DEUTSCHE HYPO
Member of NORD/LB

INTERIM REPORT AS AT **30 JUNE 2010**

Quality is the
basis of your success.

DEUTSCHE HYPO AT A GLANCE

Income figures (in € thousands)	01.01.-30.06.2010	01.01.-30.06.2009	Change (in %)
Net interest income	88,748	21,295	316,8
Loan loss provisions	29,944	25,748	16,3
Net commission income	8,350	6,162	35,5
Profit/loss from financial instruments at fair value and from hedge accounting	– 24,759	41,364	– 160,0
Administrative expenses	32,557	24,832	31,1
Earnings before taxes	11,656	25,301	– 53,9

Key figures (in %)			
Cost/income ratio (CIR)	44.1	35.4	
Return on equity (RoE)	4.8	5.3	

Capital ratios (in %)	30.06.2010	31.12.2009	
Total capital ratio pursuant to Section 2, para. 6 of SolvV	9.87	9.06	
Core capital ratio	6.51	6.80	

Financial position figures (in € thousands)	30.06.2010	31.12.2009	Change (in %)
Loans and advances to banks and customers	22,077,187	20,806,008	6.1
Risk provisions	144,010	141,589	1.7
Financial assets	12,267,522	12,083,602	1.5
Liabilities to banks and customers including securitised liabilities	33,279,858	32,604,162	2.1
Subordinated capital	635,599	424,477	49.7
Equity	350,840	415,952	– 15.7
Total liabilities and equity	37,199,756	35,357,978	5.2

Business progress figures (in € millions)	30.06.2010	31.12.2009	Change (in %)
New property financings	679	432	57.2
New capital market business	1,301	1,671	– 22.1

Rating	Moody´s
Public Pfandbriefe	Aaa
Mortgage Pfandbriefe	Aaa
Long-term liabilities	A1 (stable)

	30.06.2010	30.06.2009	Change (in %)
Average number of employees	341	315	
Of which:			
Part-time staff	43	35	
Trainees	6	4	

English Translation

INTERIM REPORT
AS AT 30 JUNE 2010

CONTENT

THE SUPERVISORY BOARD AND ITS COMMITTEES

·· MEMBERS OF THE 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 –

Dr. Elke König
Hanover

Dr. Johannes-Jörg Riegler
Hanover
Member of the Board of Management of
Norddeutsche Landesbank
Girozentrale

Dirk Metzner
Hanover
Bank employee

Frank Wolff
Hanover
Bank employee

·· Committees

·· Lending Committee

Dr. Johannes-Jörg Riegler
– Chairman –

Dr. Gunter Dunkel

Eckhard Forst

·· Audit Committee

Dr. Johannes-Jörg Riegler
– Chairman –

Dr. Elke König

Frank Wolff

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

MANAGEMENT

·· Board of Managing Directors

Dr. Jürgen Allerkamp
– Chairman –

Andreas Pohl

Andreas Rehfus

·· Executive manager

Michael Müller

·· Departmental managers

Volker Basler
Sabine Barthauer
Gunter Bierwisch
Joachim Bloß
Marc Grote
Markus Heinzel
Dirk Hunger
Dieter Koch
Wolfgang Koppert
Albrecht Mayer
Uwe Menninger
Jürgen Munke
Markus Nitsche
Jörg Quentin
Dirk Schönfeld
Thomas Staats
Ralf Vogel
Dr. Wulfgar Wagener
Paul Weber

PUBLIC TRUSTEES

Dr. Gunther Krajewski
Hanover
Retired Assistant Director
– Trustee –

Wolfdietrich Kühne
Hanover
Degree in business
– Deputy Trustee –

ADDRESS BY THE CHAIRMAN OF THE BOARD OF MANAGING DIRECTORS

Dear Customers and Business Partners

The first half of the year has been marked by contrasting developments in terms of the state of the economy as a whole and the health of the financial market. As the global economy markedly picked up speed, demand for exports from the eurozone began to rise again. It was the German economy in particular that was able to benefit from this impetus from foreign trade. In contrast, the situation on the international financial markets was affected by financial crises in some countries and the debate surrounding the stability of the euro, creating high levels of uncertainty. Credit risk premiums widened and, once again since the outbreak of the global economic and financial crisis, activity on the financial market waned considerably.

In light of this situation, Deutsche Hypo recorded a solid result for the first half of 2010. With earnings before taxes in the region of € 12 million, we are progressing as planned. The Bank's two divisions also both performed satisfactorily and in line with expectations, despite the difficult market conditions. We were able to achieve considerable increases in our new commercial real estate finance business. The growth in domestic business is particularly gratifying, at a time when we continue to be cautious in our management of foreign transactions, and demonstrates our strong competitive position in our domestic market. The very complex process of transferring NORD/LB's real estate finance portfolio to Deutsche Hypo has also progressed as planned. More than one billion euros worth of business has already been successfully transferred in the first six months of this business year alone. We will be building on this momentum over the next few months and looking to step up the pace of the transfer process further. Until such time as the transfer is complete, Deutsche Hypo will be operating as the service-provider for the Group's commercial real estate portfolio, the total value of which is in the region of € 22 billion.

Deutsche Hypo's reputation as a guarantor of success also applies to our standing on the Pfandbrief market. In May of this year the Bank was able to issue Europe's first benchmark issue in the covered bonds segment following the launch of the rescue package for the Greek economy. With a total volume of € 600 million, the issue generated a keen level of interest in Europe. Following the intensification of the Greek crisis, this issue provided all market participants with a route into the covered bond segment, whilst serving to underline the confidence that investors have in the German Pfandbrief and in Deutsche Hypo.

The Bank is well-equipped to continue with the successful expansion of its business despite the renewed market turbulence of recent months and what remains a fragile situation. The possibility of renewed distortions on the market, with negative knock-on effects, cannot be excluded altogether. However, Deutsche Hypo has demonstrated its ability to withstand the most troubled of times, with its viable and robust business model and its cautious and consistent approach to risk management, which have never been more evident than during the past two years.

We will continue to focus on income-oriented growth, whilst maintaining our conservative risk profile and shaping our customer relationships with a view to long-term success. These are our guiding principles as we work on the further expansion of Deutsche Hypo.

Dr. Jürgen Allerkamp
Chairman of the Board of Managing Directors
of Deutsche Hypo

INTERIM GROUP MANAGEMENT REPORT

(The tables and charts in the group management report show figures in thousands, millions, or billions of euros (€ thousands, € millions, € billions, respectively). Please note that rounding differences in the tables and charges shown may occur when rounded sums and percentages are used.)

·· Summary

- The new property financing business has grown by 58 % to € 679 millions (30 June 2009: € 431 millions).
- The commitment volume in the capital market business is € 1,301 millions (30 June 2009: € 1,671 millions).
- Net interest income is € 89 millions, which is a little under € 68 millions higher than the previous year equivalent (30 June 2009: € 21 millions).
- The loan loss provisions have risen to € 30 millions (30 June 2009: € 26 millions). Most of the loan loss provisions relates to commercial property financing, mostly in the USA and the UK.
- Net commission income (service result) has been improving markedly since last year and has risen to € 8 millions (30 June 2009: € 6 millions).
- The result from financial instruments at fair value including hedge accounting has reduced in 2010 to –€ 25 millions (30 June 2009: +€ 41 millions).
- Administrative costs have risen by € 8 millions in total compared to the previous year to € 33 millions (30 June 2009: € 25 millions). The causes of the elevated costs lie firstly in a rise in staff costs due to the hiring of new staff and the take over of NORD/LB colleagues in London for Deutsche Hypo's London branch, and secondly in a rise in non-staff costs due to various projects being carried out.
- The group's pre-tax result has fallen by € 13 millions to € 12 millions (30 June 2009: € 25 millions).

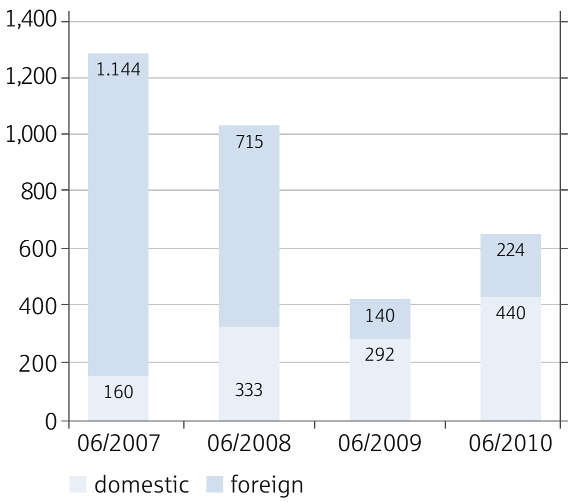
·· Property financing segment

·· New business

In the reporting period, new commitments amounted to € 679 millions, which is € 248 millions (+58 %) above the previous year result. In addition to the pure property financing business of € 664 millions, Deutsche Hypo concluded guarantee transactions of € 15 millions (previous year, € 2 millions).

The rise in the volume of new business reflects a certain stabilisation in the property market. The increase in the domestic business amounts to € 148 millions. The only slight rise in the bank's foreign business of € 84 millions is the result of a consistently prudent business policy in the foreign markets.

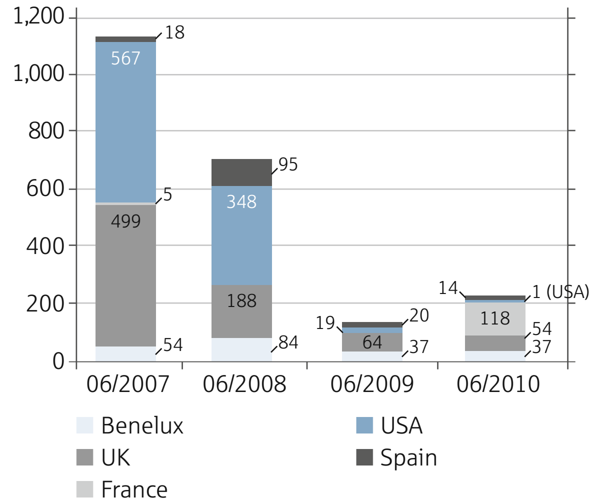
New property financing business by region
€ millions



In accordance with our business policy, we concentrated on foreign markets that, to date, have been affected by the property crisis either not at all or only mildly, provided we have arrived at a positive assessment of future growth potential. In other markets, in respect of which we have come to a less favourable assessment, this has resulted in a marked scaling-back of our new business activities. Thus, in the reporting period, in the USA, we committed to almost no new business. In our European target markets, we were reticent above all in relation to the trends in Spain.

