

Analyst Conference Call
November 8, 2006

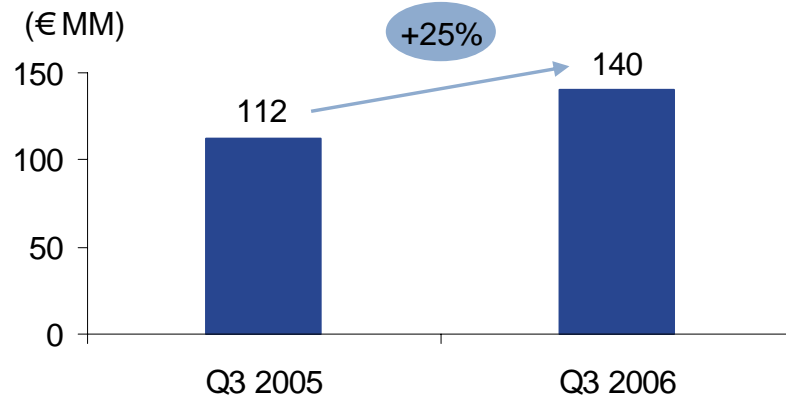
Hypo  **Real Estate**
GROUP



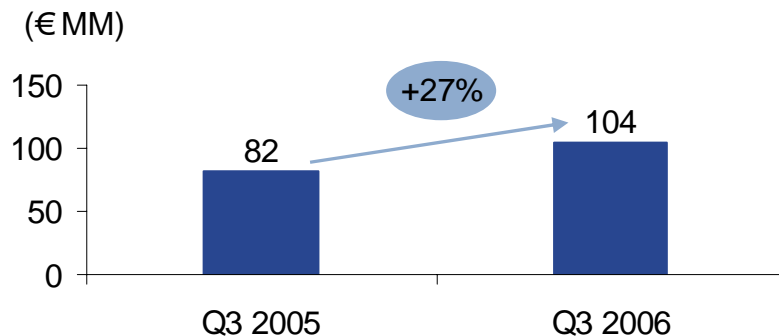
Results Q3 2006
Dr. Markus Fell, CFO

- I Date and Time: November 8, 2006 starting at 14:00 CET
- I You can participate by dialling:
 - + 49 (0) 69 9897 2633
 - + 44 (0) 20 7138 0816
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PRE-TAX PROFIT



NET INCOME⁽¹⁾



- | Q3 real estate new business of € 6.1 bn leads to a 9M record of € 17.5 bn (+22% y-o-y)
- | Strong increase in operating revenues driven by 17% growth in net interest income vs. Q3 2005
- | Moderate cost increase enhances cost leadership (CIR of 31.5%)
- | New business yielding more than 13% IRR despite difficult market environment
- | 9M pre-tax profit of € 410 MM (+25%) in line to reach specified target of € 550-560 MM by year-end

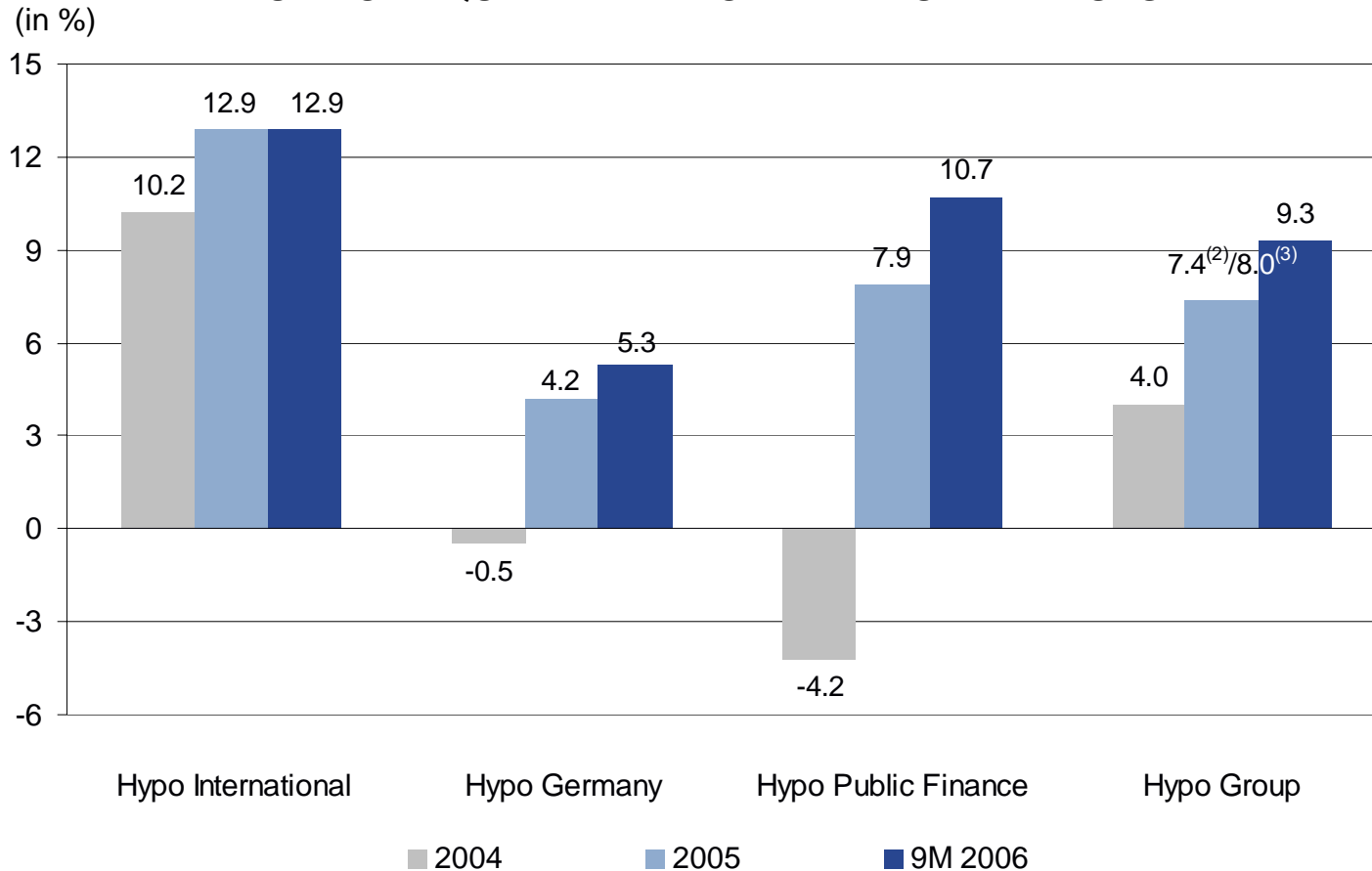
Note:

