DEUTSCHE HYPO
Member of NORD/LB

HALF-YEARLY FINANCIAL REPORT 2013

Your success is : our benchmark

DEUTSCHE HYPO AT A GLANCE

in € millions	01.01.– 30.06.2013	01.01.– 30.06.2012	Change (in %)
Business progress figures			
Commercial real estate finance business	1,665.1	1,271.6	30.9
Capital market business	1,180.0	867.5	36.0
of which public sector loans	180.0	537.5	– 66.5
Loans drawdowns	2,667.8	2,191.1	21.8
Funding volume	2,183.7	1,817.4	20.2

in € millions	30.06.2013	31.12.2012	Change (in %)
Balance sheet figures			
Commercial real estate finance business	12,278.7	12,381.3	– 0.8
Loans to local authorities	8,030.4	8,867.1	– 9.4
Securities	10,871.3	10,613.7	2.4
Borrowed funds	31,461.4	32,779.4	– 4.0
Equity *)	1,378.6	1,378.6	–
Total assets	33,259.4	34,578.2	– 3.8

in € millions	01.01.– 30.06.2013	01.01.– 30.06.2012	Change (in %)
Income statement figures			
Net interest income	103.1	103.9	– 0.8
Net commission income	4.6	4.1	12.2
Administrative expenses **)	35.4	37.8	– 6.3
Risk result (including allocation Section 340g HGB)	– 34.0	– 35.4	4.0
Income from securities and participatory interests	– 2.8	– 2.9	3.4
Result from normal operations	31.4	28.6	9.8
Extraordinary result	– 1.6	– 0.3	> – 100
Profit surrendered under partial profit transfer agreements	8.0	9.3	– 14.0
Profit before taxes and profit and loss transfer agreement	21.8	19.0	14.7

in %	30.06.2013	30.06.2012
Other information		
Cost-income ratio	34.1	36.1

*) including funds for general banking risks, jouissance right capital and subordinated liabilities
**) including write-downs and value adjustments of intangible assets and tangible fixed assets

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

HALF-YEARLY FINANCIAL REPORT 2013

CONTENT

INTERIM MANAGEMENT REPORT

The figures in the tables and charts in the interim management report are expressed in thousand euros (€ thousands) or million euros (€ millions). 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.

Business and economic environment

Macroeconomic environment

Economic performance

The German economy returned to the path of growth in the first half of 2013, as expected. In comparison to the previous quarter, however, gross domestic product (GDP) rose only slightly, by 0.1 %, in the first quarter of 2013 (seasonally-adjusted). The economic performance was burdened by special factors though. Private consumer expenditures supported growth in the first half of the year. Employment continued to be strong, and, together with noticeable rises in salaries and significantly lower inflation, increased real available income. The unemployment rate was 6.8 % in June (seasonally-adjusted).

In the first quarter, the eurozone was not able to exit the on-going recession over the last year and a half, in accordance with expectations. In the first three months of the current year, price- and seasonally-adjusted GDP in the collective currency zone fell again by 0.2 % as compared to the first quarter. Also in the second quarter, despite further improvements in most countries, the indicators of sentiment did not rise out of the recession range.

In the US, the year began slowly, with the annualised quarterly growth rate for real gross domestic product expanding by 1.1 % in the first three months, but picked up in the spring when it rose to 1.7 %. Due to the lapsing of previous tax cuts that took effect at the turn of the year and reductions in government expenditures, it was possible to describe the US economy as impressively strong. Again, private consumption primarily supported the economic growth in the US.

Development of real estate markets

The momentum in the global commercial real estate market continued in the first half of 2013. The investment volume in commercial real estate rose by 11 % in the first six months of the year as compared to the same period in 2012. As in the past year, there were significant regional differences with regard to Deutsche Hypo's core business regions, particularly due to the different economic performances.

In Germany, roughly € 12.6 billion was invested in commercial real estate in the first half of 2013 – roughly 34 % more than in the same period of the previous year. This produced the highest half-year result since 2007. The German investment market remained one of the most important and dynamic investment havens for real estate investors thanks to the stability of real estate assets and good fundamental data. Increasingly, new foreign investors, including well-capitalised investors from Asia, were moving into the German market. Furthermore, investors have also shown a greater appetite for risk.

The UK again defended its position as the most liquid commercial real estate investment market in Europe. Despite the weak economic performance, there was a noticeable increase in the volume of transactions in the first five months of this year. The French real estate market, on the contrary, had to cope with a noticeable drop in investment volume in the first half of 2013. Among others, this is due to the shortage of core objects in top locations, which promise a high level of stability in light of the weak general economic conditions. Weak economic growth and in some cases recessions also resulted in a low level of activity on the real estate investment markets in the Benelux countries. In Poland, the investment volume in the commercial real estate market in the first half of this year was above the level in the first half of the previous year. As a result, the country was again able to maintain its leading position in Central and Eastern Europe.

Development of international financial markets

The recovery on financial markets has continued since the beginning of the year. Sporadic irritations of capital market players flared up again. The parliamentary elections in Italy were a trigger for one; the quite clumsy rescue for Cyprus and the government crisis in Portugal were others. It was, however, clear that the markets evidently only still react sensitively to political risks and less to weak economic data.

The inflation rate has now fallen, both in the eurozone and in Germany, significantly below the mark of 2.0 %. The relaxed price development and the weak economic data from the eurozone allowed the ECB to reduce the base interest rate again. In May, the tender rate was reduced to a new record low of 0.5 %. For the time being, the ECB has decided against a negative interest rate for the deposit facility. Furthermore, the ECB changed its communication with regard to the base interest rate level in July. According to the statement, the ECB Governing Council assumes that the base interest rates will remain at the current or an even lower level for a longer period of time.

Before this, however, remarks by Chairman of the US Federal Reserve Bernanke on a possible reduction in the monthly bond purchases in the course of this year caused uncertainty on the markets. Many stock indexes fell sharply in June, but have recovered in the meantime. The German stock exchange (DAX) even rose above the level of 8,530 and was thus 900 points above the level at the beginning of the year. Since the beginning of the year, the yield on 10-year German government bonds has moved between a low of 1.15 % at the beginning of May and a brief high of 1.85 % at the end of June. The fear of an end to the high liquidity exerted downward pressure on German bonds and US treasuries. After the situation calmed down, the yield on 10-year government bonds was slightly above 1.5 % in the middle of July. As a result, the spread between 10-year government bonds in the US and Germany increased to roughly 100 basis points. On the contrary, money markets remained largely stable in the first half of the year. Since the middle of January, the 3-month Euribor was only slightly above 0.2 %.

Developments in connection with the Bank

In May 2013 Deutsche Hypo and NORD/LB signed a control and profit and loss transfer agreement, which entered into force retroactively on 1 January 2013. The signing of the control and profit and loss transfer agreement is a major milestone that ensures an even closer linkage of parent and subsidiary in contractual form as well. Among others, it makes collaboration in the leveraging of synergies and efficiencies easier. NORD/LB also obligates itself to take over possible losses at its subsidiary. As a result, the Group parent makes a clear commitment to Deutsche Hypo. Commercial real estate finance is and remains one of the most significant business areas in the NORD/LB Group.

In the first quarter of this year, Deutsche Hypo also decided to apply the simplification options in accordance with Section 2a (1) of the German Banking Act (KWG), the so-called waiver rule, and reported this to the German Financial Supervisory Authority (BaFin) in Bonn in a letter dated 7 June 2013. The simplification options were used for the first time as of the reporting deadline on 30 June 2013. As a result, the following regulatory requirements no longer have to be applied for Deutsche Hypo as an individual institution, but rather are reported on the Group level:

- Section 10 KWG: Requirement of appropriate equity capital resources on the level of the institution;
- Sections 13, 13a KWG: Requirements for large exposure notification;
- Section 25a (1) Clause 3 No. 1 KWG: Determination and ensuring of the risk-bearing capacity, specifying (risk) strategies, setting up processes for the identification, evaluation, control, monitoring and communication of risks.

Although Deutsche Hypo must no longer meet the aforementioned regulatory obligations, its autonomy according to its articles of association means that it will continue to identify, evaluate, manage and communicate its risks in accordance with the requirements of the Group strategy. Furthermore, it is ensured that Deutsche Hypo as a Pfandbrief bank meets the requirements of the German Pfandbrief Act (PfandBG) and particularly the requirements for risk management in accordance with Section 27 of the German Pfandbrief Act (PfandBG).