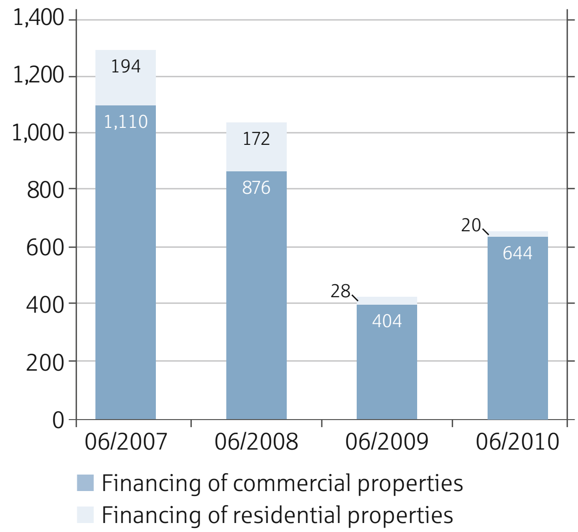
The increase in foreign new business is attributable in particular to the commitment volume in France, which, after comparatively low volumes in recent years, has performed very well with a commitment volume of € 118 millions. The commitment volume in the Benelux countries of € 37 millions is at the previous year level. In the UK, the new business volume fell by € 64 millions to € 54 millions. The new business volume, at € 14 millions, is € 6 millions below the previous year value of € 20 millions.

Foreign mortgage commitments (€ millions)



Of the new commitments, € 20 millions (3 %) related to residential financing. Commercial credits accounted for € 644 millions (97 %).

New commitments, mortgage business (€ millions)



The new business generated in this segment reflects the current economic environment as well as the Bank's concentration on qualitative growth.

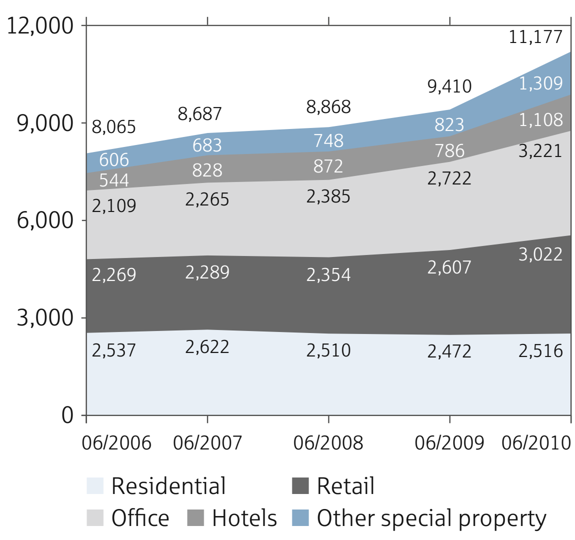
Loan portfolio

The property financing portfolio rose by € 1,767 (+21.2%) to € 11,177 millions. Of this figure, approx. € 1,300 millions related to the successful transfer of loan portfolios of NORD/LB to Deutsche Hypo.

The key portfolio growth has been attributable to office property (+€ 499 millions) and retail property (+€ 415 millions) and to other special property (+€ 486). In the areas of hotel property (+€ 322 millions) and residential financing (+€ 45 millions), the portfolio growth was more modest.

The domestic financing portfolio accounted for € 6,241 millions (+€ 1,070 millions), with foreign financing accounting for € 4,936 millions (+€ 697 millions). The share attributable to foreign loans fell slightly in comparison with the previous year from 45 % to approx. 44 % of the total loan portfolio.

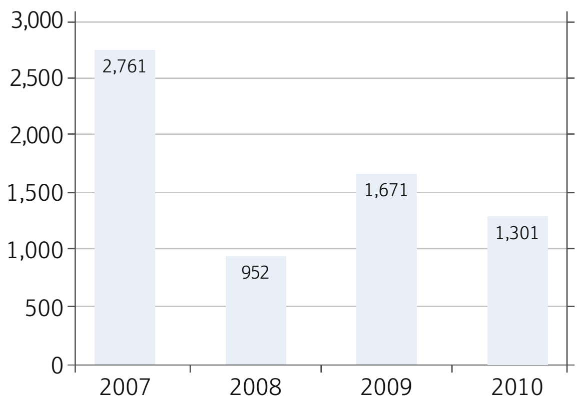
Growth in mortgage portfolio (€ millions)



Capital market segment

The expectations for the first half-year of 2010 were cautiously optimistic. In particular, the gratifying situation in the Pfandbriefe market and thus the access to liquidity has caused the bank to rethink its defensive position of previous years. The strategic business segment of capital market business was able to achieve its cautious planned targets. In view of the new business progress, this segment has been performing in line with the forecast for the first half-year.

New business in € millions
in each instance as at 30 June of the accounting year in question



Despite this positive trend, Deutsche Hypo cannot avoid examining critically the peripheral European states Portugal, Italy, Ireland, Greece and Spain. Within the European Union the debt crisis, starting with Greece, has left deep marks on the market for government bonds and for covered and uncovered bonds. Credit spreads rose dramatically for some countries.

Since the bank realised very quickly that the situation in the peripheral states would remain difficult for a fairly long time, no new business was concluded in these countries in the reporting period. Therefore, the effects of the debt crises on Deutsche Hypo were limited.

Rather, the focus in the new business was placed on the stable markets, e.g. France, the Netherlands, and, obviously, Germany, in the form of the traditional local and regional authority credit business. Due to the excellent refinancing basis, the bank was able to perform well in competition for high-quality sovereign credit business. The margins, calculated on the basis of a refinancing with timescales in alignment, stabilised on the high level of the previous year. It was shown once more that the Pfandbriefe business is one of the core competencies of Deutsche Hypo and provides the bank with a good starting position for the acquisition of new business.

As the demands in terms of quality in relation to new business are typically very high, critical selection of lending transactions in the first half-year of 2010 has been accorded particular significance. In the target countries identified by the bank with solid state finances, there was hardly any extension in credit premiums. It was therefore important to respond rapidly and flexibly to interesting offers. To this end, the processes in the sovereign debt business were further optimised. The course of business to date confirms the approach adopted by the bank. Also the average rating in the new business is, as in previous years, in the upper part of the rating scale. Our own credit analyses and the assessments of the major ratings agencies confirm this.

All of the new business was concluded on the basis of the German Pfandbrief Act. Thus, all of these transactions were suitable as cover funds. Due to the very good credit quality of this new business, the average quality of the cover funds increased once more. The ratings agency Moody's has analysed our cover funds and again awarded them a top rating. It remains the strategic goal of the bank to continuing operating as an Aaa issuer.

·· Other

Results not attributable to the two operational segments 'property financing' and 'capital market' are summarised under the segment 'other'. These comprise primarily investment/financing results from equity made available to this end and reflect also the results from the structured property debt portfolio (MBS and COD). Finally, this segment summarised non-operational administrative costs and results from the consolidation of subsidiaries.

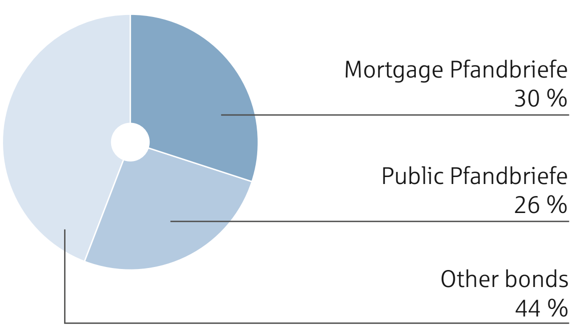
The MBS structure portfolio (after write-offs) fell by € 9.8 millions to € 154.5 millions (30 June 2009: € 164.3 millions). In the first half-year of 2010, a further € 3.6 millions of write-offs were made against the portfolio. The write-offs concerned certificates in the US portfolio. In accordance with the bank's strategy, no further MBS certificates were acquired in the reporting period.

The investment result from the bank's equity made available was lower than in the previous year, due chiefly to higher interest payable in respect of newly raised subordinated equity. Net capital injected totalled € 211 millions, comprising newly raised subordinated capital of € 140 millions, newly raised dormant participations of € 75 millions, and the loss of subordinated capital of € 4 millions on maturity.

·· Refinancing

Also in the first half-year of 2010, Deutsche Hypo continued its tried-and-tested strategy of demand-oriented issuing business and thus placed liabilities of approx. € 3.8 billions. In the light of an expected placement volume of € 6.5 billions for the full year, we are proceeding in the right direction. Our issues have always been met by interested demand from investors, so that, as in the past, the bank's liquidity can be guaranteed at any time. This has taken place consistently, in comparison with the competition, on attractive conditions.

Analysis of issue volume of €3.8 billions (as at 30 June 2010)



As illustrated above, the covered bonds purchase programme operated by EZB was still continuing in the first half-year of 2010 to support the issuing activities of all European issuers in this asset class, including, therefore, the placement of Pfandbriefe. Even though this support has since then been discontinued, we are not observing any interruption in the sale of Deutsche Hypo Pfandbriefe on terms that remain competitive.

