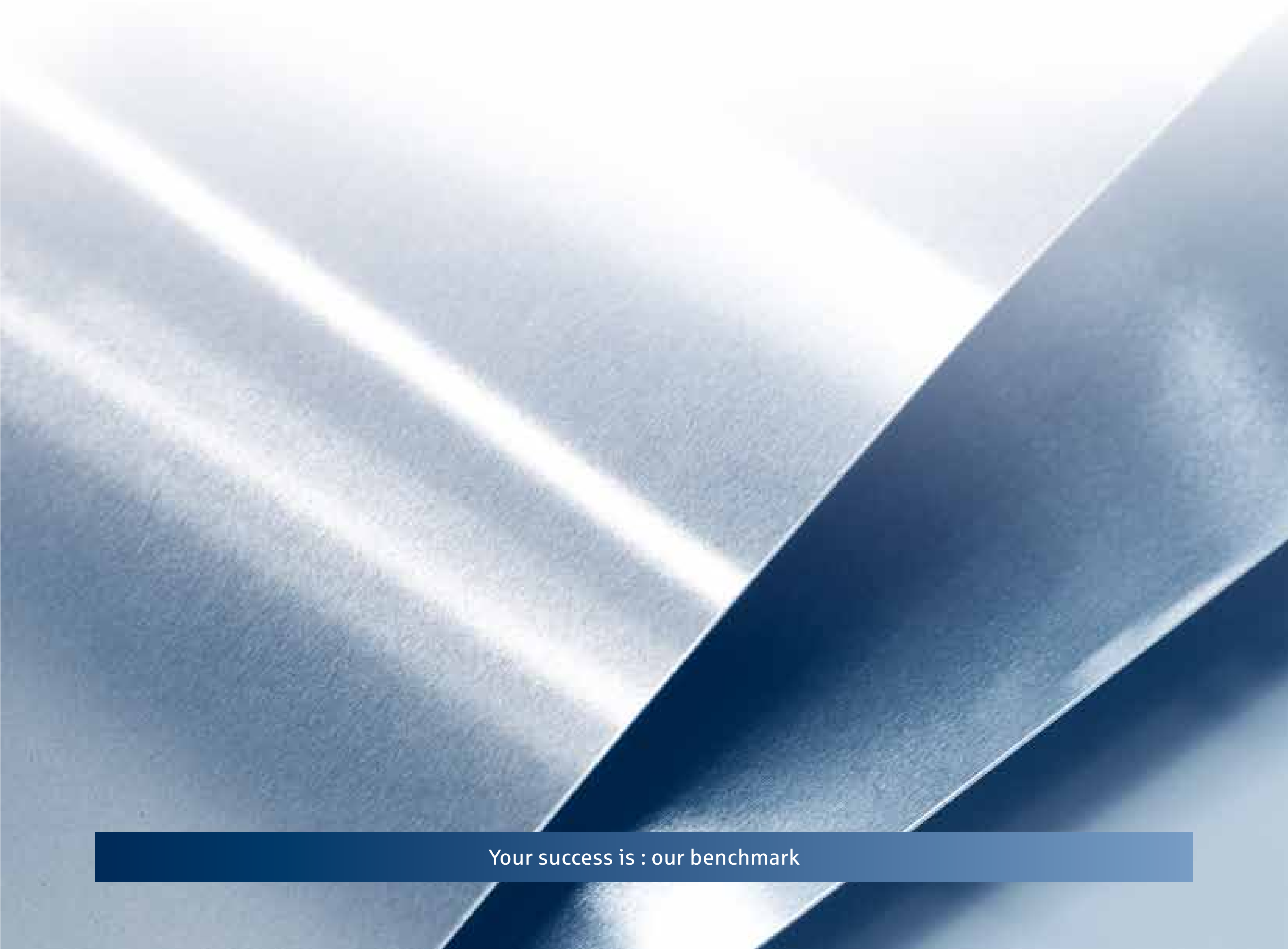
DEUTSCHE HYPO
Member of NORD/LB

HALF-YEARLY FINANCIAL REPORT 2012



Your success is : our benchmark

DEUTSCHE HYPO AT A GLANCE

in € millions	01.01.- 30.06.2012	01.01.- 30.06.2011	Change (in %)
Business progress figures			
Commercial real estate finance business	1,272	1,417	– 10.2
Capital market transactions	867	573	+ 51.3
of which public-sector loans	538	248	+ 116.9
Loans drawdowns	2,191	1,657	+ 32.2
Bond sales and loans taken up	1,817	3,287	– 44.7

in € millions	30.06.2012	31.12.2011	Change (in %)
Balance sheet figures			
Commercial real estate finance (including interest)	12,558	12,133	+ 3.5
Public-sector loans	8,178	8,321	– 1.7
Securities	10,889	11,876	– 8.3
Borrowed funds	32,502	33,178	– 2.0
Equity *)	1,354	1,314	+ 3.0
of which core capital	912	892	+ 2.2
Total assets	34,290	34,999	– 2.0

in € millions	01.01.- 30.06.2012	01.01.- 30.06.2011	Change (in %)
Income statement figures			
Net interest income	103.9	97.5	+ 6.6
Net commission income	4.1	5.5	– 25.5
Administrative expenses **)	37.8	36.5	+ 3.6
Risk result	21.0	39.8	– 47.2
Result from ordinary business activity	28.6	20.3	+ 40.9
Income transferred for investments by silent partners	9.3	9.2	+ 1.1
Net income (after taxes)	13.3	10.6	+ 25.5

in %		
Other information		
	30.06.2012	**30.06.2011**
Cost/income ratio	36.1	36.3
	30.06.2012	**31.12.2011**
Core capital ratio	8.8	8.4

*) including fonds for general bank risks, juissance capital and subordinated liabilities, exluding balance sheet profit
**) including depreciation on property, plant and equipment and intangible assets

The half-yearly financial report 2012 of Deutsche Hypo is also available in German. In the event of any descrepancy, the German version shall prevail.

HALF-YEARLY FINANCIAL REPORT 2012

CONTENT

INTERIM MANAGEMENT REPORT

The figures in the tables and charts in the interim management report are expressed in thousand euros (€ thousand), million euros (€ million) or in billion euros (€ billion). It should be noted that the amounts and percentages quoted in the tables, charts and text are rounded figures, resulting in rounding differences in some cases.

Market development

Economy

In the first half of the year, the economic performance in Germany was robust. In the months from January to March the seasonally and price-adjusted gross domestic product (GDP) grew by a surprisingly strong 0.5 % compared to the previous quarter. The positive development of net exports contributed substantially to this. While real imports stagnated, exports rose by 1.7 % in comparison to the previous quarter. However, private consumption also improved and contributed 0.2 percentage points to GDP growth. Contrary to this, investment activity slowed in the first quarter. Due to weather conditions, primarily construction investments fell, which, however, should bring about a counter-movement. The data on the development of construction production, which was available by the May reporting month, also suggested this.

The negative impact from the debt crisis and from the weak economy in the rest of Europe recently increased for the German economy. Not only the moderate development of industrial production and income orders, but also the most recent decline in the most important early indicators speak for weaker growth toward the middle of the year. Nonetheless, the situation on the German job market has continued to remain stable. In June 2012, the seasonally-adjusted number of unemployed rose slightly, so that the unemployment rate amounted to 6.8 %. The non-seasonally-adjusted unemployment rate, which receives much more public attention, fell to 6.6 %. The rise in employment continues and is still quite dynamic. Seasonally adjusted, 41.5 million people were employed in May – more than ever before in reunited Germany.

In the eurozone, the economic development in the first half of 2012 continued to be weak overall. Only thanks to the surprisingly good performance in Germany was it possible for GDP in the first quarter to remain just below the level of the previous quarter. The development of the economic early indicators, however, suggests that there will be a decline in GDP in the second quarter. The differences between the individual member states will also remain extremely high in the first half of 2012. The overall economic development in the two largest economies of Germany and France as well as in some smaller northern member states was better than in the overall eurozone. Particularly the economy in the southern European member states came increasingly under pressure; Spain and Italy also remained in recession in the spring.

Office market

On the global office letting markets, users continued to act cautiously due to the unclear economic prospects. Rental decisions were often postponed temporarily. Particularly large companies confronted the economic uncertainties with ongoing reductions in costs. Gross domestic product developed very differently in the various global economic centres – overall fairly low growth was achieved as compared to the period from the previous year. This weak economic development was reflected in the net absorption that was below the previous year. Since, however, new completions also performed weakly, the number of vacancies fell slightly. Nonetheless, further rises in rents can be expected in this area, since the supply of core objects remained limited.

In recent months, the USA has seen a relatively stable economic development that led to the creation of jobs in the office area. In Asia, the disproportionately high economic growth had a positive impact on the demand for office space. In Europe, the letting activities weakened in comparison to the previous year and were very different primarily in the various regions. In southern Europe, there is also no recovery in sight for the letting activities due to the economic difficulties. In other countries of Europe, there was a slight cooling of the economy on account of the anticipated economic weakening. In total, the net absorption and new completions were roughly in balance so that there were only small changes in vacancies. For top rents, there was only very small upward potential.

Real estate investment market

The global real estate investment market started the current year more weakly. On the one hand, this was due to a lack of objects in the sought core markets and, on the other hand, due to the economic uncertainties. In total, a more cautious and hesitant behaviour among investors is observed.

Investors in the USA have confidence in the overall economic performance and are therefore investing more in American real estate again. On the other hand, fewer investments in Asia are anticipated. In Europe, investors are divided after the robust prior year. The focus continues to be on the large investment markets of the UK, France and Germany, and primarily the core real estate there, for which there is excess demand anyway. The investment markets in the south of Europe have a significantly more difficult time. On account of the uncertain prospects, the investors continue to hold back here.