The implementation of the measures of the SIGN project – "Using Synergies in the Group" – which began in 2012, has started as planned. The interim result of the project goals has been positive so far, particularly for the significant reduction sought in Deutsche Hypo's administrative expenses by 2016.

In commercial real estate finance, the focus continues to move toward strengthening the competitive position in the defined core business regions. The offices in Dusseldorf and Madrid were closed in March and June 2013 as planned. In Poland, on the contrary, Deutsche Hypo is expanding its involvement, since the Polish real estate market offers interesting financing opportunities. The country also benefits from positive economic prospects and a stable legal system. The opening of a representative office in Warsaw is being prepared. As a result, Germany, the UK, France, Benelux and Poland form Deutsche Hypo's strategic core business regions.

Course of business at a glance

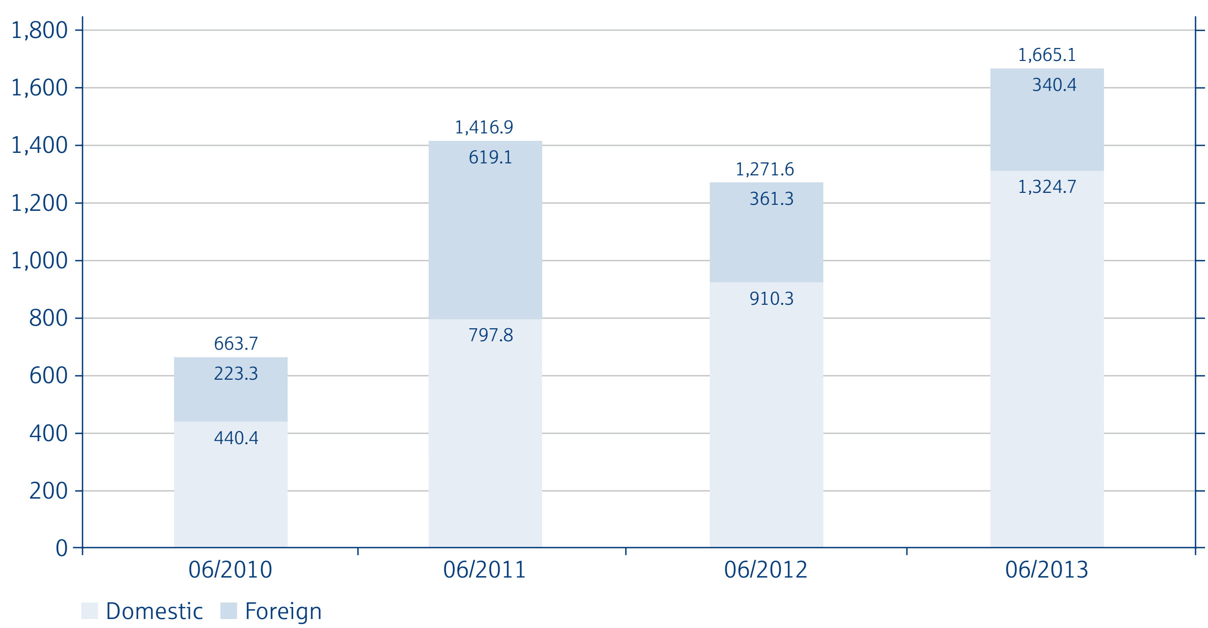
Commercial real estate finance

New business

Deutsche Hypo's new business volume in the commercial real estate finance business was significantly expanded in the first six months of this financial year. As compared to this period in the previous year, the volume increased by € 393.5 million to € 1,665.1 million (2012: € 1,271.6 million). The high level in this period last year was exceeded as a result. In accordance with the risk strategy, the focus continued to be on qualitatively good to very good business transactions.

The rise is in particular due to strong domestic new business. While domestic new credit commitments in the first half of the current financial year totalled € 1,324.7 million and were significantly above the already high level of € 910.3 million in the previous year, foreign new business fell slightly to € 340.4 million (2012: € 361.3 million). Consequently, the share of domestic new business as a percentage of the total new business volume rose substantially to 79.6 % (2012: 71.6 %). This shows Deutsche Hypo's ongoing strong focus on its home market.

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



The foreign new business volume was distributed in particular across the core business regions of the UK (€ 135.5 million) and France (€ 124.0 million). Of the new commitments, commercial credits totalled € 1,523.4 million, which corresponds to a share of 91.5 % (2012: 94.5 %) of the total new business volume.

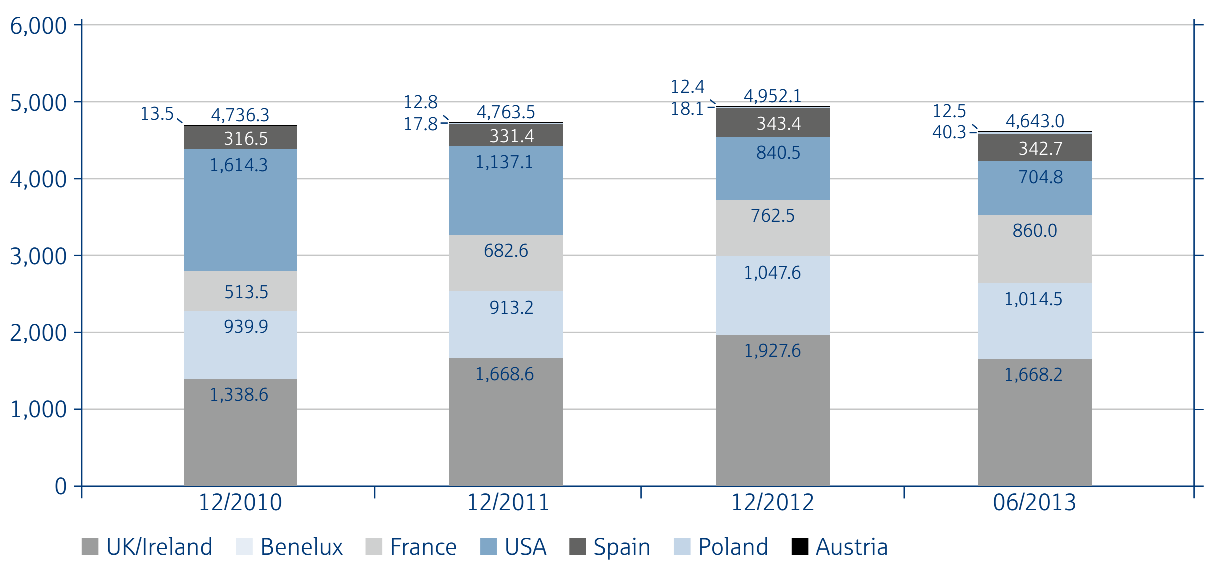
Portfolio

Deutsche Hypo's total real estate finance portfolio fell slightly, by 0.8 %, to € 12,278.7 million from the previous year-end compared to the reporting date (2012: € 12,381.3 million). This is against the background, that of the entire new business volume, credit commitments of € 664.5 million had not yet been valued by the reporting deadline and have therefore not been transferred to the portfolio yet.

The already outlined focus on the German market is also reflected in the portfolio changes. While the domestic portfolio on the reporting date rose by € 206.5 million or 2.8 % to € 7,635.7 million (2012: € 7,429.2 million), the foreign financing portfolio fell by € 309.1 million or 6.2 % to € 4,643.0 million (2012: € 4,952.1 million). As a result of this, the share of foreign financing fell, as a percentage of the total real estate finance portfolio, to 37.8 % (2012: 40.0 %).

The foreign financing portfolio also reflects Deutsche Hypo's strategy of focusing intensively on the defined strategic target markets of the UK, France and Benelux. The real estate finance portfolio in the US declined as planned. Also the real estate finance portfolio in Spain remained constant due to abandonment to award new credit commitments. In the new core business region of Poland, the first new business commitments were concluded.

Foreign real estate finance portfolio (in € millions)



Within the real estate finance portfolio, the property types also shifted further toward retail and office real estate. The share of residential real estate financing continued to fall. As a result of rising new business margins, it was possible to slightly increase the margin level of the entire real estate finance portfolio in accordance with expectations.

