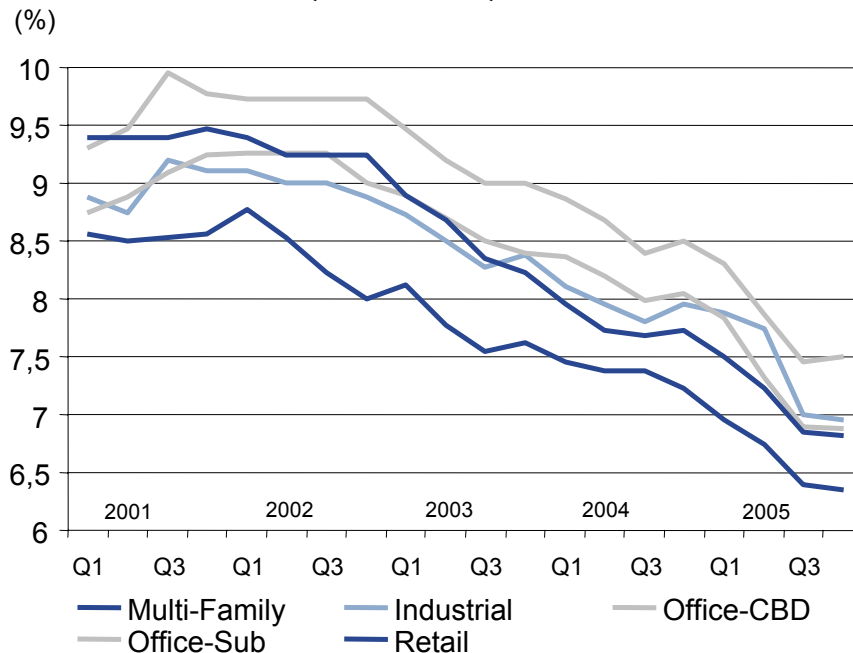
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Global real estate markets – yields have declined

EUROPEAN REAL ESTATE AND BOND YIELDS⁽¹⁾



US CAP RATE TRENDS⁽²⁾ Q1 2001 - Q4 2005

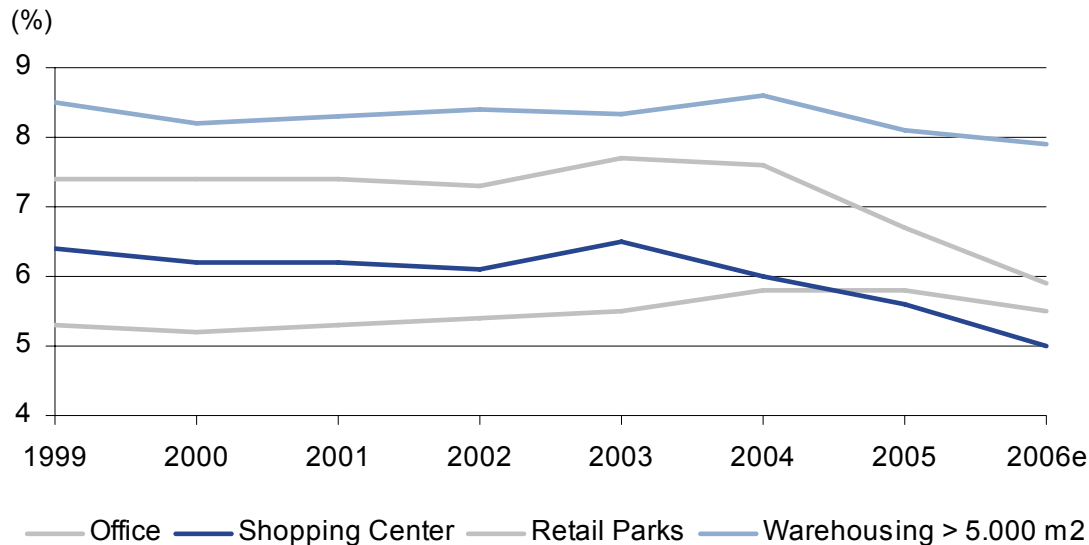


The heavy investments in real estate led to yield compression and an increasingly global search for return, but still positive spread to bond yields

Notes:

1. Sources: The Office (retail and warehouse yield indices are weighted averages for Western as well as Central and Eastern Europe excl. Moscow); Jones LaSalle European research; Bloomberg; July 2006
2. Source: Real Estate Research Corp.

PRIME YIELDS IN GERMANY^(1,2) 1999 - 2006e



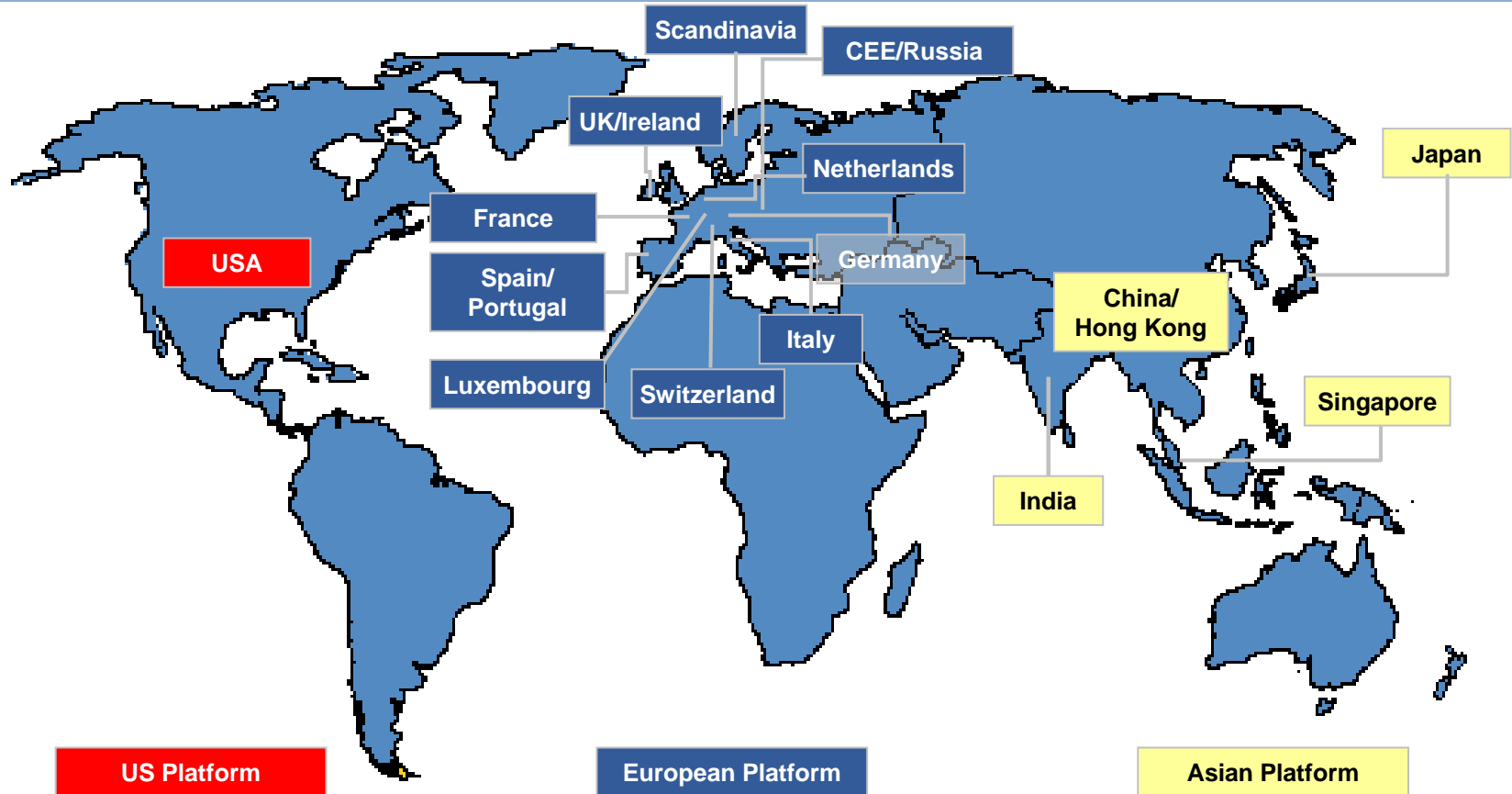
- I Commercial property benefits from higher yields compared with other European markets
- I Economic centres tend to see rising rents

Notes:

1. Source: Jones Lang LaSalle research; June 2006
2. Average mid-point yield in Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Munich

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Global Platform set-up to react flexibly and cost-efficiently to market developments

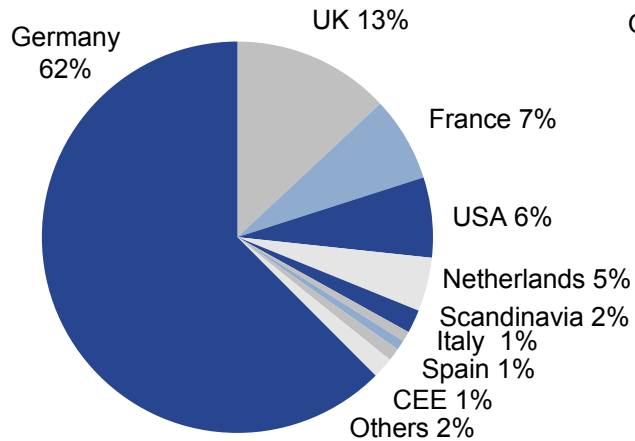


▶ Future growth options through early positioning in promising markets like Central and Eastern Europe and Asia

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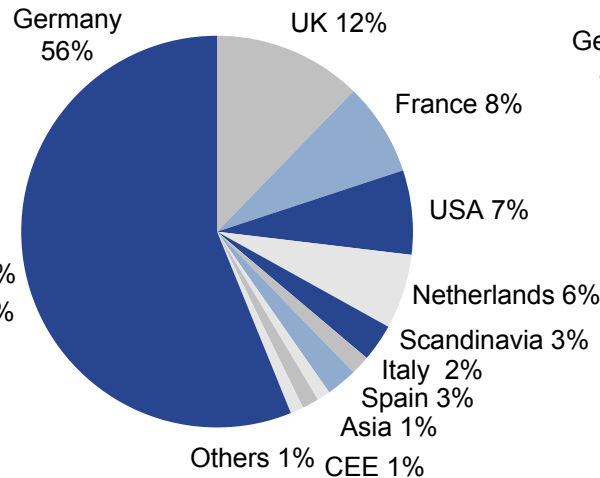
Geographical diversification has increased

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



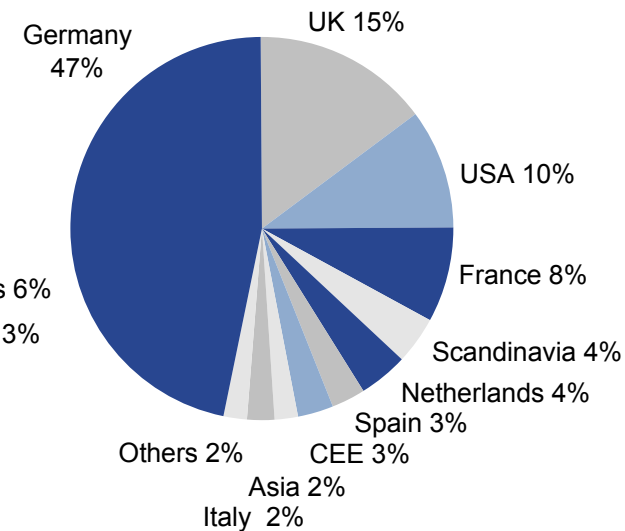
100% = €63.6 Bn

SPLIT BY REGION
Real Estate Loan Portfolio
12/2004^(1,2)



100% = €59.7 Bn

SPLIT BY REGION
Real Estate Loan Portfolio
06/2006^(1,2)



100% = €68.5 Bn



As our strategy is not bound to market share, we are taking advantage of market opportunities

Notes

1. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
2. Internal, unaudited figures

Hypo Real Estate Group

Competitive landscape in real estate finance

Customers

International funds, investment banks, large national investors

Professional investors and developers

Semi-professionals

Small private investors, home/condominium owners

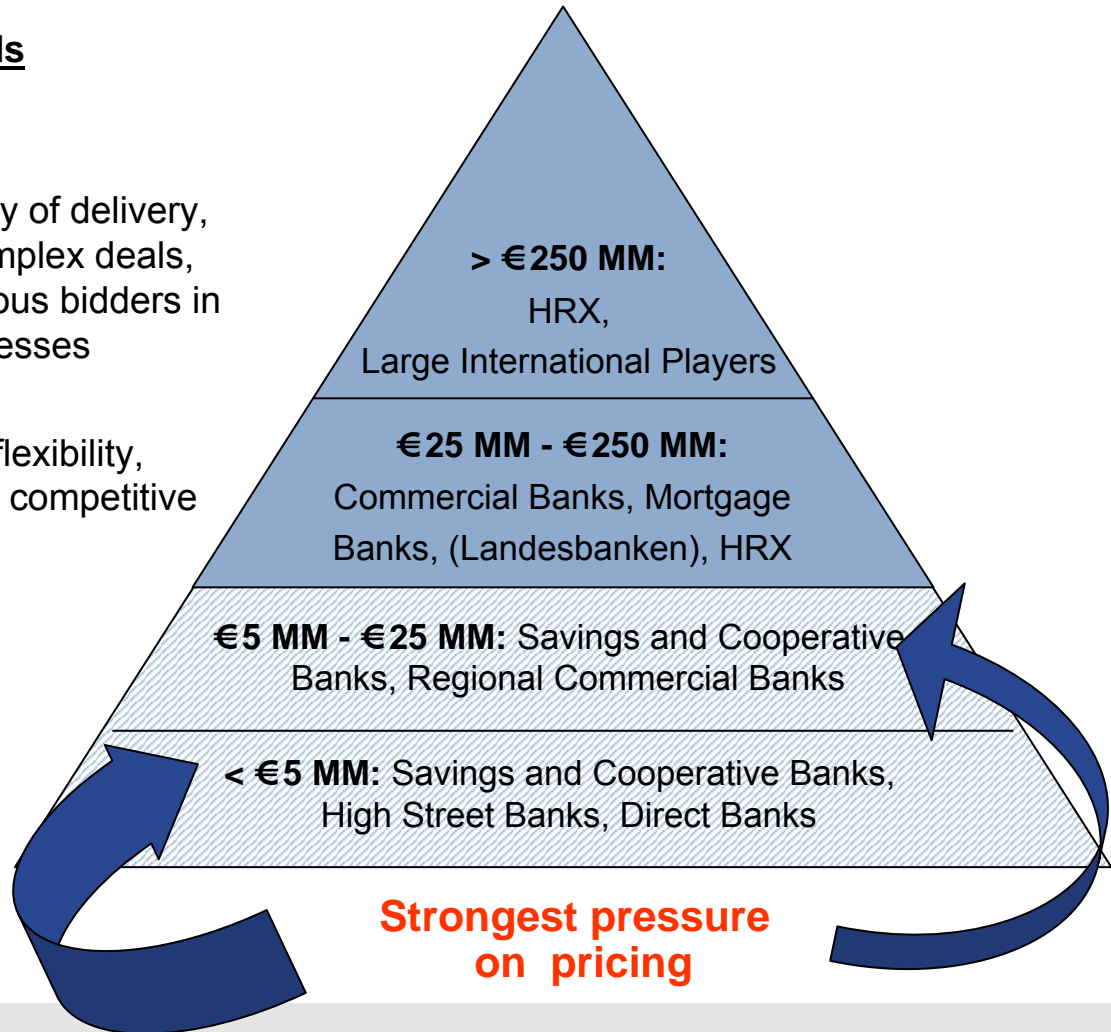
Needs

Speed, safety of delivery, structure complex deals, backing various bidders in auction processes

Know-how, flexibility, relationship, competitive funding

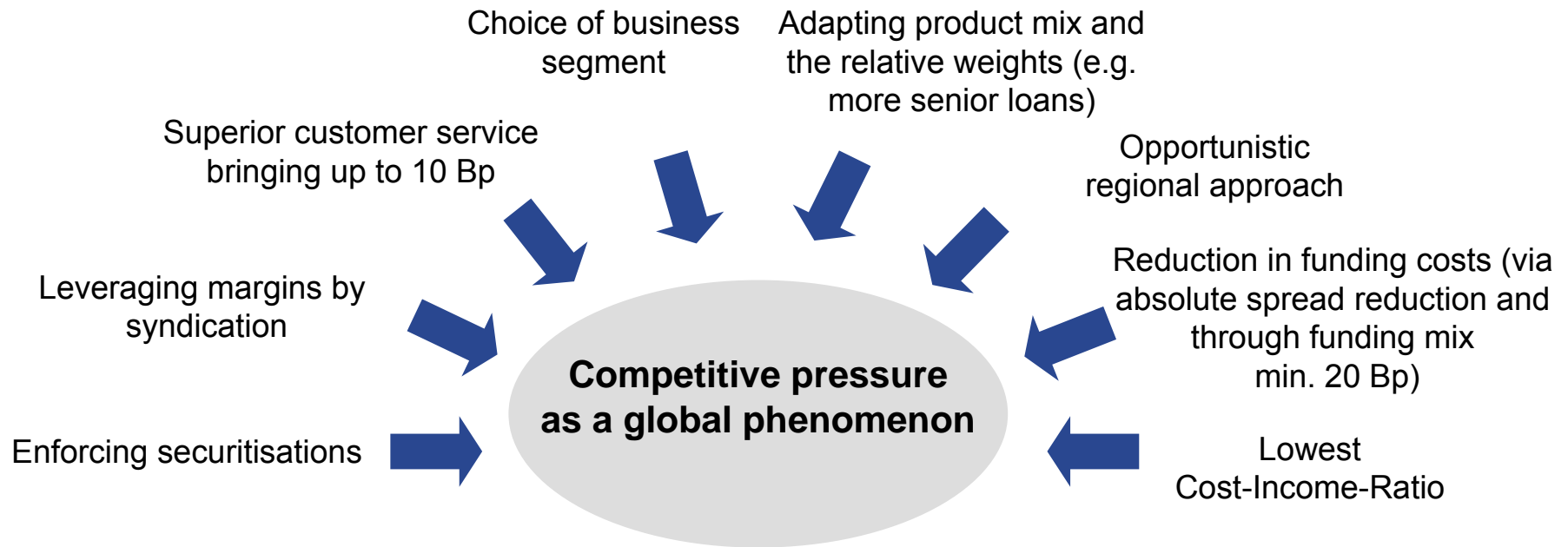
Relationship

Low costs, relationship



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How to deal with competitive pressure