1. Excluding the effects from capitalised losses carried forward

Hypo Real Estate Group

Profitability improved to achieve year-end target of >9% ROE

RETURN ON EQUITY⁽¹⁾ DEVELOPMENT – SPLIT BY SEGMENT

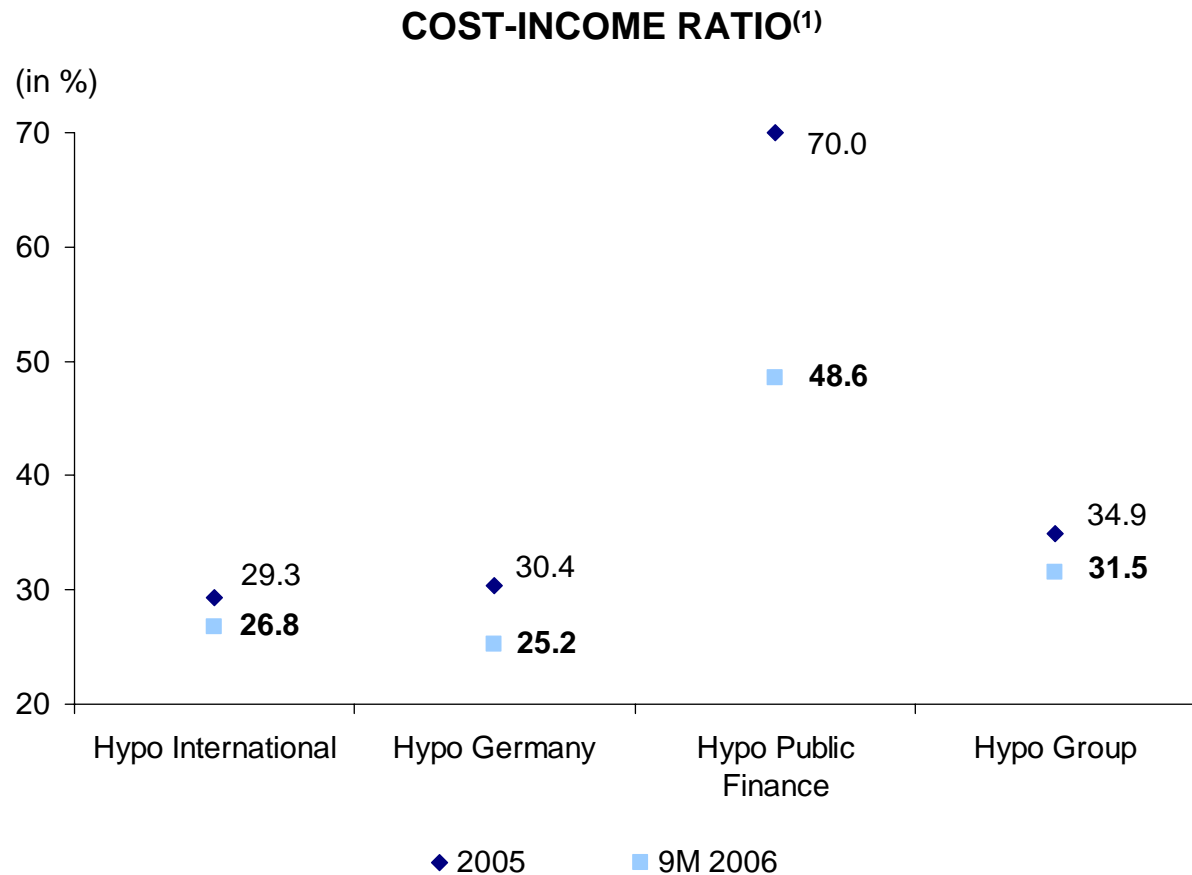


Notes:

1. After taxes; excluding the effects from capitalised losses carried forward
2. Including restructuring expenses
3. Excluding restructuring expenses

Hypo Real Estate Group

Increased operating leverage in all segments



- | Higher efficiency due to increased operating revenues but cost rising at a lower pace
- | CIR improved over 2005 in all operating segments and thus on Group level
- | Group CIR on track to reach 2007 target of below 30%

Hypo Real Estate Group

Q3 2006 – strengthening operating income

KEY FINANCIALS (IFRS)			
(€MM)	Q3 2006	Q3 2005	Change (%)
Net interest income	200	171	+17.0
Net commission income	33	33	0
Net trading income	14	12	+16.7
Net income from investments	14	16	-12.5
Balance of other operating income/expenses	1	1	0
Total operating revenues	262	233	+12.4
Provisions for losses on loans and advances	36	41	-12.2
General administrative expenses	86	79	+8.9
Operating result	140	113	+23.9
Net income/loss before taxes	140	112	+25.0
Net income/loss⁽¹⁾	104	82	+26.8

	9M 2006	FY 2005
ROE after taxes ⁽¹⁾ (%)	9.3	7.4 ⁽²⁾ /8.0 ⁽³⁾
Cost-income ratio (%)	31.5	34.9
Employees	1,206	1,233

- I Total operating revenues up 12% vs. Q3 2005, driven by strong increase in net interest income
- I Net interest income especially boosted by international business expansion and improvement of average margin in Hypo Germany
- I Loan-loss provisions lower due to limitations in portfolio-based risk provisioning at Hypo International
- I Higher general administrative expenses result from international expansion (investments in Asia, set-up of securitization platforms and HPFB)

Notes:

1. Excluding the effects from capitalised losses carried forward
2. Including restructuring expenses
3. Excluding restructuring expenses

Hypo Real Estate Group

Quarterly development

(€MM)	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Total operating revenues	233	241	257	259	262
Net interest income	171	184	190	191	200
Net commission income	33	31	34	35	33
Net trading income	12	1	11	6	14
Net income from investments	16	28	20	26	14
Balance of other operating income/expenses	1	-3	2	1	1
Provisions for losses on loans and advances	41	37	43	44	36
General administrative expenses	79	89	80	79	86
Balance of other income/expenses	-1	0	0	0	0
Net income/loss before taxes (excluding restructuring expenses)	112	115	134	136	140
Additional restructuring expenses	0	34	0	0	0
Net income/loss before taxes (including restructuring expenses)	112	81	134	136	140
Taxes on income ⁽¹⁾	30	11	34	35	36
Net income/loss⁽¹⁾	82	70	100	101	104

Risk assets compliant with BIS rules (€ Bn)	53.2	56.3	58.1	59.8	64.8
Core capital ratio compliant with BIS rules (in %)	7.8	7.8 ⁽²⁾	7.6	7.4	6.9
Employees	1,258	1,233	1,176	1,172	1,206

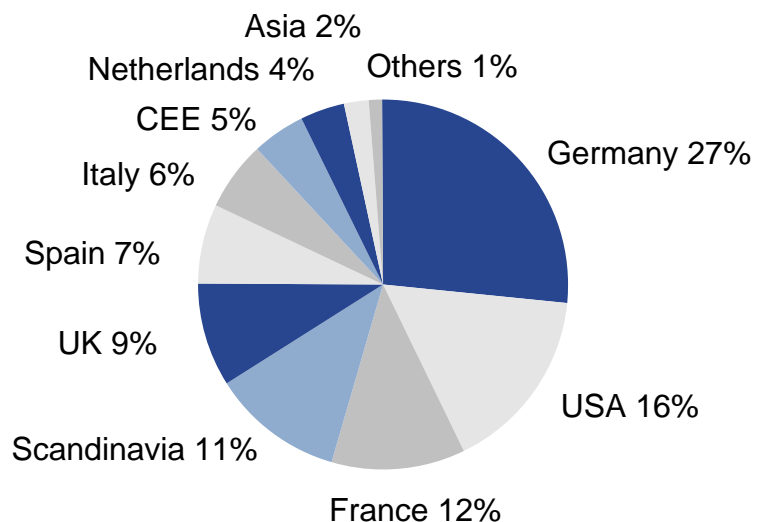
- | Steady upward trend in operating revenues and pre-tax profit in 2006
- | Net interest income on highest level in Q3 2006, supported by AHBR portfolio acquisition
- | Net income from investments down in Q3 2006, reflecting lower treasury activity
- | Tier I ratio down to 6.9%, including AHBR portfolio

Notes:

1. Excluding the effects from capitalised losses carried forward
2. As per approved annual financial statements and after profit distribution

TOTAL NEW REAL ESTATE BUSINESS

Split by Region Q3 2006^(1,2,3)