Capital market business

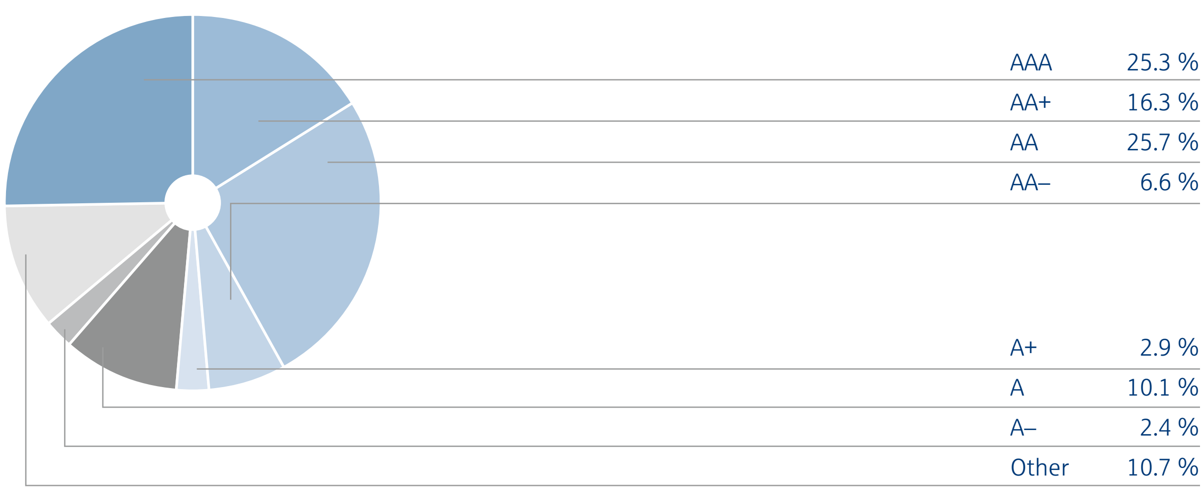
New business

In accordance with the strategic requirements, Deutsche Hypo's new business in the capital market business was solely pursued in a restrictive manner and primarily for liquidity and cover pool management as well as bank management. In this connection, new business of € 1,180.0 million (2012: € 867.5 million) was acquired.

Portfolio

The portfolio in capital market business fell, as planned, by € 806.2 million to € 18,802.1 million (2012: € 19,608.3 million) in the first half of 2013 despite the opposite effect of the increase in new business for management purposes. Qualitatively, the capital market portfolio continues to be at a good level, with 25.3 % (2012: 25.8 %) of the portfolio having an AAA rating, and another 48.6 % (2012: 49.2 %) having an AA rating.

Capital market business portfolio by rating classification as at 30.06.2013



The portfolio categorised as other business are not included in these graphical presentations.

Income position

Presentation and explanation from the bank's overall point of view

in € millions			Change
Income statement	30.06.2013	30.06.2012	(in %)
Net interest income	103.1	103.9	– 0.8
Net commission income	4.6	4.1	12.2
Administrative expenses	35.4	37.8	– 6.3
of which personnel expenses	21.7	23.6	– 8.1
of which other administrative expenses *)	13.6	14.2	– 4.2
Other operating income	– 4.1	– 3.3	– 24.2
Risk result	– 34.0	– 21.0	– 61.9
Allocation to funds for general banking risks (Section 340g HGB)	0.0	14.4	– 100
Income from securities and participatory interests	– 2.8	– 2.9	3.4
Result from normal operations	31.4	28.6	9.8
Extraordinary result	– 1.6	– 0.3	> – 100
Profit surrendered under partial profit transfer agreements	8.0	9.3	– 14.0
Profit before taxes and profit and loss transfer	21.8	19.0	14.7
Taxes	0.8	5.7	
Profit to be surrendered from a profit and loss transfer agreement	21.1	0.0	
Profit for the period	0.0	13.3	

Cost-income ratio	34.1 %	36.1 %	

*) including write-downs and value adjustments of intangible assets and tangible fixed assets

Net interest income totalled € 103.1 million (2012: € 103.9 million), roughly on the same high level as in the previous year. The main driver of this was the positive development of margins in the core business area of commercial real estate financing, which compensated for the lower interest income from capital market business due to the previously described reductions in the portfolio. Net commission income totalled € 4.6 million (2012: € 4.1 million), slightly above the comparable result from the same period of the previous year. This is largely due to the positive new business development in the real estate finance business, which increased the volume of processing fees in the first half of the year. In total, there was an almost unchanged high contribution to earnings from the net interest and net commission income of € 107.7 million as compared to this period in the previous year (2012: € 108.0 million).

The success of Deutsche Hypo's active cost management contributed to the fact that both personnel and material expenses (other administrative expenses and write-downs and value adjustments of intangible assets and tangible fixed assets) developed very positively. In total, administrative expenses fell by € 2.4 million to € 35.4 million (2012: € 37.8 million). The cost-income ratio improved to 34.1 % (2012: 36.1 %).

The result from other operating income and expenses totalled € – 4.1 million, particularly on account of the contribution to the restructuring funds for banks (bank levy) and were thus below the level of € – 3.3 million as in the previous year.

The risk result of € – 34.0 million improved slightly, by € 1.4 million as compared to the same period in the previous year, due to the release of the provision reserve in accordance with Section 340f HGB to strengthen the core capital ratio, and the contribution of this amount to the funds for general banking risks. The quality of the real estate finance portfolio continued to develop positively as measured by indicators such as the volume of defaulting credit commitments and the average rating. This is due, on the one hand, to migration effects in the portfolio and, on the other, to active portfolio management measures as well as lower risk new business. This is reflected in the drop in net expenses in the lending business.

The income from securities and participatory interests was almost unchanged in the first half of 2013 at € – 2.8 million (2012: € – 2.9 million) and was primarily affected by depreciation on securities in fixed assets that are assigned to non-strategic business activities.

The on-going good net interest and net commission income in connection with the drop in administrative expenses as well as a positively developing risk result in the lending business mean that the result from normal operations totalled € 31.4 million, which was above the comparable amount of € 28.6 million in the previous year.

The measures in connection with the SIGN project begun last year resulted in an extraordinary result of € – 1.6 million (2012: € – 0.3 million). When taking the interest on silent partners with the amount of € 8.0 million (2012: € 9.3 million) in account, profit before taxes and profit and loss transfer of € 21.8 million (2012: € 19.0 million) were stated.

On account of the profit and loss transfer agreement with NORD/LB and the resulting fiscal tax unit that took effect on 1 January 2013, Deutsche Hypo now solely reports the taxes on income that relate to the foreign locations and the previous years.

The profit and loss transfer reported on the income statement as of 30 June 2013 has not taken place yet, since the result at the end of the financial year is decisive for this.

Performance by business area

(in € millions)	Commercial real estate finance		Capital market business		Other business		Total result	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Net interest income	83.5	82.6	9.8	10.2	9.8	11.1	103.1	103.9
Net commission income	4.7	4.9	– 0.1	– 1.3	0.0	0.5	4.6	4.1
Administrative expenses *)	19.9	20.9	2.7	3.1	12.8	13.8	35.4	37.8
Other operating income	0.0	0.2	0.0	0.0	– 4.1	– 3.5	– 4.1	– 3.3
Risk result	– 20.3	– 43.0	– 1.2	0.2	– 12.5	21.8	– 34.0	– 21.0
Allocation to funds for general banking risks (Section 340g HGB)	0.0	0.0	0.0	0.0	0.0	14.4	0.0	14.4
Income from securities and participatory interests	0.1	– 1.2	0.3	– 1.7	– 3.2	0.0	–2.8	– 2.9
Result from normal operations	48.1	22.6	6.1	4.3	– 22.8	1.7	31.4	28.6
Extraordinary result	0.0	0.0	0.0	0.0	– 1.6	– 0.3	– 1.6	– 0.3
Profit surrendered under partial profit transfer agreements	0.0	0.0	0.0	0.0	8.0	9.3	8.0	9.3
Profit before taxes and profit and loss transfer	48.1	22.6	6.1	4.3	– 32.4	– 7.9	21.8	19.0
CIR *) **)	22.5 %	23.8 %	28.3 %	34.8 %	>100 %	>100 %	34.1 %	36.1 %
RoRaC / RoE *) ***)	17.8 %	7.6 %	11.2 %	8.9 %	<–100 %	– 59.0 %	5.7 %	5.1 %

*) Amounts from the previous year were adjusted; adjustments relate to the distribution of central costs to business areas
**) CIR = Administrative expenses including write-downs and value adjustments of intangible assets and tangible fixed assets / (net interest income + net commission income + other operating income)
***) RoRaC reported at the business area level, RoE reported for the entire bank
RoRaC = Profit before taxes and profit and loss transfer / fixed capital (= 8 % of the annual average risk-weighted assets)
RoE = Profit before taxes and profit and loss transfer / average capital pursuant to commercial law (= subscribed capital + capital and profit reserves)

Commercial real estate finance

In the commercial real estate finance business, Deutsche Hypo was able to increase the net interest income in the first half of the current reporting year, despite comparatively high one-time income from payments before maturity in the previous year. It rose to a total of € 83.5 million (2012: € 82.6 million). This is due in particular to the positive development of the portfolio and new business margin. Furthermore, the maturity-proportionate recognition of fee components contributed to net interest income. The net commission income in this business area was on the level of the previous year and totalled € 4.7 million (2012: € 4.9 million).