Benchmark Pfandbrief issuance:

The benchmark Pfandbrief issued in May 2010 with a term of 5 years was met by strong demand from investors, so that the target volume of initially € 500 millions was soon reached, in view of the order book which grew rapidly and was broad in scope. After only half an hour, the volume was subscribed for, and so the order book, being greatly over-subscribed, was closed after two hours. This occurred at the lower end of the 'spread guidance', the marketing level indicated by the issuer and consortium. Thus, in the interests of the investors, the issue volume was ultimately set at € 600 millions. In addition to the positive response from investors and the good feedback from the participating consortium banks, the issue was received very well in the press. Ultimately, the Deutsche Hypo benchmark Pfandbrief was the first successful covered bond issue after the Greece rescue package was put in place and this issue format was thus reintroduced.

The bank, in the first half-year of 2010, issued debt securities totalling € 3.8 billions, of which approx. € 2.1 billions are attributable to mortgage and public Pfandbriefe. Our effective and smooth issues inspire our certainty that our securities will continue to be sought-after investments. Deutsche Hypo thus continues to be viewed by investors in a positive light.

·· Rating

Deutsche Hypo rating

Moody's Investors Service has continued to give Deutsche Hypo's mortgage and also public Pfandbriefe a rating of Aaa. Thus, the core business continues to receive a top rating. The long-term unsecured liabilities of Deutsche Hypo continue at a rating of A1. There are no changes in the ratings for short-term unsecured liabilities and general financial strength.

	Public Pfandbriefe	Mortgage Pfandbriefe	Short-term liabilities	Long-term liabilities	Financial strength
Moody's	Aaa	Aaa	Prime-1	A1	C-

·· Income

·· Summary

The income statements for the reporting year and the comparable previous year period are as follows:

€ millions	30.06.2010	30.06.2009	Change
Net interest income	88.7	21.3	67.5
Loan loss provisions	– 29.9	– 25.7	– 4.2
Net commission income	8.3	6.2	2.2
Profit/loss from financial instruments at fair value and from hedge accounting	– 24.8	41.4	– 66.1
Profit/loss from financial assets and from repurchased own bonds	0.3	5.8	– 5.5
Administrative expenses	– 32.6	– 24.8	– 7.7
Other operating profit/loss	1.5	1.3	0.3
Earnings before taxes	**11.7**	**25.3**	**– 13.6**
Taxes on profit	– 5.7	– 9.5	3.8
Consolidated earnings	**6.0**	**15.8**	**– 9.8**

·· Net interest income

In comparison with 30 June 2009, net interest income rose from € 21.3 millions to € 88.7 millions. This very gratifying trend has arisen partly due to the discontinuation in special charges that negatively impacted the previous year result and partly due to an improvement in the income situation due to the growth in the property financing portfolio and improvements in margin occurring in this business segment.

The results that in 2009 led to a deterioration in the transformation result were absent this accounting year. Likewise, the liquidity spreads on average over the last 12 months have not changed notably, so a further increase in the losses reported last year due to increased refinancing costs has not occurred.

The property financing portfolio has grown by approx. € 1.8 billions. The growth in the portfolio was greatly influenced by the successful portfolio transfers from the property financing portfolio of NORD/LB to Deutsche Hypo. This involved a transfer in 2010 of a volume of € 1,065.5 millions. In total, the portfolio additions were assumed at good margins. Furthermore, restructurings were carried out in the case of various engagements, which have resulted likewise in an improvement in margins for the portfolio as a whole.

Additionally, positive contributions were made to net interest income through exploitation of opportunities in the Repo market business. In this area, there was an opportunity to acquire liquidity on much better terms than would have been possible in the interbank business.

·· Loan loss provisions

The loan loss provisions amounted to € 29.9 millions net and thus rose by € 4.2 millions (30 June 2006: € 25.7 millions). The rise was due chiefly to increases in property financing in the UK/USA. In total, the loan loss provisions are slightly below the value forecast for 2010. Based on current information available, we can presume that the forecast value for 2010 will be achieved.

·· Net commission income

The net commission income rose from € 6.2 millions to just below € 8.4 millions. The equally high share attributable to service fees paid by NORD/LB to Deutsche Hypo for servicing of the loan portfolio, which is still in the books of NORD/LB, has slightly reduced in the course of the portfolio transfer.

·· Profit/loss from financial instruments at fair value and from hedge accounting

The profit/loss from financial instruments valued at fair value and hedge accounting in reference period is € 66.1 millions less than previous year. The development in the first half-year of 2010 is especially attributed to the increase of credit spreads in the credit derivative portfolio. Resulting from this, we report a loss of € 29.6 millions. Further the result is positively influenced by an increase of credit spreads in foreign currency derivatives which led to a positive contribution in hedge accounting of € 7.6 millions.

·· Profit/loss from financial assets and from repurchased own bonds

The profit/loss from financial assets and repurchased own bonds is € 0.3 millions (30 June 2009: € 5.8 millions). In the previous year, the profit/loss from financial assets was influenced greatly by write-offs in relation to fixed asset securities. This effect was successfully offset by, amongst other items, the premature repurchase of own issues in the context of a market environment that favoured this step. Comparable effects were present in 2010 only to a limited extent, so these components of the result are almost completely offset.

·· Administrative expenses

The administrative expenses have risen by approx € 7.8 millions to € 32.6 millions (30 June 2009: € 24.8 millions).

The rise is split between staff and other non-staff costs. The rise in staff costs is due to an increasing in staffing levels.

The rise in other administrative expenses, in addition to general cost increases (also due to the increase in staffing levels), is attributable chiefly to a rise in advisory costs. These are costs of external management consultants who support the bank in the implementation of projects. The projects are necessary to implement new statutory and regulatory requirements. In addition, projects in connection with integration in the NORD/LB group are ongoing.

The cost-income-ratio has risen from 35 % to 44 %.

·· Other operating profit/loss

The other operating profit/loss, at € 1.5 millions, are almost at the same level as in the previous year (30 June 2009: € 1.3 millions).

·· Earnings before taxes

The earnings before taxes fell to € 11.7 millions (30 June 2009: € 25.3 millions).

·· Risk report

The risk management of Deutsche Hypo, the associated organisational structure and workflows, the risk measurement and monitoring procedures and methods implemented, have all been explained in detail in the 2009 financial report. As a result, this interim report only examines key developments during the period under review.

·· Risk-bearing capacity

The Bank’s entire risk management system has been described in detail in the 2009 Annual Report. The features of the risks and specifications of the system that were explained at that time are basically unchanged. Further developments are briefly set out below.

The Bank’s risk-bearing capacity model also underwent ongoing further development and improvement during the first half of 2010, within the context of its integration into the NORD/LB Group.

Along with the requirements of the second MaRisk revisions, a revised risk-bearing capacity model, which differs significantly from the former model in terms of the stress scenarios to be considered, has been introduced throughout the Group in 2010. Against the background of the validation of this updated risk-bearing capacity model, parallel quarterly reports have been produced since 31.12.2009, using both the former and the new methods. It is planned to continue this parallel reporting until the end of 2010. The new model is expected to be introduced on the 01.01.2010.

In addition to the fundamental revision of the risk-bearing capacity model, further adjustments have also been made in 2010, within the risk-bearing capacity calculation, in relation to the quantification of individual risk types. In terms of the market risk, the interest rate risk will henceforth be calculated without any risk-relief effect on equity. The calculation parameters for the market and liquidity risk types within the calculation of risk potentials remain conservative; these had already been adjusted in 2009 with consideration to the limited trading options of the financial markets, and led to higher calculated risks.

As regards the liquidity risk, further adjustments have been made to the spreads used to depict the refinancing risk. The methodology used to quantify the liquidity risk in the new risk-bearing capacity model has been altered. In this context, free portions of the cover pool take the pressure off liquidity within the funding matrix, and will in future imply a significantly reduced refinancing risk.

The conservative calculation parameters lead to an increase in the risk potentials of the individual risk types and at the same time affect prescribed minimum values designed to guarantee risk-bearing capacity. To counteract this, capital measures (incorporation of tier 2 capital, contributions from undisclosed partners) have been implemented in order to increase the risk capital. In addition, we are making preparations to reduce the counterparty risk by placing such risk externally.

The banking regulatory risk-bearing capacity requirements (ICAAP), as set out in the MaRisk requirements, were met to a degree of 181 % at 30.June 2010 (31 December 2009: 176 %).

·· Counterparty and credit risk

Credit risk

The counterparty risk naturally remains the largest risk position. 76 % of the entire risk potential relates to the counterparty default risk in the real estate portfolio. Compared to the end of 2009, the real estate financing exposure increased by 14 % with a noticeable increase in the default category. The principal reason for this is the deterioration in the global real estate sector, which is ongoing in Great Britain and in particular in the USA. The increased risk is also reflected in an increase in the exposure assigned to the rating classes “elevated risk” to “very high risk” from 8.3 % to 9.0 %.

Deutsche Hypo closely monitors the rating migrations and defaults arising and the resultant effects on the regulatory quotas and the risk-bearing capacity. Appropriate risk management measures have been actively introduced.

The situation as regards the rating structure of the entire credit exposure, broken down by product types:

Breakdown of the entire credit exposure by class and by rating:

in € millions	Loans	Securities	Derivatives	Other products	Overall exposure 30.06.10	Overall exposure 31.12.09
Very good to good	15,488.8	11,945.5	657.1	701.7	28,793.1	29,227.5
Good / satisfactory	2,746.3	247.2	64.7	0.3	3,058.6	2,590.1
Acceptable / adequate	1,371.8	71.4	0.0	81.0	1,524.1	1,253.3
Elevated risk	962.9	0.0	0.0	0.0	962.9	873.5
High risk	587.0	0.0	0.0	0.0	587.0	626.0
Very high risk	901.8	20.1	0.0	0.0	921.9	870.9
Default (NPL)	814.7	11.0	0.0	5.0	830.7	635.2
Total	**22,873.3**	**12,295.2**	**721.8**	**788.1**	**36,678.3**	**36,076.5**

The items in the "very good to good" rating class fell slightly year-on-year by 1.5 percent. The consistently very high share of these top rating classes in the overall exposure of 78.5 % (81.0 %) is explained by the significance of business with public authorities and financing institutions with good credit ratings, and is therefore also a reflection of Deutsche Hypo's business and risk policy.

