

Q3

Interim Report at September 30, 2004

FINANCIAL HIGHLIGHTS

Operating performance		1.1. – 30.9.2004	¾ of 2003
Net income before taxes	€ m	155	117
Consolidated profit	€ m	119	86
Earnings per share	€	0.89	0.64
Key ratios		1.1. – 30.9.2004	2003
Return on equity after taxes ¹⁾	%	3.9	2.8
Cost-income ratio (based on operating revenues)	%	38.1	35.2
Balance sheet figures		30.9.2004	31.12.2003
Total assets	€ bn	151.4	152.9
Shareholders' equity (excluding revaluation reserve)	€ bn	4.3	4.2
Key capital ratios compliant with BIS rules		30.9.2004	31.12.2003²⁾
Core capital	€ bn	4.1	4.1
Equity funds	€ bn	6.0	6.2
Risk assets	€ bn	52.5	54.0
Core capital ratio	%	7.8	7.6
Equity funds ratio	%	11.3	11.5
Personnel		30.9.2004	31.12.2003
Employees		1,417	1,461
Portfolio figures		30.9.2004	31.12.2003
Volume of international real estate financing	€ bn	26.0	24.2
Volume of German real estate financing	€ bn	37.8	39.4
Volume of state financing	€ bn	69.3	73.9

1) Annualised.

2) As per approved annual financial statements.

RATINGS

As at October 18, 2004

Hypo Real Estate Bank International puc	Moody's	S&P	Fitch Ratings
Long-term/short-term/outlook	A3/P-2/positive	A-/A-2/stable	–
Württembergische Hypothekenbank AG	Moody's	S&P	Fitch Ratings
Long-term/short-term/outlook	A3 ¹⁾ /P-2 ¹⁾ /positive	A-/A-2/stable	–
Hypo Real Estate Bank AG	Moody's	S&P	Fitch Ratings
Long-term/short-term/outlook	Baa1/P-2 ²⁾ /positive	BBB/A-3/stable	BBB/F-3/positive

1) Under review for possible upgrade.

2) Outlook stable (deviating from general company outlook).

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

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Preface of the Chairman of the Managing Board

Dear shareholders,

A new era has commenced for the Hypo Real Estate Group in the third quarter of this year. With the sale of a portfolio of German real estate financing worth € 3.6 billion to an institutional investor agreed in mid-September, we were able to complete the process of restructuring Hypo Real Estate Germany much sooner than we had originally planned. At the same time, Hypo Real Estate Bank AG has resumed new business in Germany, which it had deliberately avoided for around two years. These are milestones which will again significantly strengthen the positive performance of our group in the course of the next few years.

As far as we are aware, the portfolio sale is the largest transaction of this type which has ever been carried out anywhere in the world. It has accordingly set standards in our sector, not only in terms of size but also in terms of quality and speed: Between the point at which discussions were commenced with potential investors and the point at which the extremely complex sales agreement comprising 4,200 loans was completed, there was a period of only nine months. The transaction has received a positive response on the capital market, as is demonstrated by the performance of shares in Hypo Real Estate Holding AG and the fact that the outlooks of our group companies have been improved by leading rating agencies.

Of the overall volume sold (€ 3.6 billion), approx. 18 % comprise so-called performing loans where customers have fully met all of their interest and amortisation payment obligations. The fact that we have sold performing as well as sub-performing loans is consistent with the strategy of Hypo Real Estate Germany to gradually reduce the volume of loans which do not meet the stringent risk and return requirements of our group or which we do not consider to be of a strategic nature.

As a result of the portfolio sale, which is expected to be completed by the end of this year, we immediately achieved one of the best portfolio qualities of all real estate financiers in Germany. The transaction has reduced the volume of non-performing loans by almost 75 %. Only approx. 2 % of the remaining portfolio is now included in this category. Notwithstanding the fact that the restructuring process has now been completed, the need to optimize the German financing portfolio continues to be a task which we have to face. Our serious intent in this respect is demonstrated by the further sale of performing and non-performing loans with a total volume of around € 400 million which Hypo Real Estate Bank AG agreed in October.

In future, Hypo Real Estate Bank AG will perform the function of being the centre of competence for Germany within our group, and will combine the tried-and-tested and successful business models of Hypo Real Estate International and

Württembergische Hypothekenbank. In Germany, we will focus on professional commercial real estate transactions in selected regions and enhance our range of products with capital market products and real estate investment banking.

The fact that the process of restructuring our Germany business has been completed ahead of time and also the start of new business will have a very positive impact on earnings and yields at Hypo Real Estate Germany and thus also in the Hypo Real Estate Group overall in the course of next year. We are currently assuming that, in 2005, we will for the first time be able to cover our cost of capital in the overall group, which has fallen to between 7.5 % and 8 % after taxes as a result of the portfolio sale. We would accordingly have achieved this major objective two years sooner than we originally planned. Our objective for 2007 is to achieve return on equity after taxes of between 10 and 11 %. As a result of these developments, we intend to ensure that our shareholders will in future participate in the success of our company not only by way of share price increases but also by way of appropriate dividend distributions. The managing board considers that it is conceivable that a dividend might be paid for the year 2004.

After the first nine months of 2004, the performance achieved by the Hypo Real Estate Group continues to be in line with forecasts. Consolidated net income before taxes is stated as € 155 million, representing growth of 33 % compared with the corresponding prior-year figure. Adjusted by the exceptional income item (“lucky buy”) generated last year as a result of the purchase of minority interests in the former WestHyp, the increase in consolidated net income before taxes is 70 %. This success has been achieved despite a lower risk shelter provided by the HVB AG.

Hypo Real Estate International has more than doubled its net income before taxes to € 138 million in the first nine months compared with the corresponding prior-year. This positive development is still being driven by new business which is strengthening and also the contributions to earnings being made by the US real estate financing portfolio acquired at the end of 2003. Reported real estate financing new business amounted to around € 2.4 billion in the third quarter, the corresponding cumulative figure for the first three quarters was around € 6.1 billion. We are on course to meet our full-year objective for new business.

In the third quarter, Hypo Real Estate Bank International issued its second benchmark bond with a volume of € 1.25 billion. Investor demand was so strong that the books were closed ahead of time. We perceive the positive response of the capital market to be a major demonstration of confidence in the business model of Hypo Real Estate Bank International. Overall, bonds worth around € 3.5 billion were placed by September 30, 2004 within the framework of the current medium-term note

programme worth € 10 billion. This means that refinancing activities have kept up pace with the expansion of our lending business.

Württembergische Hypothekenbank again demonstrated its sound profitability in the third quarter, closing the first nine months with net income before taxes of € 46 million, which is 12 % higher than the corresponding prior-year figure.

For the period between January and September, Hypo Real Estate Germany has reported a net loss before taxes of € 11 million, which however is almost exclusively attributable to the recognition of some of the exceptional expenses in connection with the portfolio sale in September. As has already been announced, these exceptional expenses may amount to a total of up to € 20 million in 2004. Operating revenues and risk provisioning in the business segment developed according to our expectations and reflect the gradual reduction in the loan portfolio.

Looking forward to the full 12-month period in 2004, the Hypo Real Estate Group is in line to meet its target for consolidated net income before taxes despite the additional expenses occurred by the portfolio sale. We are still forecasting net income before taxes of between € 205 and 225 million, and are also predicting growth of between 3.5 and 4.0 % for return on equity after taxes.

The Hypo Real Estate Group completed the first year of its life on September 29, 2004. Originally founded as a result of the spin-off of the commercial real estate financing activities of the HVB Group, a new group came into existence which had to immediately survive as an independent entity, and which indeed has succeeded in doing so!

In the first 12 months of our existence, we have made excellent progress along the way to our medium-term strategic aims. The resumption of new business in Germany, the further expansion of our international activities and the tightening of our profile on the refinancing side are challenges which we will continue to face with major commitment. We would be pleased if we could continue to enjoy your confidence in this respect.

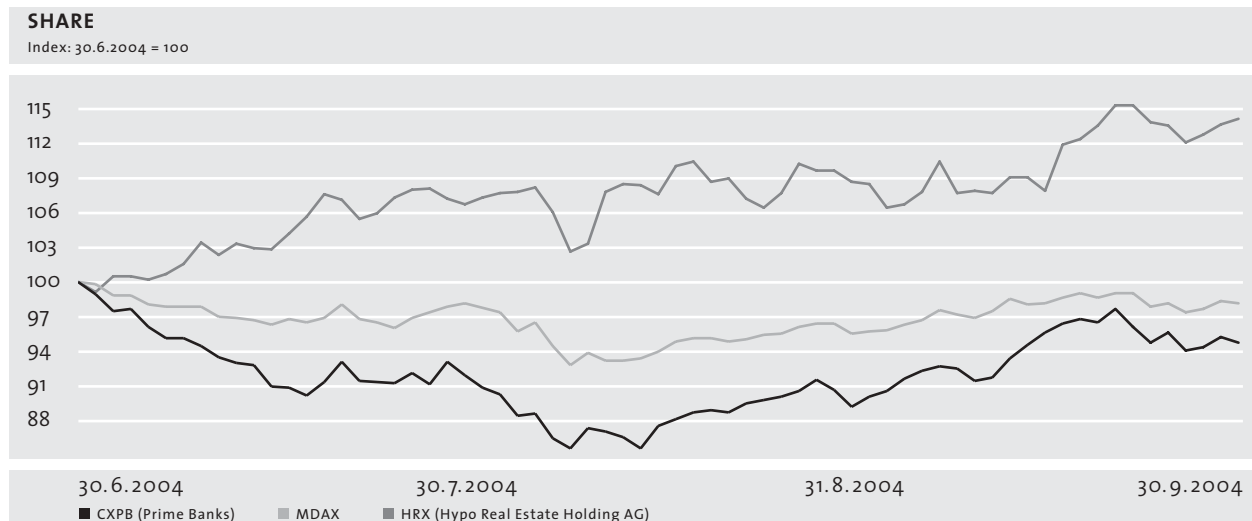
Kind regards

A handwritten signature in black ink, appearing to read 'Georg Funke', written in a cursive style.