The quality of the real estate finance portfolio continued to improve noticeably in the first half of 2013. This development was reflected in a significantly better risk result. In the first half of 2013, it amounted to € – 20.3 million (2012: € – 43.0 million). The risk provisioning for foreign commitments was mainly responsible for the result. The reported administrative expenses amounted to € 19.9 million and were below the level of the previous year (2012: € 20.9 million).

Due to the improvement in net interest income, the risk result and the drop in administrative expenses, the result from normal operations in commercial real estate finance totalled € 48.1 million in the first half of the year and was thus above the comparable level during this period in the previous year (2012: € 22.6 million).

Capital market business

Deutsche Hypo was able to achieve a further scheduled reduction in the capital market portfolio in accordance with its business strategy. In addition, the change in interest rates had a negative effect on the contribution to earnings from bank-wide risk management, such as for example period transformation results. These effects had a corresponding impact on earnings, which was reflected in slightly declining net interest income, according to expectations. In contrast, net commission income was slightly above the level from the previous year. The risk result at the end of the first half of 2013 totalled € – 1.2 million in the capital market business (2012: € 0.2 million).

Income from securities and participatory interests amounted to € 0.3 million and was above the level of the previous year (2012: € – 1.7 million). The reasons for this were the one-time positive impact from disposal income. Administrative expenses in the year under review totalled € 2.7 million (2012: € 3.1 million). The result from normal operations for the capital market business amounted to € 6.1 million in the first half of 2013 and was above the level in the previous year (2012: € 4.3 million).

Other business

Net interest income totalled € 9.8 million (2012: € 11.1 million). The decline was primarily due to lower income from the investment of equity capital. The risk result fell to € – 12.5 million in the first half of 2013. In the last year, to strengthen the core capital ratio, the provision reserve in accordance with Section 340f HGB was released and allocated to the funds for general banking risks. Furthermore, the result was positively affected by income from the sale of promissory loans. Administrative expenses totalled € 12.8 million and were pleasantly below the comparable amount of € 13.8 million in the previous year.

Mainly, the contribution to the restructuring funds for banks (bank levy) led to a balance of other operating expenses of € – 4.1 million (2012: € – 3.5 million). The income from securities and participatory interests amounted to € – 3.2 million and was negatively affected by the sale of securities in fixed assets that are assigned to non-strategic business activities. The identified effects led to a result from normal operations in other business of € – 22.8 million (2012: € 1.7 million).

Net assets and financial position

Development of the balance sheet

in € millions	30.06.2013	31.12.2012	Change (in %)
Receivables from financial institutions	3,622.3	4,529.7	– 20.0
Receivables from customers	18,315.6	19,076.2	– 4.0
Securities	10,871.3	10,613.7	2.4
Other assets	450.2	358.6	25.5
Total assets	**33,259.4**	**34,578.2**	**– 3.8**
Liabilities to financial institutions	7,121.1	8,386.6	– 15.1
Liabilities to customers	9,770.2	9,713.5	0.6
Securitised liabilities	14,570.2	14,679.3	– 0.7
Subordinated liabilities	353.0	353.0	-
Jouissance right capital	98.0	98.0	-
Funds for general banking risks	14.4	14.4	-
Equity	913.2	913.2	-
Other liabilities	419.3	420.2	– 0.2
Total liabilities	**33,259.4**	**34,578.2**	**– 3.8**
Contingent liabilities	833.6	864.8	– 3.6
Other obligations	1,384.4	1,169.4	18.4

Deutsche Hypo's balance sheet total fell slightly from 31 December 2012 by € 1,318.8 million or 3.8 %, to € 33,259.4 million (2012: € 34,578.2 million). This is primarily due to the significant reduction in loans to local authorities within the scope of the capital market business and the reduction of short-term claims.

On the asset side, these developments can be seen in the drop in receivables from financial institutions and customers. Receivables on customers make up a total of € 18,315.6 million (2012: € 19,076.2 million) despite the significant decline in loans to local authorities and continue to be the largest balance sheet item by far. The mortgage loans as part of the receivables on customers remained almost unchanged. Growth from the described new business developments in the commercial real estate finance business is evident in the irrevocable credit commitments. The slight rise in the portfolio of securities to € 10,871.3 million (2012: € 10,613.7 million) is due to the purchases of high quality securities for liquidity management. The exposure to PIIGS countries fell by 2.5 % to€ 3,297.2 million through repayments and maturities (2012: € 3,382.6 million).

On the liabilities side, the decrease in the balance sheet total is due in particular to declining liabilities to financial institutions. Securitised liabilities of € 14,570.2 million (2012: € 14,679.3 million) and a share of 43.8 % continued to be the largest balance sheet item on the liabilities side.

As of 30 June 2013, the equity on the balance sheet totalled € 913.2 million (2012: € 913.2 million). As a resolution from the Annual General Meeting on 29 May 2013, the balance sheet profit for 2012 (€ 15.2 million) was allocated to profit reserves. The jouissance right capital, the subordinated liabilities and the funds for general banking risks in accordance with Section 340g HGB remain unchanged since 31 December 2012.

The total balance sheet equity plus jouissance right capital, subordinated liabilities and the funds for general banking risks in accordance with Section 340g HGB amounted to € 1,378.6 million (2012: € 1,378.6 million).

Funding

In terms of funding, Deutsche Hypo looks back on a very successful first half of 2013. A positive mood on the Pfandbrief market made it possible to satisfy all the liquidity needs through regular issuing activity. This was also supported by the significant decrease in the supply of Pfandbriefe, above all public Pfandbriefe, in connection with high maturities in the market overall. Consequently, investors possessed a high level of liquidity that was primarily reinvested in low risk securities. These market conditions made it possible for the Bank to place two benchmark issues. Accordingly, a 5-year mortgage Pfandbrief in the middle of January 2013 and a 7-year one at the beginning of June were successfully placed nationally and internationally through syndicates. Both issues had a volume of € 500.0 million. A positive aspect was that this format made it possible to repeatedly win new investors.

The funding volume in the first six months totalled € 2,183.7 million (2012: € 1,817.4 million). Mortgage Pfandbriefe clearly dominated, making up over 90 % of the entire volume. Besides the already described benchmark issues, it was possible to make a number of private placements. These were based on investor demand and contributed to the very cost-efficient funding basis. The Bank had a very adequate liquidity situation at all times. Combined with inexpensive offered interest rates, Deutsche Hypo was competitive on the market for commercial real estate finance at all times.

Rating

Deutsche Hypo rating

	Mortgage Pfandbriefe	Public Pfandbriefe	Short-term Liabilities	Long-term Liabilities	Financial strength
Moody's	Aa2	Aa2	Prime-2	Baa2 Since 31 May 2013: Baa1	E+

On 31 May 2013 the rating agency Moody's changed its assessment of Deutsche Hypo, raising the long-term rating of the Bank with a stable outlook. All other ratings were confirmed with a stable outlook. The changes in the ratings are primarily due to the conclusion of the control and profit and loss transfer agreement between NORD/LB and Deutsche Hypo. Immediately after it was approved at Deutsche Hypo's Annual General Meeting on 29 May 2013, the Boards of Managing Directors at Deutsche Hypo and NORD/LB signed the agreement. The increase in the likelihood of support by the parent company in the case of need led to Moody's rating upgrade. The rating agency also considered that Deutsche Hypo is a 100 % investment of NORD/LB and has important strategic significance for NORD/LB as a center of competence for commercial real estate finance and for the issuance of mortgage Pfandbriefe.