Breakdown of real estate business by rating and region

Rating structure based on IFD definition (in € millions)	30.06.2010		31.12.2009	
	Volumes	Proportion	Volumes	Proportion
Very good to good	4,537	40.6 %	3,499	35.8 %
Good/satisfactory	2,475	22.1 %	2,580	26.4 %
Acceptable/adequate	1,176	10.5 %	999	10.2 %
Elevated risk	889	8.0 %	776	7.9 %
High risk	503	4.5 %	510	5.2 %
Very high risk	833	7.4 %	828	8.5 %
Default	763	6.8 %	588	6.0 %
Total	**11,177**		**9,779**	

Around 73 % of the Bank's real estate financing portfolio involves financing for customers who have a rating of at least adequate. The proportion of these positions has remained virtually unchanged since the start of the year. 86 % of the defaults, which have risen significantly since the previous year (from 6.0 % to 6.8 %), come from business abroad (USA 34 %, previous year 36 %, UK 47 %, previous year 32 %, other foreign countries 5 %, previous year 10 %).

Breakdown of credit exposure by class and region

in € millions	Loans	Securities	Derivatives	Other	Overall exposure 30.06.10	Overall exposure 31.12.09
Eurozone	18,142,0	9,513.5	621.9	731.3	29,008.7	29,027.1
Rest of Western Europe	1,697.2	486.6	68.4	21.7	2,273.9	2,342.8
Eastern Europe	53.0	280.9	0.0	0.0	333.9	288.3
North American	2,825.4	755.4	31.5	34.8	3,647.1	3,220.1
Latin America	0.0	6.2	0.0	0.0	6.2	5.6
Near East/Africa	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	559.5	0.0	0.2	559.7	560.2
Rest of the world	155.7	693.0	0.0	0.0	848.8	632.5
Total	**22,873.3**	**12,295.2**	**721.8**	**788.1**	**36,678.3**	**36,076.6**

The eurozone, which accounts for as much as 79.1 % (previous year: 79.0 %) of loans, remains by far the most important business region. Germany accounts for 52.0 % of the total loans (previous year: 53.2 %), thus playing a particularly important role.

·· Market price risk

The table below shows Deutsche Hypo's market price risks during the period under review and in comparison with 2009.

Market price risks in € thousands	Maximum		Average		Minimum		Final values	
	01.01.2010-30.06.2010	01.01.2009-31.12.2009	01.01.2010-30.06.2010	01.01.2009-31.12.2009	01.01.2010-30.06.2010	01.01.2009-31.12.2009	01.01.2010-30.06.2010	01.01.2009-31.12.2009
Interest rate risk[1] (VaR 95%, 1d)	3,030	2,825	2,008	1,641	1,541	887	1,792	1,087
Interest rate risk[1] (100 bp parallel shift)	16,500	29,600	8,383	18,746	1,900	4,800	2,600	12,500
Normal scenario CI portfolio[2) 3)] (10% relative spread shift)	29,639	37,382	23,243	27,543	18,110	17,989	28,465	19,156
Low CSR portfolio (Nominal volumes)	9,307	9,285,079	9,103	8,876,072	8,878	8,341,292	9,307	9,043,708

1) Including fund price risks from bond funds 2) Including credit spread risks from credit funds 3) 3) Excluding municipal bond risks

The daily calculated VaR for the interest rate risk (confidence level 95 %, holding period 1 day) fluctuated between € 1.5 million and € 3 million during the period under review, producing an average value of € 2 million. The high number of outliers observed in 2009 in the back-testing process has fallen during the period under review, so that the security premium applied throughout 2009 was no longer required during the period under review (end of the amber phase). The value at risk gradually reduced over the course of the period under review from its original low position, and continues to reflect Deutsche Hypo's generally low risk inclination as regards interest rate risks. Nevertheless, compared to the 31 December 2009, the VaR as at 30 June 2010 increased to € 1.8 millions. The rise comes solely from a change in the methodology used to depict the non-time-limited equity, for which, in line with the MaRisk, no further assumptions were made as regards term-dependent risk reductions for the interest rate risk with effect from 1 January 2010. The limit utilisation during the period under review stood at an average of 40 % and the limit was not exceeded at any point. Concerning term transformation, Deutsche Hypo has generated a positive result – which reflects in an increased net interest income – in the first half-year of 2010. During the reporting under review, no significant contribution to financial instruments valued at fair value followed from interest related fair value changes. This is due to small risk positions.

VaR interest rate change risks (95 %, 1d) in € millions

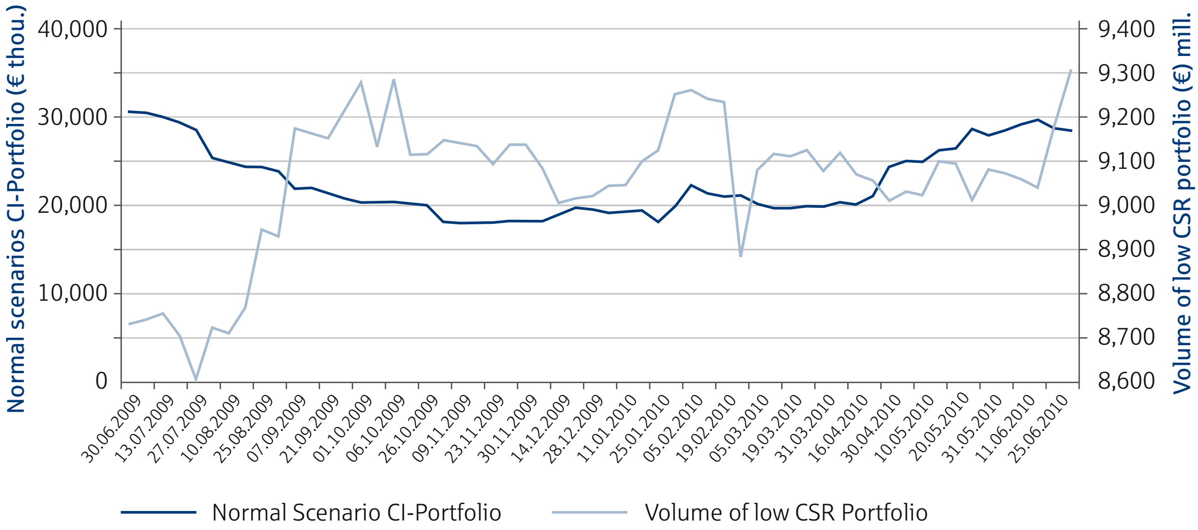
In respect of the general interest rate risk in the banking book (SolvV interest rate shock), Deutsche Hypo's quota at 30 June 2010 stood at 4 %, well below the regulatory threshold of 20 % of the liable equity capital.

In line with the risk strategy of Deutsche Hypo, no significant currency risks were assumed during the period under review.

Owing to rising credit spreads, due in particular to the crisis in the PIIGS states during the second quarter of 2010, the utilisation of the stress scenario limit for credit spread risks ("CSR") rose by 48 % at 31 December 2009 to 71 % at 30 June 2010, based on an unchanged portfolio. A freeze on investment activities continues to apply in relation to the credit investment portfolio, which also includes the Deutsche Hypo credit derivatives. However, thanks to a selective approach to new business, the volume limit utilisation of the low CSR portfolio at 30 June 2010 has increased only slightly, from 75 % to 78 %, in comparison with 31 December 2009.

The increase of credit spreads, quoted on partly illiquid markets, has led to a loss in the CI-portfolio portfolio (including credit derivatives) and the low CSR-portfolio. This loss is mainly shown in the revaluation reserve of equity capital. Due to the high-qualified counterparties, Deutsche Hypo assumes that it is a matter of only temporary variations of evaluation.

Credit spread risks



·· Liquidity risk

The liquidity risk on the markets has relaxed somewhat during the period under review in comparison with 2009. During the period under review, Deutsche Hypo was able to place a total of € 3.8 billion covered and uncovered issues on the basis of good refinancing conditions. This represents an increase of 52 % in comparison with the reporting period during the previous year.

Deutsche Hypo retained a sufficient supply of liquidity at all times throughout the period under review. Deutsche Hypo is also involved in markets with optimum liquidity and maintains a portfolio of high-quality securities, 76 % of which are eligible for open-market transactions with the European Central Bank (ECB).

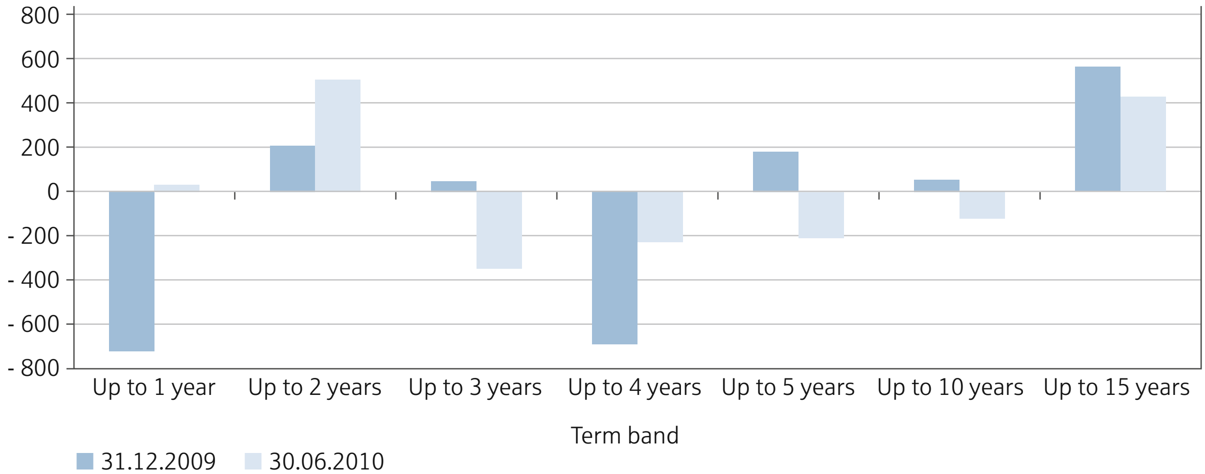
The liquidity ratio in accordance with the Liquidity Ordinance has remained well above the regulatory minimum of 1.00 during the period under review. At 30 June 2010, the liquidity ratio was virtually unchanged at 1.27, compared with 1.32 at 31 December 2009.

