X-pand into the Future

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Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

⚠ **High Priority**

Treatment of the Spin-off of Real Estate Holding AG from HypoVereinsbank

Contact: Eurex Helpdesk Equity Products, Tel +49-69-211-112 10

Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ Auditing / Security Coordination	none

Summary:

On May 14, 2003, the annual general meeting of HypoVereinsbank approved the spin-off plan dated March 26, 2003. Thereby, when the spin-off becomes effective, the shareholders of HypoVereinsbank will receive for four ordinary shares of HypoVereinsbank issued to the bearer (ISIN DE0008022005), one ordinary share of Hypo Real Estate Holding AG issued to the bearer (ISIN DE0008027707/security symbol HRX).

Provided the entry into the commercial register, the transaction will be performed on **October 6, 2003** (day-ex).

In the following please find a description of the adjustment procedure of the HypoVereinsbank option.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Eurex Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Peter Reitz, Michael Widmer

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When the spin-off becomes effective, an adjustment of the HypoVereinsbank option is required. The form of the adjustment has been chosen so that the result at the time of the adjustment is value-neutral. A description of the required steps is given below:

- From the time of the spin-off, the underlying security of the HypoVereinsbank option will be a basket consisting of one HypoVereinsbank share-ex, plus 0,25 shares of Hypo Real Estate Holding AG
- Exercise price and contract size of the HypoVereinsbank option will remain unchanged
- On exercise, a basket consisting of HypoVereinsbank and Hypo Real Estate Holding AG will be delivered (for details, see below under “Exercise”).

In order to be able to settle the basket, the HypoVereinsbank option will be converted, in the Eurex system, into a dummy option, and the HypoVereinsbank share into a dummy share which together form the basket consisting of HypoVereinsbank ex and Hypo Real Estate Holding AG.

The procedure is explained in detail below:

The last trading day-cum will be **October 3, 2003**.

On **October 1, 2003** a dummy underlying of HypoVereinsbank will be set up in the Eurex system

On **October 3, 2003**, after close of trading, the following entries will be made by Eurex:

- The security symbol and the ISIN of the existing HypoVereinsbank option and the HypoVereinsbank share will be converted to those of the basket (**new ISIN DE0001458925/new security symbol HVMB**)
- The dummy HypoVereinsbank underlying set up on October 1, 2003 will be converted to the original HypoVereinsbank share (HVM/DE0008022005).
- All open orders and quotes will be deleted.

On **October 6, 2003,** a new HypoVereinsbank option (with the HypoVereinsbank underlying) will be set up again in the Eurex system with the security symbol **HVM.**

Trading of the new option will begin on **October 7, 2003**.

Following the spin-off, the value of a contract can be calculated according to the following formula:

Contract size 100* HypoVereinsbank ex price + 25* Hypo Real Estate Holding AG price.

C*S1 = C*SB = C*S2 + C1*S3

C = contract size 100
C1 = contract size 25
S1 = price of HypoVereinsbank cum
S2 = price of HypoVereinsbank ex
S3 = price of Hypo Real Estate Holding AG
SB = price of the basket

This formula is always applicable for the valuation of an option series after a spin-off.

After the splin-off, new series for the basket option will be not be generated.

Exercises

On exercise of the basket option after October 6, 2003, two delivery instructions will be transmitted to Clearstream:

Trade 1: Delivery of 100 HypoVereinbank-ex shares against payment of C*exercise price

Trade 2: Delivery of 25 Hypo Real Estate Holding AG shares against payment of EUR 0,00.

During the days prior to these capital measures, all assignment of shares to short Call positions will have to be deleted for the HypoVereinsbank product in the screen “Contract Cover Assignment Entry”.

After the spin-off, for technical reasons, HypoVereinsbank shares cannot be pledged as cover for short Call positions in the basket option.

Eurex Reports

The HypoVereinsbank share as well as the Hypo Real Estate Holding AG share as components of the basket will appear in the reports RPTCE080 (Pending Delivery), RPTCE090 (Late Delivery) and RPTCE100 (Settled Delivery). However, in the report RPTCE080, these will appear one day later. On the day of exercise, report RPTCE070 will firstly show the basket. On the following days, the reports will show HypoVereinsbank and Hypo Real Estate Holding AG as individual components of the basket.

Frankfurt, September 25, 2003

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