

**Key figures for 2006**  
**New company phase for further growth**  
**and higher profitability!**

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Telephone conference on the occasion  
of the publication of key figures for 2006  
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The spoken word is applicable

Good morning, ladies and gentlemen,

I would like to welcome you today to our telephone conference, also on behalf of my colleague Dr. Fell, who together with me will answer your questions after I have finished speaking.

Yesterday we have announced key figures for financial 2006 on the basis of preliminary unaudited figures. Although the complete financial statements will only be published on 14 March, we can already state the following:

- The Hypo Real Estate Group has reported a further very successful financial year.
- We have fully met our economic objectives, and even exceeded them in certain cases.
- As has been the case in every year since the spin-off of our group in 2003, we are again able to report success for 2006 in the form of expanding operations, strong growth in profits, increasing profitability and an improved cost-income ratio.
- To summarise: The Hypo Real Estate Group has again demonstrated what it is capable of, even if, as I will detail shortly, there is still a tremendous amount of further potential in this group.

Ladies and gentlemen,

Allow me now to briefly consider three aspects of the provisional annual figures:

Firstly: Consolidated net income before taxes (EBT), our key reporting parameter, amounted to EUR 571 million in 2006, and were 28.9% up compared with the corresponding previous year figure of EUR 443 million. Both figures include a positive effect attributable to a change in the accounting policy for measuring allowances for losses on loans and advances (EUR 30 million compared with EUR 35 million in the previous year) and a negative effect attributable to restructuring expenses (EUR 17 million compared with EUR 34 million). Adjusted by these two factors, consolidated net income before taxes amounted to EUR 558 million. Accordingly, it is fully in line with our announced target, which we specified as EUR 550 to EUR 560 million in August last year. Compared with the correspondingly adjusted previous year figure of EUR 442 million, result growth is 26.2%.

All three operating entities contributed to the improvement in net income before taxes. The Hypo Real Estate International segment reported EUR 423 million, equivalent to growth of 22.3%. The Hypo Real Estate Germany segment boosted earnings before taxes by 21.6% to EUR 169 million. Our third segment, namely Hypo Public Finance Bank, has also more than doubled earnings before taxes to EUR 47 million (compared with EUR 18 million).

Secondly, I would also like to provide details of a further key parameter: Our new business in real estate financing. At EUR 26.6 billion, our expectations have been more than fulfilled, as we had originally set ourselves the target of meeting our 2005 performance of EUR 22.3 billion. The performance of new business in the fourth quarter had been particularly positive; we acquired new business of EUR 9.1 billion with profitability which overall was stable. These figures do not even include the international financing portfolio acquired from AHBR in the summer of 2006 (approx. EUR 3.3 billion) as well as the off-balance-sheet business (securitisation / syndication) totalling around EUR 2.4 billion! If these figures were to be included, the group would accordingly report a figure of approx. EUR 32.3 billion. In addition, we have also succeeded in acquiring asset-based and infrastructure financing of approx. EUR 1.9 billion. We are accordingly pursuing a course of sustainable growth at home and also abroad; our Sales has succeeded in putting much more horse power on the road.

Thirdly: In 2006, we have again remained true to our principle of ensuring that our shareholders participate appropriately in the increasing success of the company. For this reason the Management Board and Supervisory Board intend to propose a dividend increase of 50% to the Annual General Meeting. We intend to pay EUR 1.50 per share for 2006, compared with EUR 1.00 for 2005 and 35 Euro Cents for 2004. If this proposal is approved by the shareholders' meeting, a total of approx. EUR 201.1 million would be paid out to shareholders. Hypo Real Estate Holding has again confirmed that it feels committed to a dividend-friendly policy.

Ladies and gentlemen,

Yesterday, we have not only provided you with an overview of what we have achieved in the course of 2006. We have also drawn up a sketch of what can be expected from the Hypo Real Estate Group in the course of the next few years. This is indeed a great deal!

On the occasion of the spin-off of the group approximately three and a half years ago, we presented the capital market with a medium-term plan up to the year 2007. This plan has since been upwardly revised and now includes return on equity after taxes of 11 to 12 % for

the current financial year. Investors and analysts do not have any doubt that we will meet this range – nor do we.

On the occasion of our Investors' Day held last October, we announced that our aim is to boost return on equity after taxes to more than 13% in the year 2009.

This means that a new development phase is now commencing for the Hypo Real Estate Group. We will extend our range of products and services and change our structures in such a way that we will be able to handle a higher volume of business, boost profitability and further optimise our risk profile.

What does this mean in specific terms? I should like to detail four aspects:

Firstly: The Hypo Real Estate Group will retain its profile as an internationally operating real estate financier. We have identified further considerable business potential in all markets in Europe, the USA and Asia which are relevant for us. In addition to financing large-volume commercial real estate, we will also apply our financial engineering know how to a greater extent to other asset classes. In this way, we will open up further business potential for our company. Allow me to provide a clear illustration: Our particular skill is to structure financing covered by appropriate assets, to finance the arrangements via our balance sheet or where appropriate to place them in the market. For our company, whether the underlying asset is an office building, a road, a hospital or something else is not important, as long as we can reliably forecast the future cash flows generated by these assets. Accordingly, we will expand business by taking advantage of specific business opportunities which arise and which meet our risk criteria and our yield requirement. In 2006, we have already taken initial steps in this direction by setting up the Hypo Public Finance Bank and as a result of the related entry into the fields of infrastructure finance and asset-based finance.