The dynamic liquidity stress test (LST) used for internal control, and the other stress tests used, indicated a satisfactory liquidity situation during the period under review. According to the dynamic scenario, the Bank has an anticipated liquidity surplus at 30 June 2010, even in a stress situation, for a period of 257 days (31 December 2009: 242) and therefore meets the requirements, which demand a minimum of 180 days. The minimum requirement of 180 days was met throughout the period under review.

The security of Pfandbrief liquidity required under the Pfandbrief Act was assured throughout the period under review. At 30 June 2010, there was no cumulative liquidity requirement over the following 180 days in the cover pool of either public or mortgage Pfandbriefe. Equally, at 30 June 2010 the volume of the liquidity potential represented by liquid cover assets stood at € 5.2 billion within the cover pool of public Pfandbriefe and at € 420 million within the cover pool of mortgage Pfandbriefe.

The cumulative funding matrix shows that Deutsche Hypo's liquidity surpluses have increased, in particular for terms of up to one, two and four years, while they have reduced in the term bands of up to 3 and 5 years. Overall, the refinancing risk over-collateralised on a net present value basis, which is calculated in the risk-bearing capacity model, has reduced, this being mainly attributable to capital market refinancing (uncovered and mortgage Pfandbriefe) and new business that is refinanced as far as possible on the basis of matched maturities over the course of the period under review.

Cumulative liquidity outflows in € million



Operational risk

There were only minor instances of damage of an operational nature during the first half of 2010 that had a significant influence on Deutsche Hypo's profit situation. Similarly, the Bank is not aware of any potential risks that could represent a major threat.

During the first half of 2010, the processes used to report operational risk have been overhauled, and measures related to awareness and management of operational risks implemented with the employees responsible. One of the NORD/LB Group's aims is to apply an advanced measurement approach (AMA) to operational risk by the end of 2010. The preparations for this have already begun during the first half of 2010, in close cooperation with NORD/LB.

Summary and outlook

The effects of the financial and economic crisis continue to affect the development of Deutsche Hypo. In particular, the scope and duration of the economic recovery will impact on the Bank's risk situation.

No serious new risks have been identified at the present time in addition to the risks mentioned. Deutsche Hypo has taken due account of all known and serious risks by implementing the necessary measures, and considers itself well prepared for the challenges ahead with the risk provisioning it has put in place.

Forecast

Economy and real estate markets

Economy

The global economy is expanding again, but the consequences of the financial and economic crisis have not yet been entirely overcome. The course of the economic recovery has been variable in individual countries.

In the USA, the relevant economic key figures turned out weakly and the outlook for economic growth has become overcast. The labour market shows no signs of recovery. Consequently, consumer confidence also continues to drop. However, the Asian economies are continuing to expand rapidly. The Japanese economy is growing vigorously, driven by an expansion in exports and a strengthening upward impetus in domestic sales.

The economic drive in the eurozone has accelerated, although the economic situation in the individual Eurozone Member States is highly variable. In Germany, the domestic economy is benefiting from the strength of its export market. In addition, the surprisingly robust development of the employment market has greatly improved the prospects of the domestic economy. In contrast, the Spanish economy is in structural crisis, which is reducing its growth prospects in the medium term. In Great Britain, the economic recovery is progressing somewhat more slowly. The rate of VAT is being increased as part of the budgetary consolidation measures.

Rental markets

In real economic terms, the global office markets in general are at rock bottom. In the USA, demand during recent quarters has remained highly restrained. Although net absorption was slightly positive, the numbers of completed building projects were very high, so that vacancies rose again and rents fell. A recovery is not expected until 2011. In contrast, employment in Asia and the Pacific Rim, especially in China, is already rising, although this has not yet impacted on demand for office space. Vacancies only fell slightly.

The recovery in the European office markets continued at the beginning of the year, although vacancies have continued to rise somewhat. Pressure on rents will continue, and a recovery is not anticipated until next year. In Germany, the employment market situation is significantly more positive than in the rest of Western Europe, so that demand for office space has not collapsed. However, fewer office projects were completed than, for example, during the last crisis. As a result, the poor situation as regards vacancies and rents will persist, although things will improve next year.

Real estate investment market

The real estate investment market has noticeably revived, although it remains less dynamic than had been expected at the beginning of the year. This is due firstly to the continuing uncertainties on the financial markets, and secondly to the "perceived credit squeeze" being experienced by borrowers because banks are demanding, among other things, higher levels of collateral and equity. The market is also suffering from the reticent attitude of investors, which is restricting the rate of growth of the real estate investment market. Investors are currently focusing on core real estate in core markets, in which there are also long-term leases with highly rated tenants. However, supply is limited, so that in some cases, prices have already risen (for example in London and Paris). Retail properties remain the most popular asset class.

In the USA, the volume of transactions rose slightly in 2009, a trend that looks set to continue in 2010. Yields have fallen slightly since the beginning of this year, although in Asia investments have risen sharply. In Europe, investor interest remains primarily focused on Great Britain and France, although this is expected to broaden to the rest of Western Europe. Poor economic performance has dampened investment demand in Spain. Overall, yields peaked during 2009, and top yields at top locations have already fallen by up to 100 basis points.

In Germany, foreign investors have shown greater interest in commercial property, having been attracted by the security and stability of the German market. The highest level of demand is coming from equity-rich German investors, who are interested in core products, which are scarce and their price has risen. The increasing willingness of banks to finance lending, the recovery in capital values and increasing investor confidence will increase the overall volume of transactions and also the number of larger transactions during 2010.

Capital market development

Deutsche Hypo remains well positioned in the Government lending sector. Owing to the very good refinancing platform for Pfandbriefe, together with lean and flexible processes associated with the implementation of new business, the Bank has been able to expand its position. In future, new business will continue to be selected principally on the basis of quality and margin. It therefore remains to be seen whether the good first half year will follow through to the second half, although the current supply situation points toward a pleasing development.

Deutsche Hypo used the first six months of the year to expand its position as an issuing house. The Bank continues being successful in finding investors for both uncovered bonds and Pfandbriefe. Many meetings with our investors have confirmed our assumption that this trend is sustainable. Nevertheless, the Bank sees a need to work tirelessly on an expansion of its investor base. In this context, Deutsche Hypo has issued a benchmark bond for the first time following a long period of abstinence. Following the private placements, a number of new investors were attracted via the order procedure, a route that the Bank intends to pursue. Since there is sufficient liquidity in the market as a whole, we are assuming that, although the ECB purchase programme for European covered bonds (incl. Pfandbriefe) has expired, the issuing volume required for new business can be achieved.

Earnings forecast

Deutsche Hypo believes that its business model is a sustainable one, with regard to both commercial real estate finance and to capital market and refinancing business. The trend in net interest income during the second half of 2010 is likely to be more moderate than during the first half of the year. This opinion is based on two factors: 1) the beneficial effects on maturity transformation as described above will not continue during the second half of the year to the same degree as during the first half. 2) Deutsche Hypo has already successfully taken equity measures during the first half of the year (it has taken up a silent participation and tier 2 capital). It is also planning to issue a tier 1 bond during the second half of the year, so that higher interest expenses for servicing the newly borrowed equity are also anticipated.

However, the further transfer of loans from NORD/LB to Deutsche Hypo (asset transfer) will have a positive effect on the net interest income trend.

As regards risk provisioning, it may be assumed that the 2010 budgeted figure will be attained.

The collection of service charges, which NORD/LB pays Deutsche Hypo for servicing the real estate financing portfolio that has not yet been transferred to Deutsche Hypo, has a tangible effect on net commission income. The ongoing successful completion of the asset transfer will bring a further reduction of these service charges. On the other hand, this will lead to an increase in interest-bearing business with Deutsche Hypo, which will impact on the portfolio and will more than offset this effect. Here was a marked upward trend during the first half of 2010. The growth in earnings from the financial instruments measured at fair value, including hedge accounting, is primarily dependent on the trend in the financial markets. The ongoing development of the credit spreads and the matter of the proper functioning of the markets are relevant to the performance of the financial instruments in question, which are valued precisely on the basis of such market values.

Administrative expenses will also continue as budgeted during the second half of the year.

We also assume that the Bank will report slightly positive earnings before taxes for the year 2010 as a whole.

Opportunities and risks

The major opportunities and risks facing the income situation of Deutsche Hypo can be defined as follows:

Risks to operating income can arise if the anticipated volumes of new business cannot be generated on the markets subject to the anticipated margins. There is also the risk that the portfolio volume will not perform to the level anticipated in our plans and expectations. This is influenced by general factors, largely affected by customer behaviour in respect of ordinary and extraordinary repayment of loans. At the same time, risks arise in relation to the possibility that the continued transfer of loan portfolios from NORD/LB to Deutsche Hypo will not progress as expected.

The fallout from the financial market crisis, in particular the continuing uncertainty regarding the development of the government finances of a large number of industrial countries, particularly with regard to the peripheral European states Portugal, Italy, Ireland, Greece and Spain, will continue to have an indirect effect on the trend in the risk result. Potentially dramatic distortions on the real estate markets would lead to correspondingly adjusted high levels of risk provisioning..

The biggest potential risks facing the income situation are firstly the allowances for credit risk that must be set aside and secondly the fluctuations in value of financial instruments measured at fair value.

The banking regulatory reform process, which has not yet been concluded, represents a potential source of risk, because the results of this reform process could affect banks' equity requirements, lending practice and ultimately their profitability.