▶ **Current revenue margins are still nicely above HRX's hurdle rates to achieve risk-adjusted IRRs of >12/13%**

- ▶ Well established franchise in promising regions
- ▶ Turnover in real estate markets strong
- ▶ Focus on risk adjusted returns
- ▶ Strong risk management culture

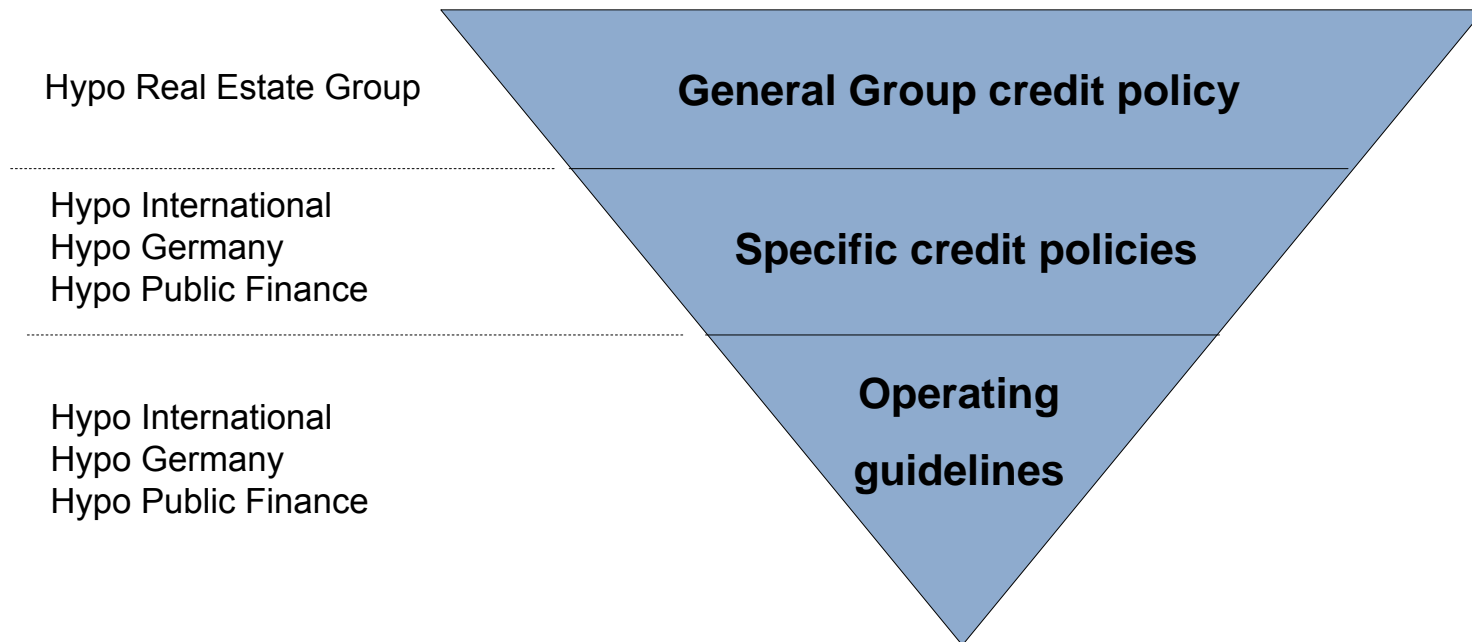
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“Introduction of a New Expected Loss Model Based on Basle II”

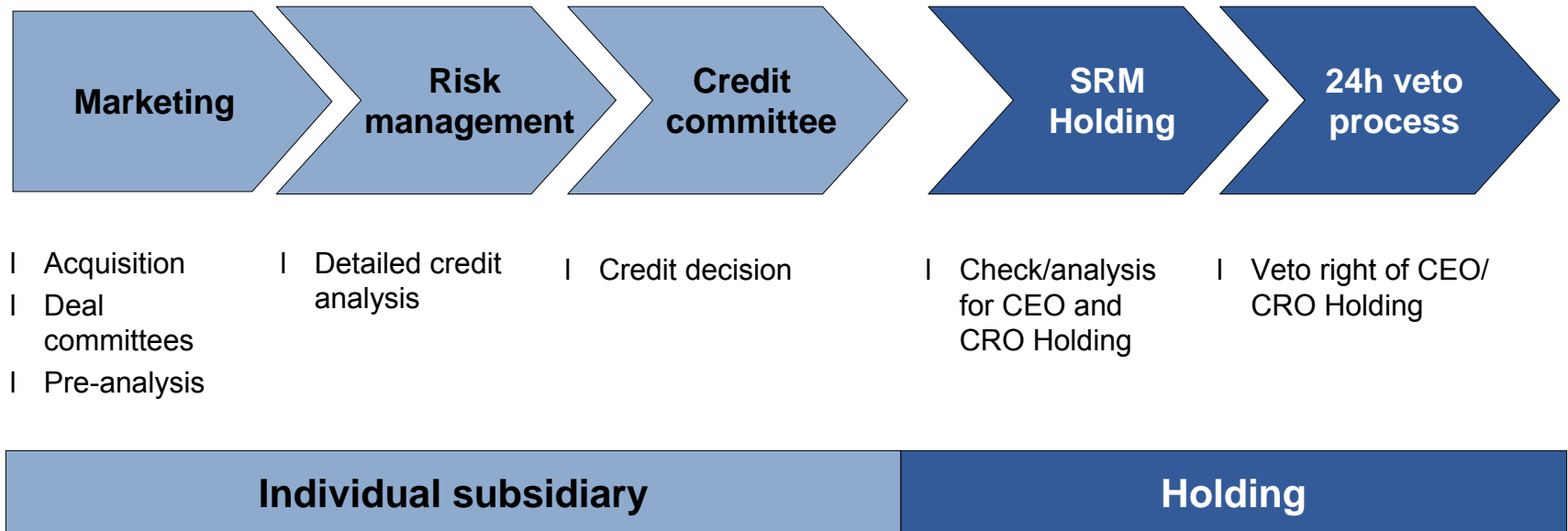
The risk management is driven by clearly defined credit processes and responsibilities in Hypo Real Estate Group. The regulations for the lending activities of Hypo Real Estate Group are based on three different levels:



Hypo Real Estate Group

Risk management overview (cont'd)

In addition a credit approval process is set up to ensure an independent review of all credit decisions by senior risk management department (SRM) of the holding company after the credit decision process of the individual subsidiary has been completed.



Hypo Real Estate Group will implement the advanced Internal Rating Based (IRB) approach



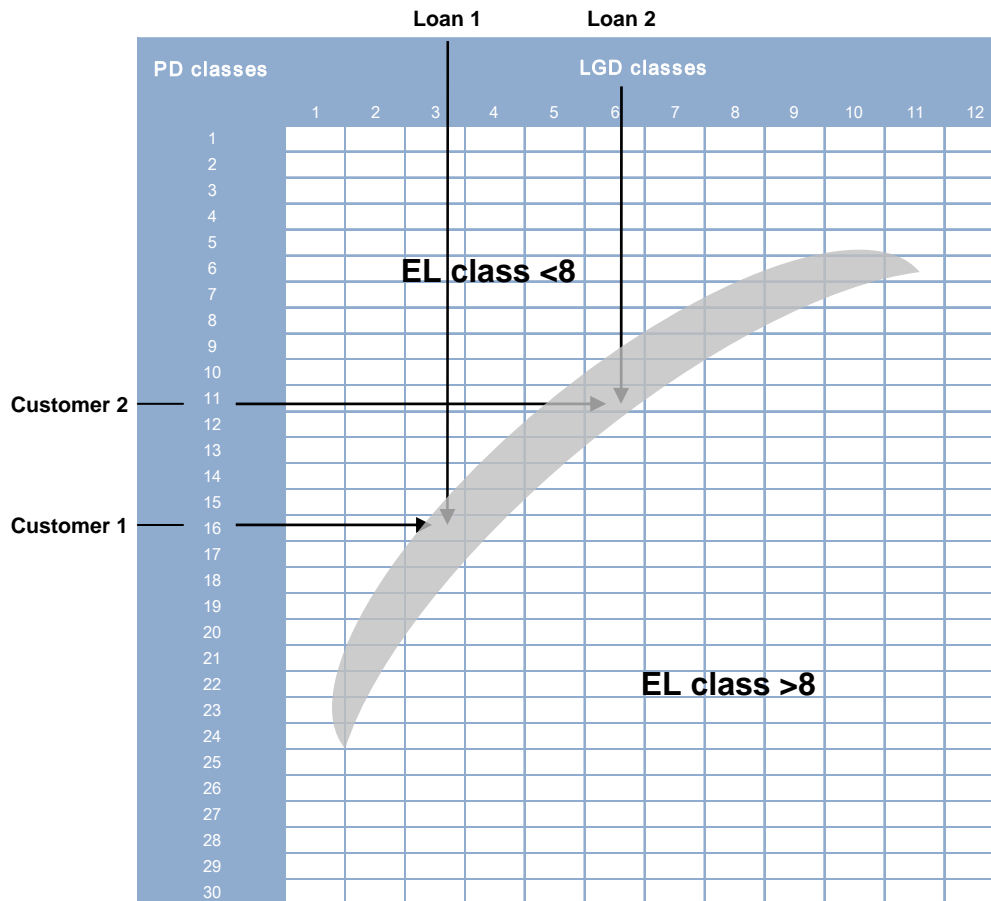
Combining the risk parameters “Probability of Default” (PD) and “Loss Given Default” (LGD) which are determined based on internal risk measurement methods (e.g. customer rating), results in “Expected Loss” (EL) classes

General logic:

- I Every customer rating tool generally produces an individual customer rating class (in a range from 1-30). Every single rating class has one specific PD, independent from the individual customer segment.
- I For each loan a specifically calculated LGD value exists which is derived. Multiplying the PD value of a counterpart with the LGD value of his loan determines the “Expected Loss” (EL) value
- I All possible EL values are divided into Basispoint intervals; these intervals are called EL classes



30 PD classes and 12 LGD classes lead to 18 EL classes

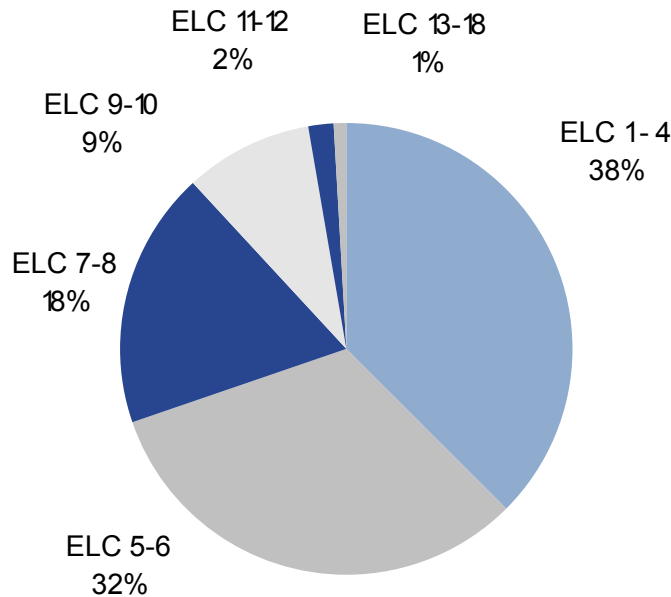


Examples:

- I Loan 1: PD class = 12 and LGD class = 6 lead to EL class = 8
- I Loan 2: PD class = 17 and LGD class = 3 lead to EL class = 8
- I EL class 8 falls into EL class group 7-8, with EL ranging from 20 to 55 Bp

EXPECTED LOSS CLASSES

Real Estate Exposure at Default 08/2006⁽¹⁾



100% = €66 Bn

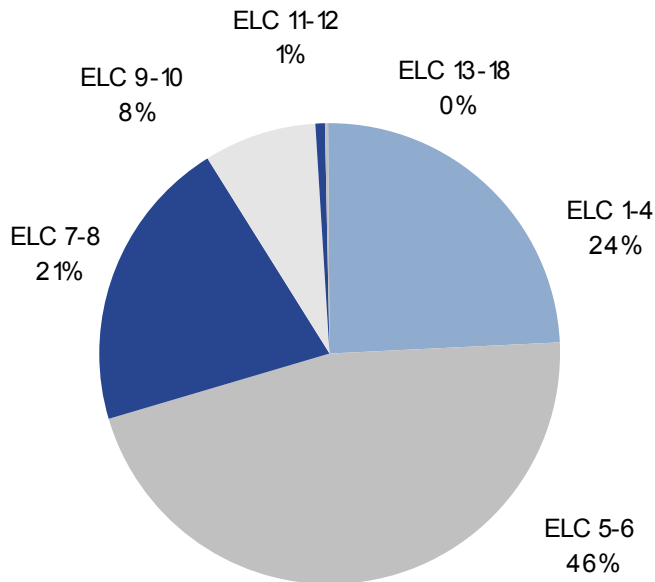
I Average EL ca. € 190 MM
(29 Bp)

I High concentration in EL
classes 1-6 proves very
sound asset quality

EL classes	1 - 4	5 - 6	7 - 8	9 - 10	11-12	13-18
from (in Bp)	0	5	20	55	160	>400
to (in Bp)	5	20	55	160	400	

EXPECTED LOSS CLASSES

Real Estate Exposure at Default 08/2006⁽¹⁾



100% = €34 Bn

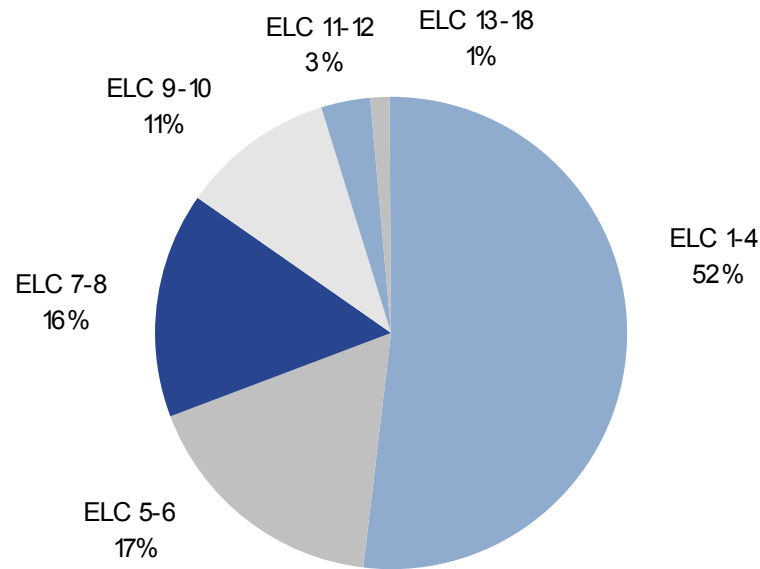
I Average EL ca. € 80 MM
(24 Bp)

I EL in line with portfolio-based provisions

EL classes	1 - 4	5 - 6	7 - 8	9 - 10	11-12	13-18
from (in Bp)	0	5	20	55	160	>400
to (in Bp)	5	20	55	160	400	

EXPECTED LOSS CLASSES

Real Estate Exposure at Default 08/2006⁽¹⁾



100% = €32 Bn

I Average EL ca. € 110 MM (35 Bp)

I Hypo Germany's EL class structure shows a very high level of first-ranking mortgage collaterals

EL classes	1 - 4	5 - 6	7 - 8	9 - 10	11-12	13-18
from (in Bp)	0	5	20	55	160	>400
to (in Bp)	5	20	55	160	400	

Note:

1. Internal, unaudited figures

HRX is confident to meet all Basle II requirements and necessary coverage on time. The Group and each individual bank has to achieve an overall IRB coverage of the total loan portfolio of:

- | 50% at the point of application
- | 80% after 2.5 years
- | 92% after 5 years

Over 90% IRB coverage achieved on Group level by end of August 2006

Assessment of IRB processes and standards by the regulator will start end of 2006

HRX is on track to benefit from an equity relief

I A reduction of capital requirements is expected, especially in cross-border transactions



There will be a possible equity relief of approx. 15-20%, coming into effect gradually (capped for 2008 at 10%, 2009 at 20%; 2010 full effect)

I Additional income due to enhanced risk measurement procedures

I A positive influence on our reputation (e.g. rating agencies)

I Competitive advantages (e.g. risk sensitivity of margins)



Improved position for HRX as asset backed lender with a strong collateral and risk management background

Investor & Capital Market's Day

October 2, 2006

Stephan Bub, CEO of Hypo Public Finance Bank

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“Hypo Public Finance Bank – New Basis for Strong Growth”

- | Business Model and Set-up**
- | Drivers of Interest Income**
- | Drivers of Fee Income**
- | Drivers of Trading and Investment Income**
- | Drivers of Liquidity and Funding**
- | Outlook**