Deutsche Hypo decided to keep the ratings of mortgage and public Pfandbriefe on the current level, even after the positive rating decision. As a result of this, the Bank's profitability increases due to the resulting lower overcollateralisation of the cover assets. Deutsche Hypo continues to see very good business opportunities for its Pfandbriefe at the current rating level. Accordingly, the Bank was able to issue mortgage Pfandbriefe in the benchmark format at ongoing attractive conditions in the first six months of this year.

Regulatory equity capital

By making use of the waiver, Deutsche Hypo must no longer meet the obligation to file individual bank reports in accordance with Section 10 KWG. Deutsche Hypo will continue to determine the risk-weighted assets and regulatory equity requirements on its own for internal controlling purposes. It is ensured that the regulatory minimum equity requirements will be met.

For the reports on the equity capital on the Group level, Deutsche Hypo supplies and will also continue to supply, after exercising the waiver, the equity and risk-weighted assets (RWA) that are consolidated in the reports prepared by NORD/LB for the Group. Since Deutsche Hypo continues to determine RWA, the validations of Deutsche Hypo's rating systems used for this continue to take place on the basis of its data. The Bank also calculates the equity ratio, which compares all the existing capital components with the equity capital requirements calculated in accordance with the regulatory requirements.

In accordance with the regulatory requirements, a total of € 1,263.0 million (2012: € 1,180.7 million) could be included for regulatory capital backing in the Group. This meant a rise of € 82.3 million (+ 7.0 %) as compared to 2012.

The increase in regulatory capital was only met by a smaller increase (+ 4.0 %) in risk-weighted assets. As a result, the total capital ratio improved to 14.4 % (2012: 14.0 %).

Report on subsequent events

There were no events of particular significance that occurred after the end of the interim reporting period and could have a sustained impact on the Bank's risk situation and the net assets, financial and income position.

Risk report

Current developments in risk management

Deutsche Hypo was already included in full in the risk management and in the risk controlling of the NORD/LB Group on various levels prior to the exercising of the simplification rules in accordance with Section 2a KWG (waiver rule) that was described in the section on the "Developments in connection with the Bank". On the level of the Board of Managing Directors, Deutsche Hypo is included in the Group's central management boards (Extended Group Board of Managing Directors, Group Risk Committee). On the departmental level, it is represented on all the existing method boards on the Group level. In future, Deutsche Hypo and NORD/LB will link their activities in risk management even more.

Due to the simplification as a result of exercising the waiver, Deutsche Hypo no longer has to prepare a risk-bearing capacity report on the level of the individual institute. Deutsche Hypo will supply the required information that will be consolidated within the scope of the risk-bearing capacity calculation of NORD/LB for the Group.

On account of the waiver rule, the observance of the risk-bearing capacity will now be monitored on the level of the NORD/LB Group and not on the level of the individual institute. The risk-bearing capacity on the Group level was met as of 30 June 2013.

The risk potential (confidence level of 95 %, time horizon of fundamentally 1 year) from the significant risk types consists as follows on 30 June 2013:

Composition of risk potential from the significant risk types

The sale of assets from the equity investment in Deutsche Hypo Delaware Blocker Inc. took place in the first half of 2013 and led to a significant reduction in the risk potential for equity investment risks. For this reason, they will no longer be explicitly listed.

In comparison to the end of the previous year, the risk potential rose moderately. In accordance with Deutsche Hypo's strategic focus, the significant part of the total risk consists of the credit risk. The division of the risk potential from the significant risk types hardly changed in comparison to the previous year.

Credit risk

Breakdown of credit exposure by rating category:

in € millions	Loans	Securities	Derivatives/ credit derivatives	Other products	Total exposure 30.06.2013	Total exposure 31.12.2012
Very good to good	15,103.7	9,456.0	1,693.5	846.6	27,099.8	28,118.9
Good/satisfactory	3,169.4	339.4	395.7	0.1	3,904.6	4,124.6
Still good/sufficient	1,732.4	726.5	58.5	67.3	2,584.7	2,471.7
Elevated risk	698.9	211.4	0.0	0.0	910.3	975.3
High risk	308.7	175.4	0.0	0.0	484.1	372.0
Very high risk	572.1	35.3	0.0	0.0	607.5	530.1
Default (= NPL)	427.7	2.0	0.0	0.0	429.8	582.6
Total	**22,012.9**	**10,946.1**	**2,147.7**	**913.9**	**36,020.6**	**37,175.2**

The total credit exposure fell by € 1,154.6 million or 3.1 % in the first half of 2013 to € 36,020.6 million (2012: € 37,175.2 million). The share of financing in the best rating class (very good to good) was 75.2 % (2012: 75.6 %) and continued to be on a high level. A similar picture resulted for the good to satisfactory rating class, which makes up a total share of 18.0 % (2012: 17.7 %) of the total portfolio. The share of the items with "high to very high risk" rose slightly from 5.1 % to 5.6 %. The main reason for the change was in the area of the securities portfolio, which was partially affected by rating downgrades.

The share of defaults as a percentage of total credit exposure moderated from 1.6 % to 1.2 % or, in absolute terms, from a volume of € 429.8 million (2012: € 582.6 million).

The average rating of the new business in commercial real estate finance and also in the capital market business was above the average of the portfolio and did not change. This underlines the Bank's strategic orientation, according to which only new business is accepted if it meets the Bank's high quality requirements. Despite these high requirements, rating migrations that occur later cannot be ruled out. As compensation, the high quality of new business contributes to the fact that the portfolio's good rating level is secured.

Market price risk

The gradual alignment of the risk management instruments in the area of market price risk with the standardised Group procedure of NORD/LB began in September 2011 and was also successfully continued in the first half of 2013. In the following overview, the market price risks of Deutsche Hypo are represented as of the reporting deadline and in comparison to 2012.

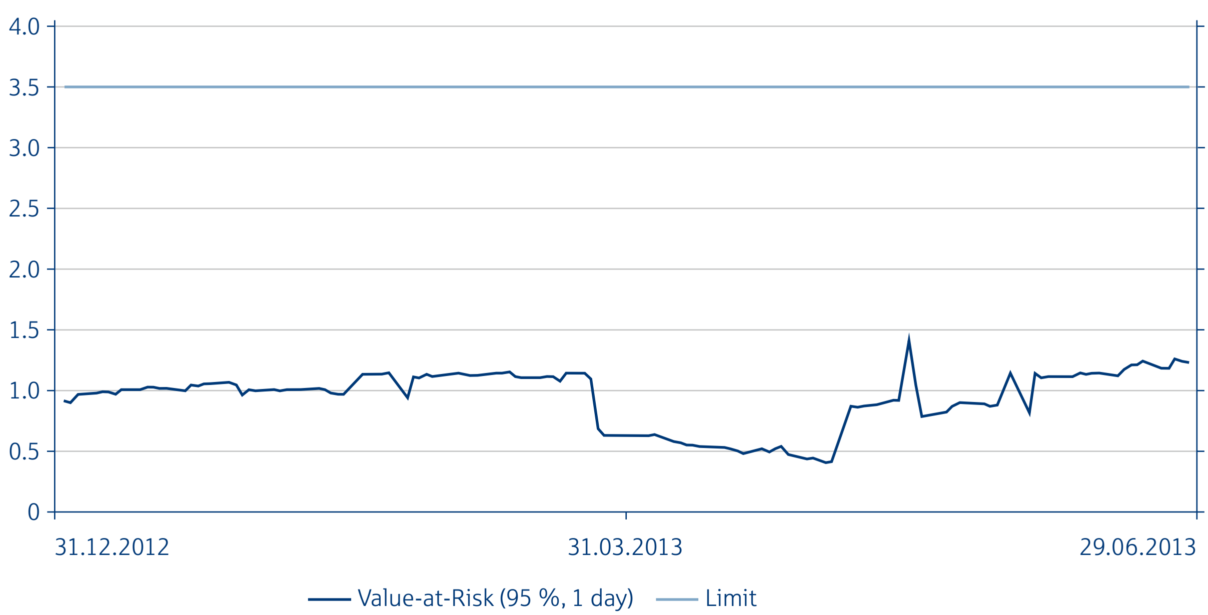
Market price risks	End values	
in € thousands	30.06.2013	31.12.2012
VaR *) Interest rate risk for portfolio of "entire bank"	1,220	916
Standard risk **) Interest rate risks for the "operating" portfolio	13,684	13,238
Normal scenario ***) Credit spread risks	58,582	69,748
Nominal volume credit spread risks	10,821,005	11,372,489

*) Confidence level 95 %, 1 day holding period **) Parallel shift 100 BP ***) Adjusted total portfolio, 10 % shift in credit spreads, exclusive municipality risks

The daily calculated value-at-risk (VaR) for interest rate risk fluctuated in the reporting period between € 0.4 million and € 1.4 million with an average value of € 0.9 million. Only 27 % of the VaR limit of € 3.5 million was utilised 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 chart. This chart does not include the credit spread risks.