Opportunities will emerge if the economic conditions in our target markets improve more quickly and sustainably than forecast.

The significantly increasing number of loans transferred from NORD/LB to Deutsche Hypo under the asset transfer also represents an opportunity.

Should Deutsche Hypo's target markets develop as planned, Deutsche Hypo sees the possibility to extend its market position because of its competitive business model. The solid refinancing basis as well as product diversification and the long-term, continuous presence in the market in combination with high level expertise of Deutsche Hypo's employees are the main pillars for this development.

REVIEW REPORT

To Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover/Berlin

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows, and selected explanatory notes, and the interim group management report of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover/Berlin, for the period from 1 January 2010 to 30 June 2010, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]/quarterly financial report pursuant to Sec. 37x (3) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Hannover, 20 August 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Sterz	Trierweiler
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in € thousands	Notes	01.01.-30.06.2010	01.01.-30.06.2009
Interest income		595,201	667,651
Interest expenses		506,453	646,356
Net interest income	4	**88,748**	**21,295**
Loan loss provisions	5	29,944	25,748
Net interest income after risk provisioning		**58,804**	**– 4,453**
Commission income		8,716	6,464
Commission expenditure		366	302
Net commission income	6	**8,350**	**6,162**
Profit/loss from financial instruments at fair value	7	– 33,746	18,804
Profit/loss from hedge accounting	8	8,987	22,560
Profit/loss from financial assets	9	– 883	– 29,155
Profit/loss from repurchased own bonds		1,183	34,912
Administrative expenses	10	32,557	24,832
Other operating profit/loss	11	1,518	1,303
Earnings before taxes		**11,656**	**25,301**
Income taxes	12	5,725	9,548
Consolidated profit for the period		**5,931**	**15,753**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group's statement of recognised income and expenses for the first half of 2010 is made up of the income and expenses posted in the profit and loss account and those recognised directly in the equity capital:

in € thousands	01.01.-30.06.2010	01.01.-30.06.2009
Consolidated result from the income statement	**5,931**	**15,753**
Change from Available for Sale (AfS) financial instruments		
Unrealised profits/losses	– 100,991	– 102,328
Reposting as a result of profits/losses realised	– 673	3,748
Actuarial profits and losses from performance-orientated pension provisions	– 2,682	– 863
Deferred taxes	33,303	31,747
Other results	**– 71,043**	**– 67,695**
Consolidated overall result for the period	**– 65,112**	**– 51,942**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € thousands	Notes	30.06.2010	31.12.2009
Assets			
Cash reserve		24,821	46,724
Loans and advances to banks	13	3,889,272	3,992,543
Loans and advances to customers	14	18,187,915	16,813,465
Risk provisions	15	– 144,010	– 141,589
Financial assets at fair value	16	1,259,419	1,436,353
Positive fair values from hedge accounting derivatives		1,526,688	968,125
Financial assets	17	12,267,522	12,083,602
Fixed assets		5,396	5,423
Investment property		10,000	9,882
Intangible assets		298	258
Current income taxassets		8,894	10,168
Deferred income taxassets		157,453	127,286
Other assets		6,088	5,738
Total assets		**37,199,756**	**35,357,978**
Liabilities			
Liabilities to banks	18	6,978,823	6,660,484
Liabilities to customers	19	10,916,755	10,400,941
Securitised liabilities	20	15,384,280	15,542,737
Financial liabilities at fair value	21	1,131,373	734,290
Negative fair values from hedge accounting derivatives		1,748,959	1,133,919
Provisions	22	38,339	36,689
Current income tax liabilities		4,799	2,119
Deferred income tax liabilities		0	0
Other liabilities		9,990	6,370
Subordinated capital	23	635,599	424,477
Equity		350,840	415,952
Issued capital		80,640	80,640
Capital reserve		311,314	311,314
Retained earnings		148,354	144,249
Revaluation reserve		– 189,468	– 120,252
Total liabilities		**37,199,756**	**35,357,978**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The individual elements of the equity and their development during the first half of 2010 and the period against which it is compared are shown in the following statement of changes in equity:

in € thousands	Subscribed capital	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Equity at 01.01.2010	80,640	311,314	144,249	– 120,252	415,952
Dividends	0	0	0	0	0
Consolidated result for the period	0	0	5,931	0	5,931
Change from AfS financial instruments	0	0	0	– 69,216	– 69,216
Change in actuarial profits/losses	0	0	– 1,826	0	– 1,826
Change from capital deposits and payouts	0	0	0	0	0
Total capital changes	0	0	0	0	0
Status at 30.06.2010	80,640	311,314	148,354	– 189,468	350,840

in € thousands	Subscribed capital	Capital reserve	Revenue reserve	Revaluation reserve	Total equity
Equity at 01.01.2009	80,640	311,314	136,670	– 156,100	372,524
Dividends	0	0	0	0	0
Consolidated result for the period	0	0	15,753	0	15,753
Change from AfS financial instruments	0	0	0	– 67,108	– 67,108
Change in actuarial profits/losses	0	0	– 587	0	– 587
Change from capital deposits and payouts	0	0	0	0	0
Total capital changes	0	0	0	0	0
Status at 30.06.2009	80,640	311,314	151,835	– 223,208	320,581

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

in € thousands	01.01.- 30.06.2010	01.01.- 30.06.2009
Cash at 01.01.	46,724	85,854
Cash flow from business operations	– 263,540	– 30,108
Cash flow from investments	37,038	63,151
Cash flow from financing	204,599	– 10,174
Total cash flow	– 21,903	22,869
Effects as a result of changes to the consolidated group	0	0
Cash at 30.06.	24,821	108,724

CONDENSED NOTES

·· GENERAL INFORMATION

·· (1) Basic principles for preparing the interim condensed consolidated financial statements

The interim condensed consolidated financial statements of Deutsche Hypo as at 30 June 2010 have been prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS Regulation), in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable in the EU. In particular, IAS 34 was applied with regard to the requirements of interim financial statements. Additionally, due account was taken of the national provisions set out under Section 315a, para. 1 of the German Commercial Code (HGB) to the extent applicable as at the reporting date for the interim statements. The interim condensed consolidated financial statements form part of the interim financial report as defined in the German act transporting the European Transparency Directive (Section 37w of WpHG) of 5 January 2007. They do not contain all of the information and disclosures required in consolidated financial statements published at the financial year-end and should therefore be read in conjunction with Deutsche Hypo's published and audited consolidated financial statements as at 31 December 2009.

The interim condensed consolidated financial statements as at 30 June 2010 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, condensed consolidated statement of cash flows and selected information provided in the form of the condensed notes. Segment reporting is provided within the Notes (Note 35, Segment reporting).

The reporting currency for the interim condensed consolidated financial statements is the euro. Unless specified to the contrary, all amounts are reported in thousands of euros, rounded up or down in accordance with standard rounding rules. The previous year's figures are provided in brackets after the current figures.

With regard to the events and circumstances relevant to an understanding of the current interim report period, reference is made to the information on assets, liabilities, financial position and profit or loss provided in the interim management report.

The interim condensed consolidated financial statements for the first half of 2010 were approved for publication by the Board of Managing Directors on 19 August 2010.

·· (2) Accounting and valuation principles

The condensed consolidated interim financial statements have been prepared using the same accounting methods as applied during preparation of the consolidated financial statements as at 31 December 2009, without modification. The following standards and interpretations, applied for the first time with effect from 1 January 2010, are exemptions from this principle.

In January 2008 the IASB published a revised version of IFRS 3 "Business combinations" and an amended version of IAS 27 "Consolidated and Separate Financial Statements according to IFRS". The application of the purchase method with regard to business combinations is further developed in the revised IFRS 3, whilst IAS 27 contains amended rules on the balance sheet disclosure of investments with no controlling influence and on the balance sheet treatment of the loss of control of a subsidiary.

In April 2009, as part of its Annual Improvement Project, the IASB published changes to existing IFRS. These encompassed changes to various different IFRS with an impact on the recognition, measurement and reporting of transactions, as well as both terminological and editorial corrections. The majority of the changes enter into force with effect from financial years that start on or after 1 January 2010. The changes may also be applied prematurely.

The application of the changes to the standards referred to above does not result in any material impact on the accounting, measurement and disclosures in the consolidated interim financial statements. The Group has not applied prematurely any further standards, interpretations or changes that have already been published but that are not yet binding.

The estimation parameters used in the procedure to measure CDS were analysed pursuant to IAS 39, paragraph AG76, and adjusted in line with market circumstances as at the reporting date. Compared with the previous measurement, this resulted in an additional expense from negative fair values of €4 million. The negative fair values from the synthetic credit portfolio of CDS amount in total to 1.7 % of the nominal amounts of €618.2 million (Level 3). The intention is to hold the existing synthetic credit portfolio until final maturity. Taking account of price agencies' indicative spreads for the measurement of CDS (Level 3) as at 30 June 2010 would result in an additional negative measurement effect.

·· (3) Group of consolidated companies

In addition to Deutsche Hypo in its capacity as the parent company, the following subsidiaries (including special purpose entities in accordance with SIC-12) are included in the interim condensed consolidated financial statements as at 30 June 2010:

- Terra Grundbesitzgesellschaft am Aegi mbH, Hanover (100 %)
- NORDCON-FONDS SP 9, Hanover (100 %)
- Deutsche Hypo Delaware Blocker Inc., Wilmington/Delaware, USA (100 %)

Deutsche Hypo controls these fully consolidated companies in accordance with IAS 27 on the basis that it either holds the majority of voting rights or fulfils the criteria of SIC-12. No shares are held in joint ventures or associated companies, with the result that there are no companies that have been proportionately consolidated or measured at equity.

Deutsche Hypo Delaware Blocker Inc. is a newly founded US subsidiary. The object of the company is to manage and wind up emergency acquisitions in the USA.

There were no further changes to the group of consolidated companies during the reporting period.