In Germany, the year started slowly for institutional investments – the market solely profited from stronger growth in Munich and Frankfurt. While large-volume transactions did not materialize for the most part, there were numerous smaller investments. This reflects investors' wish for safe investments in "concrete gold". Furthermore, investors want to benefit from the positive overall economic outlook for Germany. Accordingly, the investment volumes also continued to be above the long-term average.

Net assets, financial position and results of operations

Overview

- In the core business area of commercial real estate finance, it was possible to expand the real estate finance portfolio through new business compared to the first half of 2011. The positive development of the margin level continued.

- With regard to the ongoing European sovereign debt crisis, only very selective new business was pursued in the business area of capital market business. Despite the difficult market environment, sufficient funding could be obtained at all times.

- Net interest and commission income produced a total positive contribution to earnings of € 108.0 million. This amount was 4.9 % above the level of the period from the previous year (€ 103.0 million).

- In the first half of the current financial year, the risk result, without considering reversal effects of € – 35.4 million, was slightly below the proportionate level of the previous year (€ – 39.8 million). To strengthen the core capital ratio, the provision reserve in accordance with § 340f of the German Commercial Code (€ 14.4 million) was released and allocated to the fund for general bank risks.

- The administrative expenses were slightly above the comparable level from the prior year and amounted to € 37.8 million in the first half of 2012 (previous year: € 36.5 million). The cost/income ratio was almost unchanged at 36.1 % (previous year: 36.3 %).

- It was also possible to significantly increase the result from ordinary business activity, which amounted to € 28.6 million at the end of the first half of the year (previous year: € 20.3 million).

- Total assets fell from € 34,999 million to € 34,290 million due to the scheduled reduction in the capital market portfolio in comparison to the end of 2011.

- In particular, the retention of the profit from the previous year and the improvement in the portfolio quality in the commercial real estate finance business led to a further strengthening of the core capital ratio to 8.8 % (previous year: 8.4 %). The total capital ratio in accordance with the German Solvency Regulation (SolvV) rose to 12.4 % (previous year: 11.6 %).

in € million Income Statement	H1 2012	H1 2011	Change (in %)
Net interest income	103.9	97.5	+ 6.6
Net commission income	4.1	5.5	– 25.5
Administrative expenses	37.8	36.5	+ 3.6
of which personnel expenses	23.6	22.0	+ 7.3
of which other administrative expenses including depreciation	14.2	14.5	– 2.1
Other operating income	– 3.4	– 2.5	+ 36.0
Risk result	– 21.0	– 39.8	– 47.2
Allocation to the fund for general bank risks (§ 340g HGB)	– 14.4	0.0	>100
Balance of depreciation / write-downs / write-ups of investments, shares in affiliated companies and securities treated as fixed assets	– 2.9	– 3.9	– 25.6
Income from ordinary business activity	28.6	20.3	+ 40.9
Extraordinary income	– 0.3	– 0.3	+ 0.0
Income transferred on the basis of profit pooling, a profit transfer or a partial profit transfer agreement	– 9.3	– 9.2	+ 1.1
Income before taxes	19.0	10.8	+ 75.9
Taxes	5.7	0.2	>100
Net income for the year	13.3	10.6	+ 25.5

Net interest and commission income

The net interest income continued to grow as compared to the 2011 half-yearly financial statements and amounted to € 103.9 million (previous year: € 97.5 million). The reason for this was the higher real estate finance portfolio on account of the new business in connection with an ongoing pleasing development in margins. The net interest income was positively affected by the maturity-proportionate recognition of fee components in the net interest income.

On account of the ongoing European sovereign debt crisis, only selective new business was pursued in the capital market business. In the context of the business strategy, it was possible to achieve a scheduled reduction in the capital market portfolio. This decline in the portfolio is also reflected in the lower net interest income from the capital market business.

The net commission income was € 1.4 million below the level of the prior year. While the net commission income from the new real estate finance business continued to develop positively, the service fee for the servicing of the real estate finance portfolio still on the books of NORD/LB fell in accordance with expectations due to the advanced portfolio carried over. Furthermore, fees fell in the first half of the year for the successful placement of a benchmark mortgage Pfandbrief.

The net interest and commission income rose by a total of € 5.0 million and amounted to € 108.0 million.

Administrative expenses

Administrative expenses rose slightly by 3.6 % to € 37.8 million as compared to the previous year. The increase was primarily due to higher personnel expenses. They rose by € 22.0 million to € 23.6 million, among others, due to the increase in the number of employees as a result of the relocation of credit specialists from NORD/LB to Deutsche Hypo at the end of 2011.

The other administrative expenses, including the amortization of intangible assets and the depreciation of property, plant and equipment was slightly below the previous year and amounted to € 14.2 million (previous year: € 14.5 million).

The cost/income ratio improved slightly to 36.1 % (previous year: 36.3 %).

Other operating income

The balance of the other operating income amounted to € – 3.4 million (previous year: € – 2.5 million). This balance was primarily influenced by the contributions to be made to the restructuring fund for banks (bank levy) in the amount of € 3.9 million as of 30 June 2012.

Risk result

The risk result showed a slight improvement as compared to the proportionate amount from the previous year and was at € – 35.4 million. To strengthen the core capital ratio, the provision reserve in accordance with § 340f of the German Commercial Code was released and allocated to the fund for general bank risks. The net expense in the credit business amounted to € 28.6 million (previous year: € 32.9 million). Furthermore, the risk result from securities in the liquidity reserve made a positive contribution.

Income from financial investments

The balance from the depreciation and amortization / write-downs / write-ups of investments, shares in affiliated companies and securities treated as fixed assets improved from € – 3.9 million to € – 2.9 million. The negative contribution to earnings in the interim report was mainly due to close-out effects and the write-down of an investment.

Income from ordinary business activity

Deutsche Hypo generated an income from ordinary business activity of € 28.6 million at the end of the first half of 2012, which was significantly above the amount of € 20.3 million in the previous year. This increase was due in particular to higher net interest income.

Net income for the year

The increase in the income from ordinary business activity in connection with higher tax expenses due to the used-up loss carried forward led to net income of € 13.3 million in the first half of 2012. The result was slightly above the proportionate amount of € 10.6 million in the previous year.

Development of the business areas

Performance by business area in € millions	Commercial real estate finance		Capital market business		Other business		Total result	
	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011
Net interest and commission income	87.6	73.0	8.9	16.8	11.6	13.2	108.0	103.0
Administrative expenses	24.8	22.3	3.6	3.7	9.5	10.5	37.8	36.5
Risk result incl. allocation to the fund for general bank risks (§ 340g HGB)	– 43.0	– 32.9	0.2	– 6.9	7.5	0.0	– 35.4	– 39.8
Other operating income	– 0.8	0.3	– 1.6	– 3.9	– 3.8	– 2.8	– 6.2	– 6.3
Income from ordinary business activity	19.0	18.1	3.8	2.3	5.8	0.0	28.6	20.3
Income transferred on the basis of profit pooling, a profit transfer or a partial profit transfer agreement *)	0.0	0.0	0.0	0.0	– 9.5	– 9.5	– 9.5	– 9.5
Income before taxes	19.0	18.1	3.8	2.3	– 3.8	– 9.5	19.0	10.9
CIR **)	28.2 %	30.4 %	40.1 %	22.1 %	121.9 %	100.2 %	36.1 %	36.3 %
RoRaC / RoE ***)	7.3 %	7.5 %	9.1 %	7.4 %	– 32.6 %	– 96.3 %	5.1 %	2.9 %

*) Including extraordinary income
**) CIR = Administrative expenses including depreciation of property, plant and equipment / (net interest income + net commission income + other operating income)
***) RoRaC reported at the business area level, RoE reported for the entire bank
RoRaC for business areas = Income before taxes / fixed capital (= 7.0 % of the average risk-weighted assets), amount from the prior year adjusted accordingly
RoE for entire bank = Income before taxes / average capital pursuant to commercial law (= subscribed capital + capital and revenue reserves)

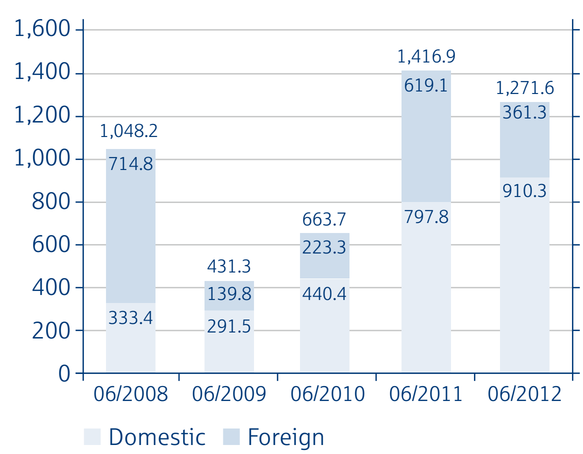
Commercial real estate finance

The business area handles the real estate finance activities.

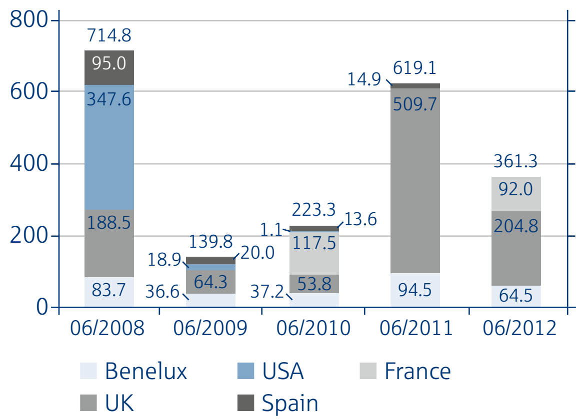
New business

New commitments during the reporting period totalled € 1,271.6 million. The new business continued to be on a high level, but fell by 10.3 % in comparison to the period from the previous year (€ 1,416.9 million). With a share of 71.6 % (€ 910.3 million), the focus of the credit commitments was on domestic new business. The remaining new business was done in the other core markets of the UK (16.1 %), France (7.2 %) and Benelux (5.1 %).