Georg Funke
Chairman of the Managing Board

The stock markets have been consolidating since the beginning of this year, and this development continued in the third quarter particularly as a result of crude oil prices which continued to be high as well as uncertainty surrounding future economic developments. Between July and September, the international benchmark indices Dow Jones

Industrial and Euro STOXX 50 declined by 3.4 % and 0.7 % respectively. The German DAX and MDAX indices also did not achieve a better performance, with declines of 3.9 % and 1.9 % respectively. The Prime Banks benchmark index which is relevant for our shares suffered an even more significant decline of 5.4 %.



Hypo Real Estate shares again managed to significantly outperform the overall market even in these difficult conditions. With growth of 14.5 %, it performed around 20 percentage points better than the Prime Banks benchmark. It also outperformed

the MDAX and the DAX by 16.4 and 18.4 percentage points respectively. One of the main reasons behind the comparatively good performance of the shares was the announcement of the portfolio sale on September 16.

KEY FIGURES ON THE HYPO REAL ESTATE SHARE AS OF SEPTEMBER 30, 2004

Number of listed shares	Number	130,433,775
Average number of listed shares in Q3	Number	130,433,775
Market capitalization on 30.9.2004	€ million	3,700
Number of ordinary shares on 30.9.2004	Number	130,433,775
Number of preference shares on 30.9.2004	Number	3,638,400
Earnings per share	€	0.89
Q3 high ¹⁾	€	27.90
Q3 low ¹⁾	€	23.90
Initial listing on 6.10.2003	€	11.25
quarterly closing price ¹⁾	€	27.60
German securities identification number – ordinary shares		802 770
ISIN – ordinary shares		DE 000 802 770 7
Known shareholders with more than 5% stake		Brandes Investment Partners 9.09 %

¹⁾ Xetra closing prices on the Frankfurt Stock Exchange.

The Hypo Real Estate Group in the third quarter was able to repeat the planned development in earnings seen in the first half of the current year. Net income before taxes for the first nine months is again in line with budget in all three business segments.

The budget range for Hypo Real Estate Germany has been adjusted due to the sale of a real estate financing portfolio of € 3.6 billion at

Hypo Real Estate Bank AG in September of this year and the related additional expenses of up to € 20 million. The managing board is now forecasting net income before taxes of between € 0 and € –20 million for Hypo Real Estate Germany for 2004, compared with the previous forecast of between € 0 and € –5 million. This has no impact on the earnings target for the group (net income before taxes: € 205 to 225 million).

In € million		
	1.1. – 30.9.2004	Budget ¾ of 2004
Hypo Real Estate International		
Net income before taxes	138	131 to 139
Württembergische Hypothekenbank		
Net income before taxes	46	41 to 45
Hypo Real Estate Germany		
Net income before taxes	– 11	– 15 to 0

Hypo Real Estate International

Hypo Real Estate International has continued its positive performance. The bank signed several major business agreements in the third quarter. Hypo Real Estate Capital Japan Corporation in Tokyo, which is a wholly-owned subsidiary of Hypo Real Estate Bank International and which has now been officially opened, agreed mezzanine financing of JPY 56 billion (approx. € 430 million) for financing two office buildings in Tokyo for the international investor Lone Star Group shortly after being opened. The bank's branch in Hong Kong was also officially opened in the third quarter. Further success was also

achieved in terms of refinancing; with a second benchmark issue within the framework of its medium-term note programme, the bank again succeeded in placing € 1.25 billion on the capital market; this issue encountered extremely strong demand.

The overall good performance achieved by the Hypo Real Estate Group also resulted in an improved rating situation at Hypo Real Estate Bank International. The outlook for the Standard & Poor's rating has been raised from negative to stable. Since October, Moody's outlook has also improved (from stable to positive).

DEVELOPMENT IN EARNINGS At Hypo Real Estate International, net income before taxes compared with the corresponding prior-year figure increased from € 65 million to € 138 million. After deduction of taxes expected for 2004, net income should come in at € 106 million compared with the corresponding prior-year figure of € 43 million. Return on equity in the business segment of 9.8 % after taxes has accordingly more than doubled compared with 2003 (4.3 %).

The development in earnings reflects mainly the new business and the income from the US real estate financing portfolio which has been included in the income statement since the beginning of the year. Operating revenues in the course of the year

have accordingly gradually increased to € 275 million ($\frac{3}{4}$ of 2003: € 145 million); net interest income has increased by € 61 million to € 164 million, and net commission income has increased by € 62 million to € 103 million.

No individual allowances for specific loans were recognized in the third quarter. A portfolio-based allowance of € 42 million had been taken to the income statement as of September 30, 2004.

Administrative expenses have been constantly rising to € 96 million ($\frac{3}{4}$ of 2003: € 48 million), due mainly to the incorporation of US business, the expansion of the “Capital Markets” division as well as international expansion. The cost-income ratio is 34.9 %. (see table “Key Financials”)

KEY FINANCIALS

Operating performance (in € million)	1.1. – 30.9.2004	$\frac{3}{4}$ of 2003
Operating revenues	275	145
Provisions for losses on loans and advances	42	28
General administrative expenses	96	48
Net income from investments	1	-4
Balance of other income/expenses	-	-
Net income before taxes	138	65
Net income	106	43
Key ratios (in %)	1.1. – 30.9.2004	2003
Return on equity after taxes ¹⁾	9.8	4.3
Cost-income ratio (based on operating revenues)	34.9	33.2
Key indicators	30.9.2004	31.12.2003
Total volume of lending (in € billion)	18.2	17.8
Risk assets compliant with BIS rules (in € billion)	16.8	14.5
Core capital ratio compliant with BIS rules (in %)	8.7	8.9 ²⁾
Employees	502	344

¹⁾ Annualised.

²⁾ As per approved annual financial statements.

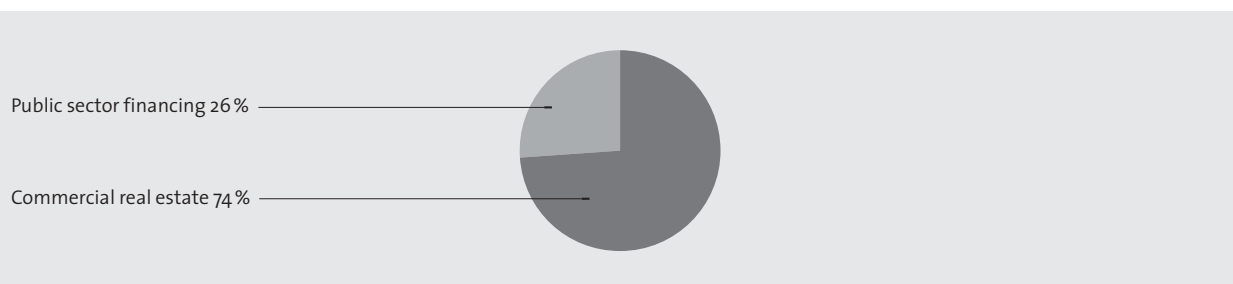
PORTFOLIO DEVELOPMENT The loan portfolio, which in the following also comprises loan commitments in addition to documentary total volume of lending, amounted to € 22.6 billion on September 30, 2004. This figure also comprises amounts of € 0.8 billion for US business and € 1.0 billion for business in Great Britain which is carried in the books of Württembergische Hypothekenbank but which is guaranteed by Hypo Real Estate Bank International. Real estate financing accounted for approx. € 16.7 billion (74 %), and municipal bonds held by Hypo Pfandbrief Bank International (HPBI)

accounted for € 5.9 billion (26 %) (see also diagrams below).

The entire volume of new business of real estate financing with professional investors and developers after nine months amounted to € 6.1 billion, and is thus in line with budget. The expansion of activities into Asia has enabled the bank to achieve even greater regional diversification for its portfolio. In the portfolio break-down according to types of premises for which loans have been extended, office buildings and retail premises are predominant.