Change in value-at-risk interest rate risks (95 %, 1 day) in € millions



The overview shows that Deutsche Hypo also had a low risk appetite in the area of interest rate risks in the first half of the current financial year. Deutsche Hypo's interest rate risk resulted almost exclusively from the investment of perpetual equity and thus not from operating activities.

Overall, the calming of money and capital markets, which began in the previous year, continued in the first half of this year and had a positive impact on Deutsche Hypo's risk situation. Accordingly, the credit spread risks in the normal scenario fell by roughly 16 % to € 58.6 million (2012: € 69.7 million). In addition to the positive market development, the nominal volume of positions connected to credit spread risks fell by roughly 5 % to € 10,821.0 million. The strategic decision to only engage in capital market business on an extremely restrictive basis and primarily for liquidity and cover pool management as well as Bank management means that a further decline in the nominal volume is to be anticipated in the course of the year.

Liquidity risk

The expansion of the liquidity management, as announced in the 2012 Annual Report, was continued in the first half of 2013, particularly against the backdrop of the material relevance and offsetting of liquidity costs. Deutsche Hypo together with the NORD/LB Group continues to implement processes and systems for the fulfilment of the updated requirements made of the reporting in the area of the liquidity risk in accordance with Basel III.

Deutsche Hypo had good access to the money and capital market at all times during the reporting period. In the dynamic liquidity stress test and in the static stress test, the Bank observed a satisfactory liquidity situation. As at the end of 2012, the dynamic scenario used for internal management and limits also showed a positive liquidity surplus of more than 365 days as of 30 June 2013.

At 1.66 (2012: 1.49), the liquidity performance indicator in accordance with the German Liquidity Regulation (LiqV) was significantly above the regulatory required minimum of 1.0 at the reporting deadline. During the entire reporting period, this minimum amount was not exceeded.

The security for the Pfandbrief liquidity required in accordance with the Pfandbrief Act was present throughout the reporting period. In the cover pools for public Pfandbriefe and mortgage Pfandbriefe, there was no cumulative need for liquidity over the next 180 days as of 30 June 2013 (see Section 4 (1a) German Pfandbrief Act (PfandBG)).

Operational risk

In the first half of 2013, there was no damage of an operational kind that had a notable impact on Deutsche Hypo's income situation. No risks with high potential damage in this period were identified. In the first half of 2013, a large portion of the responsibilities in the controlling of operational risks at Deutsche Hypo were outsourced to NORD/LB for the purpose of leveraging the corresponding cost synergies on the Group level.

Summary and outlook

Although the situation on European money and capital markets relaxed in the first half of 2013 overall, it is not possible to completely rule out another flare-up in the European sovereign debt crisis. Against this backdrop, Deutsche Hypo will continue to implement measures taken to reduce risk and protect the income statement. This includes, among others, the scheduled reduction in the public sector lending portfolio. Additionally, the strategy of restrictive new business in capital market business will continue. In order to continue reacting to the changing market conditions, Deutsche Hypo will critically observe the developments and take additional measures, if need be.

Beyond the above-mentioned risks, no significant 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

Development of business and general conditions

Economic development

Deutsche Hypo anticipates a gradual recovery of economic growth worldwide in the later course of the year and in the coming year. The performance of the early indicators and particularly the prospect that the eurozone may soon emerge at least from the recession suggest a rise out of the global economic soft patch.

The prospects for the German economy have dulled somewhat in comparison to the forecast a half year ago. The view that the economic weakness would bottom in the winter half of the year proved to be correct. However, the improvement in sentiment did not keep pace with what would be required for a strong recovery. In total, moderate year-on-year GDP growth of 0.6 % in Germany is anticipated for 2013. In 2014, however, a better global economic situation should make growth of roughly 2 % achievable again – if new shocks related to the sovereign debt crisis do not occur.

In the euro countries, the prospects for their economies recently improved somewhat. The most important indicators of sentiment rose – however from a very low level. Despite the recently calm markets, the debt crisis remains the greatest economic risk for the euro countries. The ongoing weak consumption and investment climate will cause an anticipated decline of 0.5 % in economic output in 2013.

In the USA, solid GDP growth of just under 2 % can be expected for 2013, before a further improvement in economic output takes place in the following year.

Development of real estate markets

Another increase in global investments in commercial real estate is anticipated in 2013 overall, similar to the previous years. In particular, on account of the good start to the current year, a rise in global investment volume of between 10 % and 15 % to roughly US$ 450 to 500 billion is anticipated. This would represent the highest level since the outbreak of the financial and economic crisis.

Regionally, the developments may continue to run very differently due to the diverging economic forecasts. German real estate will continue to be a focus of domestic and foreign investors over the course of the year. The low level of interest rates and the stable economic situation in Germany as compared to other European countries will encourage this. As a result, it continues to be anticipated that the transaction volumes for commercial real estate will reach at least the level of the previous year (roughly € 25 billion).

In the UK, a change in trend is expected. On account of the low level of new building activity, there is an increasing shortage of prime real estate. Due to the sharp drop in prices in the secondary markets last year, real estate prices will slowly reach a level that is again attractive for investors. In France, the investment volumes in 2013 fell overall in comparison to the previous year. The decline in economic performance and the ongoing high level of sovereign debt are responsible for this. No noticeable recovery of the French economy is expected before 2014. In the Benelux countries, no clear recovery of the real estate markets is foreseeable on account of the weak prospects for the economy and labour market over the course of this year. Despite the somewhat weaker economic growth as compared to 2012, the Polish commercial real estate market may be able to achieve roughly the high level of the previous year in 2013 overall.

Performance of international financial markets

The calming of financial markets, which has continued for just under a year, will also continue over the course of the year and in the coming year. New areas of conflict in the eurozone, such as the question of another haircut for Greece, can be expected, but the financial markets should have developed a certain resilience to such events in the meantime. Much more concerning than new problems in the eurozone is the question of whether there will be a change in the monetary policy of the US Federal Reserve and the resulting implications for interest rates in the US and on this side of the Atlantic. This could affect markets, and the reaction in June was a foretaste of this.

However, the ECB will maintain its extremely expansive monetary policy for a long time. A rise in interest rates is not anticipated before 2015 at the earliest and this will only occur if the economic position has stabilised by then in a sustainable way. A massive rise in interest rates is therefore not expected for the eurozone, although a normalisation of German government bonds may occur due to the lower risk of uncontrollable negative developments in the sovereign debt crisis. An increase in yields at the long end should produce a somewhat steeper yield curve against this backdrop.

Business performance and result forecast

On account of the pleasing development of new business volume with a simultaneous improvement in margins and processing fees, Deutsche Hypo assumes net interest income will be above the previous year in commercial real estate finance. In connection with a year-on-year drop in risk provisioning, Deutsche Hypo continues to expect that the business area will contribute slightly more to the profit over all of 2013 than in the previous year.

In the context of the business strategy, Deutsche Hypo continues to pursue the on-going reduction of the capital market portfolio in order to achieve further reductions in the hidden charges and credit spread risks. Consequently, only selective new business is done. As a result, Deutsche Hypo expects a drop in net interest income in capital market business as compared to the previous year. In light of only slightly declining administrative expenses, the Bank expects a lower result income overall in capital market business as compared to the previous year.

In other business, the Bank expects negative pre-tax income for the entire year when interest expenses for silent partners and restructuring expenses are taken into account.