New real estate finance business by region (in € millions)



Foreign new real estate finance business (in € millions)



Of the new commitments in real estate finance, 94.5 % or € 1,201.3 million were attributed to the financing of commercially used objects and 5.5 % or € 70.3 million were attributed to financing residential property. The shares roughly correspond to those of prior years.

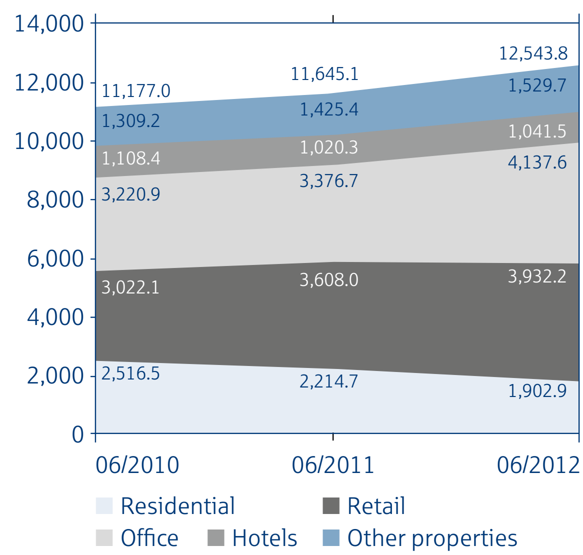
Portfolio

The real estate finance portfolio increased in size compared with the same period of the previous year in the first half of 2012, up by 7.7 % to € 12,543.8 million (previous year: € 11,645.1 million). Of this amount, € 2,771.0 million (22.1 %) was attributable to the asset transfer where the commercial real estate finance portfolio of NORD/LB is being successively transferred to Deutsche Hypo.

The finance portfolio in Germany amounted to € 7,639.0 million (€ + 520.9 million). An amount of € 4,904.8 million (€ + 377.8 million) was attributable to financing abroad. This meant that foreign loans made up a share of 39.1 % of the total portfolio in the real estate finance as of 30 June 2012.

The most significant changes in the portfolio affected Germany and the markets of the UK (€ + 332.2 million), France (€ + 178.6 million) and the USA (€ – 256.5 million). The largest share of the finance portfolio of Deutsche Hypo abroad was attributable to the UK with 37.8 %.

Development of real estate finance business (in € millions)



The composition of the portfolio according to real estate sectors changed only insignificantly for the benefit of the office buildings with a share of now 33.0 % (previous year: 29.0 %).

Result

In commercial real estate finance, it was possible to achieve net interest income of € 82.6 million in the first half of 2012 (previous year: € 66.9 million). The positive development in comparison to the previous years is due in particular to the increase in the real estate finance portfolio. Furthermore, the portfolio and new business margins as well as the maturity-proportionate recognition of fee components in the net interest income continued to be positive. There was also one-off income from payments before maturity. In total, net interest income rose by 23.5 % in comparison to the period from the previous year.

The net commission income was € 1.2 million below the level of the previous year. While the net commission income from the new real estate finance business continued to develop positively, the service fee for the servicing of the real estate finance portfolio still on the books of NORD/LB fell in accordance with expectations due to the advanced portfolio carried over.

In the first half of the year, the risk provision rose to € 43.0 million on account of allowances primarily for foreign commitments (previous year: € 32.9 million). Irrespective of this, the quality of the real estate finance portfolio improved, which can be seen in the continuously decreasing volume of defaulted commitments and the improvement in the average ratings.

Administrative expenses amounted to € 24.8 million and were above the level of the previous year (€ 22.3 million). The significant drivers of costs resulted from the ongoing strengthening of Deutsche Hypo as a centre of competence for commercial real estate finance in the NORD/LB Group. In the course of this, additional credit specialists from the back office of NORD/LB were transferred to Deutsche Hypo at the end of 2011, as a result of which personnel expenses rose commensurately in comparison to the previous half year.

The result from ordinary business activity in the business area was € 19.0 million and slightly above the level of the proportionate previous year in the first half (€ 18.1 million).

Capital market business

This business area encompasses the activities of government financing and the funding business, including all the activities related to bank-wide risk management. All the effects from the bank-wide risk management are considered here.

New business

Deutsche Hypo sharply reduced its international new capital market business in reaction to the European sovereign debt crisis. Only € 867 million of loans and securities, primarily from German issuers, were acquired for the purpose of the net interest and liquidity management. The average maturity was significantly below two years.

Result

In the context of the business strategy, Deutsche Hypo pursued the goal of successively reducing its portfolio in the capital market business in order to reduce the related risks. To this extent, the Bank solely undertook selective new business. Consequently, the reported net interest income was below the level of the previous year and amounted to € 10.2 million. Both the effects from the government finance business and the effects from bank-wide risk management such as for example positive period transformation results or an increase in costs for the conscious additional stocking of liquidity led to the reported net interest income.

In capital market business, the risk provision developed positively and amounted to € 0.2 million at the end of the first half of the year (previous year: € – 6.9 million). The high amount from the previous year was based on the effects from the repurchase of the Bank's own securities for market support.

The result on securities and investments amounted to € – 1.6 million and were above the level of the previous year (€ – 3.9 million). The reasons for this were the one-time negative effects in connection with disposals.

The administrative expenses reported in the first half of the year amounted to € 3.6 million and were roughly at the level of the previous year (€ 3.7 million).

The income from ordinary business activity for the capital market business increased in the first half of 2012 to € 3.8 million (previous year: € 2.3 million).

Other business

Other business reports the effect on earnings from investing the Bank's equity capital and the contribution of other non-strategic business activities to earnings. Income and expenses that cannot be directly allocated to the other business areas are also included here.

Net interest income amounted to € 11.1 million in the first half of the year and was thus slightly below the level of the previous year (€ 13.7 million). The risk result includes one-time income from the disposals due to the adjustment in the equity capital strategy.

The administrative expenses fell to € 9.5 million (previous year: € 10.5 million). The balance from the other operating income of € – 3.8 million was largely due to the contribution to the restructuring fund for banks (bank levy).

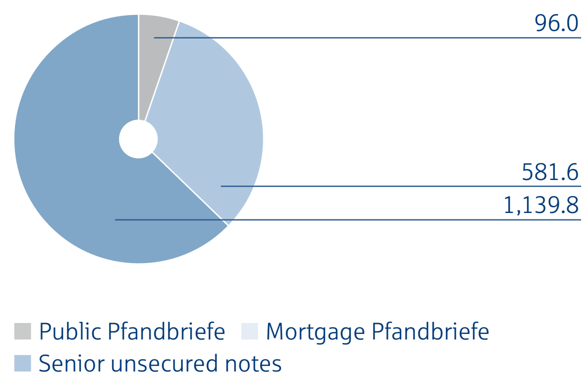
Funding

If the issuing of senior unsecured notes was a constraint on the overall market in the past year, Deutsche Hypo succeeded in selling a high volume of these securities, particularly in the German savings banks sector. The demand-oriented issue business was dominated by private placements tailored for individual investors.

In June, the Bank issued a mortgage Pfandbrief in benchmark format with a volume of € 500 million. This issue was placed through a consortium of renowned banks and generated high demand among German and international investors.

The outlined funding mix allowed the sale of an issue volume of € 1,817.4 million in total at favourable conditions. The sustainable investor demand in a market environment calmed by the stabilizing measures of the ECB led to a continuously comfortable liquidity situation and guaranteed Deutsche Hypo's competitiveness in the lending business. The issues of the Bank were still sought-after investments with a high level of investor acceptance.

Breakdown of issue volume as of 30 June 2012 (in € millions)



Rating

In December 2011, the rating agency Moody's announced that it was subjecting the ratings of a total of 114 banks in 16 European countries to a detailed review, including the rating of Deutsche Hypo. The participating banks received the results of the review on 6 June 2012. The rating situation for Deutsche Hypo currently is as follows:

Rating Deutsche Hypo

	Mortgage Pfandbriefe	Public Pfandbriefe	Short-term liabilities	Long-term liabilities	Financial strength
Moody's	Aaa	Aaa	Prime-2	Baa1	D
	Since 8 June 2012: Aa2	Since 8 June 2012: Aa2		Since 6 June 2012: Baa2	Since 6 June 2012: E+

In accordance with the rating methodology applied by Moody's, it was no longer possible to maintain a Aaa rating for the Pfandbriefe of Deutsche Hypo after the downgrade of the financial strength or "long-term deposit" rating. An Aa1 rating would have been possible for the public Pfandbriefe through voluntary excess cover, but for the mortgage Pfandbriefe, however, only through a permanent, contractual overcollateralization. After intensive consideration of the advantages and disadvantages of the various ratings, the Bank decided – particularly on account of the far-reaching impact on the future business policies – for an equal rating level and against contractual overcollateralization. Deutsche Hypo's Pfandbriefe have therefore been rated Aa2 since 8 June 2012.

Deutsche Hypo is convinced that it will continue to be valued as a very renowned issuer on the capital market and that its securities will continue to meet high demand. The successful issue of the benchmark mortgage Pfandbrief in June 2012, which already had a Aa2 rating, proofs this. The capital markets are in upheaval anyway and top ratings are losing their significance for the evaluation of investments, in the opinion of Deutsche Hypo.