TOTAL LOAN PORTFOLIO

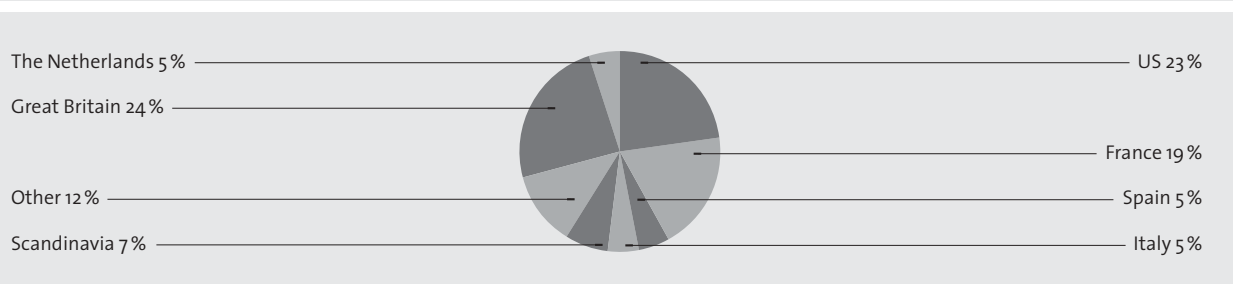
As of September 30, 2004



100 % = € 22.6 billion

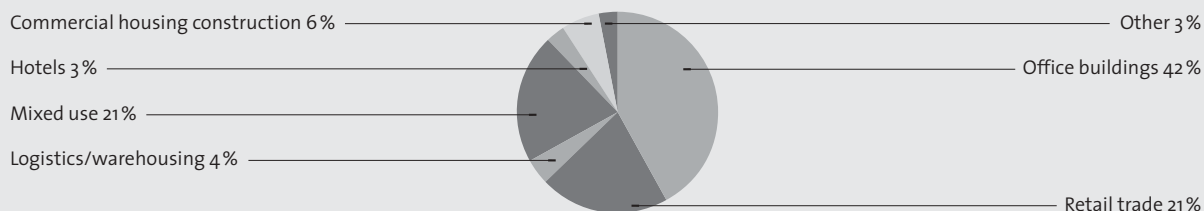
REAL ESTATE FINANCING PORTFOLIO BY COUNTRIES

As of September 30, 2004



REAL ESTATE FINANCING PORTFOLIO BY PROPERTY TYPE

As of September 30, 2004



Württembergische Hypothekbank

The business development of Württembergische Hypothekbank was positive in the first three quarters of 2004. Commitments in new mortgage business were the highest ever seen as of September 30, in any year at the bank. This new business was signed almost exclusively in other European countries and in the USA. One third of this volume was transferred from Hypo Real Estate Bank International. The outlook for the ratings has also improved at Württembergische Hypothekbank due to the excellent business development in the entire group. Standard & Poor's has raised the outlook from negative to stable, and Moody's has placed the rating "under review" for a possible upgrade; the outlook has improved from stable to positive.

DEVELOPMENT IN EARNINGS Net income before taxes at Württembergische Hypothekbank is stated as € 46 million, 12.2 % up compared with

the corresponding prior-year figure. No taxes on income are payable at segment level as a result of the profit and loss transfer agreement with Hypo Real Estate Holding AG, return on equity after taxes has accordingly improved from 8.2 % to 9.5 % compared with last year.

Operating revenues have been increasing constantly in the course of the year, and are now stated as € 79 million (3/4 of 2003: € 78 million).

The addition of € 14 million to provisions for losses on loans and advances is in line with the pro-rata expectation for this year. In the first nine months of this year, the amount added to provisions for losses on loans and advances was € 5 million lower than the corresponding prior-year figure.

General administrative expenses of € 24 million are virtually unchanged (3/4 of 2003: € 23 million). The cost-income ratio is 30.4 %.

Net income from investments was unchanged compared with the corresponding prior-year figure of € 5 million. (see table "Key Financials")

KEY FINANCIALS

Operating performance (in € million)	1.1.– 30.9.2004	¾ of 2003
Operating revenues	79	78
Provisions for losses on loans and advances	14	19
General administrative expenses	24	23
Net income from investments	5	5
Balance of other income/expenses	–	–
Net income before taxes	46	41
Net income	46	39
Key ratios (in %)	1.1.– 30.9.2004	2003
Return on equity after taxes ¹⁾	9.5	8.2
Cost-income ratio (based on operating revenues)	30.4	29.8
Key indicators	30.9.2004	31.12.2003
Total volume of lending (in € billion)	19.5	19.5
Risk assets compliant with BIS rules (in € billion)	9.4	9.4
Core capital ratio compliant with BIS rules (in %)	7.5	6.9 ²⁾
Employees	173	182

¹⁾ Annualised.

²⁾ As per approved annual financial statements.

PORTFOLIO DEVELOPMENT The loan portfolio, which (compared to the total volume of lending) in the following also comprises loan commitments, amounted to € 26.9 billion on September 30, 2004, and was € 2.2 billion higher than the corresponding figure applicable on December 31, 2003 after netting out matured loans. Real estate financing accounted for around € 11.9 billion (44 %), and municipal lending including bonds and debentures accounted for € 15.0 billion (56 %). This is the first time that we no longer state the portfolio transfers from Hypo Real Estate Bank International at this point as the credit risk is retained by Hypo Real Estate Bank

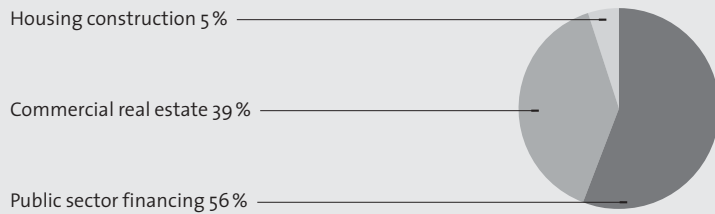
International. The total new real estate business volume for nine months amounted to € 2.9 billion, including portfolio transfers, and was generated almost exclusively in the markets of western Europe and the USA. International loans now account for 60 % of the overall loan portfolio, compared with 55 % at the end of 2003, and are spread mainly over Great Britain, France, the USA, the Netherlands and Sweden (see diagrams below). Loans extended to private clients and municipal lending have been reduced in line with the bank's strategy. Government bonds of € 3.2 billion have been purchased ahead of scheduled maturities in the cover funds and also

in order to optimize the liquidity position. With regard to the breakdown of the portfolio according to property types for which loans have been ex-

tended, office buildings and retail objects are predominant (approx. 88 %).

TOTAL LOAN PORTFOLIO

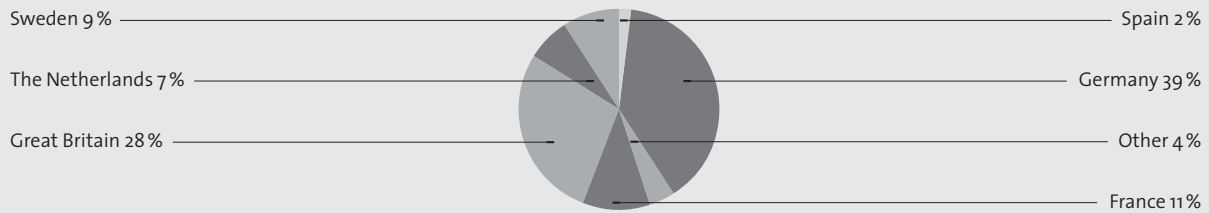
As of September 30, 2004



Commercial housing is included under commercial real estate.
100% = € 26.9 billion.

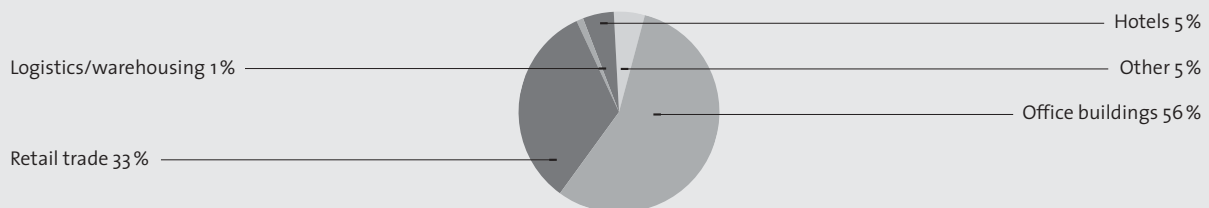
REAL ESTATE FINANCING PORTFOLIO BY COUNTRIES

As of September 30, 2004



REAL ESTATE FINANCING PORTFOLIO BY PROPERTY TYPE

As of September 30, 2004



Hypo Real Estate Germany

Hypo Real Estate Germany completed its process of restructuring with the sale of those loan portfolios which were mainly non-performing. Following the intensive restructuring efforts, Hypo Real Estate Bank AG will now start to take on new business in Germany. As the centre of competence for the German market, it focuses on professional real estate investors, housing companies, developers as well as real estate funds in selected conurbations in Germany. The range of products will be extended to include real estate investment banking in addition to traditional real estate financing. The rating outlooks have also been improved for Hypo Real Estate Bank AG. Standard & Poor's has raised its outlook from negative to stable, and Moody's and Fitch have raised their outlook from stable to positive.