Notes to the consolidated income statement

(4) Net interest income

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Interest income from		
mortgage loans	205,027	194,327
municipal loans	188,000	222,650
other lending and money market transactions	142	20,129
fixed-interest securities and government ledger bonds	195,484	230,276
Current profit/loss from swap transactions (balance of interest income and interest expense)	6,510	0
Other interest income and income similar to interest, and current income from shares and other variable-interest securities and from shareholdings	38	270
Total interest income	**595,201**	**667,651**
Interest expense for		
mortgage Pfandbriefe	104,306	119,557
public Pfandbriefe	286,503	324,347
other lending and money market transactions	100,087	173,009
subordinated liabilities	10,327	6,386
jouissance right capital	3,136	3,138
investments made by sleeping partners	1,272	1,487
Current profit/loss from swap transactions (balance of interest income and interest expense)	0	17,705
Other interest expense and expense similar to interest	822	726
Total interest expense	**506,453**	**646,356**
Net interest income	**88,748**	**21,295**

(5) Loan loss provisions

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Income from loan loss provisions		
Liquidation of specific provisions for loans and advances	13,018	7,316
Liquidation of flat-rate specific provisions for loans and advances	312	596
Liquidation of portfolio write-downs for loans and advances	0	17
Receipts in respect of depreciated loans and advances	1,807	892
	15,137	8,821
Expense arising from loan loss provisions		
Additions to specific provisions for loans and advances	43,168	30,108
Additions to flat-rate specific provisions for loans and advances	543	3,887
Additions to lending provisions	90	155
Direct depreciation of loans and advances	1,273	418
Premium payments for loan insurance	7	1
	45,081	34,569
Total loan loss provisions	29,944	25,748

(6) Net commission income

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Commission income		
NORD/LB service charges	4,875	5,096
Guarantee fees	746	370
Processing fees and costs	3,084	980
Other commission income	12	19
Total commission income	8,716	6,464
Commission expense		
Commission on bank guarantees	135	142
Other commission expense	232	160
Total commission expense	366	302
Total commission profit/loss	8,350	6,162

(7) Profit/loss from financial instruments at fair value

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Trading profit/loss		
Realised gains/losses from derivatives	2,620	38,285
Valuation of derivatives	– 103,537	44,804
Gains/losses from foreign currency	– 1,967	407
Total trading profit/loss	**– 102,883**	**83,496**
Profit/loss from use of the fair value option		
Valuation of		
loans and advances to banks	10	576
loans and advances to customers	12,353	1,495
debenture bonds and other fixed-interest securities	58,465	– 65,337
liabilities to banks	– 175	0
liabilities to customers	– 1,339	146
securitised liabilities	– 175	– 1,571
Total profit/loss from use of the fair value option	**69,138**	**– 64,691**
Profit/loss from financial instruments at fair value	**– 33,746**	**18,805**

(8) Profit/loss from hedge accounting

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Profit/loss from hedging instruments (derivatives)	– 32,449	251,975
Profit/loss from hedged underlying transactions	41,436	– 229,415
Total profit/loss from hedge accounting	**8,987**	**22,560**

(9) Profit/loss from financial assets

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Profit/loss from financial assets belonging to the category loans and receivables		
Profit/loss from disposals	2,115	– 7,283
Profit/loss from write-downs	– 3,671	– 18,122
	– 1,556	**– 25,404**
Profit/loss from financial assets belonging to the category available for sale		
Profit/loss from the disposal of		
debenture bonds and other fixed-interest securities	– 11	93
shares and other variable-interest securities	685	0
shareholdings, shares in affiliated companies and other financial assets	0	– 1
Profit/loss from write-downs of		
debenture bonds and other fixed-interest securities	0	0
shares and other variable-interest securities	0	– 3,842
shareholdings, shares in affiliated companies and other financial assets	0	0
	673	**– 3,751**
Total profit/loss from financial assets	**– 883**	**– 29,155**

(10) Administrative expenses

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Personnel expenses	18,424	16,205
Other administrative expenses	13,538	7,987
Depreciation	594	640
Total administrative expenses	**32,557**	**24,832**

(11) Other operating profit/loss

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Other operating income	1,942	2,064
Other operating expenses	425	762
Total	**1,518**	**1,303**

(12) Income taxes

The calculation of income taxes in the interim financial statements is based on the expected overall income tax ratio for the entire year. The underlying tax rate is based on the statutory provisions applicable or adopted as at the reporting date.

in € thousands	01.01. - 30.06.2010	01.01. - 30.06.2009
Current income taxes	2,589	– 76
Deferred taxes	3,136	9,624
Total	**5,725**	**9,548**

Notes to the consolidated statement of financial position

(13) Loans and advances to banks

in € thousands	30.06.2010	31.12.2009
Loans		
of which mortgage loans	8,394	5,171
of which municipal loans	2,926,272	3,253,382
of which other loans and advances	954,606	733,989
of which payable on a daily basis	942,966	633,446
Total	**3,889,272**	**3,992,543**

(14) Loans and advances to customers

in € thousands	30.06.2010	31.12.2009
Loans		
of which mortgage loans	11,168,655	9,879,935
of which municipal loans	6,747,196	6,817,588
of which other loans and advances	272,064	115,942
Total	**18,187,915**	**16,813,465**

(15) Risk provisions

in € thousands	30.06.2010	31.12.2009
Specific provisions for loans and advances		
Foreign banks	3,985	3,985
Domestic customers	15,816	28,157
Foreign customers	84,688	70,157
	104,489	102,299
Flat-rate specific provisions	2,617	2,929
Portfolio write-downs	36,904	36,361
Total	144,010	141,589

Risk provisions reported on the assets side and loan loss provisions developed as follows:

in € thousands	Specific provisions	Flat-rate specific provisions	Portfolio write-downs	Lending provisions	Total
01.01.2010	102,299	2,929	36,361	952	142,541
Additions	43,168	0	543	97	43,808
Liquidiations	13,018	312	0	0	13,330
Drawdowns	32,269	0	0	1	32,270
Unwinding and other increases/decreases	4,309	0	0	0	4,309
30.06.2010	104,489	2,617	36,904	1,048	145,057

in € thousands	Specific provisions	Flat-rate specific provisions	Portfolio write-downs	Lending provisions	Total
01.01.2009	43,222	3,414	20,325	877	67,838
Additions	30,108	0	3,887	156	34,152
Liquidiations	7,316	596	17	0	7,929
Drawdowns	6,321	0	0	7	6,327
Unwinding and other increases/decreases	1,989	0	0	0	1,989
30.06.2009	57,704	2,818	24,195	1,026	85,743

(16) Financial assets at fair value

in € thousands	30.06.2010	31.12.2009
Financial assets designated at fair value		
Loans and advances to banks	11,257	292,080
Loans and advances to customers	232,698	220,124
Debenture bonds and other fixed-interest securities	597,962	471,400
	841,917	**983,605**
Positive fair values from derivatives (assets held for trading)		
Interest rate risks	361,408	329,613
Currency risks	56,094	122,875
Credit derivatives	0	261
	417,502	**452,749**
Total	**1,259,419**	**1,436,353**

(17) Financial assets

in € thousands	30.06.2010	31.12.2009
Financial assets belonging to the category AfS		
Debenture bonds and other fixed-interest securities		
from public issuers	5,176,176	4,693,809
from other issuers	6,257,658	6,631,333
	11,433,834	11,325,142
Shares and other variable-interest securities		
Shares	1,711	1,809
Shares in funds	17,716	40,673
	19,428	42,482
Shareholdings	227	227
	11,453,488	**11,367,851**
Financial assets belonging to the category LaR		
Debenture bonds and other fixed-interest securities		
from public issuers	284,195	189,384
from other issuers	529,839	526,367
	814,034	**715,751**
Total	**12,267,522**	**12,083,602**

(18) Liabilities to banks

in € thousands	30.06.2010	31.12.2009
Registered mortgage Pfandbriefe issued	278,927	287,343
Registered public Pfandbriefe issued	549,855	477,929
Loans taken up	1,341,421	495,651
Open market transactions	222,267	221,161
REPO transactions	2,379,902	2,958,338
Call money	905,720	398,228
Restricted cash	1,215,333	1,815,131
Other liabilities	85,398	6,702
Total	6,978,823	6,660,484

(19) Liabilities to customers

in € thousands	30.06.2010	31.12.2009
Registered mortgage Pfandbriefe issued	1,080,142	1,151,047
Registered public Pfandbriefe issued	8,449,803	7,958,395
Loans taken up	1,208,421	1,285,750
Other liabilities	178,388	5,749
Total	10,916,755	10,400,941

(20) Securitised liabilities

in € thousands	30.06.2010	31.12.2009
Issued bearer bonds		
mortgage Pfandbriefe	5,032,525	4,139,783
public Pfandbriefe	7,292,157	8,176,774
other bonds	3,059,598	3,226,181
Total	15,384,280	15,542,737

(21) Financial liabilities at fair value

in € thousands	30.06.2010	31.12.2009
Financial liabilities designated at fair value		
Liabilities to banks	242,009	118,834
Liabilities to customers	50,231	49,084
Securitised liabilities	30,004	29,728
	322,244	197,646
Negative fair values from derivatives (liabilities held for trading)		
Interest rate risks	550,446	441,882
Currency risks	194,315	59,686
Credit derivatives	64,367	35,077
	809,129	536,644
Total	1,131,373	734,290

(22) Provisions

in € thousands	30.06.2010	31.12.2009
Provisions for pensions and similar obligations	33,859	30,528
Other provisions		
Provisions for possible loan losses	1,048	952
Provisions for contingent liabilities	3,431	5,210
	4,479	6,162
Total	38,339	36,689

(23) Subordinated capital

in € thousands	30.06.2010	31.12.2009
Subordinated liabilities	412,297	263,174
Jouissance right capital	103,030	114,329
Investments by sleeping partners	120,272	46,973
Total	635,599	424,477