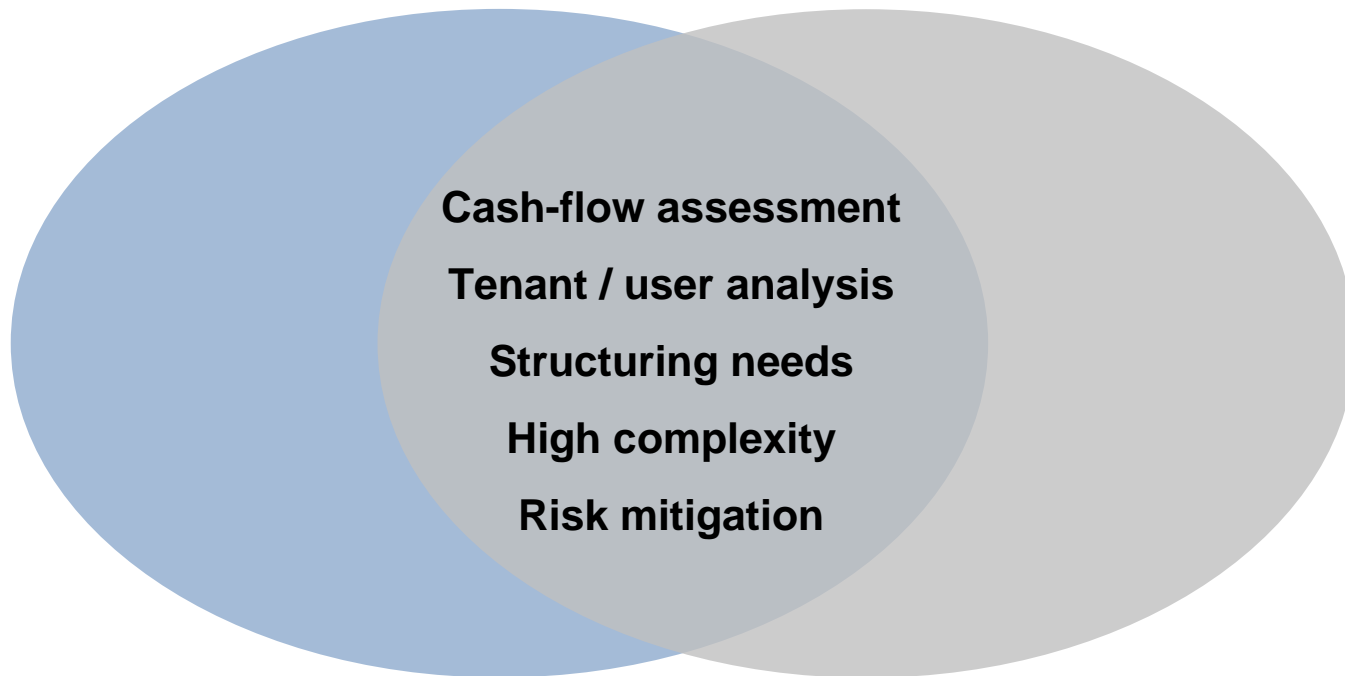
Business Model and Set-Up

- I Exploit business potential in synergetic areas to real estate finance like infrastructure and asset based finance
- I Diversification of revenue stream for Hypo Real Estate Group
- I Provide competence of innovative capital market know-how for Hypo Real Estate Group (e.g. repackaging and asset management of CMBS and MBS, pricing arbitrage)
- I Improve efficiency of existing public finance book

Commercial real estate finance
CREF

Infrastructure / asset based
finance

Importance of



Public finance:

- | Infrastructure finance: off budget financings in transportation, utility and social sector
- | Public sector finance: on budget financing for public sectors
- | Financial services: Guaranteed Investment Contract (GIC)

Capital markets:

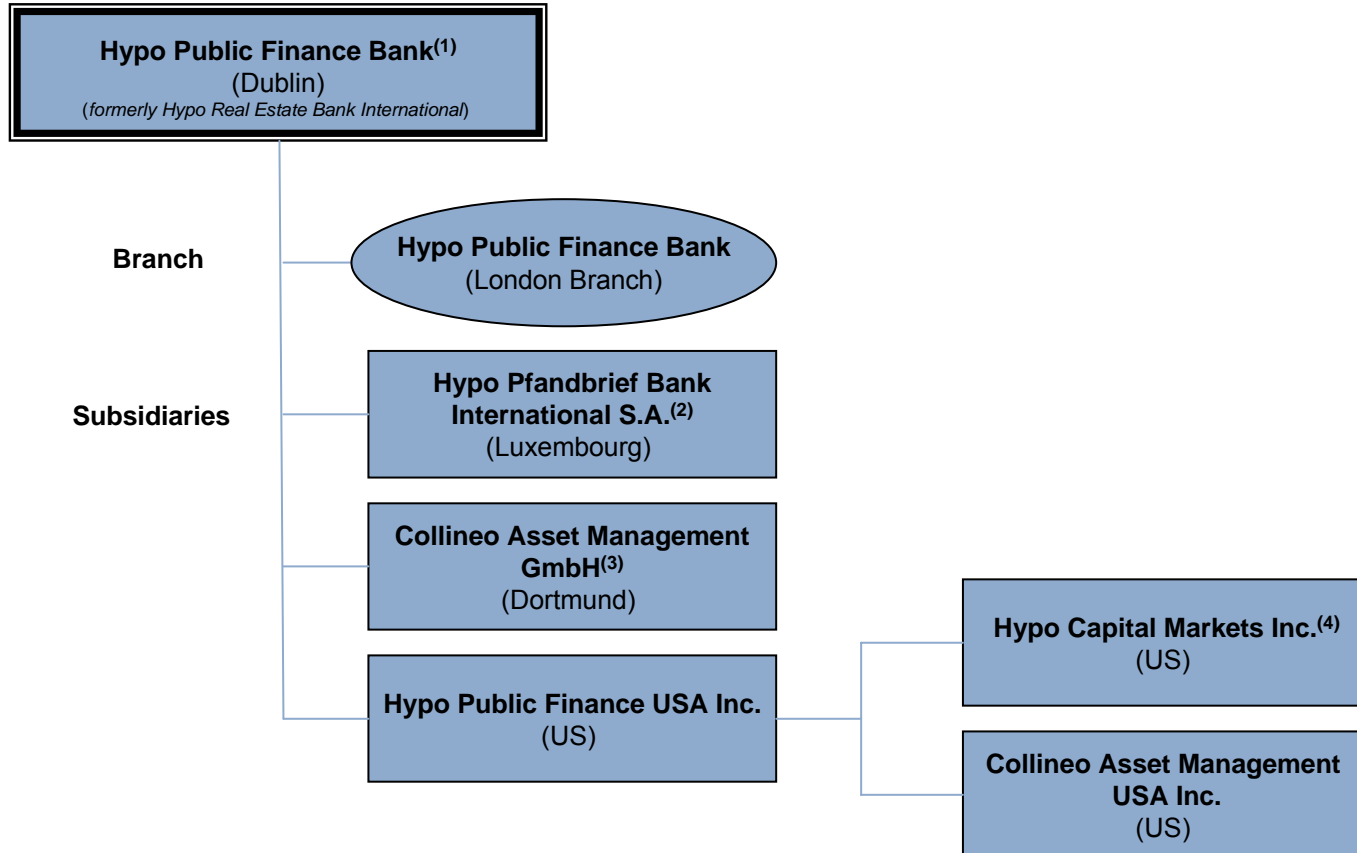
- | Financial services: structured operating entities, CDO structuring
- | Asset based finance: financings in commercial transportation, trade finance receivables and market value
- | Trading and investments: market risks including credit

Asset management:

- | Advisory and management services for pools of debt from real estate, infrastructure and asset based finance

Hypo Public Finance Bank

Business model and set-up – legal structure



Notes:

1. Fully guaranteed
2. Luxembourg specialised banking license
3. German asset management license
4. NASD member

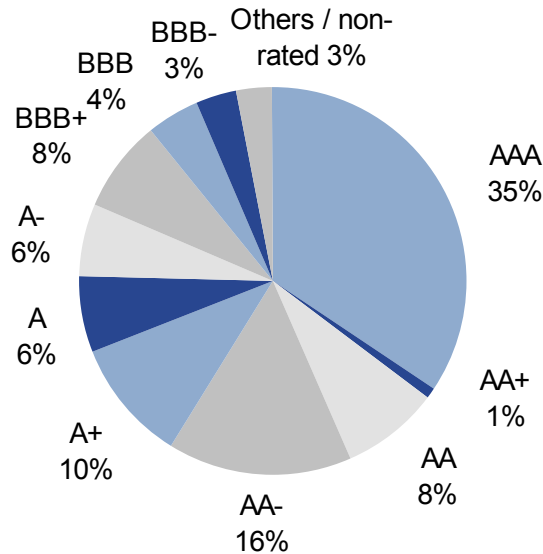
(€MM)	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006
Total operating revenues	11	12	22	15	21	26
Net interest income	6	3	6	10	7	7
Net commission income	0	-1	6	-2	2	8
Net trading income	6	7	10	3	11	6
Net income from investments	-1	1	0	3	1	4
Balance of other operating income/expenses	0	2	0	1	0	1
Provisions for losses on loans and advances	0	0	0	0	0	1
General administrative expenses	10	8	10	14	11	11
Balance of other income/expenses	0	0	0	0	0	0
Net income/loss before taxes	1	4	12	1	10	14
Taxes on income	0	1	3	-2	2	4
Net income/loss	1	3	9	3	8	10

Risk assets compliant with BIS rules (€ Bn)	2.5	2.5	2.5	2.0	2.1	2.4
Core capital ratio compliant with BIS rules (in %)	8.0 ⁽¹⁾	8.0 ⁽¹⁾	8.0 ⁽¹⁾	15.0 ⁽¹⁾	14.7	13.6

- I Strengthened operating income base (net interest plus commission income)
- I Net trading income more volatile but positive in all market environments
- I Confirmed pre-tax profit target of at least € 25-35 MM for 2006

SPLIT BY RISK CLASS

Portfolio per 06/2006⁽¹⁾



- | 97% of portfolio has probability of default equivalent to investment grade
- | Rating cluster AAA- to BBB- reflects a PD of 0% to 0.3%
- | LGD low, given nature of infrastructure and asset based finance

Note:

1. Internal, unaudited figures

Hypo Public Finance Bank

Business model and set-up – competitive environment

	HPFB	DEPFA	Dexia	DVB	Eurohypo	
Business lines	Public sector finance	x	x	x		x
	Infrastructure finance	x	x	x	x	x
	Financial services	x	x	x		
	Asset based finance	x		x	x	
	Capital markets	x	x	x	x	x
	Treasury	x	x	x	x	x
	Monoline			x		
	Asset management	x				
	Rating	A2/A-	AA3/AA-	AA2/AA	A2/A-	A2/A-
	Equity capital (€ MM)	612	2,480	4,879	1,000	500

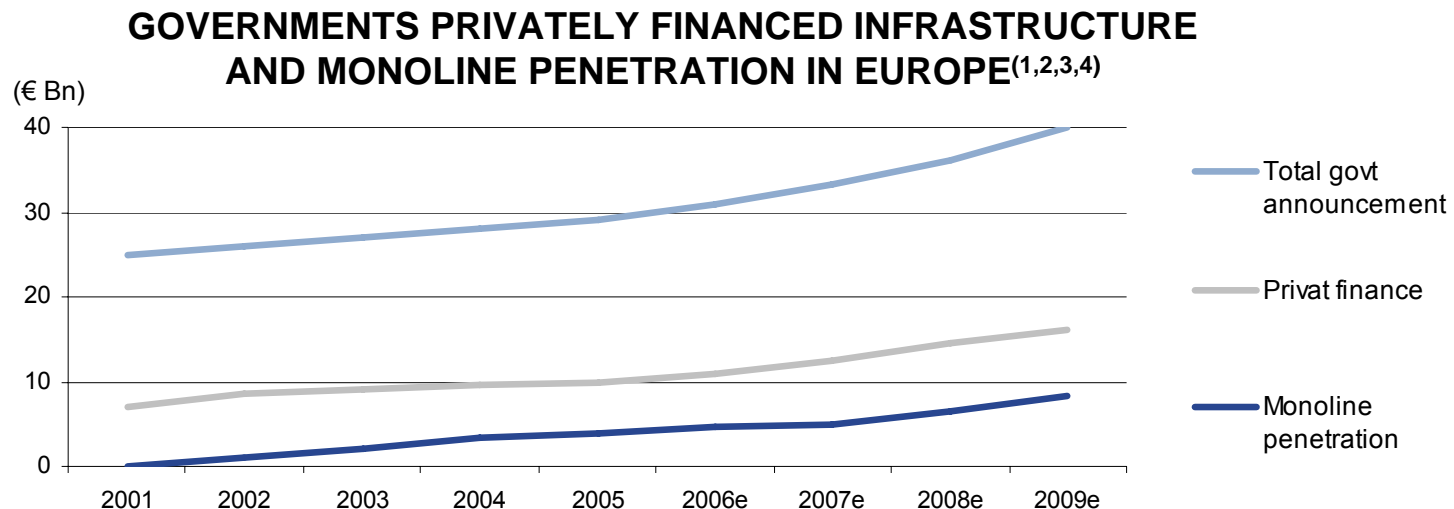
Drivers of Interest Income

Governments are facing increasing challenges to meet their obligations to improve/expand public services and infrastructure while confronting unsustainable deficit spending and/or limited access to capital

- ▶ Capital market solutions, bringing private sector equity to support public sector infrastructure and services, are becoming increasingly common as:
 - G7 countries face extended government deficits and aging populations
 - Developing countries must cope with strong growth but weak infrastructure
- ▶ Infrastructure finance has emerged as a distinct asset class applying the full range of structured finance techniques under a project finance focus, covering:
 - Public Private Partnerships (PPPs), Private Finance Initiatives (PFIs), et alia
 - Supra-national and multilateral sponsored cross-border leases
 - Securitisation of government lease-flows, or concessions (i.e. toll roads)
 - Private sector Infrastructure business models range from:
 - Project arranger and operator
 - Equity investor and advisor
 - Debt investor and advisor: mezz / senior, bank loans / bonds, financial guarantees

Infrastructure finance markets provide significant growth potential:

- I Total infrastructure needs in developing countries 2005-2010 of US\$ 465 Bn per year (World Bank estimates)
- I Energy investments needs in OECD European countries US\$ 2,000 Bn over next 30 years (International Energy Agency)
- I Investment needs by 2015 to meet EU standards in 10 accessing countries (EU estimates):
 - Transportation infrastructure US\$ 92 Bn
 - Environment US\$ 108 Bn

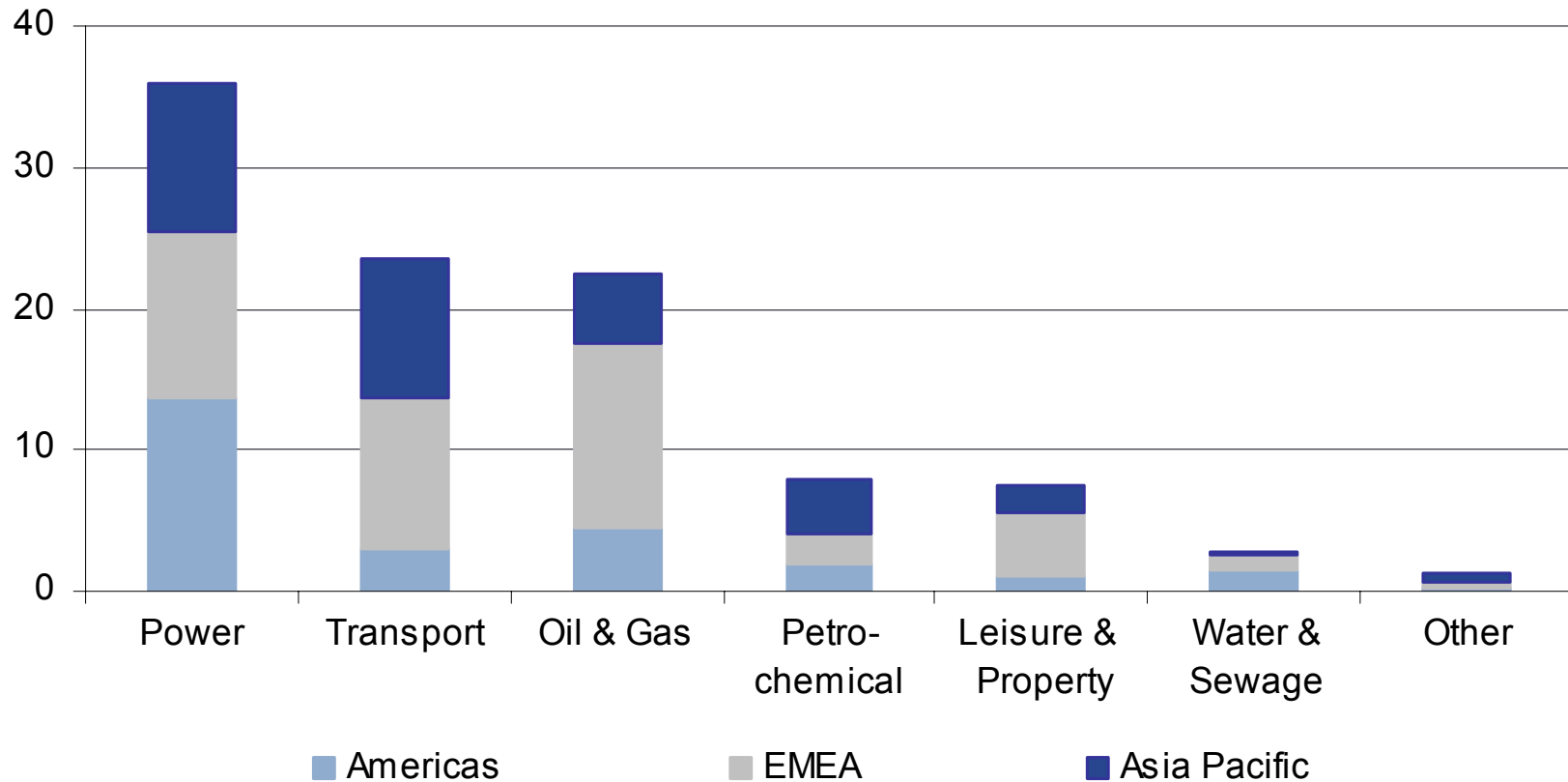


Notes:

1. Source: Thomson Financial Global Project Finance Review 2004
2. Total investments up to 2009 on an annualized basis
3. Private finance share of investments at ca. 30% of total Investments
4. Monoline penetration following recent trends in UK

LOAN MARKET INDUSTRY ANALYSIS⁽¹⁾
 Global Project Finance Loans to Different Sectors

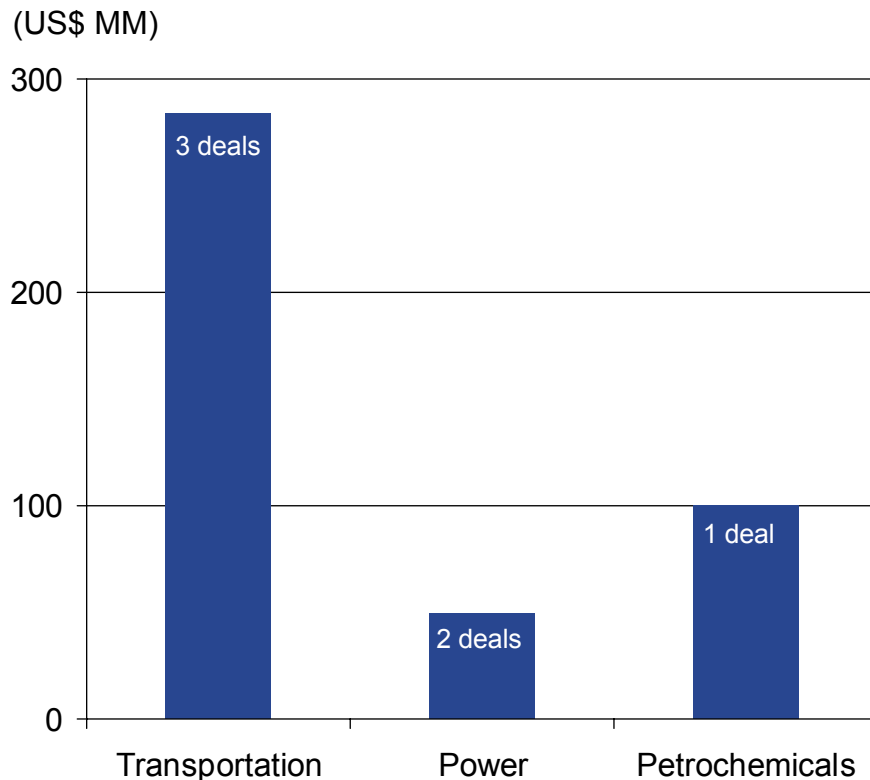
(US\$ Bn)



Note:

1. PFI Magazine League Tables and Governmental Ministries of infrastructure; data as of 2004

PORTFOLIO OF CLOSED TRANSACTIONS⁽¹⁾



- | 6 deals closed as participations in large syndicates (sizes between € 20-150 MM)
- | Margins between 80-150 Bp for senior and 300 Bp for junior tranches
- | Focus on Middle East and Europe within approved country limits
- | PD ratings: BBB

Credit Strategies:

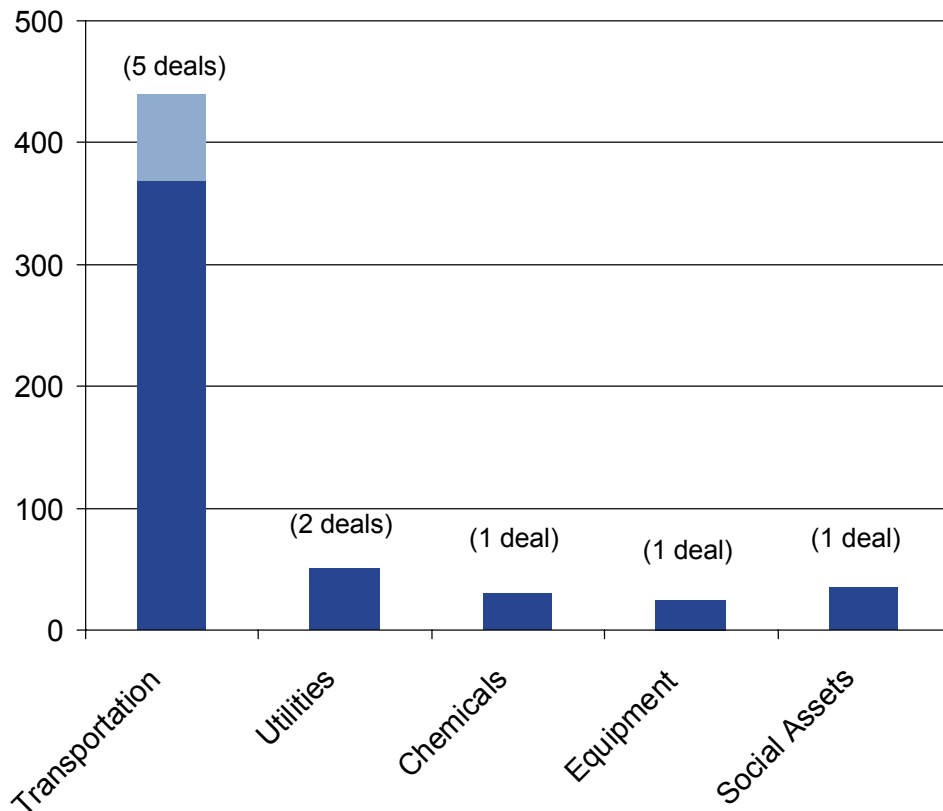
- | Small tickets (5-10%) in large syndicates led by top managed lead arranger
- | Diversified sponsor base; avoid concentrations
- | Target maturity: 5-7 years

Note:

1. Internal, unaudited figures

PORTFOLIO OF CLOSED TRANSACTIONS⁽¹⁾

(US\$ MM)



- | 10 deals closed as participation in syndications (all US market)
- | Deals within target range:
 - Size: US\$ 50-150 MM
 - PD rating: BB-BBB
- | Margins between 100-200 Bp
- | Portfolio bias towards target market transportation

Credit strategy:

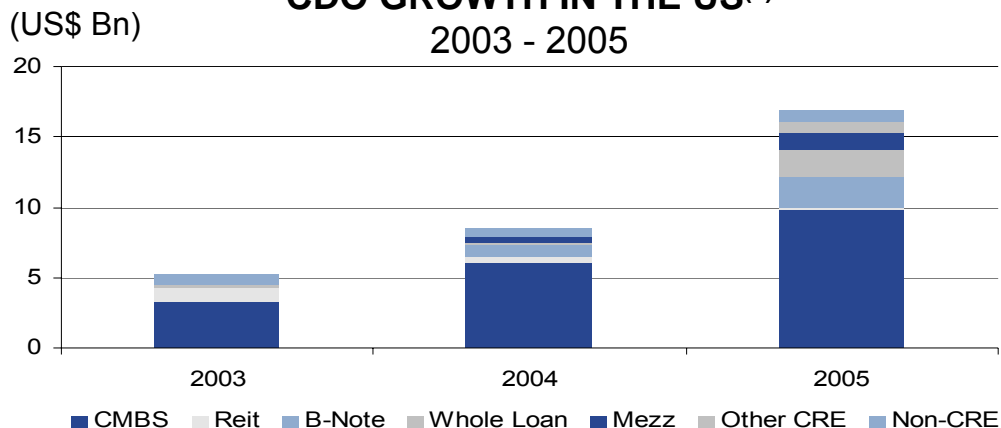
- | Build up diversified ABF portfolio
- | Generally no second lien positions
- | Focus on asset portfolios managed by key sponsors
- | Target maturity: 5-7 years

Note:

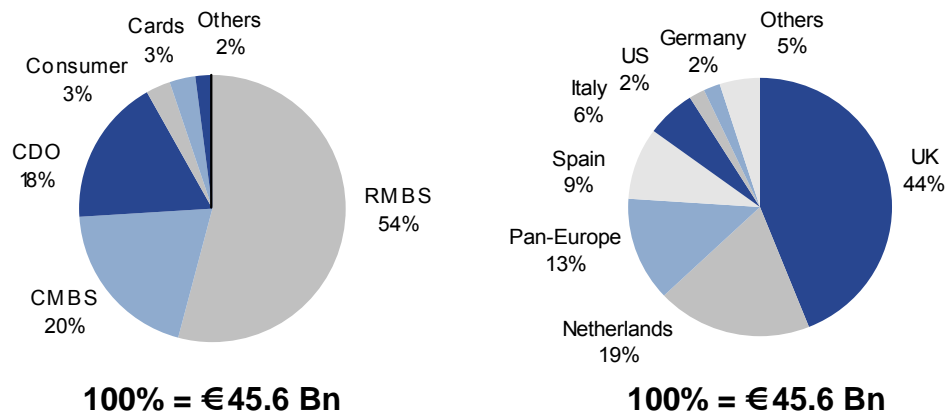
1. Internal, unaudited figures excluding LC and guaranteed exposure

Drivers of Fee Income

CDO GROWTH IN THE US⁽¹⁾ 2003 - 2005



EUROPEAN SUPPLY BY ASSET CLASS AND COUNTRY 2006⁽²⁾



- | CDO structuring has evolved from leveraging static pools of fixed rate investment grade and subordinate CMBS, REIT paper, and some residential mortgage securities to an efficient financing source for pools of short term B-notes and mezzanine debt
- | In addition to standard asset classes, CDOs can finance alternate asset classes including health care, hospitality, and senior housing
- | CDOs allow cherry picking and leveraging better protected positions at higher returns
- | They are inherently diversified, pooling various debt tranches from 100 properties or more

Notes:

1. Source: GMAC Institutional Investors
2. Source: JP Morgan

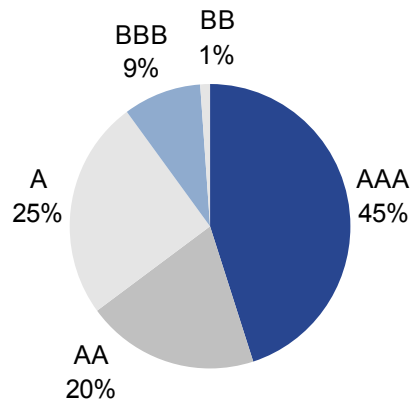
- | Collineo Asset Management GmbH („Collineo“) is an asset management company for institutional clients in Germany and abroad. The core business of Collineo is advisory, management and structuring service for innovative capital market products, with focus on real estate, infrastructure and asset based products
- | The company was founded in December 2004 and started business in June 2005. It is located in Dortmund
- | The team of Collineo has a successful track record since 1999:
 - First European synthetic CDO structure (European Dream 2000)
 - First European mezzanine cashflow CDO of ABS (Euromax I)
 - First European mezzanine cashflow CDO of ABS in GBP (Sterlingmax I)
 - First European high-grade CDO of ABS (House of Europe I)
 - First German MBS manager with a Fitch asset manager rating (CAM 2)
- | Currently the team consists of 18 employees in Dortmund and 6 in New York – all with a strong background in capital market products and securitisation

Hypo Public Finance Bank

Asset Management – Collineo assets under management

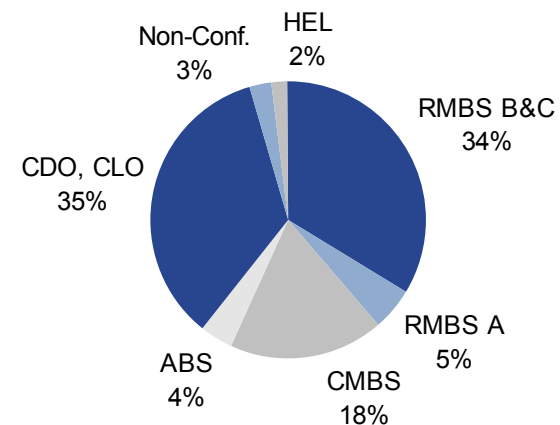
I Total assets under management ⁽¹⁾	€ 13.8 Bn
I Funds under management	€ 0.7 Bn
I Cash CDOs under management	€ 5.8 Bn
I Synthetic CDOs	€ 0.1 Bn
I Private mandates	€ 7.2 Bn

ASSETS UNDER MANAGEMENT^(1,2)
By External Rating Class per August 2006



100% = €13.8 Bn

ASSETS UNDER MANAGEMENT^(1,2)
By Asset Type per August 2006

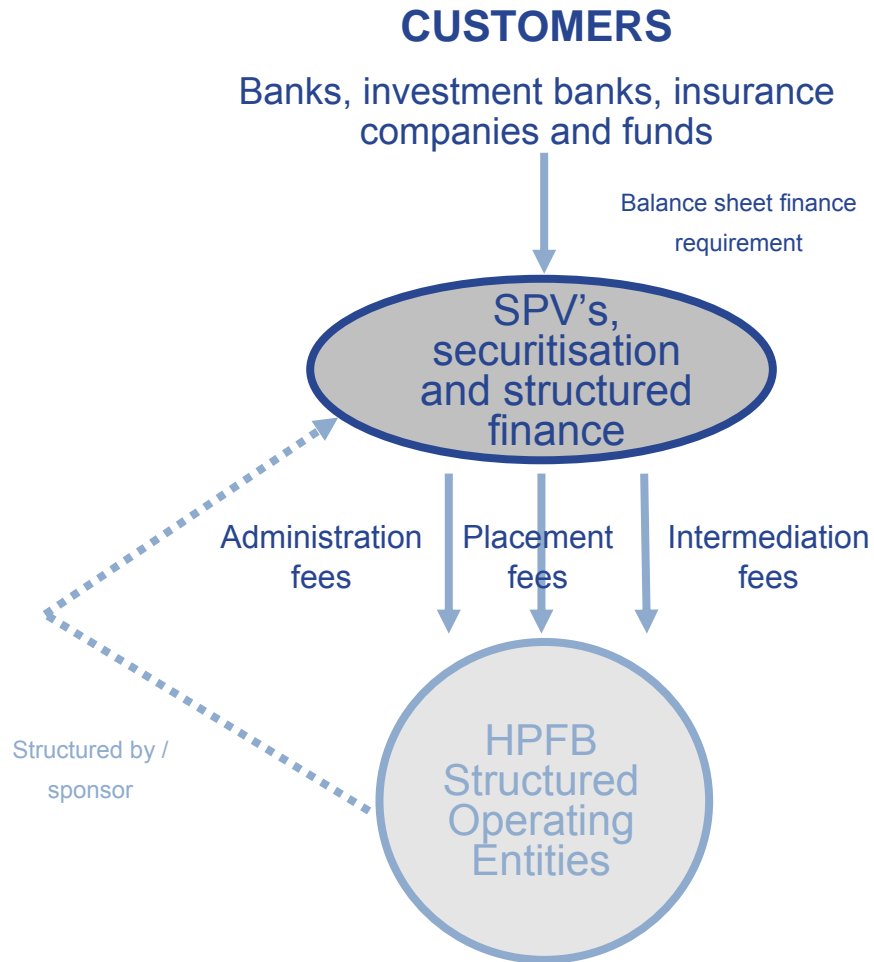


100% = €13.8 Bn

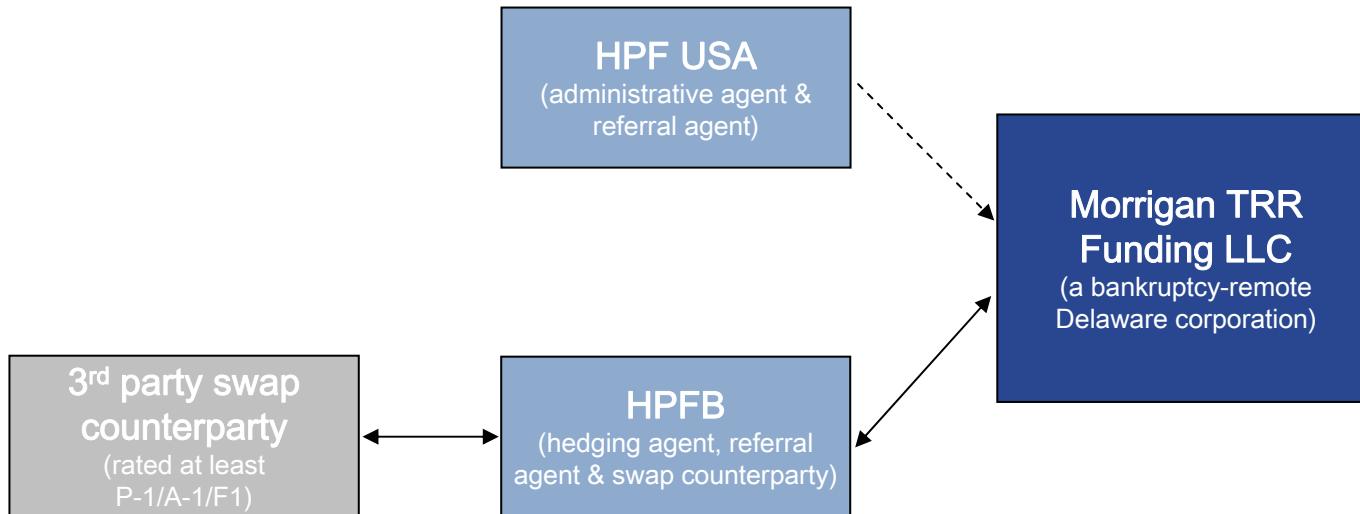
Notes:

1. Based on internal, unaudited figures as of 08/2006
2. Based on volume of structured assets

- ▶ “The rating also reflects Collineo’s clearly articulated investment strategy, which remains supported by sound credit research practices and good access to the market.”
FitchRatings, structured finance CDO asset manager rating, September 2005
- ▶ “[...] In terms of both collateral assets under management and number of CDO transactions, Collineo is one of the leading European managers of cash flow CDOs.”
Standard & Poor’s, CDO manager focus, June 2006
- ▶ “Collineo’s assets under management amount to more than €13 billion. The total includes the CDO of MBS portfolios, structured finance assets managed on behalf of Hypo Real Estate Group, and STARTS Trust (Ireland) – Anchor Stone Fund, a leveraged fund listed in July 2006 on the Irish Stock Exchange.”
Standard & Poor’s, European CDO manager briefing, August 2006
- ▶ “Collineo is currently the most active cash CDO of ABS manager in Europe. It is a member of Hypo Real Estate Group and has a strong position in the European RMBS and CMBS market. None of the deals has ever experienced defaults or has ever been downgraded.”
DrKW structured credit research, March 2006