100% = €6.1 Bn

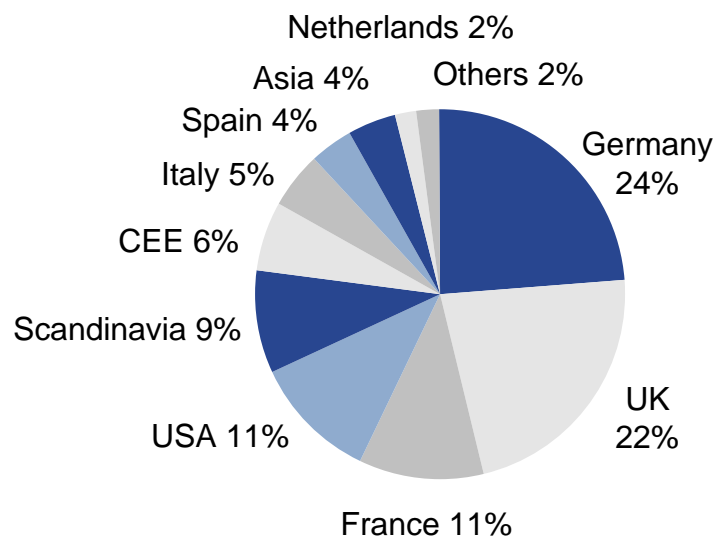
- | New business of €6.1 Bn (excl. AHBR portfolio acquisition) slightly higher than Q3 2005 (€6.0 Bn) although maintaining prudence in international new business
- | Strong new business in Germany, and increased US contribution
- | IRR of new business >13% on Group level
- | Repayments and prepayments of €5.5 Bn reflect high portfolio turnover

Notes:

1. Excluding HPFB new business
2. Based on commitments after syndication and planned securitization
3. Internal unaudited figures

TOTAL NEW REAL ESTATE BUSINESS

Split by Region 9M 2006^(1,2,3)



100% = €17.5 Bn

- I New business of € 17.5 Bn in 9M significantly improved (+22%) over already strong 9M 2005 (€ 14.3 Bn)
- I New business in the US has been significantly reduced from € 4.5 Bn in 9M 2005 to € 1.9 Bn in 9M 2006; in Germany increase from € 1.0 Bn to € 4.6 Bn instead
- I Repayments and prepayments of € 14.0 Bn reflect high portfolio turnover
- I Net increase of total real estate portfolio of € 6.8 Bn in 9M (incl. AHBR portfolio acquisition)

Notes:

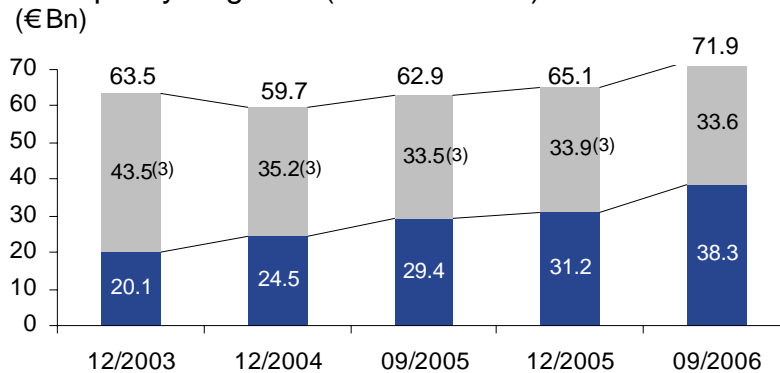
1. Excluding HPFB new business
2. Based on commitments after syndication and planned securitization
3. Internal unaudited figures

Hypo Real Estate Group

Group portfolio continued to grow

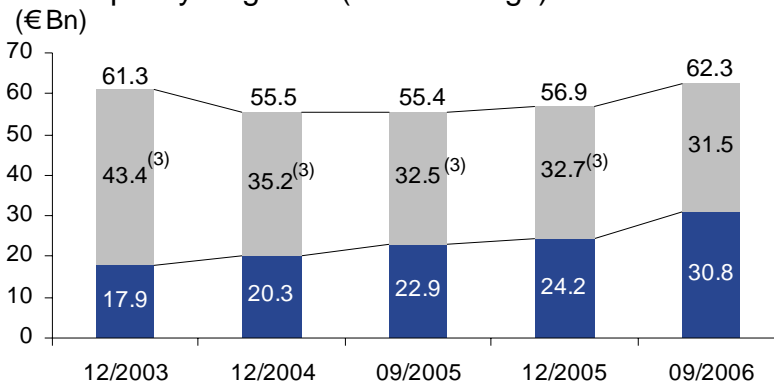
REAL ESTATE PORTFOLIO DEVELOPMENT

Split by Segment (Commitments) 12/2003 - 09/2006^(1,2)



REAL ESTATE PORTFOLIO DEVELOPMENT

Split by Segment (Outstandings) 12/2003 - 09/2006⁽¹⁾



■ Hypo International ■ Hypo Germany

I Change in commitments y-o-y:

- I Hypo Group +14%
- I Hypo Germany ~ 0%
- I Hypo International +30%

I Change in outstandings y-o-y:

- I Hypo Group +12%
- I Hypo Germany - 3%
- I Hypo International +34%

I Increased geographical diversification due to international growth (supported by AHBR portfolio) and nearly unchanged German portfolio

I Gap between commitments and outstandings slightly decreased in Q3 by €0.4 Bn to €9.6 Bn

Notes:

1. Internal unaudited figures
2. Based on commitments (Hypo Germany 12/2003 and 12/2004 based on outstandings)
3. Figures including former WuerthHyp's German portfolio

Hypo Real Estate Bank International

Profit before taxes increased by 27%

KEY FINANCIALS (IFRS)			
(€MM)	Q3 2006	Q3 2005	Change (%)
Net interest income	120	99	+21.2
Net commission income	27	30	-10.0
Net trading income	0	2	-100.0
Net income from investments	7	3	>+100.0
Balance of other operating income/expenses	1	1	0
Total operating revenues	155	135	+14.8
Provisions for losses on loans and advances	7	11	-36.4
General administrative expenses	44	41	+7.3
Operating result	104	83	+25.3
Net income/loss before taxes	104	82	+26.8
Net income/loss⁽¹⁾	77	61	+26.2
	9M 2006	FY 2005	
ROE after taxes⁽¹⁾ (%)	12.9	12.9⁽²⁾	
Cost-income ratio (%)	26.8	29.3	
Employees	494	474	

- | Net interest income up 21% vs. Q3 2005, driven by real estate portfolio growth
- | Net commission income slightly lower due to a higher proportion of senior lending in new business
- | Loan-loss provisions (purely portfolio-based) lower, despite international portfolio growth
- | General administrative expenses increased due to business expansion (investments in Asia and set-up of securitization platforms)
- | CIR improved as operating revenues growth was higher than cost increase

Notes:

1. Excluding the effects from capitalised losses carried forward
2. Based on allocated capital

Hypo Real Estate Bank International

Quarterly development

(€MM)	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Total operating revenues	135	145	157	155	155
Net interest income	99	101	114	112	120
Net commission income	30	36	31	28	27
Net trading income	2	-2	0	0	0
Net income from investments	3	12	11	15	7
Balance of other operating income/expenses	1	-2	1	0	1
Provisions for losses on loans and advances	11	7	14	14	7
General administrative expenses	41	44	41	40	44
Balance of other income/expenses	-1	0	0	0	0
Net income/loss before taxes	82	94	102	101	104
Taxes on income ⁽¹⁾	21	1	26	24	27
Net income/loss⁽¹⁾	61	93	76	77	77
Risk assets compliant with BIS rules (€ Bn)	28.4	31.6	31.4	32.5	35.6
Core capital ratio compliant with BIS rules (in %)	8.1 ⁽²⁾	7.5 ⁽²⁾	7.7	7.4	6.7