Against the backdrop of the outlined forecasts for the business areas, Deutsche Hypo continues to anticipate a positive earnings performance that should lead to another increase in the result from normal operations. There have been no new discoveries that would require an adjustment of the previous significant forecasts and other statements on the anticipated development of the Bank.

Opportunities and risks

The opportunities and risks outlined in the last annual report continue to apply. In particular, the strategic focus on commercial real estate finance business offers the opportunity to continue to benefit from the new business possibilities in the robust commercial real estate markets. A particular risk continues to be another worsening of the sovereign debt crisis.

The integration of Deutsche Hypo into the NORD/LB Group offers not only security through the control and profit and loss transfer agreement, but also numerous ways to increase efficiency. The reporting of the waiver results in simplifications in terms of Section 2a KWG. A lower over-collateralisation of the cover assets as a result of the rating improvement increase the profitability of the Bank.

Assuming the planned development of the core markets, Deutsche Hypo sees a realistic chance of increasing its good market position and competitiveness in the core markets.

Hanover, 7 August 2013

The Board of Managing Directors

Bürkle Pohl Rehfus

INTERIM CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET AS OF 30 JUNE 2013

ASSETS

	€	€	€	31 December 2012 € thousand
1. Cash reserve				
a) Cash on hand		1,422.21		1
b) Credit with central banks		17,641,830.71		32,286
of which:				
with the "Deutsche Bundesbank"				
€ 17,641,830.71 (PY € 32,286 thousand)				
			17,643,252.92	**32,287**
2. Receivables from financial institutions				
a) Mortgage loans		32,145,873.83		34,366
b) Loans to local authorities		2,184,430,029.31		2,417,064
c) Other receivables		1,405,753,962.81		2,078,276
of which:				
due daily				
€ 1,063,392,700.30 (PY € 1,179,245 thousand)				
			3,622,329,865.95	**4,529,706**
3. Receivables from customers				
a) Mortgage loans		12,246,514,609.83		12,346,905
b) Loans to local authorities		5,845,965,851.07		6,450,078
c) Other receivables		223,135,174.29		279,220
			18,315,615,635.19	**19,076,203**
4. Bonds and other fixed interest securities				
b) Bonds and debentures				
ba) From public issuers	4,656,734,446.65			4,989,893
of which:				
borrowed from				
"Deutsche Bundesbank"				
€ 2,870,130,494.98 (PY € 3,116,884 thousand)				
bb) From other issuers	6,174,233,797.82			5,460,297
of which:				
borrowed from				
"Deutsche Bundesbank"				
€ 5,451,417,305.63 (PY € 4,791,006 thousand)				
		10,830,968,244.47		
c) Own bonds		40,355,339.45		163,462
Nominal amount:				
€ 39,068,000.00 (PY € 156,731 thousand)				
			10,871,323,583.92	**10,613,652**
5. Participatory interests			**76,949.43**	**77**
6. Shares in affiliated companies			**51,136.84**	**7,080**
7. Trust assets			**0.00**	**2**
of which:				
loans on a trust basis € 0.00 (PY € 2 thousand)				
8. Intangible assets				
b) Purchased licenses, industrial property as well as licenses to those rights and assets		470,498.10		487
d) Payments made on account		660,450.00		482
			1,130,948.10	**969**
9. Tangible assets			**3,589,112.37**	**3,816**
10. Other assets			**294,366,629.41**	**156,548**
11. Accrued and deferred items				
a) From the issue and loan transaction		111,664,304.12		134,825
b) Others		21,610,499.64		23,017
			133,274,803.76	**157,842**
Total assets			**33,259,401,917.89**	**34,578,182**

BALANCE SHEET AS OF 30 JUNE 2013

LIABILITIES

	€	€	€	31 December 2012 € thousand
1. Liabilities to financial institutions				
a) Issued registered mortgage Pfandbriefe		214,923,246.61		247,371
b) Issued registered public Pfandbriefe		565,676,259.60		574,411
c) Other liabilities		6,340,485,185.44		7,564,803
of which:				
due daily				
€ 628,011,868.34 (PY € 640,723 thousand)				
			7,121,084,691.65	8,386,585
2. Liabilities to customers				
a) Issued registered mortgage Pfandbriefe		885,197,955.42		862,840
b) Issued registered public Pfandbriefe		7,571,192,000.87		7,644,058
d) Other liabilities		1,313,760,286.27		1,206,614
with which:				
due daily				
€ 29,905,744.15 (PY € 34,778 thousand)				
			9,770,150,242.56	9,713,512
3. Securitised liabilities				
a) Assigned bonds				
aa) mortgage Pfandbriefe	7,628,351,471.58			7,187,669
ab) public Pfandbriefe	3,750,782,152.04			4,000,936
ac) other bonds	3,191,045,332.53			3,490,721
		14,570,178,956.15		
			14,570,178,956.15	14,679,326
4. Trust liabilites			0.00	2
of which:				
loans on a trust basis € 0.00 (PY € 2 thousand)				
5. Other liabilites			238,826,428.62	241,755
6. Accrued and deferred items				
a) from the issue and loan transaction		88,776,061.24		103,125
b) other		16,632,605.25		18,142
			105,408,666.49	121,267
7. Provisions				
a) Provisions for pensions and similar obligations		28,547,355.04		31,914
b) Tax provisions		4,021,160.33		9,750
c) Other provisions		42,612,793.86		15,499
			75,181,309.23	57,163
8. Subordinated liabilities			353,000,000.00	353,000
9. Jouissance right capital			98,000,000.00	98,000
10. Funds for general banking risks			14,400,000.00	14,400
11. Equity				
a) Subscribed capital		80,640,000.00		80,640
Capital held by silent partners		150,000,000.00		150,000
b) Capital reserves		406,313,877.23		406,314
c) Profit reserves				
ca) statutory reserves	18,917,799.60			18,918
cd) other profit reserves	257,299,946.36			242,078
		276,217,745.96		
d) Balance sheet profit		0.00		15,222
			913,171,623.19	913,172
Total liabilities			33,259,401,917.89	34,578,182
1. Contingent liabilities				
b) Liabilities arising from sureties and guarantee agreements		833,647,004.82		864,795
			833,647,004.82	864,795
2. Other obligations				
c) Irrevocable credit commitments		1,384,425,579.25		1,169,449
			1,384,425,579.25	1,169,449

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNI 2013

	€	€	€	01 January 2012 – 30 June 2012 € thousand
1. Interest earnings from				
a) Credit and money market transactions	380,761,244.18			432,564
b) Fixed interest bearing securities and book-entry securities	151,922,867.96			185,523
				618,087
		532,684,112.14		
				514,228
2. Interest expenses		429,535,423.06		
			103,148,689.08	**103,859**
3. Current income from				
b) Participatory interests		1,145.50		1
			1,145.50	**1**
4. Commission income		7,677,465.96		6,421
5. Commission expenses		3,096,148.84		2,282
			4,581,317.12	**4,139**
6. Other operating income			**1,266,321.49**	**746**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	18,309,073.18			19,496
ab) Social security and expenses for pension plans and for support of which: for pension plans € 1,102,189.94 (PY € 1,310 thousand)	3,436,282.99			4,087
		21,745,356.17		
b) Other administrative expenses		13,290,016.74		13,865
			35,035,372.91	**37,448**
8. Write-downs and value adjustments of intangible assets and tangible fixed assets			**323,281.77**	**368**
9. Other operating expenses			**5,384,682.31**	**4,112**
10. Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in credit business		34,022,448.53		21,002
			34,022,448.53	**21,002**
11. Allocation to the funds for general banking risks			**0.00**	**14,400**
12. Write-downs and value adjustments on participatory interest, shares in affiliated companies and on securities treated as fixed assets		2,849,952.31		2,853
			2,849,952.31	**2,853**
13. Result from normal operations			**31,381,735.36**	**28,562**
14. Extraordinary expenses		1,587,372.75		285
15. Extraordinary result			**–1,587,372.75**	**– 285**
16. Taxes on income		776,901.48		5,695
17. Other taxes not included under item 9		8,936.66		13
			785,838.14	**5,708**
18. Profit surrendered under partial surrender agreements			**7,950,000.00**	**9,256**
19. Profit to be surrendered under a profit and loss transfer agreement			**21,058,524.47**	**0**
20. Profit for the period			**0.00**	**13,313**
21. Balance sheet profit			**0.00**	**13,313**

STATEMENT OF CHANGES IN EQUITY

in € thousands	Subscribed capital	Capital held by silent partners	Capital reserves	Profit reserves	Balance sheet profit	Total equity
As of 1 January 2013	80,640	150,000	406,314	260,996	15,222	913,172
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Other changes						
Allocations to the profit reserves	0	0	0	15,222	– 15,222	0
Pre-allocations to the profit reserves	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0
As of 30 June 2013	80,640	150,000	406,314	276,218	0	913,172

in € thousands	Subscribed capital	Capital held by silent partners	Capital reserves	Profit reserves	Balance sheet profit	Total 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
Other changes						
Allocations to the profit reserves	0	0	0	6,001	– 6,001	0
Pre-allocations to the profit reserves	0	0	0	0	0	0
Profit 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

CONDENSED NOTES

The figures in the tables in the condensed notes are expressed in thousand euros (€ thousands). It should be noted that the amounts quoted in the tables and text are rounded figures, resulting in rounding differences in some cases.