Development of equity capital

As of 30 June 2012, the balance sheet equity capital amounted to € 911.3 million (previous year: € 897.9 million). It was resolved at the annual general meeting on 23 May 2012 that the retained profit for 2011 (€ 6.0 million) would be allocated to other revenue reserves.

While the juissance right capital remained unchanged, the subordinated liabilities increased due to the new absorption of € 20.0 million to € 344.0 million. Furthermore, an allocation of € 14.4 million to the fund for general bank risks pursuant to § 340g of the German Commercial Code (HGB) was created through a reduction in the provision reserves pursuant to § 340f of the German Commercial Code.

The total balance sheet equity capital plus the juissance right capital, subordinated liabilities and the fund for general bank risks in accordance with § 340g of the German Commercial Code amounted to € 1,367.7 million (previous year: € 1,319.9 million).

In accordance with the regulatory requirements, a total of € 1,330.0 million (previous year: € 1,047.1 million) constituted eligible equity capital. This meant a rise of € 282.9 million as compared to 2011.

The increase in regulatory equity capital was only met by a smaller increase in risk-weighted assets. As a result, the core capital ratio improved to 8.8 % (previous year: 8.4 %). Likewise, the total capital ratio improved to 12.4 % (previous year: 11.6 %).

Risk report

The risk control and risk management system of Deutsche Hypo, the corresponding structures and procedures, the processes and methods implemented for measuring and monitoring risk and the risks to the Bank's development were described in detail in the annual report 2011. They remained largely unchanged with the exception of the form of the risk-bearing capacity model of Deutsche Hypo. The basic principles of the new risk-bearing capacity model will be explained in the following. Otherwise, only significant developments in the period under review will be addressed.

Risk-bearing capacity

The risk-bearing capacity model (RBC model) constitutes the methodical basis for monitoring compliance with the Deutsche Hypo risk strategy. The starting point is the identification of all the types of risk that are relevant for the Bank (overall risk profile) and the differentiation of material and non-material risks.

The aim of the RBC model is to aggregate and duly present the Bank's risk-bearing capacity by comparing risk potential resulting from the material risks and the risk capital. Due to the increase in regulatory requirements, the RBC model used in the NORD/LB Group was thoroughly overhauled. As of the reporting date of 31 March 2012, it was used for the first time throughout the Group.

Deutsche Hypo's RBC model consists of the pillars going concern, gone concern and regulatory scenario in which the risk potential from the material risk types are juxtaposed to the defined risk capital. The first pillar of the RBC model, which is represented by the going concern approach, is the most decisive for the evaluation of the risk-bearing capacity in terms of the minimum requirements for risk management (MaRisk) and thus relevant for the management of Deutsche Hypo. In addition, a gone concern approach is considered. It can provide an incentive for the going concern approach that is material for the evaluation of the risk-bearing capacity. The gone concern approach has the character of a secondary condition. A regulatory approach (regulatory scenario) is used for the representation and check of the appropriate equity capital resources in accordance with the German Solvency Regulation (SolvV) as a strict secondary condition. The material characteristics of the three pillars are explained in the following:

Going Concern

- Superordinate model of the going concern approach as the primary sustainability control group is the independent continuation of the company on the basis of the existing business model, even if the provided cover pool were used up due to risks that materialized. In the going concern approach, the risk potential economically calculated with a uniform confidence level of 95 % and a holding period of one year is juxtaposed to the risk capital, which is determined at set minimum ratios (for total capital and core capital) in the course of a consideration of shortages in available capital pursuant to SolvV and adjusted with regard to various aspects. The minimum ratios are set in resolutions by the Board of Managing Directors under obligatory observance of the regulatory capital requirements.

Gone Concern

- The second pillar is represented by the gone concern approach and is a secondary condition in the RBC model. The gone concern approach takes into consideration, in terms of risk potential, a higher confidence level of 99.9 % than the going concern approach. Against the backdrop of precise regulatory requirements, both the hidden liabilities from securities in fixed assets and credit derivatives as well as the resulting credit spread risks were integrated into the status quo consideration of the gone concern approach. With regard to the risk capital, the total regulatory capital is juxtaposed to the risk capital with consideration given to various adjustments so that the continuation of the business operations would no longer be possible if this risk capital was used up.

Regulatory scenario

- The regulatory scenario, the third pillar of the RBC model, handles the official reporting on the appropriate equity capital resources (SolvV reports) and consequently considers the risk potential determined in accordance with the regulatory requirements.

Deutsche Hypo's positioning in terms of risk strategy envisages that solely 80 % of the available cover pool is juxtaposed to the risks. Under consideration of this risk appetite (primary criterion) and the allocation of the risk capital (secondary criterion) as established in the risk strategy, the set escalation processes are initiated on the basis of the traffic lights of the risk-bearing capacity model, if need be.

In addition to these considerations, Deutsche Hypo conducts both regular and specific stress tests across different types of risk. The integration of inverse stress tests takes into account the expanded requirements of the MaRisk amendment and makes it possible to obtain a critical reflection of the stress test results in addition to the classical stress tests.

The preparation of the report on the current risk-bearing capacity situation with regard to the Board of Managing Directors and the Supervisory Board takes place at least quarterly. In addition to the evaluation of the risk-bearing capacity, appropriate recommendations for action are also made if need be.

Allocation of the risk capital to the material risk types

The maximum allocation of the risk capital to the material risk types takes place as part of the risk-bearing capacity model on the basis of the principles of the risk strategy. The requirements apply to the going concern approach as the primary control group. For the allocation of the risk capital, not the entire risk capital is provided in accordance with the requirements of the primary criterion, but rather a buffer is considered. Besides the consideration of explicit values for a maximum capital allocation for each material risk type in the normal case, bandwidths are also granted. The bandwidths represent leeway within which the Board of Managing Directors can react to short-term changes in the risk situation outside of the regular risk strategy process and adjust the maximum risk capital allocation.

Risk-bearing capacity situation as of 30 June 2012

The risk-bearing capacity in the going concern approach continually improved as compared to the end of 2011 with the capacity utilization degree of the risk capital falling from 53 % to 34 %. The subsequent overview shows a detailed comparison of the risk-bearing capacity in the going concern approach between the end of 2011 and 30 June 2012.

Risk-bearing capacity (going concern)

in € million	30 June 2012		31 December 2011 *)	
Risk capital	**368.2**	**100 %**	**272.9**	**100 %**
Credit risks	76.2	21 %	88.3	32 %
Investment risks	0.1	0 %	0.1	0 %
Market price risks	22.5	6 %	36.2	13 %
Liquidity risks	20.3	6 %	16.2	6 %
Operational risks	4.3	1 %	4.1	2 %
Total risk potential	123.4		144.9	
Surplus cover	244.8		128.0	
Risk capital utilization		**34 %**		**53 %**

*) The overview shows the risk-bearing capacity on the basis of the overhauled risk-bearing capacity model. The figures from the prior year were recalculated under consideration of changes in method.

On account of the ongoing European sovereign debt crisis, there continues to be great uncertainty on capital markets which led to a material rise in the hidden liabilities and the credit spread risks from the securities in fixed assets and credit derivatives. In this connection, the internal targets in the gone concern approach will be undercut. The risk potential exceeds the risk capital. The gone concern approach is considered in the context of the risk-bearing capacity model under the character of a secondary condition in addition to the going concern case which is relevant for management and for the evaluation of the risk-bearing capacity. Under consideration of the results of the regular, bank-internal scenario analyses, the current oversubscription of the risk potential in the secondary condition is viewed as a temporary effect.

In order to achieve the internal targets in the secondary condition in the future, too, Deutsche Hypo identified and has already begun implementing them. These measures include, among others, that Deutsche Hypo pursues new business in the capital market business solely for the management of liquidity in order to reduce credit spread risks and also limits itself here to low-risk titles with short residual maturities. Other measures for increasing the degree of capacity utilization in the gone concern approach include the optimization of the credit portfolio quality and the successive reduction of security positions that protect the income statement and were identified as material risk drivers.

Market price risk

The targets for risk management mainly relate to the partial risk types of interest rate risk, credit spread risk and currency risk.

In the first half of 2012, Deutsche Hypo refined its risk control instruments in the area of market price risk and implemented a new system for the quantification of risk, which is used in the NORD/LB Group. As a result, the comparability of the results on the Group level and the level of the individual institutes was strengthened on the one hand, and synergy effects between Deutsche Hypo and the parent company are increased, on the other hand, by using uniform instruments and systems. The adjustments in method that were connected with the conversion of the system tended to lead to a moderate rise in interest rate risk due to the model.

In the following overview, the market price risks of Deutsche Hypo are represented as of the reporting deadline and in comparison to the year 2011.