DEVELOPMENT IN EARNINGS Hypo Real Estate Germany has reported net income before taxes of € –11 million. In accordance with IFRS regulations, the above mentioned portfolios which have been sold are not yet reflected in the figures as of September 30, 2004. Some of the expenses attributable to the portfolio sale at Hypo Real Estate Bank AG are thus included in the result. Return on equity after taxes is –0.6 %

Operating revenues declined as expected as part of the process of gradually streamlining the portfolio, and fell from € 327 million to € 250 mil-

lion. Net interest income declined to € 264 million, whereby the corresponding prior-year figure (€ 315 million) includes the pro-rata dividend of FGH Bank of around € 25 million. The negative net commission income of € –15 million (³/₄ of 2003: € –4 million) is depressed by expenses attributable to out-placing transactions.

The addition to provisions for losses on loans and advances is € 165 million, and is stated as a net figure after the risk shelter provided by HVB AG for Hypo Real Estate Bank AG in the pro-rata amount of € 97.5 million (2004: € 130 million). In the corresponding prior-year, the risk shelter amounted to € 345 million, and the addition to provisions for losses on loans and advances after the risk shelter amounted to € 142 million. If the risk shelter is disregarded, the addition to provisions for losses on loans and advances at Hypo Real Estate Germany accordingly declined by around 225 million.

General administrative expenses declined by € 19 million compared with the corresponding prior-year to € 95 million as a result of the restructuring process. The impact of the head count reduction process was reflected in general administrative expenses for the first time in the third quarter. The cost-income ratio is 38.0 %.

Net income from investments of € 9 million was generated by the sale of securities. The prior-year figure (€ –2 million) comprises the pro-rata write-down of around € 25 million for FGH Bank.

Other operating income/expenses are netted as € –10 million and comprise restructuring expenses of the same amount. In the corresponding prior-year, the balance of other operating

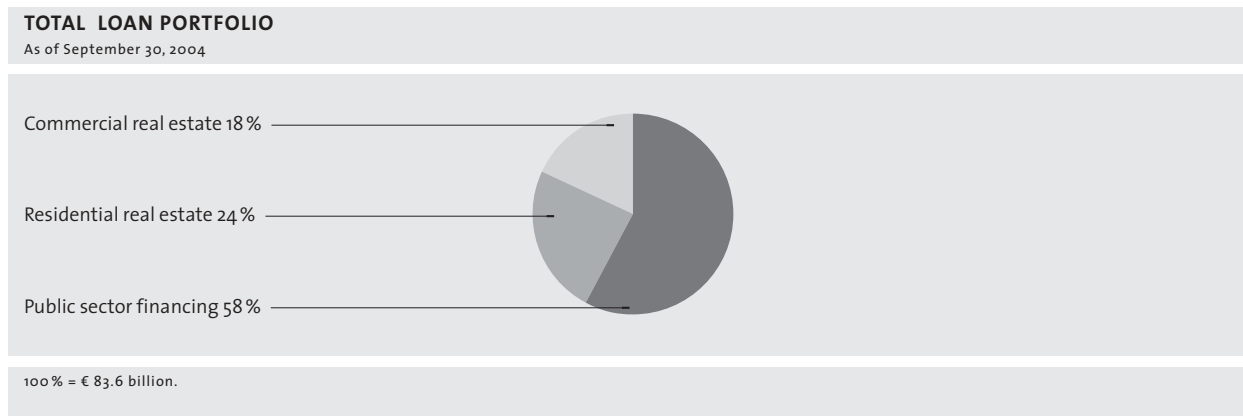
income/expenses amounted to € –77 million, and included restructuring expenses of € 65 million. (see table “Key Financials”)

KEY FINANCIALS		
Operating performance (in € million)	1.1.– 30.9.2004	¾ of 2003
Operating revenues	250	327
Provisions for losses on loans and advances	165	142
General administrative expenses	95	114
Net income from investments	9	–2
Balance of other income/expenses	–10	–77
Net income before taxes	–11	–8
Net income	–10	–12
Key ratios (in %)	1.1.– 30.9.2004	2003
Return on equity after taxes ¹⁾	–0.6	–0.7
Cost-income ratio (based on operating revenues)	38.0	34.9
Key indicators	30.9.2004	31.12.2003
Total volume of lending (in € billion)	69.2	76.5
Risk assets compliant with BIS rules (in € billion)	26.9	30.6
Core capital ratio compliant with BIS rules (in %)	7.7	7.4 ²⁾
Employees	698	904
¹⁾ Annualised. ²⁾ As per approved annual financial statements.		

PORTFOLIO DEVELOPMENT The loan portfolio amounted to € 83.6 billion on September 30, 2004. Of this figure, real estate financing accounted for € 35.2 billion (42 %) and municipal lending including bonds and debentures accounted for € 48.4 billion (58 %). The municipal lending portfolio declined by € 6 billion compared with December 31, 2003, and the real estate financing portfolio declined by approx. € 3.3 billion due to the continued restricted new business policy as well as the selection on the basis of strict risk and return considerations in the case of prolongation. The process of reducing the loan portfolio by a further € 1.9 billion in line with the bank's strategy continued particularly in the field of private financing.

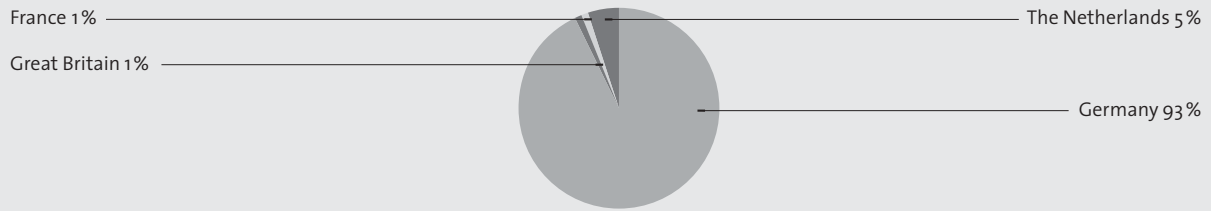
Germany and other European countries (mainly the Netherlands, Great Britain and France) account for 93 % and 7 % respectively of the overall portfolio. In the portfolio breakdown based on types of premises for which loans have been extended, office buildings and retail premises are predominant (accounting for around 76 %; see diagrams below).

These figures do not include an overall amount of around € 3.2 billion (without accrued interest, € 3.6 billion including accrued interest) attributable to the sale of the German real estate financing portfolio; most of this figure comprises non-performing loans. This will be transferred by the end of the year by way of a spin-off process. After due consideration is given to the sale, the loan portfolio amounts to € 80.4 billion. Of this figure, real estate financing accounts for € 32 billion.

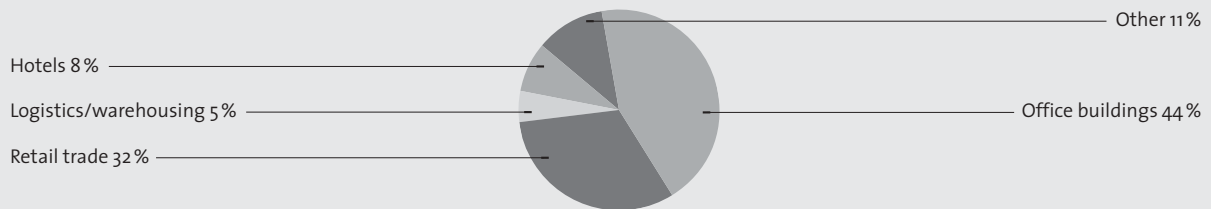


REAL ESTATE FINANCING PORTFOLIO BY COUNTRIES

As of September 30, 2004

**REAL ESTATE FINANCING PORTFOLIO BY PROPERTY TYPE**

As of September 30, 2004



Development in earnings Consolidated net income before taxes is stated as € 155 million for the first nine months of this year. This figure is thus still within the pro-rata budget range for the year 2004 (net income before taxes: € 205 to 225 million) despite the adjusted earnings target for Hypo Real Estate Germany. The group also achieved return on

equity after taxes of 3.9%, which was within the target range of 3.5 to 4%.

Operating revenues and general administrative expenses were in line with budget. The addition to provisions for losses on loans and advances is consistent with expectations, if due consideration is given to a higher requirement as part of the portfolio sale.

OPERATING PERFORMANCE

In € million

	1.1. – 30.9.2004	Budget ¾ of 2004
Operating revenues	601	593 to 604
Provisions for losses on loans and advances	221	214 to 206
General administrative expenses	229	233 to 225
Net income before taxes	155	154 to 169

KEY RATIOS

In %

	1.1. – 30.9.2004	Budget 2004
Cost-income ratio (based on operating revenues)	38.1	37.2 to 39.2
Return on equity after taxes ¹⁾	3.9	3.5 to 4.0

¹⁾ Annualised.