- | Net interest income strong in Q3, supported by AHBR portfolio acquisition
- | Net commission income slightly down, reflecting higher portion of senior lending
- | Loan-loss provisions down due to limitations in portfolio-based risk provisioning

Notes:

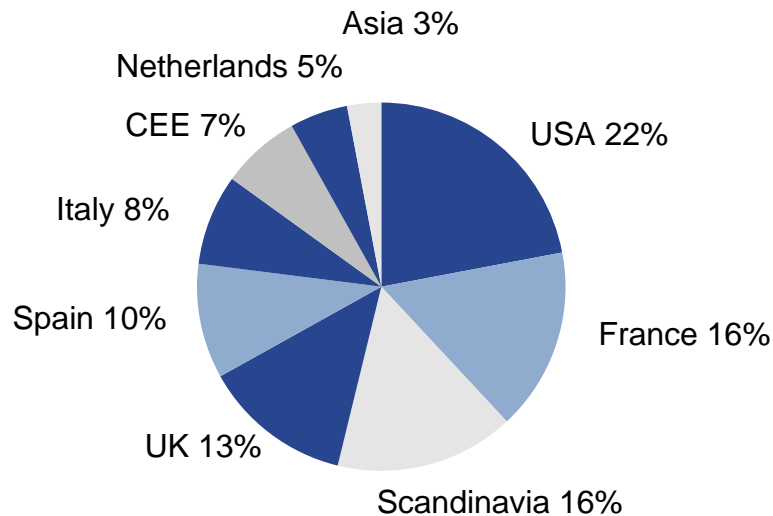
1. Excluding the effects from capitalised losses carried forward
2. Based on allocated capital

Hypo Real Estate Bank International

New business of €4.4 Bn in Q3 2006

NEW REAL ESTATE BUSINESS

Split by Region Q3 2006^(1,2)



100% = €4.4 Bn

- | New business of €4.4 Bn (excl. AHBR portfolio acquisition) vs. €5.7 Bn in Q3 2005 reflects prudence in new business origination
- | Geographically well diversified new business
- | High repayments and prepayments of €4.2 Bn reflect high portfolio turnover
- | Net increase of total real estate portfolio of €3.3 Bn in Q3

Notes:

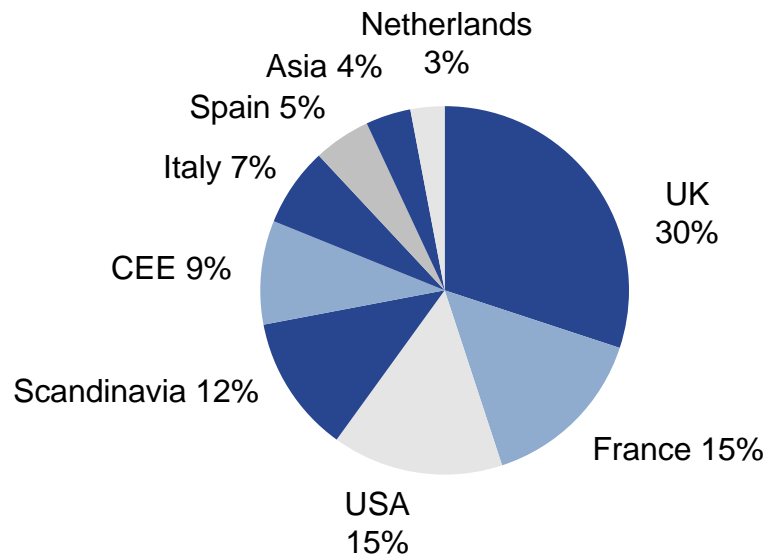
1. Based on commitments after syndication and planned securitization
2. Internal unaudited figures

Hypo Real Estate Bank International

New business of €12.9 Bn in 9M 2006

NEW REAL ESTATE BUSINESS

Split by Region 9M 2006^(1,2)



100% = €12.9 Bn

- I New business in 9M amounted to €12.9 Bn compared to €13.3 Bn in 9M 2005 (-3%)
- I Prepayments and repayments of €9.9 Bn reflect high prepayments in Q3
- I Net increase of total real estate portfolio of €7.1 Bn in 9M
- I New business yielding 14% IRR including higher proportion of senior lending and lower US share (15% vs. 34%) compared to last year (net interest margin after funding costs at 120 Bp)

Notes:

1. Based on commitments after syndication and planned securitization
2. Internal unaudited figures

Hypo Real Estate Bank Germany

Increasing contribution to the Group's profits

KEY FINANCIALS (IFRS)			
(€MM)	Q3 2006	Q3 2005	Change (%)
Net interest income	77	67	+14.9
Net commission income	2	-3	>+100.0
Net trading income	0	0	0
Net income from investments	7	13	-46.2
Balance of other operating income/expenses	1	0	>+100.0
Total operating revenues	87	77	+13.0
Provisions for losses on loans and advances	29	30	-3.3
General administrative expenses	22	23	-4.3
Operating result	36	24	+50.0
Net income/loss before taxes	36	24	+50.0
Net income/loss⁽¹⁾	29	18	+61.1
	9M 2006	FY 2005	
ROE after taxes⁽¹⁾ (%)	5.3	4.2	
Cost-income ratio (%)	25.2	30.4	
Employees	480	520	

- | Improvement of the average interest margin and higher prepayment fees led to an increase of net interest income by 15% vs. Q3 2005
- | Increase in net commission income reflects strong new business
- | Loan-loss provisions and general administrative expenses slightly down after completion of restructuring
- | CIR significantly reduced to 25.2%

Hypo Real Estate Bank Germany

Quarterly development

(€MM)	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Total operating revenues	77	83	83	80	87
Net interest income	67	76	74	75	77
Net commission income	-3	-3	1	-1	2
Net trading income	0	0	0	0	0
Net income from investments	13	13	8	7	7
Balance of other operating income/expenses	0	-3	0	-1	1
Provisions for losses on loans and advances	30	30	29	29	29
General administrative expenses	23	25	21	20	22
Balance of other income/expenses	0	0	0	0	0
Net income/loss before taxes	24	28	33	31	36
Taxes on income ⁽¹⁾	6	7	6	7	7
Net income/loss⁽¹⁾	18	21	27	24	29
Risk assets compliant with BIS rules (€Bn)	22.8	24.0	25.5	25.8	26.9
Core capital ratio compliant with BIS rules (in %)	8.1	7.7 ⁽²⁾	7.2	7.1	6.8

- I Total operating revenues up in Q3 2006, reflecting repricing and strong new business
- I General administrative expenses in line with plan

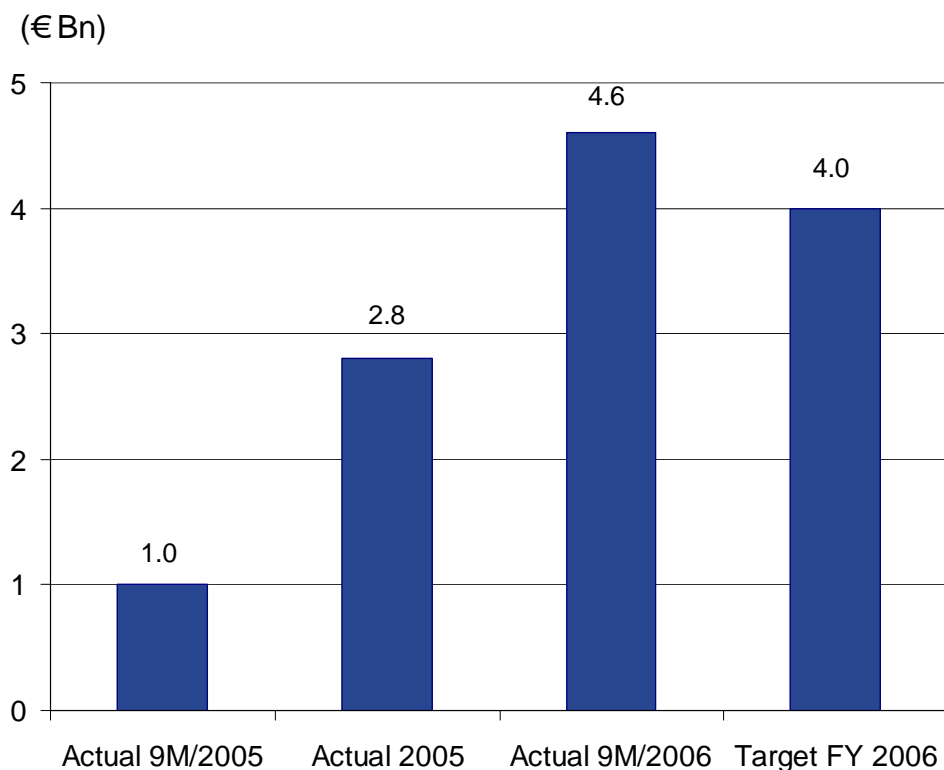
Notes:

1. Excluding the effects from capitalised losses carried forward
2. As per approved annual financial statements

Hypo Real Estate Bank Germany

Full-year target of €4 Bn already exceeded in 9M

NEW REAL ESTATE BUSINESS^(1,2)



- | New business amounted to € 1.7 Bn in Q3 2006; 9M figure of € 4.6 Bn thus already exceeds full-year target of € 4 Bn
- | Repayments and prepayments amounted to € 1.3 Bn
- | IRR remained at ~13% on new business (net interest margin after funding costs at 105 Bp)
- | Prolongation strategy continued with a total prolongation rate of 55% (volume prolonged € 1.7 Bn; net interest margin after funding costs at 115 Bp)
- | 61% credit extension rate with commercial customers and 38% credit extension rate with retail customers

Notes:

1. Based on commitments after syndication and planned securitization
2. Internal unaudited figures

Hypo Public Finance Bank

Growing profit contribution

KEY FINANCIALS (IFRS)			
(€MM)	Q3 2006	Q3 2005	Change (%)
Net interest income	7	6	+16.7
Net commission income	4	6	-33.3
Net trading income	14	10	+40.0
Net income from investments	0	0	0
Total operating revenues	25	22	+13.6
Provisions for losses on loans and advances	0	0	0
General administrative expenses	13	10	+30.0
Operating result	12	12	0
Net income/loss before taxes	12	12	0
Net income/loss	10	9	+11.1
	9M 2006	FY 2005	
ROE after taxes (%)	10.7	7.9 ⁽¹⁾	
Cost-income ratio (%)	48.6	70.0	
Employees	158	175	

- | Operating revenues +14% over very strong Q3 2005, mainly driven by net trading income
- | General administrative expenses higher due to business expansion
- | CIR improved significantly to 48.6%

Hypo Public Finance Bank

Quarterly development

(€MM)	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006
Total operating revenues	22	15	21	26	25
Net interest income	6	10	7	7	7
Net commission income	6	-2	2	8	4
Net trading income	10	3	11	6	14
Net income from investments	0	3	1	4	0
Balance of other operating income/expenses	0	1	0	1	0
Provisions for losses on loans and advances	0	0	0	1	0
General administrative expenses	10	14	11	11	13
Balance of other income/expenses	0	0	0	0	0
Net income/loss before taxes	12	1	10	14	12
Taxes on income	3	-2	2	4	2
Net income/loss	9	3	8	10	10

Risk assets compliant with BIS rules (€ Bn)	2.5	2.0	2.1	2.4	3.2
Core capital ratio compliant with BIS rules (in %)	8.0 ⁽¹⁾	15.0 ⁽¹⁾	14.7	13.6	10.6

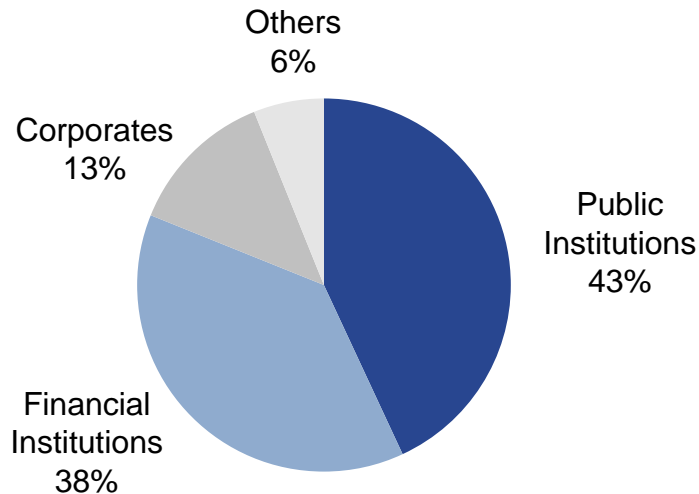
- I Total operating revenues stable in Q3
- I Net trading income more volatile but positive in all market environments

Note:

1. Based on allocated capital

SPLIT BY COUNTERPARTY

Credit Portfolio 09/2006^(1,2)



100% = €12.0 Bn

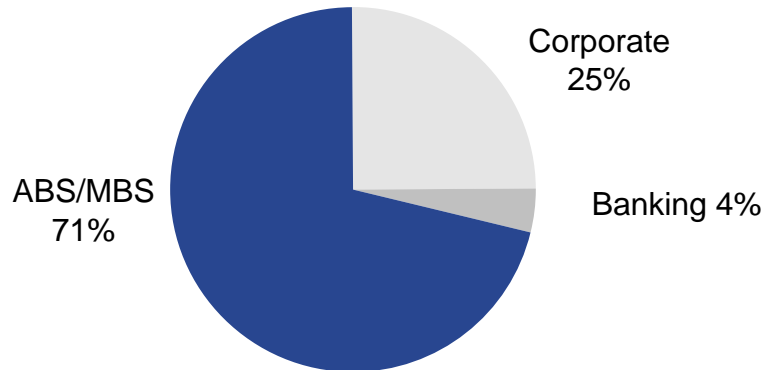
- I Credit portfolio increased by € 1.0 Bn in Q3 to € 12.0 Bn
- I Well started infrastructure/asset based finance business with total closed commitments of €0.8 Bn (06/2006: €0.4 MM)

Notes:

1. Based on commitments; excluding trading book
2. Internal, unaudited figures

SPLIT BY BUSINESS TYPE

Assets under Management/Administration
09/2006^(1,2)



100% = €32.2 Bn

- I Collineo Asset Management manages various portfolios (€ 12.5 Bn) for third parties with focus on MBS, consumer ABS, and CDO of ABS
- I In addition, HPFB administers an A-1, P-1, F-1 asset backed commercial paper conduit, currently € 19.7 Bn

Notes:

1. Based on commitments
2. Internal, unaudited figures

Key Figures			
(€MM)	Target 2006	9M Target	9M 2006
Total operating revenues	>1000	>750	778
Profit before taxes	>530	>398	410
ROE after taxes ⁽¹⁾	>9%	>9%	9.3
CIR	<32%	<32%	31.5
Hypo International – Profit before taxes	≈ 380 - 410	≈ 285 - 308	307
Hypo Germany – Profit before taxes	≈ 120 - 140	≈ 90 - 105	100
Hypo Public Finance – Profit before taxes	≈ 25 - 35	≈ 19 - 26	36

- | Operating revenues and CIR in line with targets
- | Progress in quarterly result (€ 140 MM in Q3 vs. average of € 135 MM in Q1 and Q2) leads to specified full-year target of € 550-560 MM
- | ROE after taxes on track