Other information

(24) Derivative financial instruments

in € millions	Nominal values in € millions 30.06.2010	Nominal values in € millions 31.12.2009	Market values in € thousands Positive 30.06.2010	Positive 31.12.2009	Negative 30.06.2010	Negative 31.12.2009
Interest rate risks	37,071	37,729	1,747,676	1,212,114	1,972,468	1,460,420
Currency risks	5,271	4,974	196,513	208,498	521,251	175,068
Credit risks	1,363	1,228	0	261	64,369	35,077
Total	**43,705**	**43,931**	**1,944,189**	**1,420,873**	**2,558,088**	**1,670,564**

(25) Regulatory basic data

in € thousands	30.06.2010	31.12.2009
Capital resource requirements for counterparty risks	692,097	638,896
Capital resource requirements for market risk items	1,744	890
Capital resource requirements for operational risk	18,712	17,846
Capital resource requirements in accordance with the German Solvency Regulation	**712,553**	**657,632**

The following table shows the composition of regulatory capital resources pursuant to section 10 of the German Banking Act:

in € thousands	30.06.2010	31.12.2009
Paid-up capital	211,954	211,954
Capital contributions from sleeping partners	119,000	44,000
Other reserves	398,817	430,342
Special items for general bank risks in accordance with Section 340g of the German Commercial Code	0	0
Remaining components	– 404	– 488
Core capital	**729,367**	**685,808**
Longer-term subordinated liabilities	351,284	211,517
Liabilities arising from profit-sharing rights	97,897	97,897
Remaining components	4,400	4,400
Supplementary capital	**453,581**	**313,814**
Deductible items from core capital and supplementary capital	– 303,624	– 254,996
Modified available equity	**879,324**	**744,626**
Tier 3 capital	0	0
Allowable capital resources pursuant to section 10 of the German Banking Act	**879,324**	**744,626**

in %	30.06.2010	31.12.2009
Total capital ratio pursuant to section 2, para. 6 of the German Solvency Regulation	9.87	9.06
Core capital ratio	6.51	6.80

(26) Segment reporting

There were no organisational changes during the reporting period with an impact on the composition of the business segments or on the calculation of the segment results compared with the situation as at 31 December 2009.

Deutsche Hypo Group segment reporting by business segment **30 June 2010**

in millions of euros	Real estate finance	Capital market business	Other	Profit/loss
Net interest income before risk provisioning	60.8	21.7	6.2	88.7
Loan loss provisions	– 29.3	0.0	– 0.6	– 29.9
Net interest income after risk provisioning	**31.5**	**21.7**	**5.6**	**58.8**
Net commission income	8.6	0.0	– 0.2	8.4
Profit/loss from financial instruments at fair value and hedge accounting	0.0	– 24.8	0.0	– 24.8
Profit/loss from financial assets and repurchase of own debenture bonds	0.0	2.3	– 2.0	0.3
Administrative expenses	– 16.6	– 2.0	– 13.9	– 32.6
Other operating profit/loss	0.6	0.4	0.5	1.5
Earnings before taxes	**24.1**	**– 2.3**	**– 10.0**	**11.7**
Segment assets	11,185.5	21,780.3	4,234.0	37,199.8
Risk assets	7,382.9	970.7	285.1	
Equity commitment	369.1	48.5	14.3	
CIR	23.7 %	– 75.2 %	212.8 %	44.1 %
RoRaC/RoE*)	13.0 %	– 9.6 %	– 140.8 %	4.8 %

*) at segment level RoRaC: Earnings before taxes x 2 / fixed core capital; at company level RoE: (earnings before taxes – interest expense relating to investments made by sleeping partners in balance sheet equity) / long-term trading equity (= registered capital + capital reserves + retained earnings + minority shares – investments made by sleeping partners in the balance sheet equity)

Deutsche Hypo Group segment reporting by business segment 30 June 2009

in millions of euros	Real estate finance	Capital market business	Other	Profit/loss
Net interest income before risk provisioning	45.1	– 33.9	10.1	21.3
Loan loss provisions	– 19.0	0.0	– 6.7	– 25.7
Net interest income after risk provisioning	**26.0**	**– 33.9**	**3.4**	**– 4.4**
Net commission income	6.0	0.0	0.2	6.2
Profit/loss from financial instruments at fair value and hedge accounting	0.0	41.4	0.0	41.4
Profit/loss from financial assets and repurchase of own debenture bonds	– 3.8	24.6	– 15.0	5.8
Administrative expenses	– 12.4	– 1.8	– 10.6	– 24.8
Other operating profit/loss	0.0	0.1	1.2	1.3
Earnings before taxes	**15.8**	**30.3**	**– 20.8**	**25.4**
Segment assets	9,491.4	22,196.4	4,577.1	36,264.8
Risk assets	6,358.9	1,351.1	292.3	
Equity commitment	317.9	67.6	14.6	
CIR	24.3 %	24.3 %	92.6 %	35.4 %
RoRaC/RoE*)	10.0 %	89.7 %	– 285.1 %	5.3 %

*) at segment level RoRaC: Earnings before taxes x 2 / fixed core capital; at company level RoE: (earnings before taxes – interest expense relating to investments made by sleeping partners in balance sheet equity) / long-term trading equity (= registered capital + capital reserves + retained earnings + minority shares – investments made by sleeping partners in the balance sheet equity)

Further information on the business development in the different segments of the Bank taking into account the general economic situation during the reporting period is provided in the Group interim report.

(27) Contingent liabilities and irrevocable credit approvals

in € thousands	30.06.2010	31.12.2009
Sureties and guarantee agreements		
Performance bonds and guarantees	208,661	100,428
Irrevocable credit approvals		
Mortgage loans and municipal loans	692,114	559,164
Total	**900,775**	**659,592**

(28) Issue and redemption of bonds

During the reporting period registered Pfandbriefe and bearer bonds in the total amount of € 2,731,500 thousand (01.01.-30.06.2009: € 2,183,180k) were issued, whilst the total volume of bonds redeemed was € 3,039,865 thousand (01.01.-30.06.2009: € 5,838,092k). The buying and selling of bonds as described took the form of normal commercial transactions as part of the Bank's business operations.

(29) Related party relationships

As part of its customary business activities, Deutsche Hypo enters into transactions with related parties. These transactions are entered into in accordance with the same terms and conditions as applied to comparable transactions with external third parties.

The following table shows the significant receivables and liabilities in relation to related parties. Significant related party transactions as defined in IAS 34 refer to business events and transactions with NORD/LB in the capacity of parent company and with backers and subsidiary companies of NORD/LB in the capacity of "other related parties".

in € thousands	30.06.2010	31.12.2009
Loans and advances to banks	**84,208**	**399,918**
Parent company	68,418	122,578
Other related parties	15,790	277,340
Loans and advances to customers	**1,355,608**	**1,664,273**
Other related parties	1,355,608	1,664,273
Other assets	**345,384**	**356,025**
Parent company	330,451	341,219
Other related parties	14,933	14,806
Total assets	**1,785,201**	**2,420,216**
Liabilities to banks	**3,465,563**	**3,522,923**
Parent company	2,670,372	2,092,331
Other related parties	795,191	1,430,592
Other liabilities	**398,298**	**48,930**
Parent company	272,340	42,335
Persons holding key positions	0	1,190
Other related parties	125,958	5,405
Total liabilities	**3,863,861**	**3,571,853**

No write-downs on receivables from related parties were made during the period under review. As at 31 June 2010, guarantees and sureties received from other related parties totalled € 687,347k (31 December 2009: € 628,747k).

(30) Report on subsequent events

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

Hanover, 19 August 2010

The Board of Managing Directors

Dr. Allerkamp Pohl Rehfus

STATEMENT BY THE MANAGING BOARD

"We guarantee that, to the best of our knowledge, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Hanover, August 2010

The Board of Managing Directors

Dr. Allerkamp Pohl Rehfus

ADDRESSES IN GERMANY AND ABROAD

·· Head Office 30159 Hanover	Georgsplatz 8 Tel.: +49 511 3045-0 Fax: +49 511 3045-459 www.Deutsche-Hypo.de
·· Registered branch 10719 Berlin	Uhlandstraße 165/166 Tel.: +49 30 8827331 Fax: +49 30 8832648
·· Branches 40215 Düsseldorf	Königsallee 63–65 Tel.: +49 211 86792-0 Fax: +49 211 86792-29
60311 Frankfurt am Main	Goetheplatz 2 Tel.: +49 69 2193518-11 Fax: +49 69 2193518-15
20457 Hamburg	Brodschrangen 4 Tel.: +49 40 37655-310 Fax: +49 40 37655-305
30159 Hanover	Georgsplatz 8 Tel.: +49 511 3045-591 Fax: +49 511 3045-599
85774 Munich-Unterföhring	Münchner Straße 16 Tel.: +49 89 992908-0 Fax: +49 89 9576201
·· Representative Office 80538 Munich	Widenmayerstraße 15 Tel.: +49 89 512667-0 Fax: +49 89 512667-25
·· Foreign Branch London EC4N 6AE	60–64 Cannon Street Cannongate House, 1st Floor Tel.: +44 207 9200100
·· Foreign Representative Offices 1077 XX Amsterdam	Strawinskylaan 625 Tower B, Level 6 Tel.: +31 20 6914551 Fax: +31 20 6919811
28006 Madrid	María de Molina 40 1° Centro Tel.: +34 91 7452642 Fax: +34 91 4116183
75002 Paris	23, rue de la Paix Tel.: +33 1 550484-85 Fax: +33 1 550484-89
·· State supervisory body	Bundesanstalt für Finanzdienstleistungsaufsicht Graurheindorfer Straße 108 53117 Bonn

DEUTSCHE HYPO
Member of NORD/LB

Deutsche Hypothekenbank
(Actien-Gesellschaft)
30159 Hannover
Georgsplatz 8
Telefon +49 511 3045-0
Telefax +49 511 3045-459
Mail@Deutsche-Hypo.de
www.Deutsche-Hypo.de

10719 Berlin
Uhlandstraße 165/166
Telefon +49 30 8827331
Telefax +49 30 8832648