General information on accounting and valuation principles

The condensed interim financial statements as of 30 June 2013 have been prepared in accordance with the provisions of the German Commercial Code (HGB) in conjunction with the German Ordinance Regulating the Financial Reporting of Banks and Credit Institutes (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 half-yearly financial report as defined in the German Implementation Law for the Guideline on Transparency (TUG) of 5 January 2007 (Section 37w of the German Securities Trading Act // WpHG).

The condensed interim financial statements as of 30 June 2013 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) cash flow statement has not been voluntarily prepared, and the Bank has also refrained from segment reporting. With regard to the events and circumstances in the current interim report 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 in the condensed notes and the information on the net assets, financial and income position provided in the interim management report.

For the preparation of the condensed interim financial statements, the accounting methods used for the preparation of the financial statements as of 31 December 2012 applied without any changes. Effective 1 January 2013, there is a profit and loss transfer agreement between Deutsche Hypo and NORD/LB. This also results in a fiscal tax unit. For this reason, solely the disclosure of the taxes on income that relate to previous years and foreign branches are reported on the level of Deutsche Hypo. The latter are calculated on the basis of the anticipated taxable result at the income tax rate applicable to the branch and taken into account proportionately. The profit transfer reported under item 19 on the income statement as of 30 June 2013 has not taken place yet because the result at the end of the financial year is definitive for this. The reported amount there was added to provisions for this reason.

Notes on the balance sheet

Receivables from financial institutions and customers

in € thousands	30.06.2013	31.12.2012
Receivables from financial institutions		
Breakdown of residual maturities		
- up to three months	1,467,158	1,820,915
- more than three months and up to one year	349,525	434,162
- more than one year and up to five years	915,885	1,299,381
- more than five years	544,574	511,794
- total pro-rata interest	345,188	463,454
Balance sheet item	**3,622,330**	**4,529,706**
Receivables from customers		
Breakdown of residual maturities		
- up to three months	678,466	1,131,409
- more than three months and up to one year	2,117,909	1,683,447
- more than one year and up to five years	6,546,912	6,536,378
- more than five years	8,869,136	9,570,910
- total pro-rata interest	103,193	154,059
Balance sheet item	**18,315,616**	**19,076,203**

Bonds and other fixed-interest securities

For securities in fixed assets with a carrying value of € 3,216.9 million (2012: € 3,928.4 million) and a fair value of € 3,019.4 million (2012: € 3,670.2 million), a write-down to the lower value of € 197.5 million (2012: € 258.2 million) was not applied. In these cases, the Bank does not anticipate a long-term impairment, since a review of the credit rating of the issuer in question in the individual case did not reveal any signs that a long-term impairment was justified.

Shares in affiliated companies

The shares in affiliated companies fell significantly to € 51 thousand (2012: € 7,080 thousand). This is due to the sale of a bail-out purchase of Deutsche Hypo Delaware Blocker Inc., which led to a capital repayment to Deutsche Hypo.

Liabilities to financial institutions or customers as well as securitised liabilities

in € thousands	30.06.2013	31.12.2012
Liabilities to financial institutions		
Breakdown of residual maturities		
- up to three months	3,723,827	4,626,602
- more than three months and up to one year	1,038,922	663,218
- more than one year and up to five years	1,678,927	2,235,385
- more than five years	367,739	469,503
- total pro-rata interest	311,670	391,877
Balance sheet item	**7,121,085**	**8,386,585**
Liabilities to customers		
Maturity breakdown based on residual terms to maturity		
- up to three months	499,000	249,519
- more than three months and up to one year	300,035	321,835
- more than one year and up to five years	2,064,066	1,811,165
- more than five years	6,714,092	7,122,771
- total pro-rata interest	192,957	208,222
Balance sheet item	**9,770,150**	**9,713,512**
Securitised liabilities		
- due in the following year	3,908,390	3,784,582

Contingent liabilities

in € thousands	30.06.2013	31.12.2012
Liabilities arising from sureties and guarantee agreements	**833,647**	**864,795**
- of which credit default swaps	582,018	580,674
- of which sureties in the mortgage business	251,629	284,121

Other obligations

Other obligations consist only of irrevocable credit commitments from mortgage loans. The increase from the previous year results from the increase in new credit commitments. Reference is made to the explanations in the interim management report.

Notes on the income statement

Other operating income

Other operating income totalled € 1,266 thousand (2012: € 746 thousand) and mainly includes income from the release of provisions, ongoing income from leases and cost reimbursements.

Other operating expenses

Other operating expenses of € 5,385 thousand (2012: € 4,112 thousand) mainly include the contribution to the restructuring funds for banks (bank levy) and interest expenses from the accrual of provisions.

Extraordinary expenses

Extraordinary expenses of € 1,587 thousand (2012: € 285 thousand) are mainly due to the implementation of measures in connection with the SIGN project started in the past financial year.

Other disclosures

Information about cover analysis

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

Changes in the Supervisory Board

Effective 1 July 2013, Mr. Thomas Krüger, Chief Financial Officer of VGH Versicherungen, was appointed to the Supervisory Board of Deutsche Hypo for Mr. Wilhelm Zeller who departed as of 31 December 2012.

Size of workforce on average

	2013	2012
Female employees	172	178
Male employees	239	242
Total	**411**	**420**

Hanover, 7 August 2013

The Board of Managing Directors

Bürkle | Pohl | Rehfus

REVIEW REPORT

To Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover

We have reviewed the condensed interim 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 2013 that are part of the semi annual report according to § 37 w WpHG [„German Securities Trading Act“]. The preparation of the condensed interim financial statements in accordance with German principles of proper accounting and with German Accounting Standard No 16 Interim Financial Reporting (GAS 16) 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 condensed interim financial statements and on the interim management report based on our review.

We performed our review of the condensed interim 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 condensed interim financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting, with German Accounting Standard No 16 Interim Financial Reporting (GAS 16), 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 condensed interim financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting and with German Accounting Standard No 16 Interim Financial Reporting (GAS 16) 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, 7 August 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer
(German Public Auditor)

Schröder
Wirtschaftsprüferin
(German Public Auditor)

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the interim management report of the Bank includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the material opportunities and risks associated with the expected development of the Bank for the remaining months of the financial year.”

Hanover, 7 August 2013

The Board of Managing Directors

Bürkle	Pohl	Rehfus

ADRESSES IN GERMANY AND ABROAD

Management

30159 Hannover

Georgsplatz 8 · Tel. +49 511 3045-0 · Fax +49 511 3045-459 · www.Deutsche-Hypo.de

Domestic locations

60311 Frankfurt / 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

80538 Munich

Widenmayerstraße 15 · Tel. +49 89 512667-0 · Fax +49 89 512667-25

90402 Nuremberg

Karl-Grillenberger-Str. 3 · Tel. +49 911 650825-0 · Fax +49 911 21147877

Foreign locations

UK: London EC2V 7WT

One Wood Street · Tel. +44 207 4294700 · Fax +44 207 4294701

The Netherlands: 1077 XX Amsterdam

Strawinskylaan 625 · Tower B, Level 6 · Tel. +31 20 6914551 · Fax +31 20 6919811

France: 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

MIX
Papier aus verantwortungsvollen Quellen
FSC® C014918
FSC
www.fsc.org

Print CO2 kompensiert
Id-Nr. 1327957
www.bvdm-online.de