 **Business development in 9M in line with full year targets**

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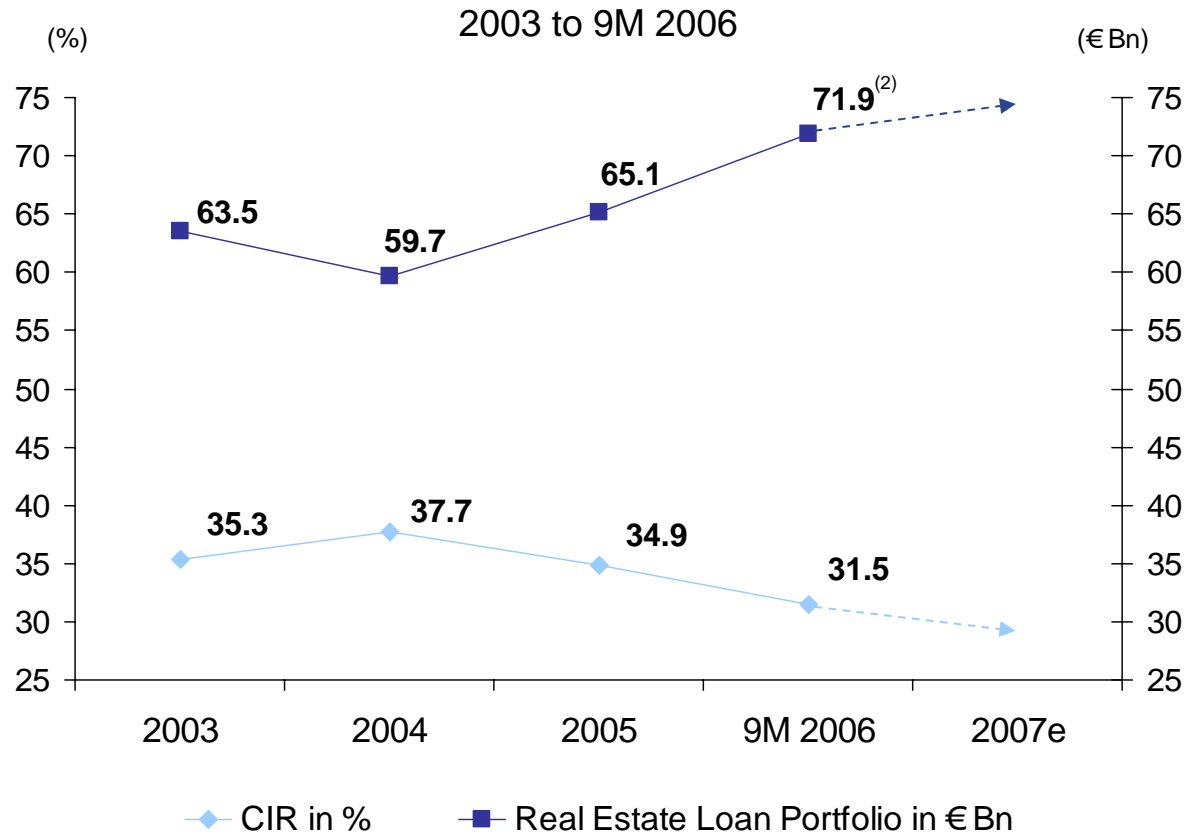
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Hypo Real Estate Group

High cost efficiency through streamlined organisation

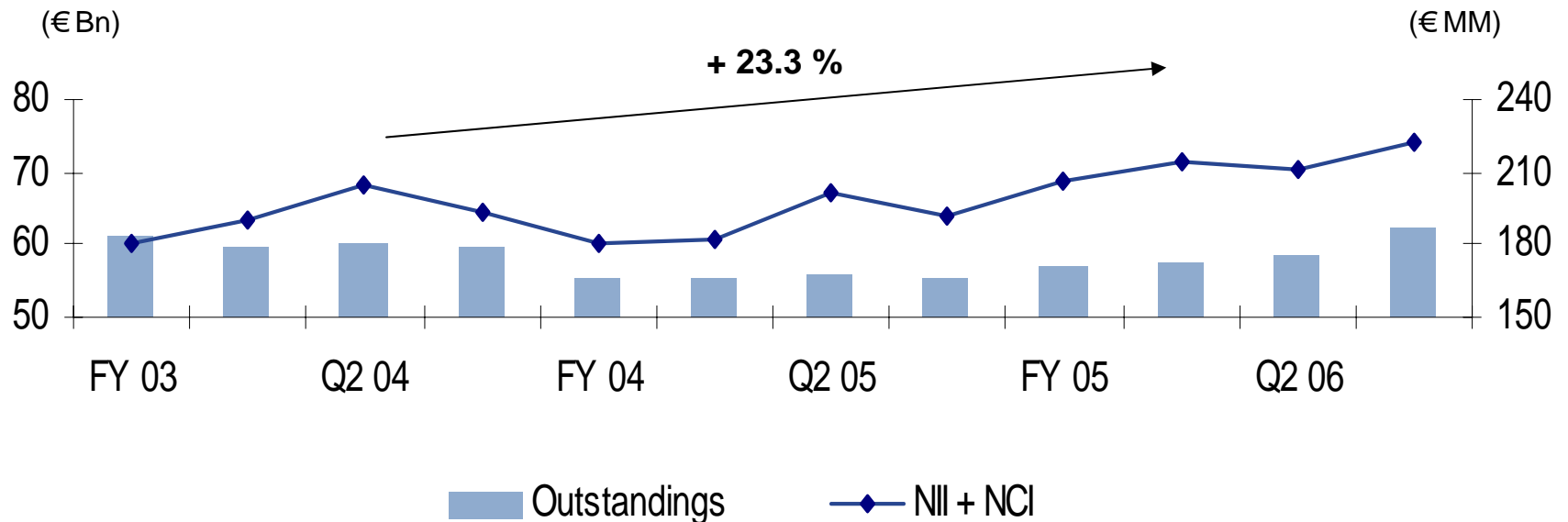
CIR⁽¹⁾ AND REAL ESTATE LOAN PORTFOLIO DEVELOPMENT



Notes:

1. Based on operating revenues
2. Including AHBR portfolio acquisition

**NET INTEREST INCOME + NET COMMISSION INCOME ^(1,2)
AND REAL ESTATE LOAN PORTFOLIO DEVELOPMENT ^(2,3)**
Q4/2003 – Q3/2006



Notes:

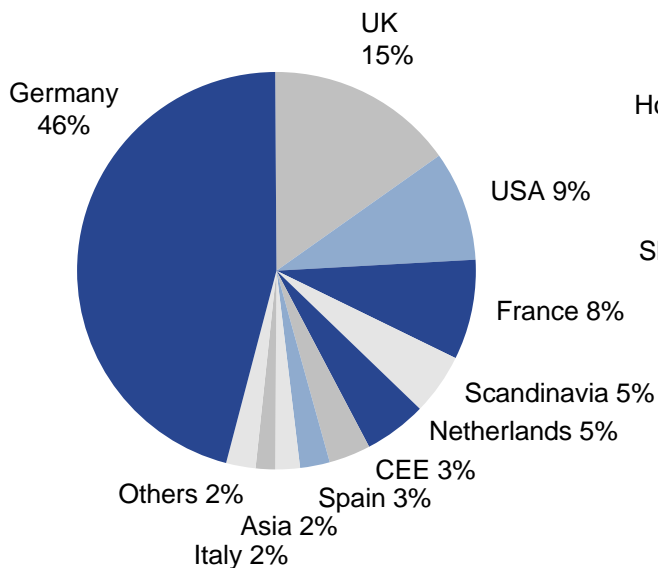
1. Q4 2003: ¼ of FY 2003 due to a multiplicity of distortions referring to the spin-off
2. Hypo International and Hypo Germany
3. Based on outstandings