OPERATING REVENUES Compared with the corresponding prior-year, operating revenues in the first nine months of the current year increased from € 554 million to € 601 million. The earnings generated by the international new business and the US real estate financing portfolio which has been included in the income statement since the be-

ginning of the year more than offset the decline in earnings due to the scheduled streamlining of the domestic portfolio. Net interest income of € 507 million meets last year's level (¾ of 2003: € 506 million), whereby the corresponding prior-year figure includes the pro-rata dividend of around € 25 million of FGH Bank. Net interest income declined

particularly in the third quarter due to the process of streamlining the domestic portfolio. Net commission income which is driven by international activities advanced further in the third quarter, rising overall from € 34 million to € 84 million. The balance of other operating income/expenses of € 5 million, is € 9 million lower than in the corresponding prior-year in which income was generated from the disposal of real estate which was no longer considered to be an essential asset.

PROVISIONS FOR LOSSES ON LOANS AND ADVANCES The addition to provisions for losses on loans and advances amounted to € 221 million. This figure is stated as a net figure after the pro-rata risk shelter of € 97.5 million provided by HVB AG to Hypo Real Estate Bank AG (2004: € 130 million); the figure is accordingly € 32 million higher than the corresponding figure for the previous-year (€ 189 million), in which a risk shelter of € 345 million was offset. If the risk shelter is disregarded, the addition to the provisions for losses on loans and advances was around € 216 million lower.

GENERAL ADMINISTRATIVE EXPENSES General administrative expenses increased by 17.4 % to € 229 million. Although it was possible to achieve savings of € 19 million due to the restructuring at Hypo Real Estate Germany, this figure was opposed by higher expenses (€ 48 million) at Hypo Real Estate International as well as expenses incurred by Hypo Real Estate Holding AG as the holding company of the group.

INCOME FROM INVESTMENTS Net Income from investments of € 14 million was mainly achieved at Hypo Real Estate Germany. The corresponding figure for the previous year (€ –1 million) comprises the pro-rata write-down of around € 25 million for FGH Bank.

BALANCE OF OTHER INCOME/EXPENSES The balance of other income/expenses of € –10 million comprises expenses in the same amount attributable to the restructuring of Hypo Real Estate Bank AG. In the corresponding prior-year (balance of other income/expenses: € –52 million), restructuring expenses amounted to € 65 million. These were opposed by a positive effect of around € 26 million due to the writing back of the liability difference (“lucky buy”) Westhyp.

NET INCOME BEFORE TAXES Net income before taxes is stated as € 155 million and increased by 32.5 %, adjusted by the “lucky buy” WestHyp by 70.3 %.

CONSOLIDATED PROFIT Taxes on income were stated as € 35 million using the expected tax ratio for the year 2004, resulting in net income of € 120 million. This is equivalent to return on equity of 3.9 % (2003: 2.8 %). After minority interest (€ –1 million), the consolidated profit is accordingly € 119 million. If the corresponding figure for the prior-year (€ 86 million) is adjusted by the “lucky buy” WestHyp, consolidated profit almost doubled.

Movements in the balance sheet Total assets amounted to € 151.4 billion as of September 30, 2004, and have declined by only 0.9 % since the beginning of the year. Real estate financing increased by € 1.8 billion to € 53.8 billion, municipal loans declined by € 4.5 billion to € 41.4 billion.

Total volume of lending declined by € 7.5 billion to € 106.2 billion, due to the streamlining of the domestic portfolio. For instance, at Hypo Real Estate Germany, total volume of lending declined by € 7.3 billion (this figure does not yet include the portfolio sale of € 3.6 billion at Hypo Real Estate Bank AG). On the other hand, total volume of lending at Hypo Real Estate International increased by

€ 0.4 billion to € 18.2 billion. Loans and advances increased significantly, contingent liabilities declined as a result of consolidation by the guarantees provided by Hypo Real Estate Bank International for Hypo Real Estate Capital Corp.

Risk assets declined in the course of the year by a total of € 1.5 billion to € 52.5 billion. They are

accordingly below budget as the domestic portfolio and thus the risk assets at Hypo Real Estate Germany have been reduced more quickly than planned. At Hypo Real Estate International, risk assets in the third quarter increased as a result of higher levels of new business.

RISK ASSETS COMPLIANT WITH BIS RULES

In € billion

	30.9.2004	Budget 2004
Risk assets	52.5	58

The level of equity at the Hypo Real Estate Group overall and in the individual segments continues to be sound. Core capital is unchanged at € 4.1 billion. The core capital ratio has improved from 7.6 % to 7.8 %, the equity funds ratio declined slightly from 11.5 % to 11.3 %.

Events after September 30, 2004 At the end of October, Hypo Real Estate Bank AG sold a further real estate financing portfolio of € 394 million. This transaction has no impact on the earnings target for Hypo Real Estate Germany and the group for the year 2004.

Earnings outlook The development in earnings at the end of the third quarter has fully confirmed the expectations of the managing board. International new business has increased, and with the portfolio sale of € 3.6 billion in September, Hypo Real Estate Bank AG was able to complete the

process of restructuring domestic business more quickly than planned. The bank has resumed new business in Germany and in future will be the centre of competence for the group in Germany. It will combine the successful business models of Hypo Real Estate Bank International and Württembergische Hypothekenbank. Because the portfolio sale will involve additional expenses of up to € 20 million, the managing board is now forecasting net income before taxes of between € 0 and € –20 million for Hypo Real Estate Germany for the year 2004, compared with the previous forecast of between € 0 and € –5 million. The portfolio sale has no impact on the earnings target for the group. The managing board of Hypo Real Estate Holding AG is still expecting that net income before taxes in 2004 will increase to a range between € 205 and 225 million with a return on equity after taxes of between 3.5 and 4 %.

Results

Income statement from January 1, 2004 to September 30, 2004

INCOME/EXPENSES					
In € million					
	Notes	1.1.–30.9. 2004	¾ of 2003	Change in € million	Change in %
Interest income	4	6,123	6,554	-431	-6.6
Interest expenses	4	5,616	6,048	-432	-7.1
Net interest income	4	507	506	+1	+0.2
Provisions for losses on loans and advances	5	221	189	+32	+16.9
Net interest income after provisions for losses on loans and advances		286	317	-31	-9.8
Commission income		131	83	+48	+57.8
Commission expenses		47	49	-2	-4.1
Net commission income	6	84	34	+50	>+100
Trading profit		5	-	+5	>+100
General administrative expenses	7	229	195	+34	+17.4
Balance of other operating income/expenses	8	5	14	-9	-64.3
Operating profit/loss		151	170	-19	-11.2
Net income from investments	10	14	-1	+15	>+100
Balance of other income/expenses	11	-10	-52	+42	+80.8
Profit/loss from ordinary activities / net income/loss before taxes		155	117	+38	+32.5
Taxes on income	12	35	30	+5	+16.7
Net income/loss		120	87	+33	+37.9
Minority interest		-1	-1	-	-
Consolidated profit		119	86	+33	+38.4

EARNINGS PER SHARE			
In €			
	Notes	1.1.–30.9. 2004	¾ of 2003
Earnings per share (excluding amortization of goodwill)	13	0.89	0.64
Earnings per share	13	0.89	0.64

Income statement from July 1, 2004 to September 30, 2004

INCOME/EXPENSES				
In € million				
	1.7.–30.9. 2004	¼ of 2003	Change in € million	Change in %
Interest income	2,096	2,184	-88	-4.0
Interest expenses	1,935	2,016	-81	-4.0
Net interest income	161	168	-7	-4.2
Provisions for losses on loans and advances	75	63	+12	+19.0
Net interest income after provisions for losses on loans and advances	86	105	-19	-18.1
Commission income	55	27	+28	>+100
Commission expenses	20	16	+4	+25.0
Net commission income	35	11	+24	>+100
Trading profit	3	-	+3	>+100
General administrative expenses	80	65	+15	+23.1
Balance of other operating income/expenses	3	5	-2	-40.0
Operating profit/loss	47	56	-9	-16.1
Net income from investments	-1	-	-1	>-100
Balance of other income/expenses	-5	-17	+12	+70.6
Profit/loss from ordinary activities / net income/loss before taxes	41	39	+2	+5.1
Taxes on income	5	10	-5	-50.0
Net income/loss	36	29	+7	+24.1
Minority interest	-	-	-	-
Consolidated profit	36	29	+7	+24.1

Balance sheet at September 30, 2004

ASSETS					
In € million					
	Notes	30.9.2004	31.12.2003	Change in € million	Change in %
Cash reserve		130	489	-359	-73.4
Assets held for trading purposes	1	952	-	+952	>+100
Placements with, and loans and advances to, other banks		22,862	24,981	-2,119	-8.5
Loans and advances to customers		83,387	85,505	-2,118	-2.5
Allowances for losses on loans and advances	15	-2,193	-1,896	-297	-15.7
Investments	16	37,407	36,471	+936	+2.6
Property, plant and equipment		17	29	-12	-41.4
Intangible assets		23	13	+10	+76.9
Other assets		6,156	5,029	+1,127	+22.4
Tax assets		2,687	2,256	+431	+19.1
Total assets		151,428	152,877	-1,449	-0.9