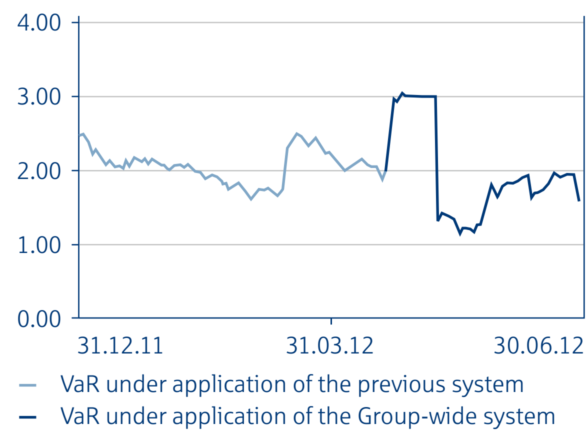
Market price risk in € thousand	End values	
	30/06/2012	31/12/2011
VaR*) interest rate risk portfolio of the entire bank	1,592	2,443
Standard risk**) interest rate risk portfolio of the entire bank	32,942	38,411
Normal scenario***) credit spread risks	126,671	128,430
Nominal volumes of credit spread risks	11,892,368	12,475,441

*) Confidence interval of 95 %, 1 day holding period
**) 100 BP parallel shift
***) Adjusted total portfolio, 10 % shift in credit spreads, excluding municipality risks

The daily calculated Value-at-Risk (VaR) for interest rate risk fluctuated in the reporting period between € 1.2 million and € 3.0 million with an average value of € 2.0 million. Only 37 % of the VaR limit of € 5.4 million was utilized on average in the reporting period and was not surpassed at any point in time.

The course of the VaR (95 % confidence level, 1 day holding period) of the Bank is outlined in the following graphic. The credit spread risks are not included here.

Development of Value-at-Risk from interest rate risks (95 %, 1 day) in € millions



The overview shows that Deutsche Hypo also has a low risk appetite in the area of interest rate risks. The rise in the VaR in April 2012 mainly resulted from the conversion to the system used in the NORD/LB Group for the quantification of the market price risk.

The interest rate risk of Deutsche Hypo is solely based on the investment of perpetual equity. The strategy of reinvestment of permanently available equity capital components is set by the Board of Managing Directors as part of the capital charge concept. Under special consideration of the prevailing interest rate and the current interest rate forecasts, Deutsche Hypo adjusted the investment of its capital to the current circumstances. This led to a noticeable decline in the interest rate risk.

With regard to the general interest rate risk in the banking book (SolvV interest rate shock), the ratio at Deutsche Hypo as of 30 June 2012, with a value of 5.62 %, was significantly below the regulatory threshold of a maximum of 20 % of the liable equity capital. On account of the sharp drop in interest rates, a positive result from the term transformation was generated in the first half of 2012.

The ongoing tense situation with regard to the European sovereign debt crisis led to a decrease in the liquidity on credit markets and to the volatile level of credit spreads. In the first half of 2012, the credit spread risks in the normal scenario remained almost unchanged, at the level at the end of the previous year (€ 127 million as of 30 June 2012 in comparison to € 128 million as of 31 December 2011).

In the same period, the nominal volume of the lending positions connected to the credit spread risk of € 12.5 billion at the end of 2011 was reduced on schedule by roughly 5 % to € 11.9 billion. This development is a consequence of the decision of Deutsche Hypo to pursue new business solely in the capital market business for the management of liquidity in low-risk titles.

Counterparty risk

The counterparty default risk continued to represent the largest potential risk. Roughly 62 % of the total risk potential in the management-relevant going concern case will be utilized by the counterparty default risk. While the risk potential declined noticeably in the real estate lending business, there was an increase in the area of capital market business. Here, the impact of the European sovereign debt crisis is evident, and the various rating downgrades that come with it.

The total credit exposure fell slightly by € 127 million or 0.3 % in the first half of 2012. The risk structure according to rating classes remains mostly unchanged as compared to the level on 31 December 2011 and can be represented as follows:

Breakdown of the entire credit exposure by class and rating:

in € millions	Loans	Securities	Derivatives / Credit derivatives	Other products	Total exposure 31.12.2011
Very good to good	14,564.3	11,461.9	1,762.8	962.8	28,751.8
Good / satisfactory	2,671.3	287.8	385.3	0.1	3,344.4
Still good / sufficient	1,780.9	95.0	35.0	59.8	1,970.6
Elevated risk	1,030.6	2.4	0.0	0.0	1,033.0
High risk	617.5	0.0	0.0	9.1	626.7
Very high risk	586.2	0.0	0.0	0.0	586.3
Default (NPL)	701.5	5.3	0.0	0.0	706.8
Total	**21,952.3**	**11,852.3**	**2,183.0**	**1,031.9**	**37,019.5**

in € millions	Loans	Securities	Derivatives / Credit derivatives	Other products	Total exposure 30.06.2012	Total exposure 31.12.2011
Very good to good	14,964.3	10,110.9	1,829.3	1,297.2	28,201.7	28,751.8
Good / satisfactory	2,877.1	517.2	399.0	0.1	3,793.4	3,344.4
Still good / sufficient	1,996.3	250.0	25.0	38.0	2,309.2	1,970.6
Elevated risk	852.9	0.0	0.0	0.0	852.9	1,033.0
High risk	474.6	2.5	0.0	9.1	486.2	626.7
Very high risk	568.0	0.0	0.0	0.0	568.0	586.3
Default (NPL)	681.0	0.0	0.0	0.0	681.0	706.8
Total	**22,414.1**	**10,880.6**	**2,253.3**	**1,344.3**	**36,892.4**	**37,019.5**

In the above presentation, the reporting of the credit derivatives takes place in the category of derivatives. This was not the case as of 31 December 2011 so that the adjusted presentation as of 31 December 2011 is provided for comparison.

The best rating class of “very good to good” has been given to an ongoing high share of 76.4 % of the total exposure. As of 31 December 2011, this share amounted to 77.7 %. The reason for the slight decline is in the area of securities that were partially affected by the rating downgrades in the recent past.

The share of the items with “high to very high risk” fell from 6.1 % to 5.2 %. The share of defaulted financing remained on a low level and fell from 1.9 % to 1.8 % at the end of year 2011. The average rating of the new business in the real estate finance business and also in the capital market business was above the average of the portfolio business. This shows the Bank’s ongoing high demand for quality in new business and contributes to the fact that the high rating level of the portfolio is ensured.

The credit exposure for the country of Spain is as follows:

in € millions	Loans	Securities	Derivatives / Credit derivatives	Other products	Total exposure 30.06.2012	Total exposure 31.12.2011
Very good to good	132.6	985.3	0.0	0.1	1,118.0	1,757.6
Good / satisfactory	122.0	195.6	0.0	0.0	317.6	62.4
Still good / sufficient	73.6	159.0	0.0	0.0	232.7	0.0
Elevated risk	17.0	0.0	0.0	0.0	17.0	17.1
High risk	0.0	0.0	0.0	0.0	0.0	0.0
Very high risk	11.9	0.0	0.0	0.0	11.9	11.9
Default (NPL)	72.0	0.0	0.0	0.0	72.0	74.7
Total	**429.2**	**1,340.0**	**–**	**0.1**	**1,769.3**	**1,923.5**

In the course of 2012, there was a partial shift in the area of loans and securities from the best rating class of "very good to good" to the next class of "good / satisfactory . The reason for this is mainly the European sovereign debt crisis, which led to a worsening in the ratings in the securities portfolio. The volume of defaulted financing fell slightly from € 74.7 million to € 72.0 million. The defaults mainly relate to real estate finance.

Liquidity risk

Deutsche Hypo had good access to the money and capital market at all times during the reporting period. Despite the credit rating downgrades by the rating agency Moody's, Deutsche Hypo was able to place a total of around € 1.8 billion of Pfandbriefe and uncovered bonds at – in comparison to competitors – attractive funding conditions on the market in the first half of the year.

In order to ensure the liquidity at all times, Deutsche Hypo participated in the most liquid markets and kept a portfolio of securities of high quality, of which roughly 72 % are suited for open market transactions with the European Central Bank. Furthermore, the Bank has a comfortable situation with regard to the refinancing risk, which is due to the pursued capital market financing (involving uncovered issues and mortgage Pfandbriefe) and largely maturity-congruent refinanced new business in the reporting period.

The liquidity ratio in accordance with the Liquidity Regulation (LiqV) was always well over the minimum of 1.00 required by regulatory provisions during the period under review. It was 1.32 as of the reporting deadline of 30 June 2012.

The dynamic liquidity stress test (LST) used for controlling and limiting as well as the other stress tests showed a satisfactory liquidity situation in the reporting period. The liquidity surplus in the dynamic scenario of 210 days as of 31 December 2011 changed to 224 days as of 30 June 2012. Deutsche Hypo continues to be clearly within the requirement that foresees a minimum amount of 180 days and was met at all times in the reporting period.

The security for the Pfandbrief liquidity required in accordance with the Pfandbrief Act (Pfandbriefgesetz) was present throughout the reporting period. Both in the cover pool of the public Pfandbriefe and in the mortgage Pfandbriefe, there was no cumulative need for liquidity for the next 180 days as of 30 June 2012.

At the end of the first half of 2012, the volume of the liquidity potential outlined in the liquid coverage assets for the cover pool of public Pfandbriefe amounted to roughly € 3.35 billion and for the cover pool of mortgage Pfandbriefe to € 587 million. The liquidity potential in this connection consists of coverage assets that meet the criteria for the securing of excess cover and the coverage assets that are eligible for the Central Bank (see § 4 (1a) of the Pfandbrief Act / PfandBG).

Operational risk

In the first half of 2012, the overhauling of reporting was successfully completed for the operational risk. The first-time application of the new reporting took place on the reporting deadline of 30 June 2012.

For the area of IKS, the initial start of five main processes in total was announced in the annual report for 2011. In the first half of 2012, the start had already begun, and a main process is currently being finalized.

In the first half of 2012, there was no damage of an operational kind that had a significant impact on the income situation of Deutsche Hypo. No risks with high potential damage were identified in this period.

Summary and outlook

The ongoing tense situation with regard to the European sovereign debt crisis in the second quarter of 2012 naturally had a noticeable impact on the risk position of Deutsche Hypo. Accordingly, Deutsche Hypo will also continue to carefully observe the developments on money and capital markets in order to take appropriate steps if need be. Among others, the extremely restrictive new business policy in the capital market business and the reduction of portfolios with an increased level of risk show that Deutsche Hypo has already taken measures to reduce risk.