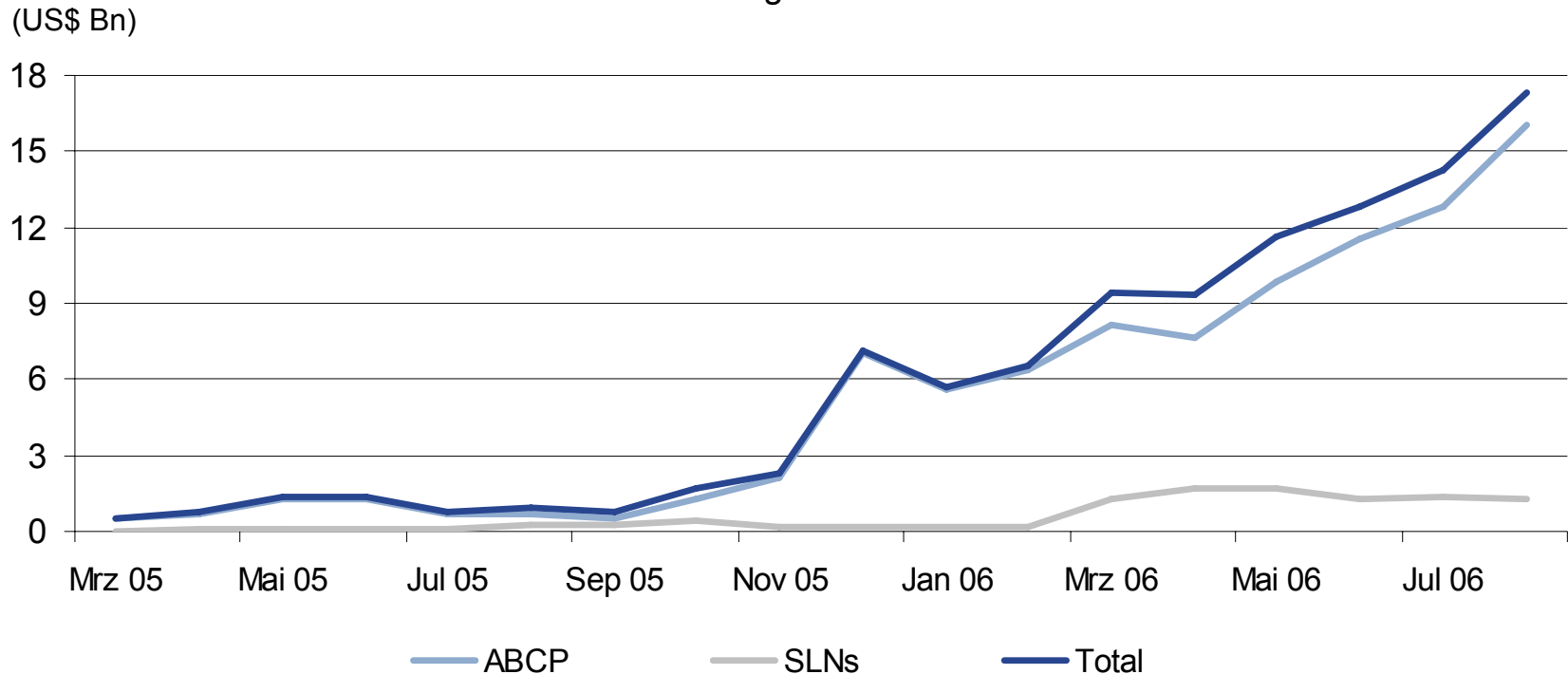
Hypo Public Finance Bank Advisory and administrative services – Morrigan TRR Funding LLC



Disclaimer:

The material presented is for information purposes only and is not to be construed as a recommendation or an offer to buy or sell or the solicitation of an offer to buy or sell any security of Morrigan TRR Funding LLC.

MORRIGAN TRR NOTES OUTSTANDINGS⁽¹⁾
 As of August 2006



Disclaimer:

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Note:

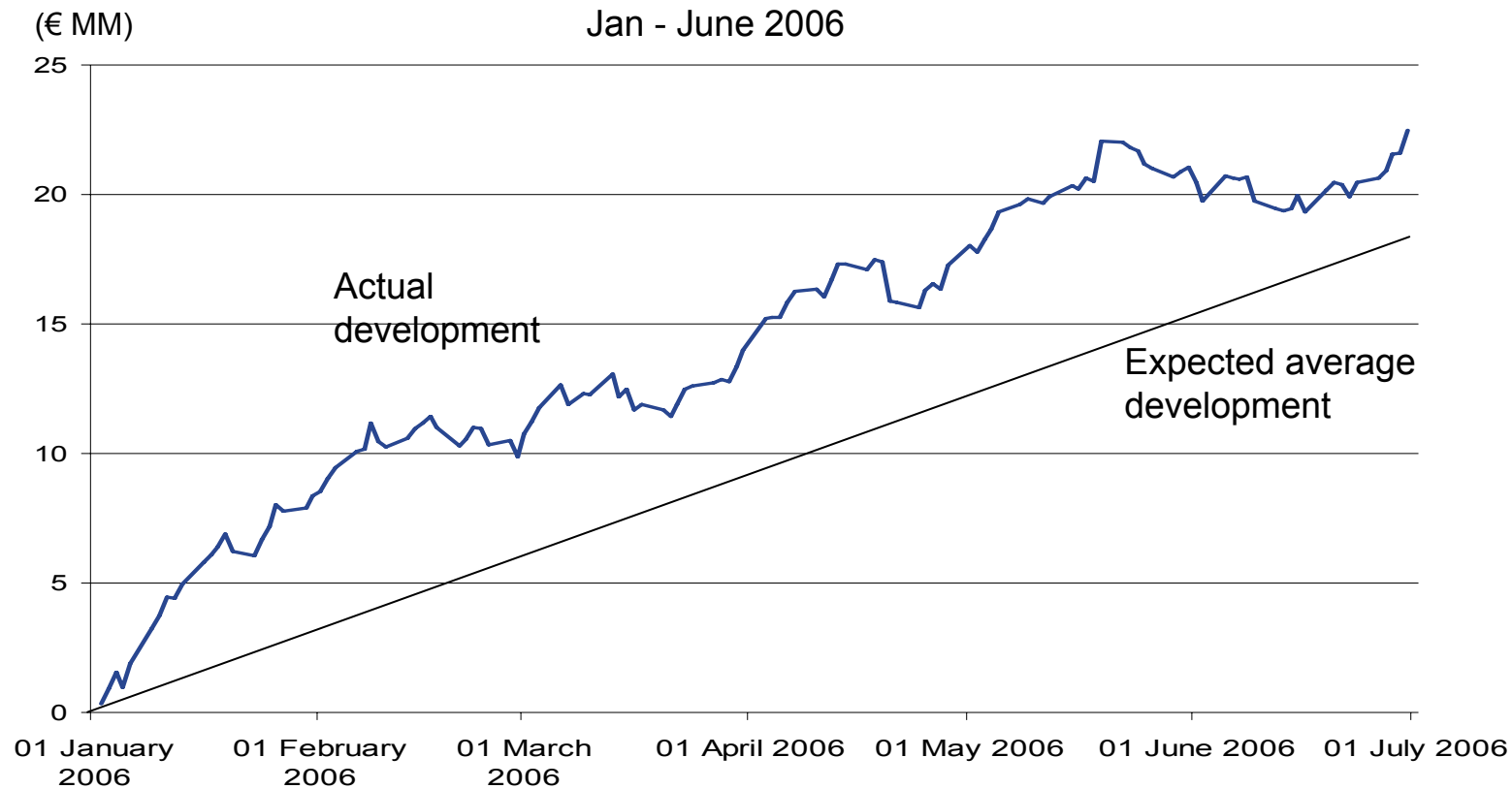
1. All Data from Morigan TRR's monthly investor reports

Drivers of Trading and Investment Income

- I Develop and maintain trading, structuring and risk management platforms, which enable HPFB to creatively and competitively originate, invest and distribute financial products and services directly with clients and on a wholesale basis
- I Trading strategies are focused on arbitrage and hedging (3 public transactions with US\$ 6 Bn volume)
- I High structuring and service component (structured operating entities)
- I Expected average monthly range of trading revenues: € 2.5 to 3.5 MM

CUMULATIVE TRADING REVENUES

Jan - June 2006

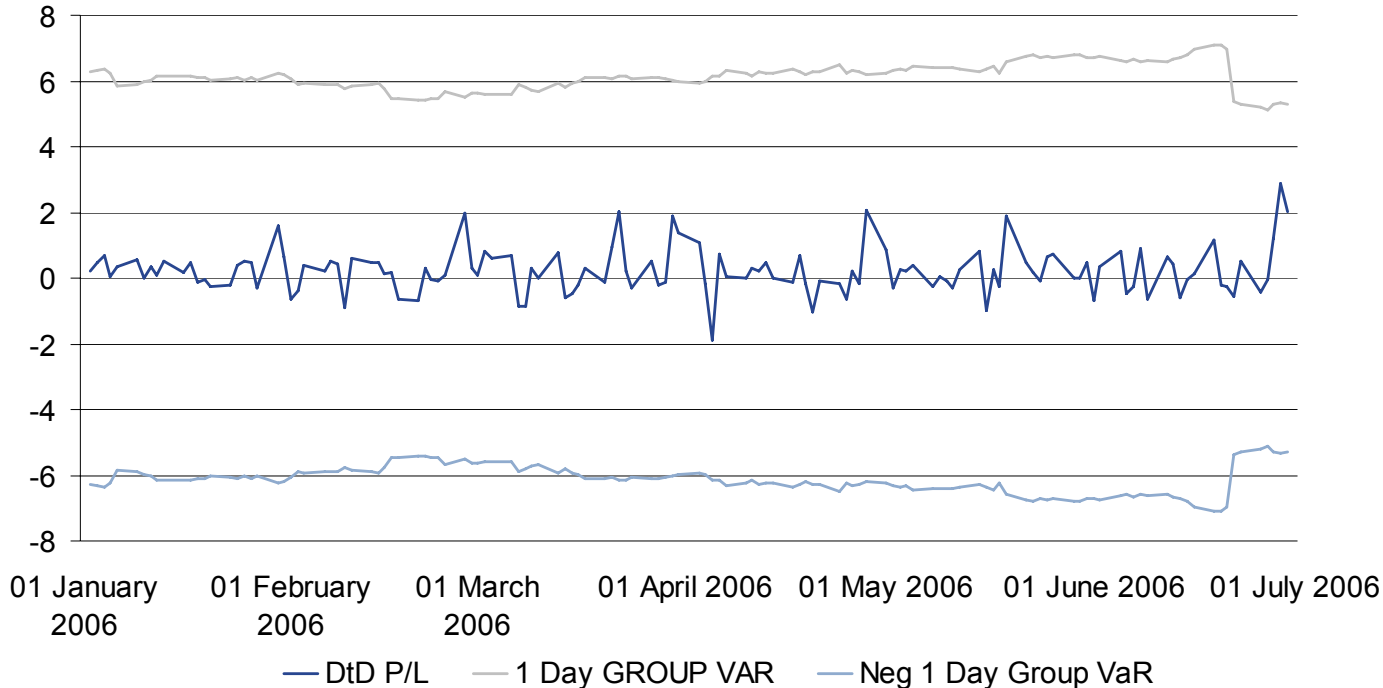


Average trading revenues per month € 3.7 MM

VAR BACKTESTING

Jan - June 2006

(1d VaR
€ MM)



| 10d VaR⁽¹⁾
adjusted to 1
day in order to
relate to daily
P/L figures

▶ Steady P/L profile

▶ Conservative risk measurement (no overdraft)

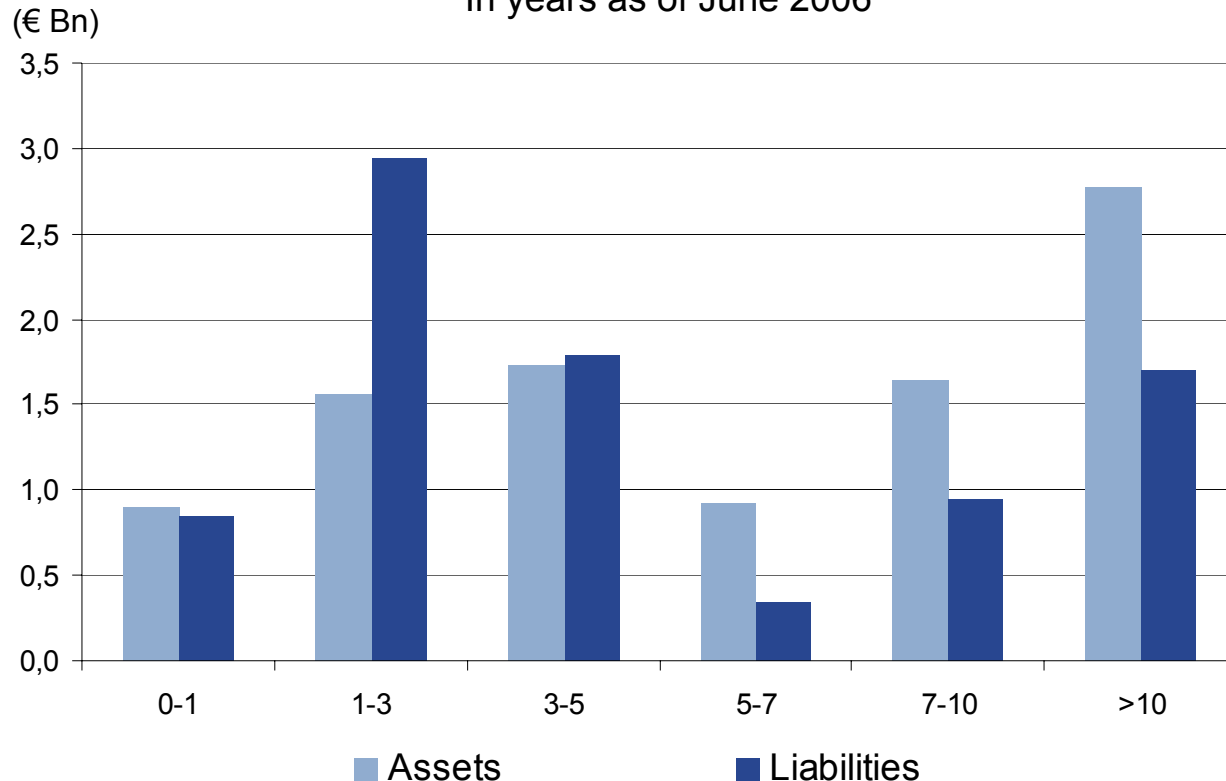
Note:

1. Based on a confidence level of 99%

Drivers of Liquidity and Funding

ASSET AND LIABILITY MATURITY PROFILES OF FINANCING PORTFOLIOS⁽¹⁾

In years as of June 2006



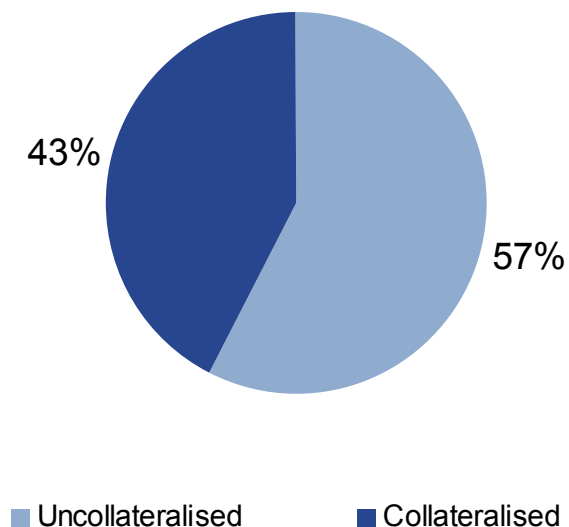
- | Assets classified as “held to maturity”
- | Liabilities exclude equity and subordinated debt funding

Product Description:

- | GIC's (Guaranteed Investment Contracts) are investments of proceeds from municipal bond issues
- | The municipal bond sale proceeds are ultimately used for infrastructure projects such as schools, housing, etc.
- | State and local governments buy GIC's with available funds, from various revenue bond sales
- | Funds are safely invested with insurance companies and financial institutions through the form of GIC's during the phases of development and origination of tax-exempt project financings
- | Each GIC is tailored to meet specific needs of state and local governments for their bonding
- | The Municipal GIC market is about US\$ 80 Bn per year and it is captured by highly rated institutions
- | Since inception HPFB has developed three distinct highly rated GIC platforms (rated from A-/A2 to AAA/Aaa) as well as Pallas Capital Corp. (stand alone operating entity rated Aaa/AAA)

LIQUIDITY UNDER MANAGEMENT^(1,2,3)

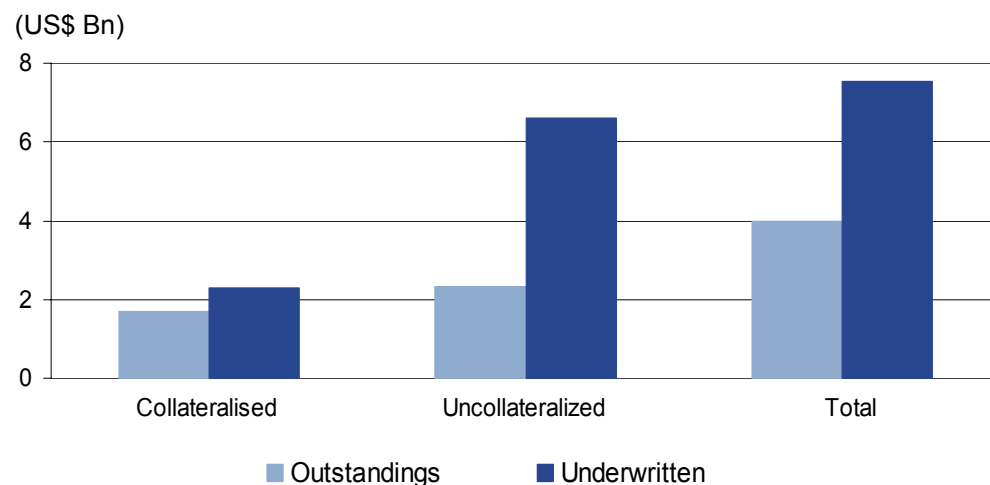
Outstandings by Type as of June 2006



100% = US\$ 4.0 Bn

LIQUIDITY UNDER MANAGEMENT^(1,2,3)