SHAREHOLDERS' EQUITY AND LIABILITIES					
In € million					
	Notes	30.9.2004	31.12.2003	Change in € million	Change in %
Deposits from other banks	17	21,479	19,351	+2,128	+11.0
Amounts owed to other depositors	18	8,175	7,844	+331	+4.2
Promissory notes and other liabilities evidenced by paper	19	103,801	110,153	-6,352	-5.8
Liabilities held for trading purposes	2	947	-	+947	>+100
Provisions	20	199	210	-11	-5.2
Other liabilities		9,997	8,786	+1,211	+13.8
Tax liabilities		1,697	1,273	+424	+33.3
Subordinated capital	21	2,309	2,476	-167	-6.7
Minority interest		14	14	-	-
Shareholders' equity		2,810	2,770	+40	+1.4
Subscribed capital		402	402	-	-
Additional paid-in capital		3,310	3,310	-	-
Retained earnings		433	358	+75	+20.9
Revaluation reserve		-1,491	-1,415	-76	-5.4
AfS reserve		134	48	+86	>+100
Cash flow hedge reserve		-1,625	-1,463	-162	-11.1
Profit carried forward		37	-	+37	>+100
Consolidated profit		119	115	+4	+3.5
Total shareholders' equity and liabilities		151,428	152,877	-1,449	-0.9

Statement of changes in shareholders' equity

In € million		
	2004	2003
Shareholders' equity at 1.1.	2,770	2,994
Changes		
Subscribed capital	–	–
Additional paid-in capital	–	–
Retained earnings	75	–10
Revaluation reserve	–76	–329
AfS reserve	86	–32
Cash flow hedge reserve	–162	–297
Profit carried forward	37	–
Consolidated profit	4	115
Shareholders' equity at 30.9.2004 / 31.12.2003	2,810	2,770

The Annual General Meeting held on June 4, 2004, decided to carry forward the consolidated profit of Hypo Real Estate Holding AG from 2003.

Cash flow statement

In € million		
	2004	2003
Cash and cash equivalents at 1.1.	489	79
+/- Cash flow from operating activities	658	–3,275
+/- Cash flow from investing activities	–809	3,189
+/- Cash flow from financing activities	–54	337
+/- Effects of exchange rate changes	–154	159
Cash and cash equivalents at 30.9.2004 / 31.12.2003	130	489

Notes

IFRS-principles The consolidated financial statements for 2003 of the Hypo Real Estate Holding AG are prepared in compliance with the International Financial Reporting Standards (IFRS) as relieving consolidated financial statements in accordance with § 292 a German Commercial Code (HGB).

This interim report meets the requirements of IAS 34 and the stipulations of German Accounting Standard No. 6 (GAS 6) on interim reporting passed by the German Accounting Standards Board (GASB).

After significant restructuring measures in course of the spin-off from HVB AG Hypo Real Estate Holding AG came into existence when it was entered in the Commercial Register on September 29, 2003. To improve comparability, in this interim report the previous year's pro rata figures from the audited consolidated financial statements as of December 31, 2003 have been used.

Segment reporting is based on the same segment structure as in the consolidated financial statements as of December 31, 2003.

Supplements to the accounting and valuation methods The accounting and valuation methods used in the 2003 consolidated financial statements were supplemented as follows for September 30, 2004:

The valuation method applied was improved by introduction of a new trading system at one company. The new valuation method results in better information on the asset, financial, and earnings situation. The adjustment resulting from the change in the valuation approach is presented, in accordance with IAS 8.49, as an adjustment to the opening balance of retained earnings of January 1, 2004. The change had no significant effect on the Group's asset, financial, and earnings situation.

1 Assets held for trading purposes Besides securities held for trading purposes, this item includes the positive market values of traded derivatives and derivatives used to hedge currency risk arising from financial instruments that are not available-for-sale securities.

Provided they are held for trading purposes, note loans, registered bonds and Treasury bills are carried as other assets held for trading purposes. Assets held for trading purposes are carried at fair value.

The carrying value of derivative financial instruments not traded on the stock exchange is calculated using internal price models based on net present value computations and option price models. Gains and losses arising from the valuation and realization of assets held for trading purposes are taken to the income statement as gains less losses arising from trading securities.

2 Liabilities held for trading purposes Liabilities held for trading purposes include traded derivatives and derivatives used to hedge foreign currency risk arising from financial instruments that are not available for sale. Warrants and certificates issued by the Bank's trading department are also stated under this item.

Provided they are held for trading purposes short positions in registered bonds and Treasury bills are carried as other liabilities held for trading purposes. Liabilities held for trading purposes are carried at fair value.

Scope of consolidation The following companies have been newly included into the scope of consolidation as of September 30, 2004:

- | Hypo Real Estate Capital Corp., New York (subgroup with 6 companies included)
- | Hypo Real Estate Capital Iberia S.L., Madrid
- | Hypo Real Estate Capital Italia S.p.A., Milan
- | Hypo Real Estate Capital Japan Corp., Tokyo
- | Hypo Real Estate Capital S.A., Paris

Removed from the scope of consolidation is

- | WestHyp Immobilien Management GmbH & Co. KG, Dortmund.

The scope of consolidation, which was defined according to materiality criteria, now includes 22 fully consolidated companies.

Notes to the income statement

3 Segment reporting

INCOME STATEMENT, BROKEN DOWN BY BUSINESS SEGMENT					
In € million					
	HREI	WürttHyp	HREGe	Other/ consoli- dation	HREG
Net interest income					
1.1.–30.9.2004	164	82	264	–3	507
¾ of 2003	103	83	315	5	506
Provisions for losses on loans and advances					
1.1.–30.9.2004	42	14	165	–	221
¾ of 2003	28	19	142	–	189
Net interest income after provisions for losses on loans and advances					
1.1.–30.9.2004	122	68	99	–3	286
¾ of 2003	75	64	173	5	317
Net commission income					
1.1.–30.9.2004	103	–4	–15	–	84
¾ of 2003	41	–3	–4	–	34
Trading profit					
1.1.–30.9.2004	5	–	–	–	5
¾ of 2003	–	–	–	–	–
General administrative expenses					
1.1.–30.9.2004	96	24	95	14	229
¾ of 2003	48	23	114	10	195
Balance of other operating income/expenses					
1.1.–30.9.2004	3	1	1	–	5
¾ of 2003	1	–2	16	–1	14
Operating profit/loss					
1.1.–30.9.2004	137	41	–10	–17	151
¾ of 2003	69	36	71	–6	170

INCOME STATEMENT, BROKEN DOWN BY BUSINESS SEGMENT continuation

In € million

	HREI	WürttHyp	HREGe	Other/ consoli- dation	HREG
Net income from investments					
1.1.–30.9.2004	1	5	9	-1	14
¾ of 2003	-4	5	-2	-	-1
Balance of other income/expenses					
1.1.–30.9.2004	-	-	-10	-	-10
¾ of 2003	-	-	-77	25	-52
including:					
Restructuring expenses					
1.1.–30.9.2004	-	-	10	-	10
¾ of 2003	-	-	65	-	65
including:					
Additions to restructuring provisions					
1.1.–30.9.2004	-	-	5	-	5
¾ of 2003	-	-	25	-	25
Profit/loss from ordinary activities /					
net income/loss before taxes					
1.1.–30.9.2004	138	46	-11	-18	155
¾ of 2003	65	41	-8	19	117
Taxes on income					
1.1.–30.9.2004	32	-	-1	4	35
¾ of 2003	22	2	4	2	30
Net income/loss					
1.1.–30.9.2004	106	46	-10	-22	120
¾ of 2003	43	39	-12	17	87

KEY RATIOS, BROKEN DOWN BY BUSINESS SEGMENT

In %

	HREI	WürttHyp	HREGe	HREG
Cost-income ratio (based on operating revenues)				
1.1.–30.9.2004	34.9	30.4	38.0	38.1
2003	33.2	29.8	34.9	35.2
Return on equity after taxes (net of amortization of goodwill)				
1.1.–30.9.2004	9.8	9.5	-0.6	3.9
2003	4.3	8.2	-0.7	2.8
Return on equity after taxes				
1.1.–30.9.2004	9.8	9.5	-0.6	3.9
2003	4.3	8.2	-0.7	2.8

BALANCE SHEET FIGURES, BROKEN DOWN BY BUSINESS SEGMENT

In € million

	HREI	WürttHyp	HREGe	Other/ consoli- dation	HREG
Volume of lending					
Placements with, and loans and advances to, other banks					
30.9.2004	2,390	3,102	13,866	46	19,404
31.12.2003	1,829	2,604	14,783	–	19,216
Loans and advances to customers					
30.9.2004	10,236	16,404	55,257	–	81,897
31.12.2003	7,090	16,829	61,586	–	85,505
Contingent liabilities					
30.9.2004	5,581	22	93	-813	4,883
31.12.2003	8,858	27	120	–	9,005
Total volume of lending					
30.9.2004	18,207	19,528	69,216	-767	106,184
31.12.2003	17,777	19,460	76,489	–	113,726
Total allowances for losses on loans and advances					
30.9.2004	79	304	1,816	–	2,199
31.12.2003	37	291	1,574	–	1,902
Loans put on a non-accrual basis					
30.9.2004	–	307	2,973	–	3,280
31.12.2003	–	325	2,568	–	2,893