The Bank practices active portfolio management in the area of real estate financing, too. This is supported by the management of risk-weighted assets (RWA) in accordance with SolvV, which shows the current RWA development of every individual real estate financing each week. As a result, premature large RWA changes become apparent and place the Bank in a position to take appropriate control measures as part of its leeway to act.

Beyond the above-mentioned risks, no material new risks can currently be identified. Deutsche Hypo has taken all the known and material risks into appropriate account through precautionary measures and considers itself to be well prepared for the upcoming challenges with the risk provisions it has made.

Forecast report

Economic forecast

The economy in Germany is being increasingly slowed by the extremely weak economic situation in the rest of the eurozone. This is also reflected in the data from the ifo business climate index. The most important earlier indicator for the performance of the German economy fell at the end of the second quarter, and, above all, economic expectations dropped significantly. Fundamentally, the forecasts for the German economy remain optimistic, however. Despite the weakening in growth that is anticipated in the middle of the year, GDP for the entire year is expected to be just under 1.0 %. Significant support will be provided by domestic demand in this year. Both construction investments and private consumption will grow sharply.

Fiscal policy will only have a slightly restrictive effect in Germany, while the austerity policies in the eurozone will have a much more serious impact. For the current year, the economic output is expected to fall in the eurozone by 0.3 % compared to the previous year. Risks result, above all, from the debt crisis. Both for Germany and for the eurozone, an average inflation rate above the target of the ECB is anticipated, but it is also expected to drop later in the year.

The financial markets will remain extremely volatile this year with in particular the debt crisis keeping market participants in suspense. Yields on ten-year German government bonds will at best increase only slightly in the course of the year. The monetary policy of the ECB will contribute to this. Due to the economic concerns and the debt crisis in the eurozone, the monetary policy will remain expansive for a long time. An increase in interest rates should not occur until at least the end of the next year.

Earnings forecast

For the earnings forecast, Deutsche Hypo makes reference to the detailed presentation in the annual report 2011. In the following here, only deviations that result from current developments in the first half of 2012 will be described.

Commercial real estate finance

In total, the weakening global economic recovery affects the development of the global real estate markets. The office markets will develop differently from region to region in the course of the year. The disproportionately high economic growth in Asia will have a positive impact on the demand for offices there. In part, however, correspondingly high new completions are planned so that the effect on the market results as well as the vacancies and rents will differ from market to market. In the USA, slightly rising prices and rents as well as a reduction in vacancies are expected, while there will be an overall slight cooling of the real estate markets in Europe. In particular in southern Europe, no recovery in letting activities on account of the economic difficulties is anticipated.

In the real estate investment markets, on the other hand, there could continue to be a recovery. It remains to be seen, however, whether the investment volume of the prior year can be achieved. In terms of returns, it is only possible to anticipate small changes. Capital assets will see only a slightly positive development against this backdrop.

On account of the new business volume anticipated at roughly the level of the previous year and with a simultaneous positive development in margins and processing fees, Deutsche Hypo assumes net interest income will be significantly above the prior year in commercial real estate finance.

Despite the still high risk provision in the first half of the year, a risk provision for the year that is somewhat lower than in the previous year is expected thanks to the ongoing improvement in the quality of the real estate finance portfolio and the declining volume of defaulted commitments.

As a result of the ongoing positive development in net interest income with an anticipated moderate improvement in the risk provision in the second half of the year, Deutsche Hypo anticipates an annual contribution to earnings by commercial real estate finance which exceeds the amount in the previous year.

Capital market business

The currently good environment for Pfandbrief issues, particularly for issues covered by real estate collateral, will continue in the opinion of the Bank. The relatively high liquidity portfolios of investors in combination with high net maturities in the total Pfandbrief segment will ensure ongoing demand. Since Pfandbriefe have been able to prove at any time that they were and are a suitable asset class in a crisis, investors accept very low yield premiums in the meantime. Despite the loss of the Aaa rating, Pfandbriefe from Deutsche Hypo remain in demand among investors. Here, the intense support of investors and the high transparency of the business model pay off. As a result, the basis for inexpensive and competitive funding should also be ensured in the future.

The market conditions for senior unsecured bonds are going to tighten increasingly. New regulations are having a negative impact on investment behaviour. Deutsche Hypo is aware of this, but assumes that the funding mix established over the years with a high share of Pfandbriefe will continue to be positive for the developments in new lending business.

With regard to the sovereign credit business, the Bank will continue to be very cautious. New business will only be pursued to control the liquidity. The requirements of Basel III (Liquidity Cover Ratio) will move into the foreground here. As a result, the portfolio will decline overall.

Against the backdrop of the ongoing sovereign debt crisis, it is currently difficult to make an earnings forecast for the capital market business. The calming and stabilization of financial markets, which was announced for financial year 2012 has not yet occurred.

In the context of the business strategy, Deutsche Hypo continues to pursue a successive reduction in the capital market portfolio. Deutsche Hypo anticipates a trend in the direction of falling net interest income and overall lower earnings from the capital market business as compared to the previous year.

Other business

For other business, a slightly positive income from ordinary business activity for the entire year is to be expected.

Outlook

Against the backdrop of the outlined forecasts for the significant business areas, Deutsche Hypo continues to anticipate an income from ordinary business activity that will exceed the amount from the previous year.

Opportunities and risks

Increasing requirements for capital and the risk-bearing capacity on account of Basel III as well as the impact of the financial market crisis will lead to a stronger focus on the business activities. This means that the share of the capital market business will drop significantly for the benefit of commercial real estate financing. Consequently, the issue of benchmark bonds will only take place for mortgage Pfandbriefe.

On the other hand, Deutsche Hypo will strengthen its profile in the area of real estate finance as the German Pfandbriefbank with a European focus. The focus is on business with a relationship to the German market, which makes up more than 60 % of the business activities. Furthermore, the Bank selected core regions in which it is also largely represented. These core regions are the UK, the Benelux states, France and Poland. Conversely, the existing credit portfolio in Spain and also in the USA will be run off.

Moderate interest and exchange rate risks could result from the capital market business; credit spread risks can lead to an increase in hidden liabilities. Furthermore, there is generally the risk that Deutsche Hypo cannot generate the anticipated new business at the planned margins. In the process, reduced yields for a market can be compensated by additional income from another submarket within a certain scope. This also applies to the credit risk where the diversification of the portfolio is achieved through the business activities in multiple countries and object types. Customers not making their ordinary and extraordinary loan payments on schedule are considered a risk for the operating earnings.

Besides these risks, Deutsche Hypo has identified opportunities that the Bank sees for itself. Firstly, it should be mentioned the possibility that the real estate markets – unfazed by the European sovereign debt crisis – will continue to be strong and consistently rise in value, connected with an ongoing pleasing development in margins. In its core markets, the Bank shall continue to pursue the project development business, the real estate investment banking and the cross-selling business. The direct business, the syndication competency and the offers of customized finance will continue to be expanded. Even more than before, granular portfolios are in focus.

Deutsche Hypo possesses a good economic starting position. This is shown in its comfortable equity capital ratio and the solid funding basis. The long-term, ongoing market presence and the high country expertise and the Bank's reliability are valued by customers and investors to the same degree. Assuming the planned development of the core markets, Deutsche Hypo sees a chance of retaining its good market position and competitiveness and further expanding in submarkets.

In addition, the strong integration of Deutsche Hypo in the NORD/LB Group and the ongoing intensification of the collaboration in particular should lead to cost synergies and thus to an increase in competitiveness.

Hanover, 1 August 2012

The Board of Managing Directors

Bürkle Pohl Rehfus

INTERIM CONDENSED FINANCIAL STATEMENTS

Balance sheet as of 30 June 2012

Income statement for the period from 1 January to 30 June 2012

Statement of changes in shareholders' equity

Condensed notes

BALANCE SHEET AS OF 30 JUNE 2012

ASSETS

		€	€	€	31.12.2011 €k
1. Cash reserve					
a) Cash on hand			2,681.26		3
b) Credit with central banks			17,862,396.31		105,671
of which:					
with the German Central Bank	17,862,396.31 (PY 105,671 €k)				
c) Credit at postal giro offices			0.00		0
				17,865,077.57	105,674
3. Due from banks					
a) Mortgage loans			23,466,314.23		7,381
b) Loans to local authorities			2,218,463,194.13		1,991,612
c) Other receivables			2,080,514,499.50		1,872,565
of which:				4,322,444,007.86	3,871,558
due daily	1,401,495,323.04 (PY 1,136,351 €k)				
against pledging securities as collateral	0.00 (PY 0 €k)				
4. Due from clients					
a) Mortgage loans			12,534,927,652.33		12,125,860
b) Loans to local authorities			5,959,331,892.44		6,328,894
c) Other receivables			363,106,693.19		412,524
of which:				18,857,366,237.96	18,867,278
against pledging securities as collateral	0.00 (PY 0 €k)				
5. Bonds and other fixed interest securities					
a) Money market instruments					
aa) from public issuers					
of which:		0.00			
borr. from Ger. Central Bank	0.00 (PY 0 €k)				
ab) from other issuers		0.00	0.00		548,973
of which:					
borr. from Ger. Central Bank	0.00 (PY 0 €k)				
b) Bonds and debentures					
ba) from public issuers		5,068,148,260.02			
of which:					
borr. from Ger. Central Bank	3,001,654,242.99 (PY 2,928,767€k)				
bb) from other issuers		5,776,387,330.36	10,844,535,590.38		11,238,152
of which:					
borr. from Ger. Central Bank	4,910,809,530.45 (PY 5,438,274 €k)				
c) Own bonds			44,122,781.72		38,446
Nominal amount	42,522,000.00 (PY 38,482 €k)			10,888,658,372.10	11,825,571
6. Shares and other variable-interest securities				0.00	50,628
7. Participatory interests				76,949.43	77
of which:					
In banks	0.00 (PY 0 €k)				
In financial services institutions	0.00 (PY 0 €k)				
8. Shares in affiliated companies				9,046,848.02	8,804
of which:					
In banks	0.00 (PY 0 €k)				
In financial services institutions	0.00 (PY 0 €k)				
9. Trust assets				1,856.92	4,841
of which:					
Loans on a trust basis	1,856.92 (PY 4,841 €k)				
11. Intangible Assets					
a) In-house industrial property rights an similar rights and assets			0.00		
b) Purchased licenses, industrial property, as well as licenses to those rights and assets			810,390.03		
c) Goodwill			0.00		
d) Payments made on account			0.00	810,390.03	595
12. Tangible assets				4,049,359.96	4,276
14. Other assets				98,967,660.75	180,485
15. Accrued and deferred items					
a) from the issue and loan transaction			65,025,076.18		52,048
b) others			25,218,876.86		26,510
				90,243,953.04	78,558
Total assets				**34,289,530,713.64**	34,998,345