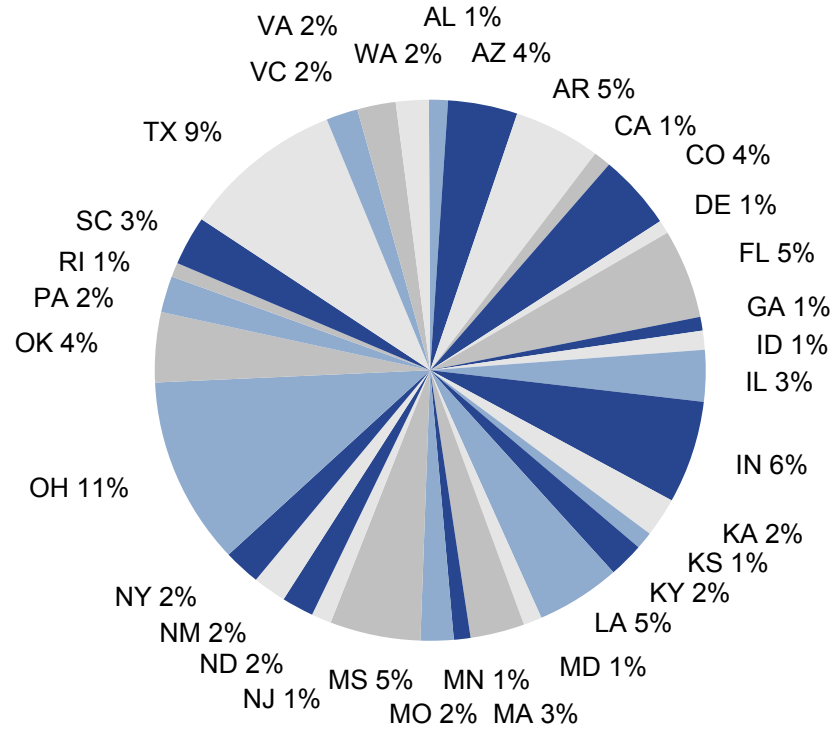
Outstandings versus Underwritten by Type as of June 2006



Notes:

1. Internal, unaudited figures
2. Collateralized = Secured Agreements in Repurchase Format
3. Uncollateralized = Unsecured Deposits

LIQUIDITY UNDER MANAGENT⁽¹⁾
 Split by State as of June 2006

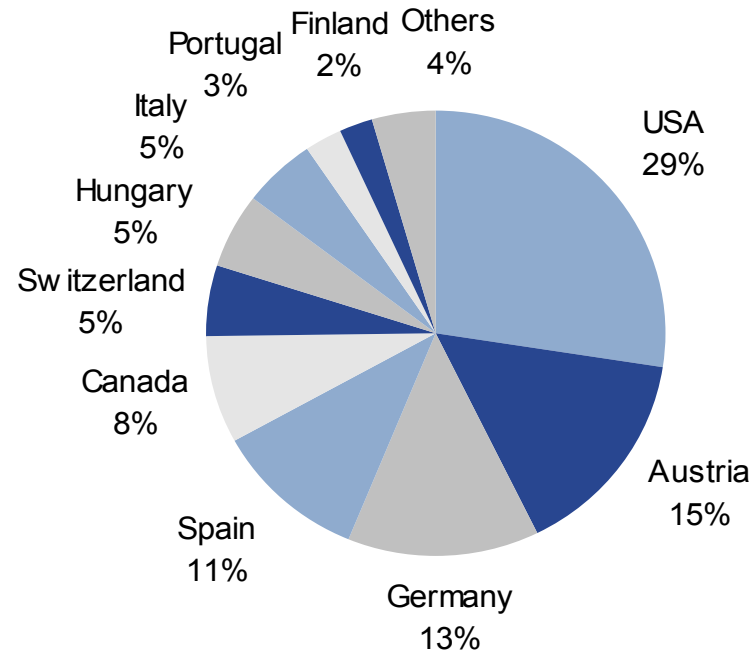


100% = US\$ 4.0 Bn

Note:
 1. Internal, unaudited figures

NEW BUSINESS IN PUBLIC SECTOR FINANCE⁽¹⁾

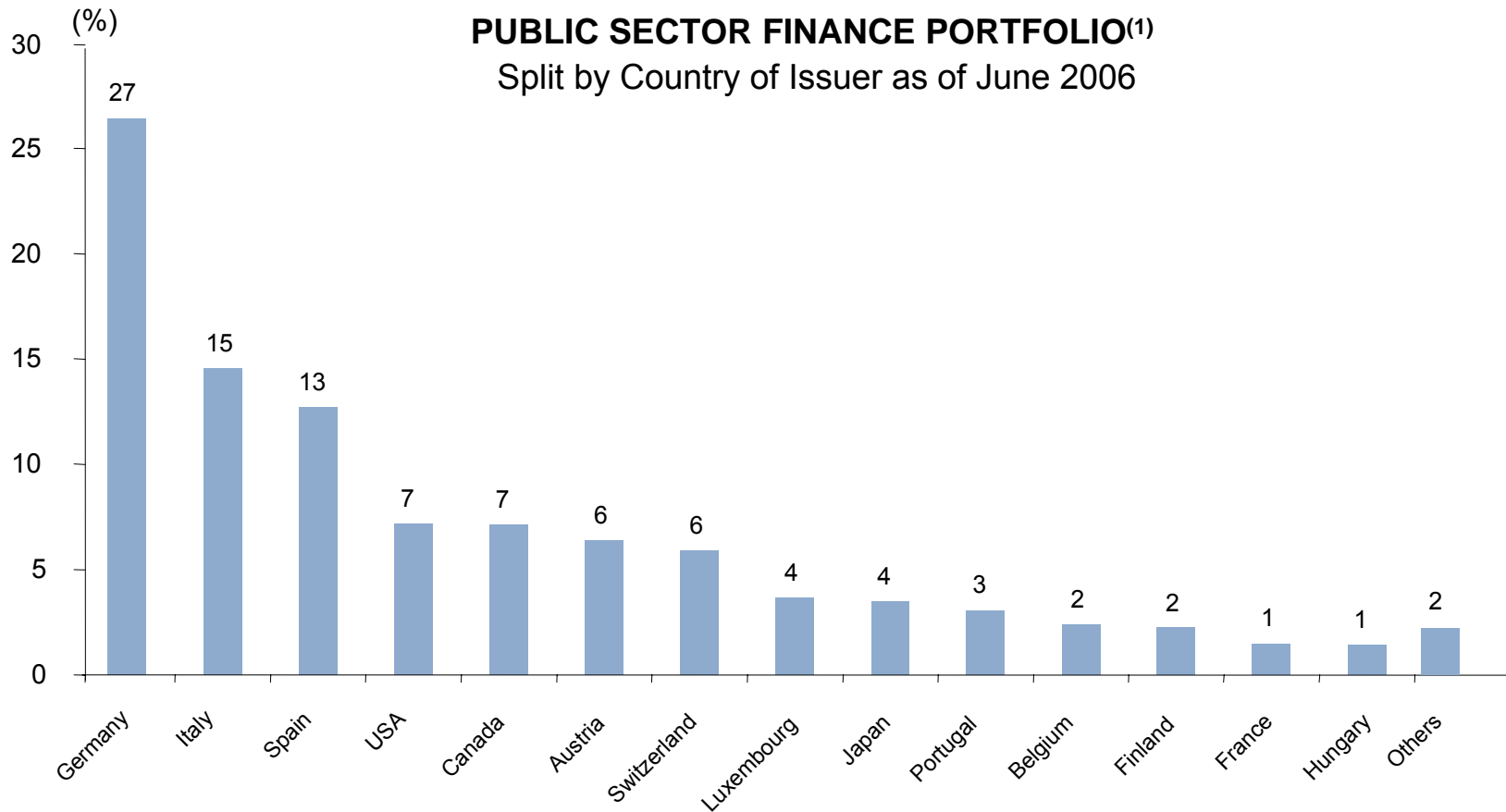
Jan - June 2006



▶ Volume of new business close to € 2 Bn, average spread around 10 Bp

Note:

1. Based on internal, unaudited figures



100% = €8.5 Bn

- ▶ Hypo Public Finance is structured to deliver significant growth in the years to come
- ▶ Key drivers for revenue growth will be infrastructure and asset based finance
- ▶ Key drivers for profitability will be capital markets and asset management

Investor & Capital Market's Day

October 2, 2006

**Stephan Bub, Member of the Board of Hypo Real Estate
Holding AG**

Hypo  **Real Estate**
GROUP



“Pfandbrief & Funding of Hypo Real Estate Group”

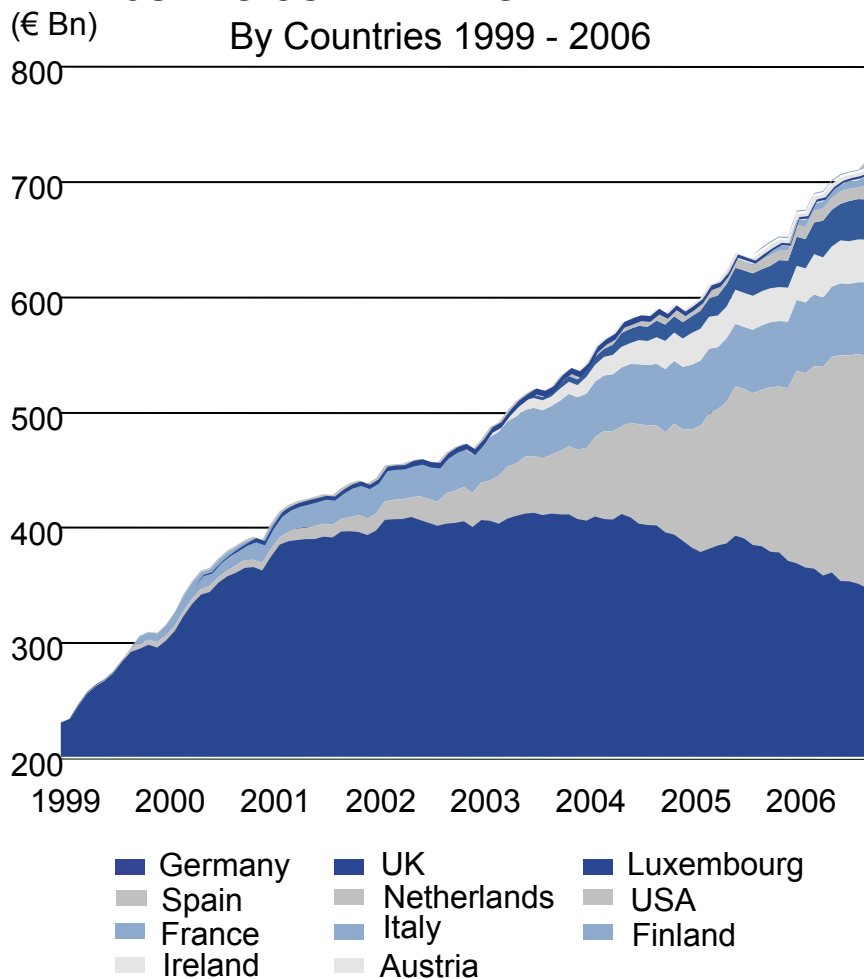
- | The German Pfandbrief as Important Element of the Group's Funding Strategy**
- | Hypo Real Estate Bank International**
- | Hypo Real Estate Bank Germany**

The German Pfandbrief as Important Element of the Group's Funding Strategy

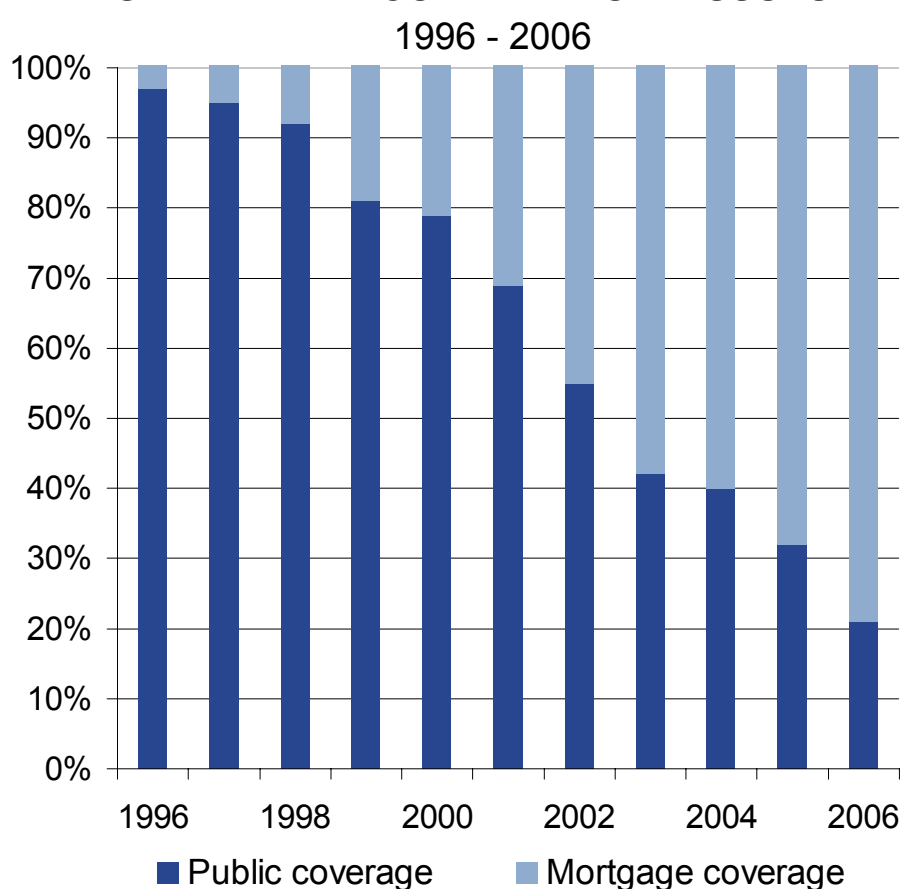
Pfandbrief & funding

German Pfandbrief – market size

JUMBO COVERED BOND MARKET⁽¹⁾



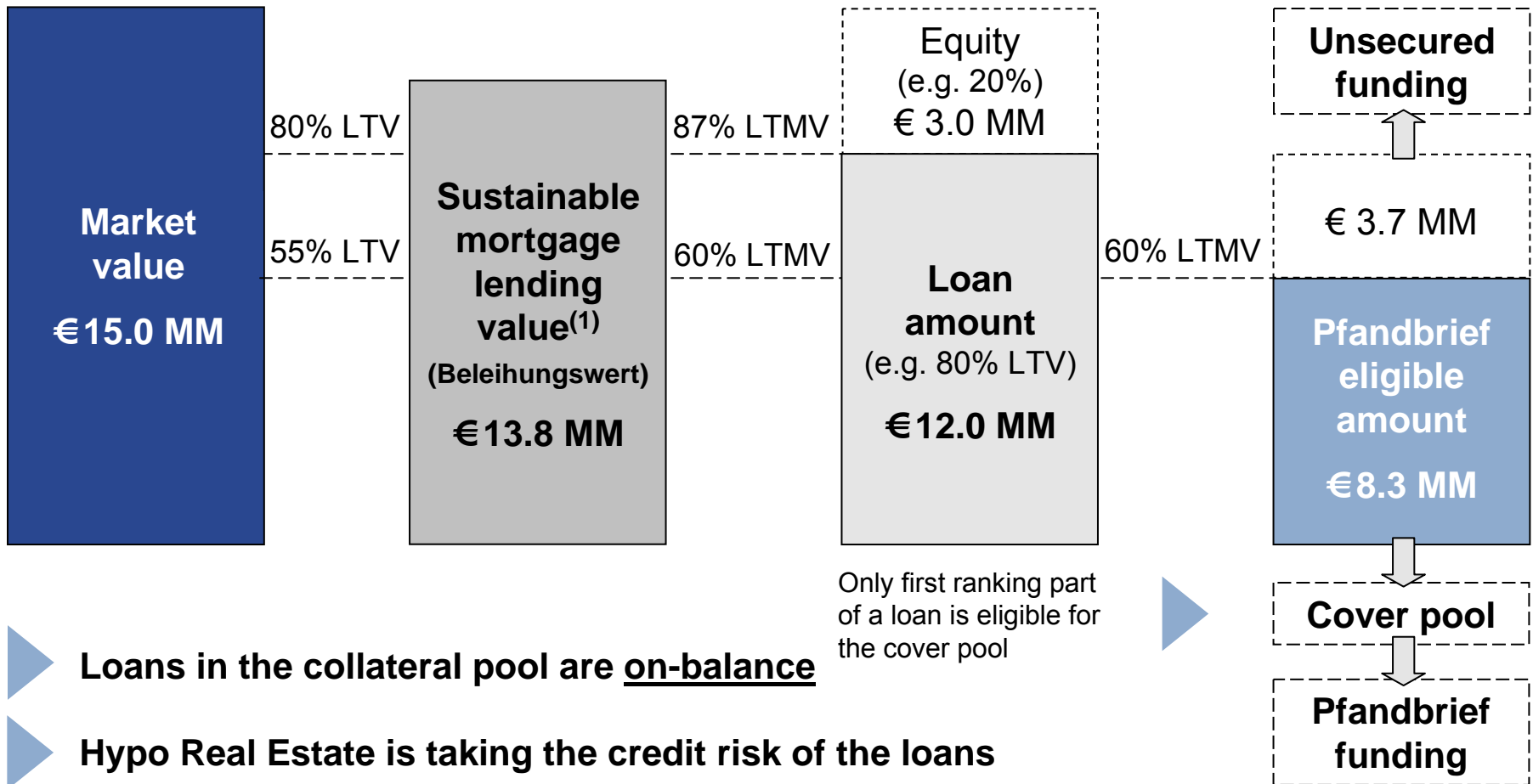
SHIFT IN NEW COVERED BOND ISSUES⁽¹⁾



Note:

1. Sources: VDP, HVB Global Markets

Example: Loan with 80% LTV



Pfandbrief & funding

The German Pfandbrief – why to have it

- | Strict Pfandbrief law providing security
 - | Maximum LTMV of 60%
 - | No development financing
 - | Over-collateralisation as additional buffer (to max. LTMV of 60%)
- | Independent trustee to supervise and secure the collateral pool
- | AAA to AA rating
- | Loans in nearly all developed countries are eligible for Pfandbrief funding (EU-Member countries, Switzerland, USA and Japan)
- | Full primary liability of the issuer if there was to be any problem with the Pfandbrief itself
- | Transparency through obligation to provide detailed information for investors on a quarterly and annual basis



Highly liquid Jumbo market environment

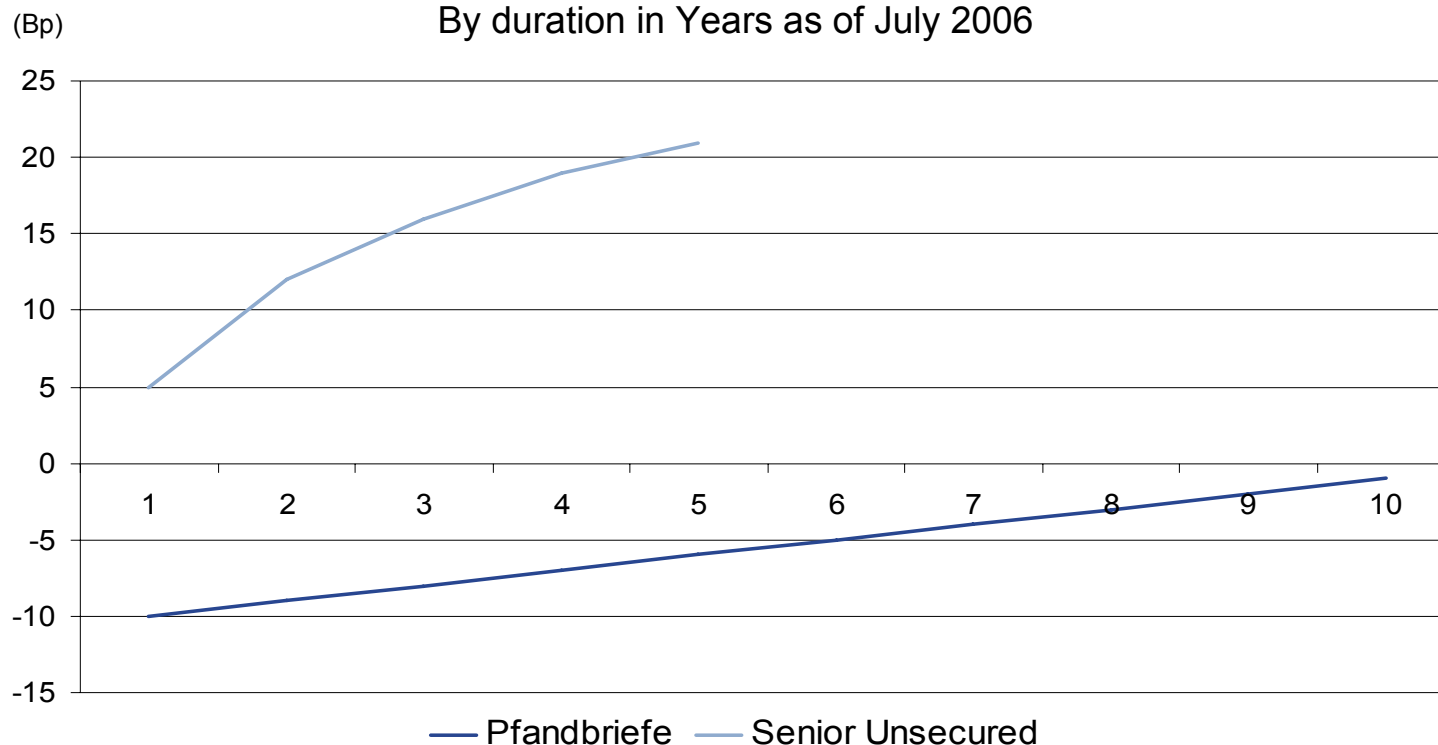


Since the introduction of the mortgage banking act in 1899, a Pfandbrief never failed to be repaid

Mortgage Pfandbrief		ABS / MBS
Mortgages	Collateralized by	Mortgages
Pfandbrief Law A trustee appointed by the regulators checks every loan added to the cover pool for eligibility	Supervision by	Capital Markets
Full primary liability of the Pfandbrief-Bank Strong regulations of the Pfandbrief Banking Supervision (BaFin) and legal requirements on liable capital Two different bankruptcy estates (Bank and collateral pool)	Liability / solvency	Quality of the bonds mainly depends on underlying loans and credit enhancers Minimal liable capital of the SPV
No transfer of credit risk	Transfer of credit risk	Characteristic for ABS / MBS
Maximum 60 % of sustainable mortgage lending value (Beleihungswert)	Maximum LTV	Up to approx. 90 % of market value
Private individuals and institutional investors	Investors	Institutional investors

FUNDING SPREADS⁽¹⁾ OF HYPO INTERNATIONAL

By duration in Years as of July 2006



Further potential of funding cost reduction via larger proportion of Pfandbrief funding

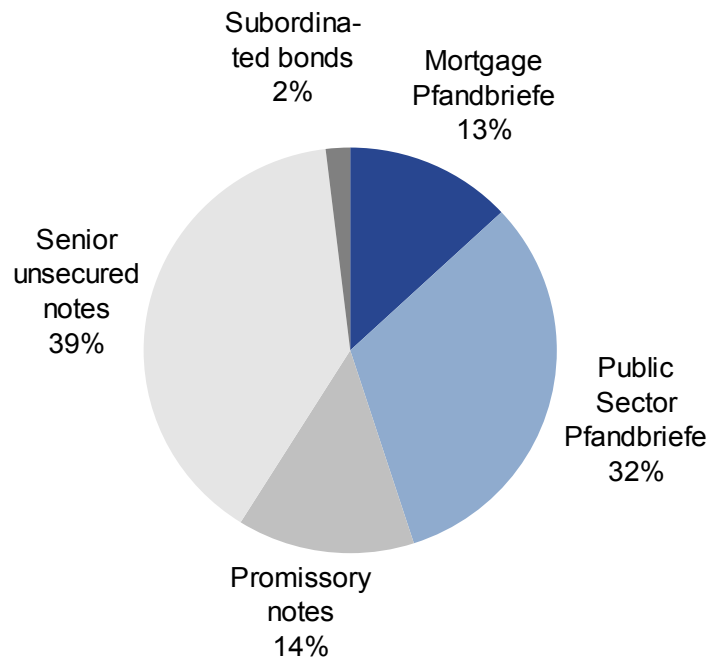
- I Enlarge and diversify HRX' investor base in the debt capital markets generally and in the Pfandbrief market in particular
- I Provide the market with liquid and transparent debt issues
- I Further extend the role as a major issuer in the Pfandbrief market
- I Maximise the proportion of Pfandbrief funding of the total funding (historically about 15% of the Group's refinancing; increase to up to 1/3 depending on new business structure)
- I Adjustment of products (maturity, risk profile, complexity) to the investors' needs (i.e. not to overweigh funding policy)
- I Mix of Jumbo issues (that creates benchmarks) with tailor-made issues and opportunistic issues (that provides cheapest funding)
- I Balanced mix of senior unsecured, off-balance and covered funding

- | Approx. 75% of total funding requirement is refinanced via long term products in order to avoid structural liquidity mismatches
- | Long term products:
 - | Secured funding via mortgage Pfandbriefe and public sector Pfandbriefe; Pfandbriefe are targeted to be more than 50% of long-term funding
 - | Unsecured funding via senior unsecured and promise loans
- | Approx. 25% of the overall funding need is done via short-term products. Hypo International therefore uses its ECP program and FCD program, Slimbos, MM products
- | Direct funding of foreign currency loan portfolio via various foreign currency issues, such as JPY, GBP, USD, SEK, CHF, AUD, CAD, DKK, NOK, SGD, HKD, NZD etc.

 **Continuous development of new products to open up new funding sources**

DEBT STRUCTURE

Split by instruments
06/2006



Funding instruments:

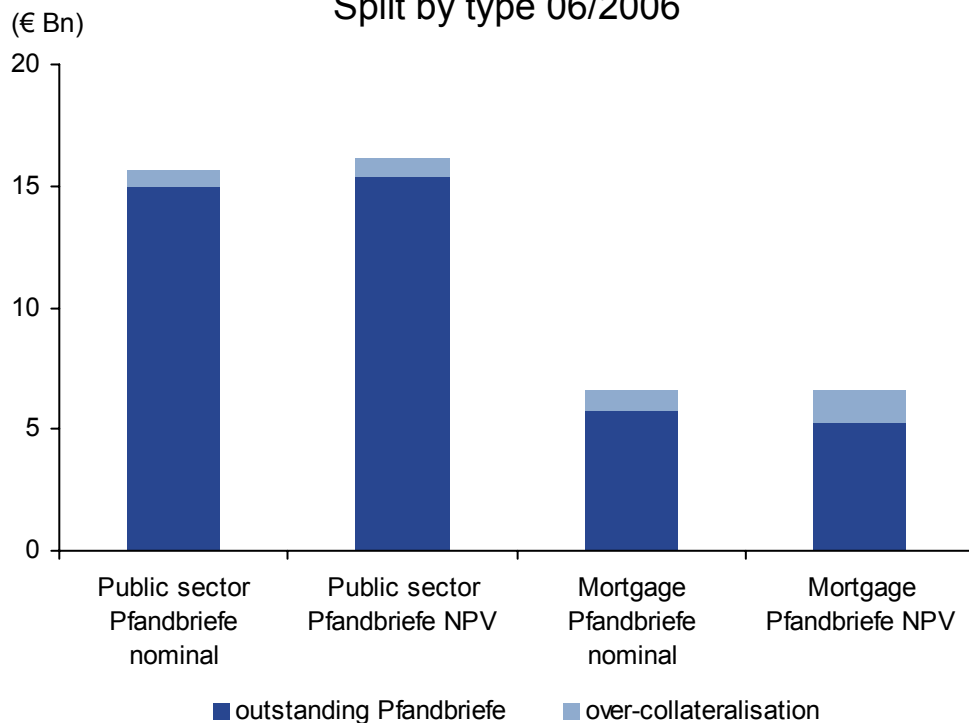
- | Strategic benchmark issues:
 - Jumbo Pfandbriefe
 - Floaters
- | Traditional Pfandbriefe
- | Senior unsecured bonds
- | Structured issues

Current issuance programs:

- | € 25 Bn EMTN debt issuance program (Pfandbriefe and unsecured bonds)
- | € 5 Bn ECP commercial paper program (short term bonds)
- | € 5 Bn French CD commercial paper program (short term bonds)
- | A\$ 3 Bn Australian debt issuance program (Pfandbriefe and unsecured bonds)

OUTSTANDING PFANDBRIEF VOLUME⁽¹⁾

Split by type 06/2006



I Total outstanding Jumbo Pfandbrief issues of € 12.2 Bn

I Public sector Pfandbriefe net present value over-collateralisation € 0.7 Bn

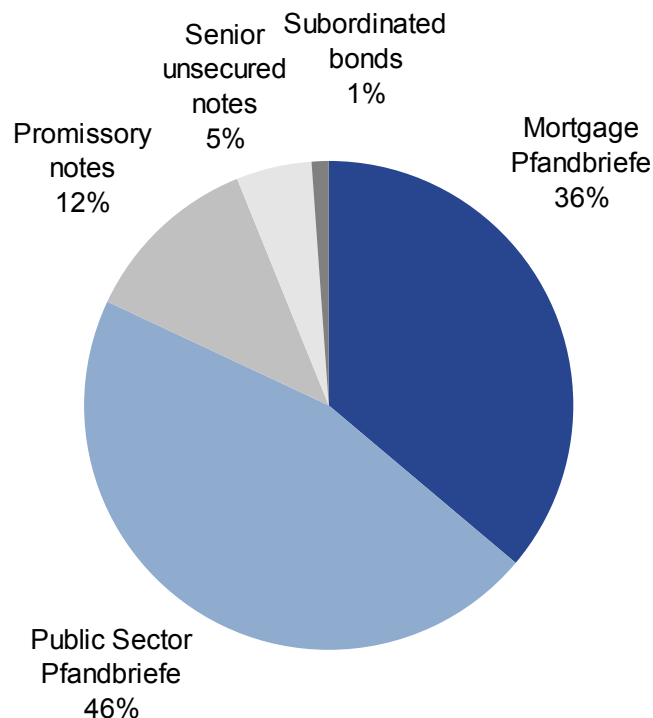
I Mortgage Pfandbriefe net present value over-collateralisation € 1.3 Bn

-  | Completion of an A\$ MTN program (Kangaroo bonds) in February; successful placement of the first public sector Kangaroo Pfandbrief in Australia ever, well received by the domestic investor base. Followed by a senior unsecured transaction and the first mortgage Pfandbrief which has been placed in Australia
-  | Successful debut into the Canadian market in May with two unsecured maple bonds
-  | In May, Hypo International placed a € 1 Bn senior unsecured benchmark bond. The bond was placed to 103 investors in 19 countries. Hypo International achieved a very well diversified order book.
-  | In September, Hypo International placed its first US\$ senior unsecured benchmark bond of US\$ 1 Bn. The bond was placed mainly outside of Germany, into the UK, Asia and Scandinavia.

DEBT STRUCTURE

Split by Instruments

06/2006



Funding instruments:

- | Strategic benchmark issues:
 - Jumbo Pfandbriefe
 - Floaters

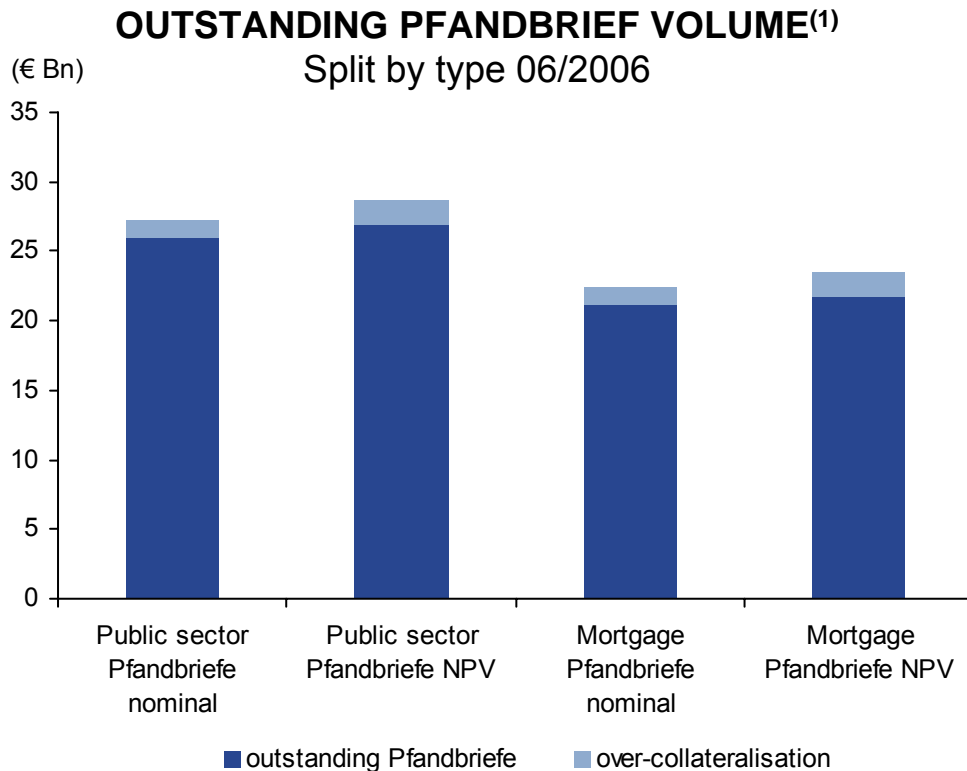
| Traditional Pfandbriefe

| Senior unsecured bonds

| Structured issues

Current issuance programs:

- | € 25 Bn debt issuance program (Pfandbriefe and unsecured bonds via capital markets)
- | € 5 Bn commercial paper program (short-term bonds via money market)
- | € 5 Bn French CD issuance program