Hypo Real Estate Group

Real estate loan portfolio

SPLIT BY REGION

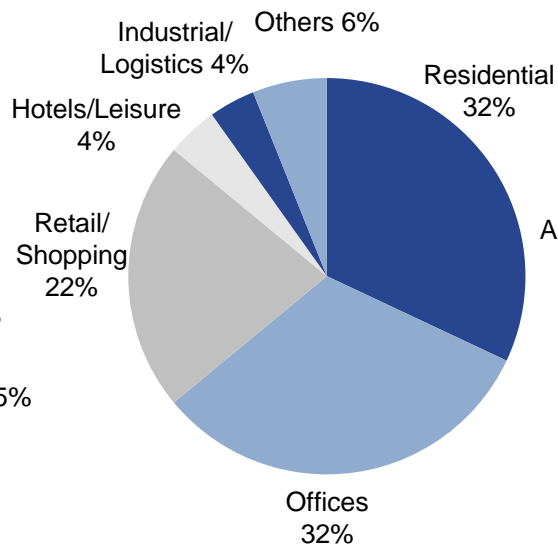
Real Estate Loan Portfolio
09/2006^(1,2)



100% = €71.9 Bn

SPLIT BY PROPERTY

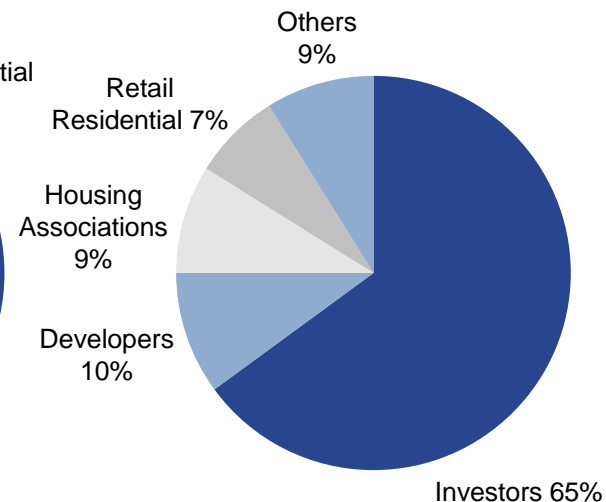
Real Estate Loan Portfolio
09/2006^(1,2)



100% = €71.9 Bn

SPLIT BY CUSTOMER TYPE

Real Estate Loan Portfolio
09/2006^(1,2)



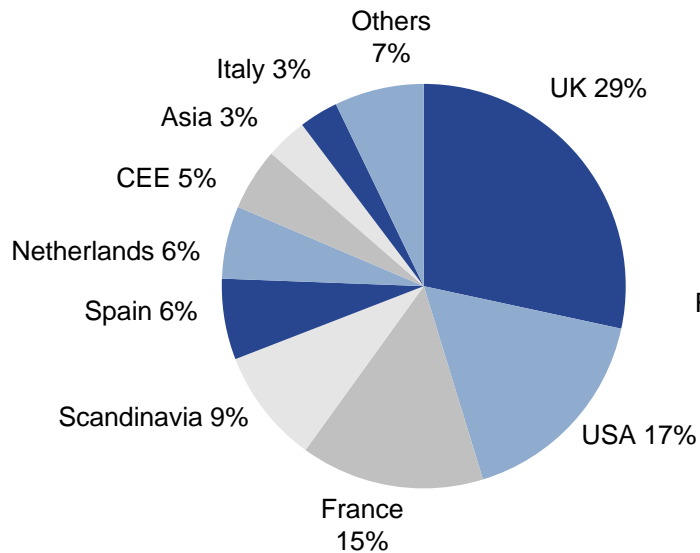
100% = €71.9 Bn

Notes:

1. Based on commitments
2. Internal, unaudited figures

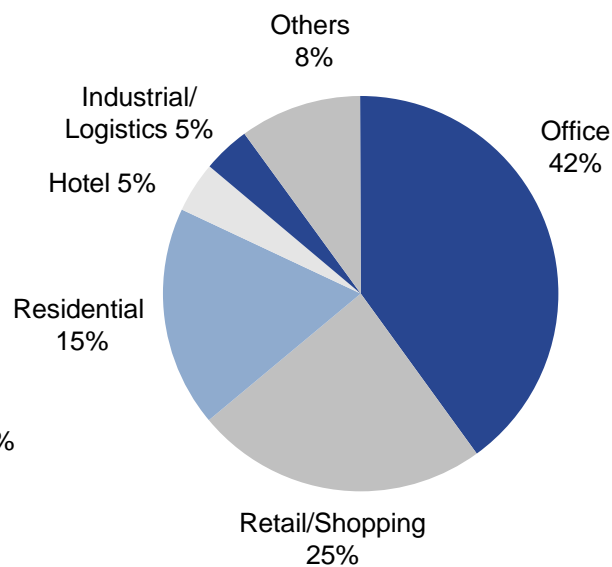
Hypo Real Estate Bank International Real estate loan portfolio (cont'd)

SPLIT BY REGION
Real Estate Loan Portfolio
09/2006^(1,2)



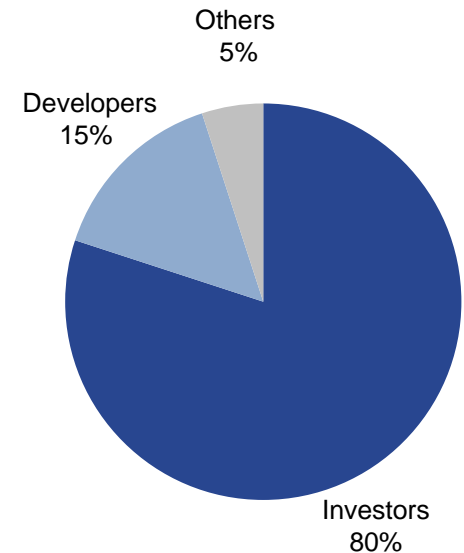
100% = €38.3 Bn

SPLIT BY PROPERTY
Real Estate Loan Portfolio
09/2006^(1,2)



100% = €38.3 Bn

SPLIT BY CUSTOMER TYPE
Real Estate Loan Portfolio
09/2006^(1,2)



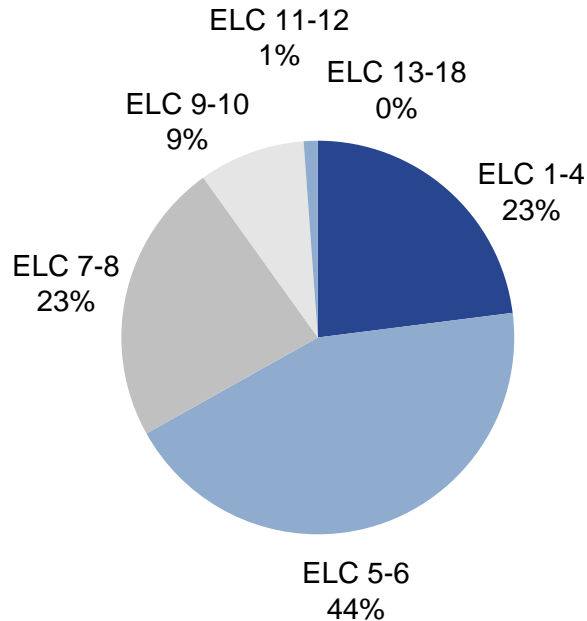
100% = €38.3 Bn

Notes:

1. Based on commitments
2. Internal, unaudited figures

EXPECTED LOSS CLASSES

Real Estate Exposure at Default 09/2006^(1,2)