**KEY CAPITAL RATIOS BROKEN DOWN BY BUSINESS SEGMENT
(BASED ON GERMAN COMMERCIAL CODE – HGB)**

	HREI	WürttHyp	HREGe	HREG
Equity funds¹⁾ (in € million)				
Core capital				
30.9.2004	1,457	704	2,064	4,097
31.12.2003 ²⁾	1,300	646	2,262	4,122
Supplementary capital				
30.9.2004	786	338	966	1,899
31.12.2003 ²⁾	834	340	1,142	2,126
Equity capital				
30.9.2004	2,243	1,042	3,030	5,996
31.12.2003 ²⁾	2,134	986	3,404	6,248
Tier III capital				
30.9.2004	–	–	–	–
31.12.2003 ²⁾	–	–	–	–
Total equity funds				
30.9.2004	2,243	1,042	3,030	5,996
31.12.2003²⁾	2,134	986	3,404	6,248
Risk-weighted assets (in € billion)				
On-balance-sheet assets				
30.9.2004	12.2	9.2	26.5	47.3
31.12.2003	8.4	9.2	30.1	47.1
Off-balance-sheet assets				
30.9.2004	4.6	0.2	0.4	5.2
31.12.2003	6.1	0.2	0.5	6.9
Total risk-weighted assets				
30.9.2004	16.8	9.4	26.9	52.5
31.12.2003	14.5	9.4	30.6	54.0

1) Consolidated presented to section 10a German Banking Act (KWG).

2) As per approved annual financial statements.

**KEY CAPITAL RATIOS BROKEN DOWN BY BUSINESS SEGMENT
(BASED ON GERMAN COMMERCIAL CODE – HGB) continuation**

	HREI	WürttHyp	HREGe	HREG
Market risk positions (in € million)				
Currency risks				
30.9.2004	15	2	2	19
31.12.2003	6	1	1	8
Interest rate risks				
30.9.2004	34	–	–	34
31.12.2003	–	–	–	–
Total market risk positions				
30.9.2004	49	2	2	53
31.12.2003	6	1	1	8
Capital ratios (in %)				
Core capital ratio				
30.9.2004	8.7	7.5	7.7	7.8
31.12.2003 ¹⁾	8.9	6.9	7.4	7.6
Equity capital ratio				
30.9.2004	13.4	11.1	11.3	11.4
31.12.2003 ¹⁾	14.7	10.5	11.1	11.6
Equity funds ratio				
30.9.2004	12.9	11.1	11.3	11.3
31.12.2003 ¹⁾	14.6	10.5	11.1	11.5

1) As per approved annual financial statements.

4 Net interest income

In € million		
	1.1.–30.9.2004	¾ of 2003
Interest income from	6,123	6,554
lending and money		
market transactions	4,981	5,242
fixed-income securities		
and government-inscribed		
debt	1,129	1,277
equity securities and other		
variable-yield securities	–	6
participating interests	13	26
investment property	–	3
Interest expenses for	5,616	6,048
deposits	2,501	2,381
promissory notes and		
other liabilities evidenced		
by paper	3,013	3,580
subordinated capital	102	85
other	–	2
Total	507	506

INTEREST MARGINS

In %		
	30.9.2004	31.12.2003
based on average risk		
assets according to BIS	1.29	1.25
based on average		
volume of business	0.45	0.44

5 Provisions for losses on loans and advances

In € million		
	1.1.–30.9.2004	¾ of 2003
Additions	246	213
Allowances for losses on		
loans and advances	244	211
Allowances for losses on		
guarantees and indemnities	2	2
Releases	–24	–23
Allowances for losses on		
loans and advances	–24	–22
Allowances for losses on		
guarantees and indemnities	–	–1
Recoveries from write-offs		
on loans and advances	–1	–1
Total	221	189

At September 30, 2004 the addition to provisions for losses on loans and advances of € 221 million is stated as a net figure after adjustment of the risk shelter provided by HVB AG to the benefit of Hypo Real Estate Bank AG for the 2004 fiscal year in the pro rata amount of € 97.5 million.

6 Net commission income

In € million		
	1.1.–30.9.2004	¾ of 2003
Securities and custodial		
services	–3	16
Foreign trade operations/ money transfer operations	–	–1
Lending operations	56	17
Other service		
operations	31	2
Total	84	34

7 General administrative expenses

In € million		
	1.1.–30.9.2004	¾ of 2003
Personnel expenses	140	101
Wages and salaries	113	76
Social security costs	14	13
Pension and other employee benefit costs	13	12
Other administrative expenses	79	80
Depreciation and amortization	10	14
on property, plant and equipment	5	4
on software and other intangible assets, excluding goodwill	5	10
Total	229	195

8 Balance of other operating income/expenses

In € million		
	1.1.–30.9.2004	¾ of 2003
Other operating income	13	35
Other operating expenses	8	21
Balance of other operating income/expenses	5	14

9 Operating revenues

In € million		
	1.1.–30.9.2004	¾ of 2003
Net interest income	507	506
Net commission income	84	34
Trading profit	5	–
Balance of other operating income/expenses	5	14
Total	601	554

10 Net income from investments

In € million		
	1.1.–30.9.2004	¾ of 2003
Income from investments	53	188
Expenses from investments	39	189
Total	14	–1

11 Balance of other income/expenses

In € million		
	1.1.–30.9.2004	¾ of 2003
Other income	–	26
Other expenses	10	78
thereof:		
Other taxes	–	1
Restructuring expenses	10	65
thereof:		
Additions to restructuring provisions	5	25
Balance of other income/expenses	–10	–52

Restructuring expenses of € 10 million were incurred in the first nine months of the current year in the course of restructuring Hypo Real Estate Germany. This figure comprises current restructuring expenses of € 5 million and additions to restructuring provisions in accordance with IAS 37 of € 5 million. No longer included in other income/expenses in 2004 is the positive effect from writing back the liability difference (“lucky buy”) WestHyp, which in the previous year was around € 26 million pro rata.

12 Income tax Taxes on income have been stated on the basis of the expected tax rate for 2004.

In € million		
	1.1.–30.9.2004	¾ of 2003
Current taxes	41	27
Deferred taxes	–6	3
Total	35	30

13 Earnings per share

	1.1.–30.9.2004	¾ of 2003
Net income/loss, adjusted for minority interest, in € million	119	86
Net income/loss, adjusted for minority interest and before amortization of goodwill, in € million	119	86
Average number of shares	134,072,175	134,072,175
Earnings per share (excluding amortization of goodwill) in €	0.89	0.64
Earnings per share in €	0.89	0.64

Notes to the consolidated balance sheet

14 Total volume of lending

In € million		
	30.9.2004	31.12.2003
Placements with, and loans and advances to, other banks	19,404	19,216
Loans and advances to customers	81,897	85,505
Contingent liabilities	4,883	9,005
Total	106,184	113,726

15 Allowances for losses on loans and advances

In € million		
	2004	2003
Balance at 1.1.	1,896	1,475
Changes affecting income	220	252
+ Gross additions	244	281
– Releases	–24	–29
Changes not affecting income	77	169
– Use of existing loan-loss allowances	–109	–371
+/- Effects of currency translation and other changes not affecting income	186	540
Balance at 30.9.2004 / 31.12.2003	2,193	1,896

16 Financial investments

In € million		
	30.9.2004	31.12.2003
Held-to-maturity investments	13,973	16,379
Debt securities and other fixed income securities	13,973	16,379
Available-for-sale investments	23,405	20,055
Investments in non-consolidated subsidiaries	191	242
Participating interests	5	6
Debt securities and other fixed income securities	23,209	19,807
Investment properties	29	37
Total	37,407	36,471

17 Deposits from other banks, broken down by maturity

In € million		
	30.9.2004	31.12.2003
Repayable on demand	917	770
With agreed maturities	20,562	18,581
Total	21,479	19,351

18 Amounts owed to other depositors, broken down by maturity

In € million		
	30.9.2004	31.12.2003
Repayable on demand	206	325
With agreed maturities	7,969	7,519
Total	8,175	7,844

19 Promissory notes and other liabilities evidenced by paper, broken down by maturity

In € million		
	30.9.2004	31.12.2003
With agreed maturities		
up to 3 months	8,337	6,294
from 3 months to 1 year	18,204	17,556
from 1 year to 5 years	54,725	61,844
over 5 years	22,535	24,459
Total	103,801	110,153

20 Provisions

In € million		
	30.9.2004	31.12.2003
Provisions for pensions and similar obligations	146	140
Restructuring provisions (compliant with IAS 37)	22	35
Allowances for losses on guarantees and indemnities	6	6
Other provisions	25	29
thereof:		
Long-term liabilities to employees	7	7
Total	199	210

21 Subordinated capital

In € million		
	30.9.2004	31.12.2003
Subordinated liabilities	1,610	1,727
Participating certificates outstanding	699	749
Total	2,309	2,476

22 Treasury stock Neither Hypo Real Estate Holding AG itself nor any company in which a majority is owned holds shares of the Hypo Real Estate Holding AG.