BALANCE SHEET AS OF 30 JUNE 2012

LIABILITIES

		€	€	€	31.12.2011 €k
1. Bank loans and overdrafts					
a) Issued registered mortgage Pfandbriefe			235,078,315.93		257,548
b) Issued registered public Pfandbriefe			561,717,536.53		617,481
c) Other liabilities			7,733,295,786.53		6,930,469
of which:				8,530,091,638.99	7,805,498
due daily	768,590,497.36 (PY 498,511 €k)				
issued to lenders to secure loans					
which have been taken on					
registered mortgage Pfandbriefe	0.00 (PY 0 €k)				
registered public Pfandbriefe	0.00 (PY 0 €k)				
2. Amounts owed to customers					
a) Issued registered mortgage Pfandbriefe			886,767,288.24		931,664
b) Issued registered public Pfandbriefe			7,655,728,599.93		7,900,413
c) Savings deposits			0.00		0
d) Other liabilities			1,436,916,479.49		1,450,712
with which:				9,979,412,367.66	10,282,789
due daily	69,053,342.32 (PY 2,605 €k)				
issued to lenders to secure loans					
which have been taken on					
registered mortgage Pfandbriefe	0.00 (PY 0 €k)				
registered public Pfandbriefe	0.00 (PY 0 €k)				
3. Securitised liabilities					
a) Assigned bonds					
aa) mortgage Pfandbriefe		6,277,076,638.21			6,290,566
ab) public Pfandbriefe		4,110,753,946.63			5,454,851
ac) other bonds		3,604,977,269.77			3,344,170
			13,992,807,854.61		15,089,587
b) Other securitised liabilities			0.00		0
				13,992,807,854.61	15,089,587
4. Trust liabilities				1,856.92	4,841
of which:					
Loans on a trust basis	1,856.92 (PY 4,841 €k)				
5. Sundry liabilities				297,535,453.57	381,097
6. Accrued and deferred items					
a) from the issue and loan transaction			52,273,932.11		53,997
b) other			16,522,170.51		17,991
				68,796,102.62	71,988
7. Provisions					
a) Provisions from pensions and similar obligations			30,512,978.00		29,101
b) Tax provisions			4,525,697.80		1,000
c) Other provisions			18,184,283.08		12,494
				53,222,958.88	42,595
9. Subordinated liabilities				344,000,000.00	324,000
10. Jouissance right capital				98,000,000.00	98,000
of which:					
due within the next two years	0.00 (PY 0 €k)				
11. Fund for general bank risks				14,400,000.00	0
12. Shareholders' equity					
a) Subscribed capital			80,640,000.00		80,640
Capital held by silent partners			150,000,000.00		150,000
b) Capital reserve			406,313,877.23		406,314
c) Profit reserve					
ca) statutory reserve		18,917,799.60			18,918
cb) reserve for shares in a controlling or majority-owned company		0.00			0
cc) reserves acc. to articles of association		0.00			0
cd) other profit reserves		242,077,931.62			236,077
			260,995,731.22		254,995
d) Balance sheet profit			13,312,871.94		6,001
				911,262,480.39	897,950
Total liabilities				**34,289,530,713.64**	34,998,345
1. Contingent liabilities					
a) Contingent liabilities from settled bills of exchange with have been rediscounted			0.00		0
b) Liabilities arising from sureties and guarantee agreements			841,742,579.73		892,693
c) Liability from the provision of collateral for third-party liabilities			0.00	841,742,579.73	0
					892,693
2. Other obligations					
a) Repurchase commitments from non-genuine repo transactions			0.00		0
b) Placement and underwriting obligations			0.00		0
c) Irrevocable credit commitments			989,922,939.98	989,922,939.98	770,651
					770,651

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2012

INCOME STATEMENT

	€	€	€	01.01 - 30.06.2011 €k
1. Interest earnings from				
a) Credit and money market transactions	432,564,018.43			427,994
b) Fixed interest bearing securities and book-entry securities	185,522,699.51			186,621
		618,086,717.94		614,615
2. Interest expenses		514,227,700.37		518,627
			103,859,017.57	95,988
3. Current income from				
a) Shares and other variable interest bearing securities		0.00		1,500
b) Participatory interests		1,001.50		1
c) Shares in affiliated companies		0.00		0
			1,001.50	1,501
5. Commission income		6,421,103.11		6,230
6. Commission expenses		2,282,165.00		687
			4,138,938.11	5,543
8. Other operating income			746,234.08	1,671
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	19,495,913.09			17,620
ab) social security and expenses for pension plans and for support	4,087,036.23	23,582,949.32		4,395
of which: from pension plans 1,310,045.76 (PY 4,446 €k)				22,015
b) Other administrative expenses		13,864,485.50		14,116
			37,447,434.82	36,131
11. Write-downs and value adjustments of intangible assets and tangible fixed assets			367,952.23	375
12. Other operating expenses			4,111,930.07	4,138
13. Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in credit business			21,002,366.05	39,838
14a. Allocation to the fund for general banking risks			14,400,000.00	0
15. Write-downs and value adjustments on participatory interest, shares in affiliated companies and on securites treated as fixed assets			2,853,037.74	3,872
19. Result from normal operations			**28,562,470.35**	**20,349**
20. Extraordinary income		0.00		0
21. Extraordinary expenses		285,041.00		285
22. Extraordinary result			**– 285,041.00**	– 285
23. Taxes on income		5,694,831.46		184
24. Other taxes not included under item 12		13,671.92		42
			5,708,503.38	226
26. Profit surrendered under a profit-pooling, surrender or partial surrender agreement			9,256,054.03	9,202
27. Profit / loss for the year			**13,312,871.94**	**10,636**
32. Transfer to profit reserves d) other profit reserves			0.00	0
34. Balance sheet profit			**13,312,871.94**	**10,636**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in € thousands	Subscribed capital	Silent deposits	Capital reserve	Profit reserve	Balance sheet profit	Total share-holders' equity
As of 1 January 2012	80,640	150,000	406,314	254,995	6,001	897,950
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Allocations to the profit reserves	0	0	0	6,001	– 6,001	0
Income for the period	0	0	0	0	13,313	13,313
As of 30 June 2012	80,640	150,000	406,314	260,996	13,313	911,263

in € thousands	Subscribed capital	Silent deposits	Capital reserve	Profit reserve	Balance sheet profit	Total share-holders' equity
As of 1 January 2011	80,640	194,000	406,314	233,342	16,652	930,948
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Allocations to the profit reserves	0	0	0	16,652	– 16,652	0
Income for the period	0	0	0	0	10,636	10,636
As of 30 June 2011	80,640	194,000	406,314	249,994	10,636	941,584

CONDENSED NOTES

General information on accounting and valuation principles

The interim financial statements as of 30 June 2012 have been prepared in accordance with the provisions of the German Commercial Code (HGB) in conjunction with the Ordinance on the Presentation of Accounts of German Banks (RechKredV) and with due adherence to the provisions of the German Joint Stock Companies Act (AktG), the Pfandbrief Act (Pfandbriefgesetz), and the recommendations of the German accounting standards (DRS 16). The interim financial statements form part of the interim financial report as defined in the German Implementation Law for the Guideline on Transparency (TUG) of 5 January 2007 (§ 37w of the German Securities Trading Act // WpHG).

The half-yearly financial statements as of 30 June 2012 comprise the balance sheet, the income statement, the statement of changes in equity and selected disclosures provided in the form of the condensed notes. A (condensed) statement of cash flows has not been voluntarily prepared, and the Bank has also refrained from segment reporting.

The reporting currency for the interim financial statements is the euro (€). Unless specified to the contrary, all amounts are reported in thousands of euros (€ thousands), rounded up or down in accordance with standard rounding rules. The use of rounded figures can result in rounding differences in the totals stated in individual tables and charts.

With regard to the events and circumstances in the current interim reporting period which are relevant for an understanding of the material changes in the positions on the balance sheet and income statement as compared to the presented comparable figures, reference is made to the information on the nets assets, financial position and results of operations provided in the interim management report.

For the preparation of the interim financial statements, the accounting methods used for the preparation of the financial statements as of 31 December 2011 fundamentally applied without any changes.

In deviation from those financial statements, a fund for general bank risks in accordance with § 340g of the German Commercial Code (HGB) was created as of the reporting deadline of 30 June 2012. In this connection, the provision reserves in accordance with § 340f of the German Commercial Code (HGB) were fully released and allocated to the fund for general bank risks.