I Average EL ca. €71 MM
(23 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	

100% = €31 Bn

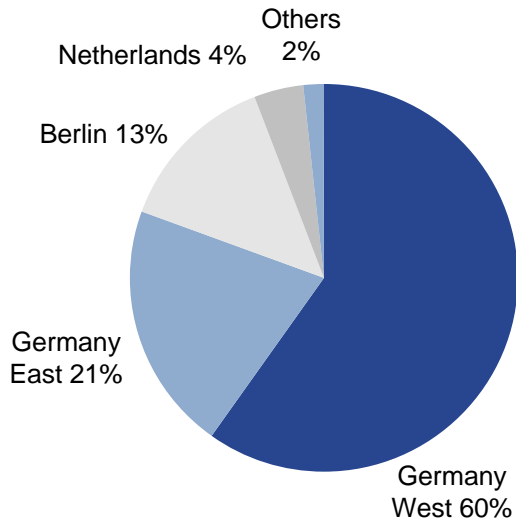
Notes:

1. Internal, unaudited figures
2. Based on outstandings

Hypo Real Estate Bank Germany

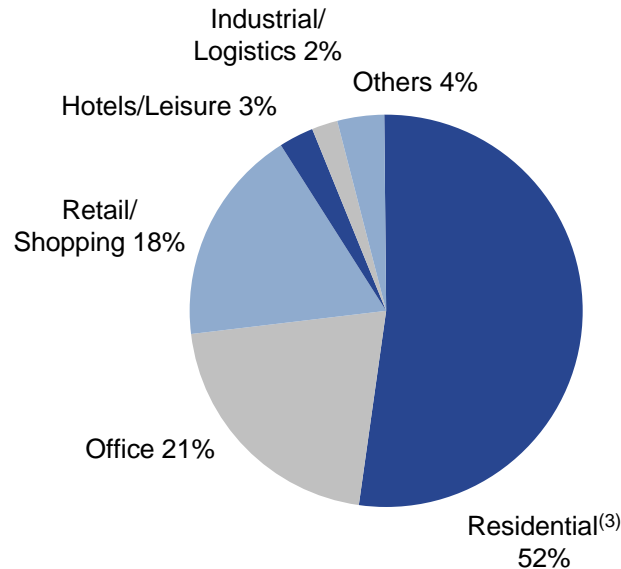
Real estate loan portfolio

SPLIT BY REGION
Real Estate Loan Portfolio
09/2006^(1,2)



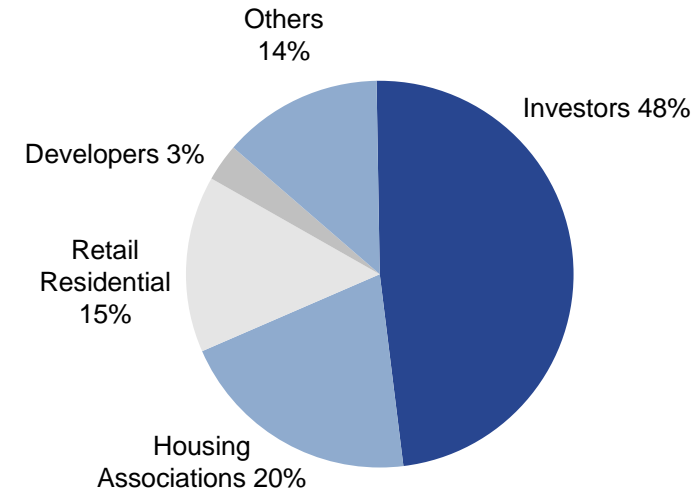
100% = €33.6 Bn

SPLIT BY PROPERTY
Real Estate Loan Portfolio
09/2006^(1,2)



100% = €33.6 Bn

SPLIT BY CUSTOMER TYPE
Real Estate Loan Portfolio
09/2006^(1,2)



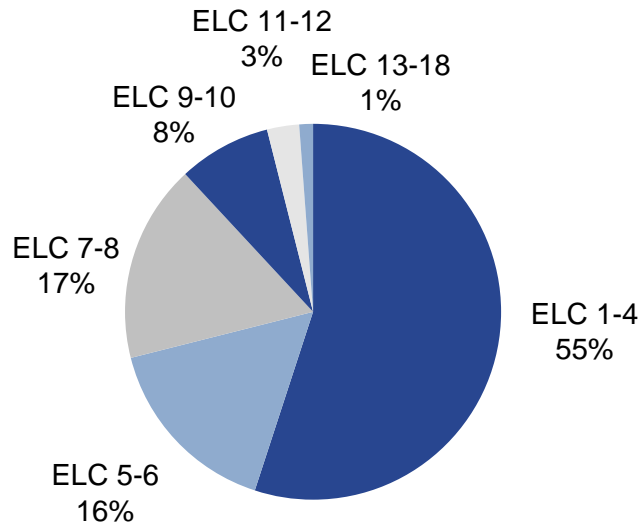
100% = €33.6 Bn

Notes:

1. Based on commitments
2. Internal, unaudited figures
3. Retail residential (home-owners, apartment-owners, etc.) €5.0 Bn

EXPECTED LOSS CLASSES

Real Estate Exposure at Default 09/2006^(1,2)



- I Average EL ca. € 95 MM (32 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	

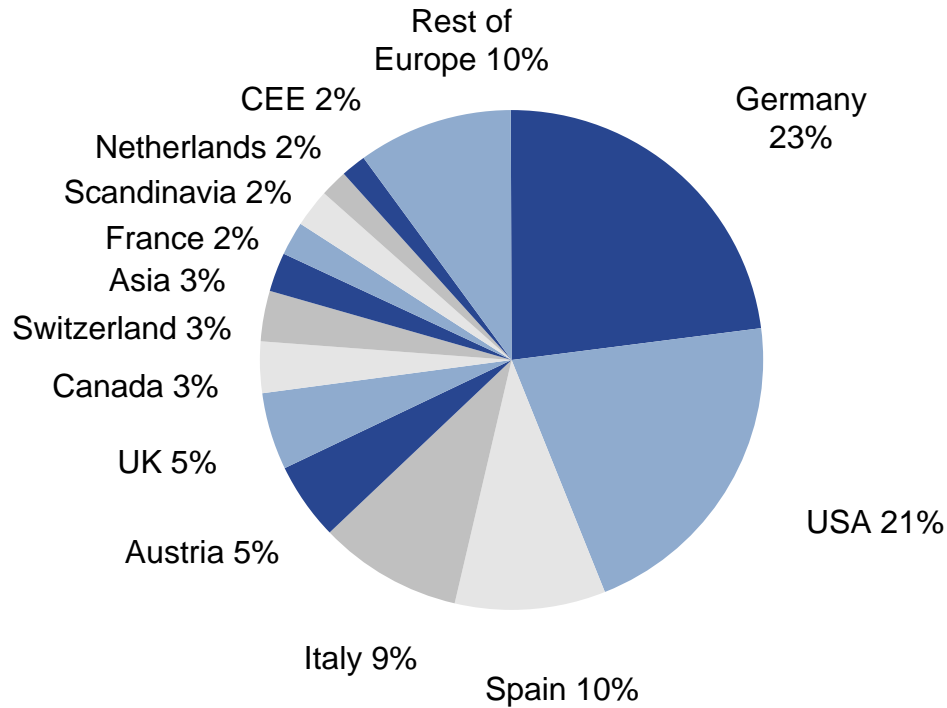
100% = €30 Bn

Notes:

1. Internal, unaudited figures
2. Based on outstandings

SPLIT BY REGION

Credit Portfolio 09/2006^(1,2)



100% = €12.0 Bn

Notes:

1. Based on commitments
2. Internal, unaudited figures