Secondly: We will step up the rate of utilising the distribution channels into the secondary markets which we established last year, and will establish them as a key value driver of the group. This is particularly applicable for securitisation. In the previous history of the group, we initially had to complete the process of restructuring in Germany and then to expand the financing portfolio to such an extent that the group's capital is completely tied up. The aim is now to allocate capital even more consistently to take advantage of the best yield opportunities. This means that, in addition to the traditional buy-and-hold strategy, we will increasingly adopt a buy-and-distribute strategy.

Thirdly: We will also extend our value chain by expanding asset management. Please allow me to dispel any confusion surrounding this term. We do not perceive asset management to be the process of administering monetary or real estate assets for third parties. Instead, we consider asset management to be the process of managing products which enable financing risks with real estate as the underlying asset to be managed for third parties. We are already conducting this business successfully. The year 2006 has seen the development of innovative products at Hypo Real Estate Bank International and also at Hypo Public Finance Bank. This year, we intend to expand these innovative products to achieve higher volumes and broader applications for customers.

Fourthly: We will establish group-wide active portfolio management in the holding company. Active portfolio management is responsible for the existing portfolio of the bank with the task of optimising the risk and return profile. It is also responsible for defining the risk strategy and managing the portfolios in accordance with limits. The individual portfolios have previously been managed from the operating entities.

Ladies and gentlemen,

As part of the process of setting the strategy direction of the future, the Management Board of the holding company is to be extended. Three new deputy members of the Management Board have been appointed with effect from 1 February 2007. Ms. Bettina von Oesterreich, Chief Risk Officer of Hypo Real Estate Bank International AG, will become Group CRO. Dr. Robert Grassinger, currently still a member of the Management Board of Hypo Real Estate International Bank AG, will in future be responsible in the holding company for group-wide funding and interest scheduling in the bank book. Mr. Tom Glynn, member of the Management Board of Hypo Public Finance Bank, will assume responsibility for asset management at the holding company.

After reaching his 60<sup>th</sup> birthday, Dr. Paul Eisele will step down from the Management Board of the holding company at his own request on 31 May 2007. I should again like to thank him at this point for the good and constructive cooperation as well as the contribution which he has made to the development of the Hypo Real Estate Group.

Ladies and gentlemen,

with these measures, the Hypo Real Estate Group will gradually develop away from being a real estate financier and become an asset finance house. In order to ensure that we take account of this development in our organisation, we shall introduce new segmentation for our group activities starting in this year.

The distinction between domestic and international business in real estate lending will be discontinued, and a new reporting segment "Commercial Real Estate" will be created for world-wide real estate financing. The distinction between domestic / international activities was correct on the occasion of the spin-off of our group and also during the phases of restructuring and establishing new business in Germany, as it enabled investors and analysts to trace the operational progress made in our domestic market. Germany is and will continue to be a major market for the Hypo Real Estate Group, but only one of several strategic core markets. Separate management and a separate reporting segment are thus no longer necessary.

The second segment of the group will be known as "Asset Finance und Asset Management" and will be responsible for the entire distribution activities.

This new organisation results in a clear division of labour in the group. Sales is responsible for the world-wide new real estate financing business of the group. After new business has been acquired, it is either forwarded to the distribution channel or entered in the balance sheet of the bank and managed under central portfolio management. The holding company is responsible for managing and monitoring the entire portfolio and also for central risk management.

Ladies and gentlemen,

I should now like to finish this initial sketch for the time being. In the course of the next few weeks, we will elaborate all the details of measures necessary for implementing this strategic development. And I am certain that, at the accounts press conference to be held on 14 March, we will be able to provide you with even greater details of the course which this group will take in its next development stage.

As far as the current financial year is concerned, we are optimistic that the Hypo Real Estate Group will again be able to report record figures for earnings and return. We expect that the

positive business development will continue in 2007, and aim to report consolidated earnings before taxes of at least EUR 680 million. This will again be significant growth compared with the previous year, and the improvement would also be the basis of ensuring that return on equity after taxes will fall within our target range of 11 to 12%. We consider that new business in real estate financing and infrastructure / asset-based finance will account for at least EUR 25 billion. On top of this figure, there will also be off-balance-sheet business, in other words securitisation and syndication.

Ladies and gentlemen,

We are confident that the success story of our group will continue. We have set clear objectives for the Hypo Real Estate Group, and are aware of the routes which we will have to take in order to meet these objectives. The Hypo Real Estate Group will consistently utilise its asset-based finance know how in the course of the next few years in order to generate further growth, boost yields and further diversify its risk structure.

Thank you very much. We would now like to answer your questions.

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