Income taxes were calculated on the basis of the taxable result as of 30 June 2012 at the income tax rate that applied to the Bank on 30 June 2012.

Notes on the balance sheet

1. Breakdown of residual maturities

in € thousand	30.06.2012	31.12.2011
Monies due from banks		
- up to three months	1,624,667	1,378,767
- between three month and one year	378,959	180,587
- between one and five years	1,391,826	1,063,296
- more than five years	519,282	702,645
- total pro-rata interest	407,710	546,263
Balance sheet value	**4,322,444**	**3,871,558**
Due from clients		
- up to three months	858,213	780,143
- between three month and one year	1,511,859	1,934,436
- between one and five years	6,280,921	5,752,723
- more than five years	10,088,492	10,235,531
- total pro-rata interest	117,881	164,439
	18,857,366	18,867,272
Claims without an agreed term	0	6
Balance sheet value	**18,857,366**	**18,867,278**
Debenture bonds and other fixed-income securities		
- due in the following year	839,112	1,572,161
Bank loans and overdraft		
- up to three months	4,776,661	3,458,334
- between three month and one year	312,457	857,494
- between one and five years	2,372,718	2,015,907
- more than five years	700,209	995,809
- total pro-rata interest	368,047	477,954
Balance sheet value	**8,530,092**	**7,805,498**
Amounts owed to other depositors		
- up to three months	425,263	457,150
- between three month and one year	143,416	216,795
- between one and five years	1,814,615	1,587,413
- more than five years	7,398,784	7,800,013
- total pro-rata interest	197,334	221,418
Balance sheet value	**9,979,412**	**10,282,789**
Securitised liabilities		
- due in the following year	3,597,570	3,895,263

2. Securities held as fixed assets

Securities in fixed assets are valued at acquisition cost provided that they are not the subject to a permanent loss in value. The writing down of these securities for portfolios with a carrying amount of € 5,211 million and a fair value of € 4,760 million to the lowest value did not apply since there was no long-term impairment in these cases.

3. Shares and other variable-income securities

The fund NORD/LB AM 9 (carrying amount of € 50.6 million) as of the reporting deadline of 31 December 2011, in the item “Shares and other variable-yield securities” was sold in the past period.

4. Subordinated liabilities

The subordinated liabilities increased by € 20.0 million to € 344.0 million in the reporting period as a result of the newly signed contracts.

5. Notes on the development of equity capital

The development of equity capital is outlined in the equity capital statement. During the reporting period, the retained profit as of 31 December 2011 was allocated to other revenue reserves.

6. Contingent liabilities

in € thousand	30/6/2012	31/12/2011
Liabilities arising from sureties and guarantee agreements	841,743	892,693
of which payable to affiliated companies	–	–
Composition:		
Credit default swaps	613,713	608,893
Guarantees in mortgage business	228,030	283,800

Other disclosures

7. Members of the Board of Managing Directors

The Chairman of the Board of Managing Directors Dr. Jürgen Allerkamp left Deutsche Hypo on 30 June 2012. The Supervisory Board appointed Thomas Stephan Bürkle as the new Chairman of the Board of Managing Directors on 1 July 2012. Until then, he had handled the Board Department run by Dr. Allerkamp without any change.

8. Information about cover assets

The quarterly disclosures required pursuant to § 28 of the German Covered Bonds Act (Pfandbriefgesetz) are available on the Bank's website at www.deutsche-hypo.de.

9. Report on subsequent events

No significant events have occurred since the end of the reporting period.

Hanover, 1 August 2012

The Board of Managing Directors

Bürkle

Pohl

Rehfus

RESPONSIBILITY STATEMENT

"We declare that to the best of our knowledge and in accordance with applicable accounting principles, the condensed half-yearly financial statements provide a true and fair view of the Bank's net assets, financial position and results of operations and that the interim management report presents a true and fair view of the development of business including the operating result and the position of the Bank and also describes the significant opportunities and risks relating to the probable development of the Bank in the rest of the financial year."

Hanover, 1 August 2012

The Board of Managing Directors

Bürkle

Pohl

Rehfus

REVIEW REPORT

To Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover

We have reviewed the interim condensed financial statements of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover – comprising the balance sheet, income statement, statement of changes in equity and condensed notes – together with the interim management report of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover, for the period from 1 January to 30 June 2012 that are part of the semi annual report according to § 37w WpHG [„German Securities Trading Act"]. The preparation of the interim condensed financial statements in accordance with German principles of proper accounting and of the interim management report in accordance with the requirements of the WpHG applicable to interim management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed financial statements and on the interim management report based on our review.

We performed our review of the interim condensed financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the interim condensed financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting, and that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the interim condensed financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting or that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports.

Hamburg, 1 August 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz	Schröder
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

CORPORATE BODIES

Supervisory Board

DR. GUNTER DUNKEL
Hanover
Chairman of the Board
of Management of Norddeutsche Landesbank
Girozentrale
– Chairman –

ECKHARD FORST
Hanover
Member of the Board
of Management of Norddeutsche Landesbank
Girozentrale
– Vice Chairman –

DIRK METZNER
Hanover
Bank employee

DR. JOHANNES-JÖRG RIEGLER
Hanover
Member of the Board
of Management of Norddeutsche Landesbank
Girozentrale

FRANK WOLFF
Hanover
Bank employee

WILHELM ZELLER
Burgwedel
Former Chairman of the Board
of Hannover Re Group

Lending committee

DR. JOHANNES-JÖRG RIEGLER
– Chairman –

DR. GUNTER DUNKEL

ECKHARD FORST

WILHELM ZELLER
– Substitute member –

Audit committee

DR. JOHANNES-JÖRG RIEGLER
– Chairman –

FRANK WOLFF

WILHELM ZELLER

ECKHARD FORST
– Substitute member –

Personnel committee

DR. GUNTER DUNKEL
– Chairman –

ECKHARD FORST

DR. JOHANNES-JÖRG RIEGLER

Appointments committee

DR. GUNTER DUNKEL
– Chairman –

ECKHARD FORST

DR. JOHANNES-JÖRG RIEGLER

Board of managing directors

DR. JÜRGEN ALLERKAMP
Hanover
– Chairman –
until 30 June 2012

THOMAS STEPHAN BÜRKLE
Hanover
– Chairman –
from 1 July 2012

ANDREAS POHL
Hanover

ANDREAS REHFUS
Hanover

Executive manager

Michael Müller

Departmental managers

Sabine Barthauer
Gunter Bierwisch
Joachim Bloß
Carsten Dickhut
Raimund Ferley
Marc Grote
Markus Heinzel
Dirk Hunger
Dieter Koch
Wolfgang Koppert
Albrecht Mayer
Uwe Menninger
Dirk Schönfeld
Stefan Schrader
Thomas Staats
Ralf Vogel
Dr. Wulfgar Wagener
Paul Weber
Hendrik Weis

Public trustees

Dr. Gunther Krajewski
Hanover
Ministerialdirigent a. D.
– Trustee until 31 March 2012 –

Wolfdietrich Kühne
Hanover
Degree in business, auditor, tax advisor
– Deputy trustee until 31 March 2012 –
– Trustee from 1 April 2012 –

Burkhard Scherrer
Hanover
Retired lawyer and notary public
– Deputy Trustee from 1 April 2012 –

ORGANISATIONAL STRUCTURE

Dr. Jürgen Allerkamp (Chair) until 30 June 2012
Thomas Stephan Bürkle (Chair) from 1 July 2012
Business Division 1

- Treasury
  Dirk Schönfeld
  Senior Manager
- Law
  Albrecht Mayer
  Senior Manager
- Auditing
  Marc Grote
  Head of Department
- Marketing and Corporate Communications
  Carsten Dickhut
  Head of Department
- Business Development
  Dirk Hunger
  Senior Manager
- Personnel/ Administration/Service
  Paul Weber
  Senior Manager
- Operations and IT
  Dr. Wulfgar Wagener
  Senior Manager

Andreas Pohl
Business Division 2

- Domestic Property Finance 1
  Ralf Vogel
  Senior Manager
- Domestic Property Finance 2
  Michael Müller
  Executive Manager
- International Property Finance
  Thomas Staats
  Senior Manager
- Real Estate Structured Finance
  Sabine Barthauer
  Senior Manager
- Real Estate Investment Banking
  Dieter Koch
  Senior Manager
- Real Estate Group Finance
  Wolfgang Koppert
  Senior Manager
- Market Analysis
  Prof. Dr. Günter Vornholz
  Head of Department

Andreas Rehfus
Business Division 3

- Treasury Operations
  Gunter Bierwisch
  Senior Manager
- Credit Risk Management
  Raimund Ferley
  Senior Manager
- Credit Risk Controlling
  Uwe Menninger
  Senior Manager
- Credit Risk Management Special Loans
  Stefan Schrader
  Senior Manager
- General Credit Department
  Markus Heinzel
  Senior Manager
- Accounting
  Joachim Bloß
  Senior Manager
- Controlling
  Hendrik Weis
  Senior Manager
- Real Estate Valuation and Consulting
  Axel Intemann
  Provisional Head

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Management

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20457 Hamburg	Brodschrangen 4 Telefon +49 40 37655-310 Telefax +49 40 37655-305
30159 Hanover	Georgsplatz 8 Telefon +49 511 3045-591 Telefax +49 511 3045-599
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France: 75002 Paris	23, rue de la Paix Telefon +33 1 550484-85 Telefax +33 1 550484-89

State supervisory body

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Graurheindorfer Straße 108
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DEUTSCHE HYPO

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