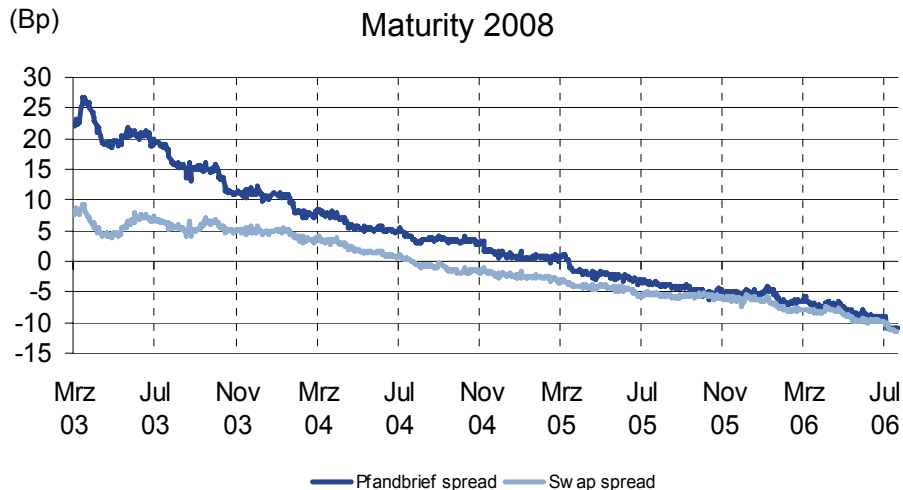


I Total outstanding Jumbo Pfandbrief issues of € 14.0 Bn

I Public sector Pfandbriefe net present value over-collateralisation € 1.7 Bn

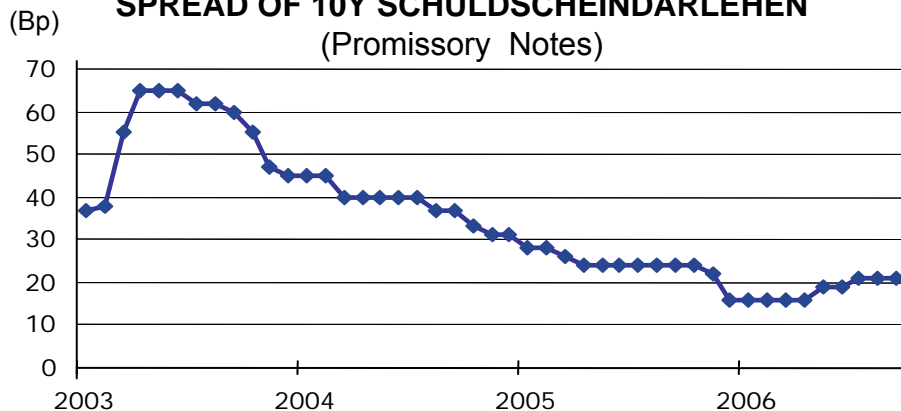
I Mortgage Pfandbriefe net present value over-collateralisation € 1.8 Bn

JUMBO PFANDBRIEF⁽¹⁾ vs. MARKET SPREAD⁽²⁾



- | Continuous improvement of funding levels
- | Issuance volume of € 10.3 Bn planned 2006; thereof € 7.1 Bn covered

SPREAD OF 10Y SCHULDSCHEINDARLEHEN (Promissory Notes)



Notes:

1. Hypo Real Estate Bank AG; maturity June 2008
2. 17 German Jumbos; maturity March–Oct 2008

Investor & Capital Market's Day
October 2, 2006
Dr. Markus Fell, CFO

Hypo  **Real Estate**
GROUP



“Lower Risk and Higher Profitability”

▶ I **Low credit risk**

- I Concentration on experienced clients with long-standing experience in commercial real estate to reduce PD
- I High DSC/ISC ratios combined with low LTV ratios result in limited LGD rates
- I Strong risk management procedures, history of principally no credit losses in international real estate finance
- I Nearly € 250 MM portfolio risk provisions

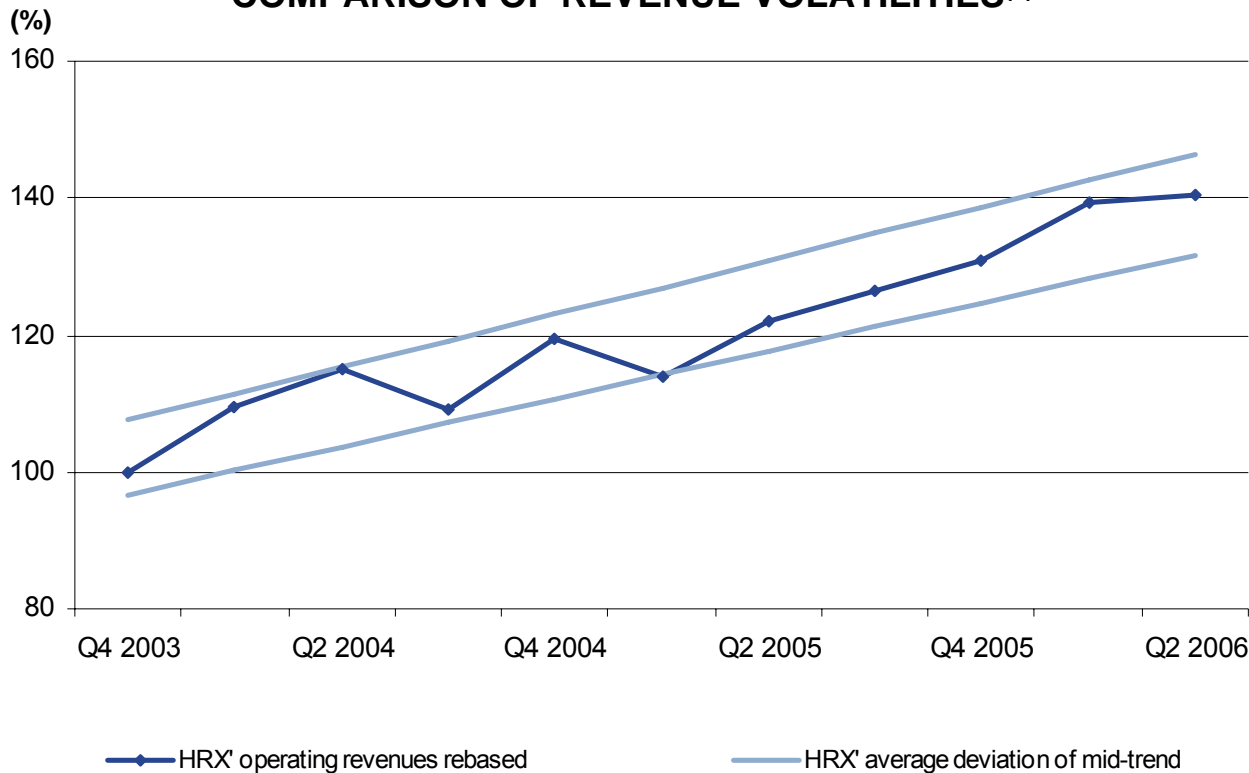
▶ I **Low market risk**

- I Trading strategies are focused on arbitrage and hedging
- I Low interest VaR due to hedged funding (currencies, margins)

▶ I **Low liquidity risk**

- I Maturity matched funding
- I As wholesale bank, low risk of funding shortage due to strong position in the Pfandbrief market

COMPARISON OF REVENUE VOLATILITIES⁽¹⁾



I The operating revenues show a stable upward trend and a low volatility, underlined by a standard deviation of only 0.11%⁽¹⁾

I “To an extent the company also frequently appears to be a victim of its own guidance: it is so detailed and so reliable that it leaves little room for surprise”⁽²⁾

Visibility and predictability of earnings is comparatively high

Notes:

1. This compares with an average standard deviation of 0.18% of a mixed sample group of banks shown on the next slide
2. Piers Brown, Cazenove, August 22, 2006

Overview of fundamental betas ⁽¹⁾ for different banking segments	Constituents	Average/individual fundamental betas
Wholesale Banks/Corporate Banks	ABN Amro, Commerzbank, IKB	1.22
Investment Banks	Deutsche Bank, Julius Baer, Credit Suisse	1.20
Private Banks	UBS, Vontobel, EFG Group	1.04
Public Sector Banks	Depfa, Dexia	1.15
Mortgage Bank	Northern Rock	0.84
Mortgage Bank	Alliance & Leister	0.80
Commercial Real Estate	Anglo Irish	0.83
Commercial Real Estate	Hypo Real Estate	0.89

- I The relatively low risk of HRX can also be observed analysing fundamental/operating betas⁽¹⁾
- I Lower betas can be observed in the sectors with strong collaterals

Hypo Real Estate Group

Cost of capital at around 7.5%

Cost of capital calculation	
Risk free rate ⁽²⁾	3.7%
Beta	0.8
Risk premium	4.5%
Cost of capital	7.3%

- | Market betas show values between 0.7 and 0.9⁽¹⁾
- | Combining fundamental and market betas, our assumption for the beta value is 0.8
- | For the risk free rate the 10Y Bund has been taken
- | Depending on the historic time frame market risk premium is between 4 and 5%; in the more recent decades risk premium tends more to the level of 4%

Notes:

1. Calculated against the DAX on a daily, weekly and monthly basis since listing
2. As of September 27, 2006

Individual allowances


- | A loan or receivable has to be impaired if there is objective evidence of impairment as a result of one or more events that occurred and if that loss event has an impact on the estimated future **cash-flows**
- | In the past, we measured a collateralised loan in default by using market prices of the collateral
- | As from now the loan is measured by calculating the present value of the estimated cash-flows from collateral by using the effective interest rate of the loan
- | This new accounting policy fits better to our cash-flow driven business model which is also applied in our lending policy
- | This change has to be adjusted retrospectively. Hence, we will have to adjust the prior year figures in our annual report 2006.
- | The net effect will be booked against the reserves/equity in the opening balance sheet as of January 1, 2005 and will have a slight impact in the P&L of 2005 and 2006.

Portfolio-based allowances

- I IAS 39 was revised in 2003 regarding the method for calculating portfolio-based allowances
- I The portfolio-based allowances are based on the incurred loss model instead of the expected loss model of Basel II
- I Nevertheless, data from Basel II can be used to determine the appropriate amount of portfolio-based allowances. Hence, there is a link between both concepts.
- I Since Hypo Real Estate Group applied IAS 39 (revised 2003) the results of the Basel II project have been used to verify the amount of portfolio-based allowances
- I Therefore there is no need for changing accounting policies in the context of portfolio-based allowances

Key Figures			
(€ MM)	Target 2006	½ Target	H1 2006
Total operating revenues	>1000	>500	516
Profit before taxes	>530 (550-560)	>265	270
ROE after taxes ⁽¹⁾	>9%	>9%	9.2%
Hypo International – Profit before taxes	≈ 380 - 410	≈ 190 - 205	203
Hypo Germany – Profit before taxes	≈ 120 - 140	≈ 60 - 70	64
Hypo Public Finance – Profit before taxes	≈ 25 - 35	≈ 13 - 18	24

- | All entities in-line or ahead of target
- | PBT target specified to € 550-560 MM (including the AHBR portfolio acquisition) from prior > € 530 MM

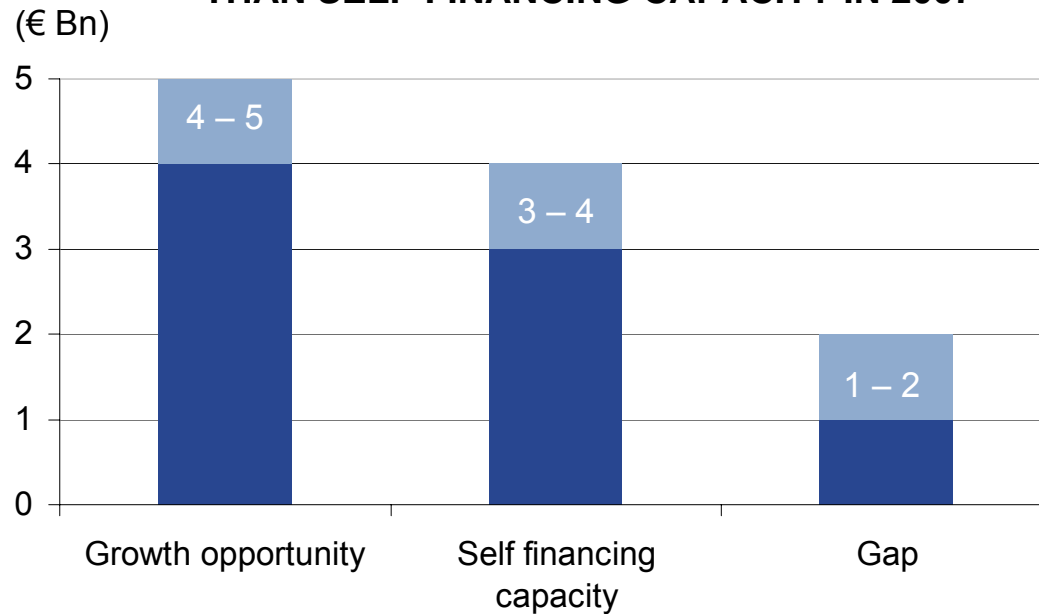
 **HRX is well on track to reach its year-end PBT target of 550-560 MM**

- I Group's target ROE of 11-12% (HI 13-14%, HG 8-9%, HPFB 14-15%) implying:
 - I A further reduction of Cost-Income Ratio to below 30%
 - I Strong growth in public finance
 - I A net portfolio growth of real estate portfolio of € 4-5 Bn

- I A stable dividend policy with 40-50% dividend pay-out

- I Growth rate of the equity base of 5-6% allowing for a € 3-4 Bn RWA growth

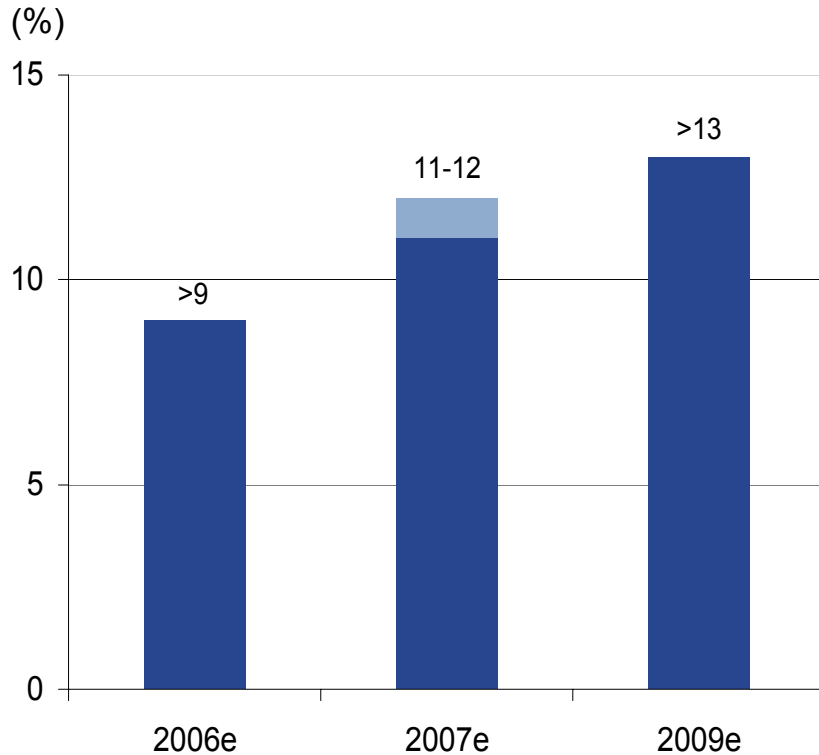
HIGHER RWA GROWTH OPPORTUNITIES THAN SELF-FINANCING CAPACITY IN 2007



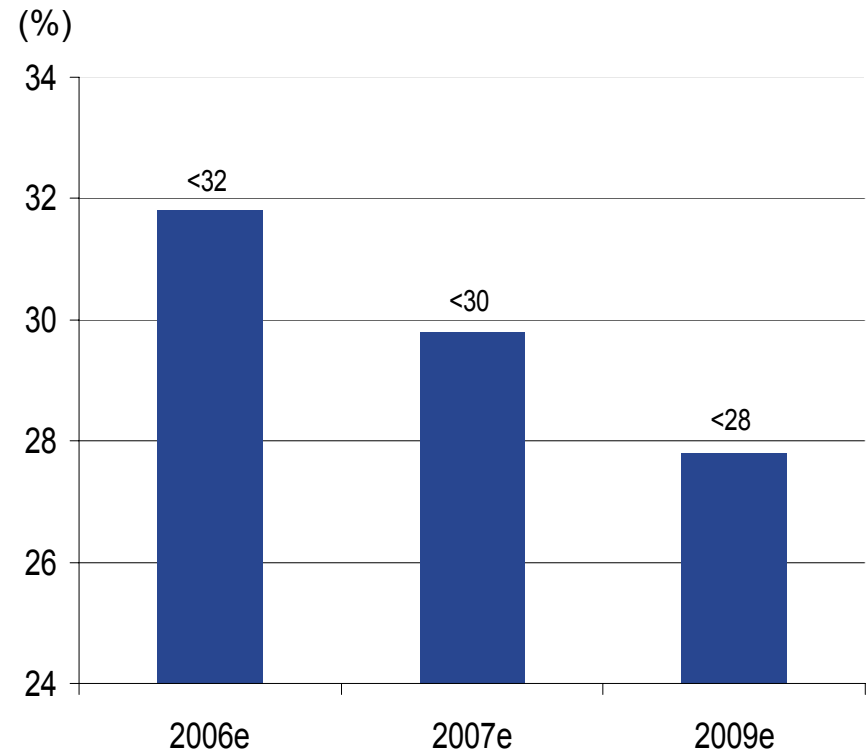
- | Under the assumption of a comparable new business development as in 2006 a growth in RWA of € 4-5 Bn in 2007 is possible
- | Due to a self-financing capacity of € 3-4 Bn out of retained earnings the need for hybrid capital issues would evolve
- | A capital leverage of 10% would allow for additional growth in RWA of about € 7 Bn

▶ **10% capital leverage leads to additional 100 Bp in ROE**

ROE DEVELOPMENT
2006e - 2009e



CIR DEVELOPMENT
2006e - 2009e



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Contact Details

Investor Relations Team

Ulrich Kern
(Head of Investor Relations)

+49 (0)89 203 007 780
ulrich.kern@hyporealestate.com

Frank Ertz

+49 (0)89 203 007 776
frank.ertz@hyporealestate.com

Michael Heuber

+49 (0)89 203 007 778
michael.heuber@hyporealestate.com

Heike Pichler
(Assistant)

+49 (0)89 203 007 782
heike.pichler@hyporealestate.com