Other information

23 Contingent liabilities and other commitments

In € million		
	30.9.2004	31.12.2003
Contingent liabilities¹⁾	4,883	9,005
From guarantees and indemnity agreements	4,883	9,005
Loan guarantees	114	–
Guarantees and indemnity agreements	4,740	9,005
Documentary credits	29	–
Other commitments	4,083	2,597
Irrevocable credit commitments	3,408	2,571
Book credits	227	36
Guarantees	113	–
Mortgage and municipal loans	3,068	2,535
Other commitments	675	26
Total	8,966	11,602

¹⁾ Contingent liabilities are offset by contingent assets to the same amount.

The contingent liabilities from performance guarantees and indemnity agreements include guarantee obligations provided by Hypo Real Estate Bank International to the benefit of HVB AG, which were issued as part of the synthetic transfer of the “Western Europe” real estate financing portfolio. Hypo Real Estate Capital Corp. was included in the scope of consolidation for the first time in 2004, so

that the contingent liabilities as of September 30, 2004, decreased in consequence of consolidation by the amount of the guarantees provided by Hypo Real Estate Bank International to the benefit of Hypo Real Estate Capital Corp.

Munich, November 10, 2004

Hypo Real Estate Holding
Aktiengesellschaft

The Executive Board
Funke Berger Dr. Eisele Dr. Fell Lamby

Report of the Chairman of the Supervisory Board The Chairman of the Supervisory Board was informed by the Chairman of the Audit Committee of the Supervisory Board of the results of the committee meeting held November 9, 2004. In this meeting, the Interim Report as of September 30, 2004, and the report of the independent auditor on the results of the audit were presented and explained by the Executive Board. Business developments, the earnings situation and the company's financial situation were also explained. The Audit Committee has approved the interim report.

Munich, November 10, 2004

The Chairman of the Supervisory Board
Kurt F. Viermetz

Summary of quarterly financial data

HYPO REAL ESTATE GROUP			
	1st Quarter	2nd Quarter	3rd Quarter
Operating performance (in € million)			
Operating revenues	191	208	202
Provisions for losses on loans and advances	71	75	75
General administrative expenses	72	77	80
Net income from investments	11	4	-1
Balance of other income/expenses	-4	-1	-5
Net income before taxes	55	59	41
Net income	41	43	36
Key indicators			
Total volume of lending (in € billion)	107.4	105.5	106.2
Risk assets compliant with BIS rules (in € billion)	51.9	51.8	52.5
Core capital ratio compliant with BIS rules (in %)	7.9	7.9	7.8
Employees	1,449	1,463	1,461

HYPO REAL ESTATE INTERNATIONAL			
	1st Quarter	2nd Quarter	3rd Quarter
Operating performance (in € million)			
Operating revenues	83	93	99
Provisions for losses on loans and advances	11	16	15
General administrative expenses	26	32	38
Net income from investments	-	3	-2
Balance of other income/expenses	-	-	-
Net income before taxes	46	48	44
Net income	33	39	34
Key indicators			
Total volume of lending (in € billion)	15.9	15.9	18.2
Risk assets compliant with BIS rules (in € billion)	14.1	15.1	16.8
Core capital ratio compliant with BIS rules (in %)	10.3	9.6	8.7
Employees	417	464	502

WÜRTEMBERGISCHE HYPOTHEKENBANK

	1st Quarter	2nd Quarter	3rd Quarter
Operating performance (in € million)			
Operating revenues	22	27	30
Provisions for losses on loans and advances	5	4	5
General administrative expenses	8	7	9
Net income from investments	7	–	–2
Balance of other income/expenses	–	–	–
Net income before taxes	16	16	14
Net income	16	16	14
Key indicators			
Total volume of lending (in € billion)	19.1	19.0	19.5
Risk assets compliant with BIS rules (in € billion)	8.8	9.2	9.4
Core capital ratio compliant with BIS rules (in %)	7.4	7.0	7.5
Employees	174	174	173

HYPO REAL ESTATE GERMANY

	1st Quarter	2nd Quarter	3rd Quarter
Operating performance (in € million)			
Operating revenues	87	88	75
Provisions for losses on loans and advances	55	55	55
General administrative expenses	33	34	28
Net income from investments	4	2	3
Balance of other income/expenses	–4	–1	–5
Net income before taxes	–1	0	–10
Net income	–1	–6	–3
Key indicators			
Total volume of lending (in € billion)	73.5	71.5	69.2
Risk assets compliant with BIS rules (in € billion)	29.3	27.8	26.9
Core capital ratio compliant with BIS rules (in %)	7.2	7.6	7.7
Employees	814	784	698

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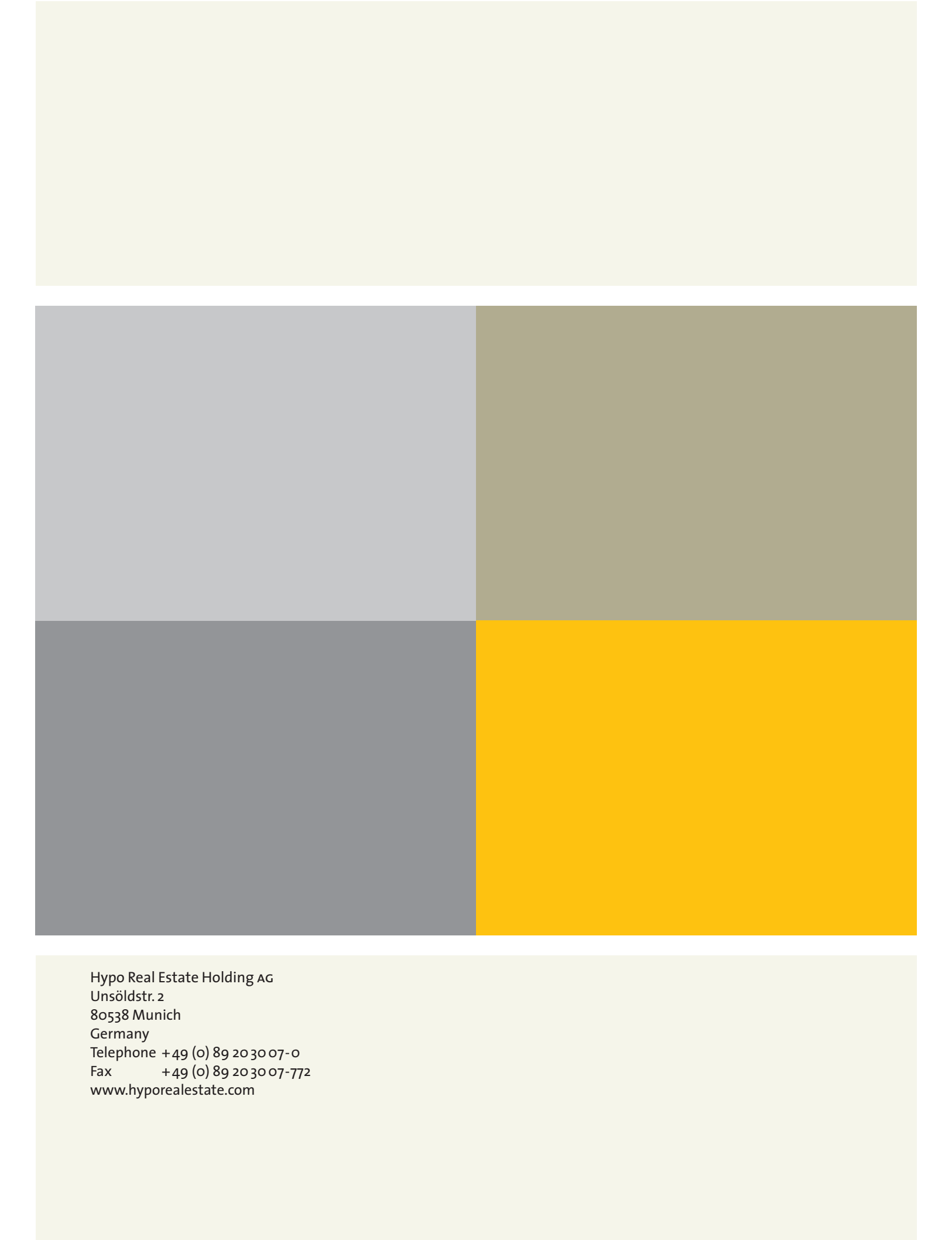
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Future-oriented statements

This report contains future-oriented statements in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates and predictions currently available to the management of Hypo Real Estate Holding AG. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include the condition of the financial markets in Germany, Europe and the USA, the possible default of borrowers or counterparties of trading companies, the reliability of our principles, procedures and methods for risk management as well as other risks associated with our business activity.



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