DEUTSCHE HYPO
Member of NORD/LB

HALF-YEARLY FINANCIAL REPORT 2014

Your success is : our benchmark

DEUTSCHE HYPO AT A GLANCE

in € millions	01.01.– 30.06.2014	01.01.– 30.06.2013	Change (in %)
New business figures			
Commercial real estate finance business	1,513.5	1,665.1	– 9.1
Domestic finance	1,285.0	1,324.7	– 3.0
Foreign Finance	228.5	340.4	– 32.9
Funding volume	1,144.2	2,183.7	– 47.6
Mortgage Pfandbriefe	754.2	2,070.0	– 63.6
Unsecured	390.0	113.7	>100.0

in € millions	30.06.2014	31.12.2013	Change (in %)
Portfolio figures			
Commercial real estate finance business	11,990.9	11,931.7	0.5
Domestic finance	7,710.8	7,591.0	1.6
Foreign finance	4,280.1	4,340.7	– 1.4
Municipal Loans	6,701.0	7,412.5	– 9.6
Securities	9,491.8	10,145.2	– 6.4
Funding capital	28,240.7	29,627.0	– 4.7
Mortgage Pfandbriefe	8,822.3	8,739.2	1.0
Public Pfandbriefe	9,278.8	11,022.6	– 15.8
Unsecured	2,415.7	2,624.1	– 7.9
Other liabilities	7,723.9	7,241.1	6.7
Equity *)	1,336.6	1,346.6	– 0.7
Balance sheet total	29,887.7	31,274.5	– 4.4

in € millions	01.01.– 30.06.2014	01.01.– 30.06.2013	Change (in %)
Income figures			
Net interest income	109.5	105.2	4.1
Net commission income	4.2	2.5	68.0
Administrative expenses **)	36.4	35.4	2.8
Risk result	– 37.8	– 34.0	– 11.2
Income from securities and participatory interests	0.3	– 2.8	>100.0
Result from normal operations	34.5	31.4	9.9
Extraordinary result	– 0.8	– 1.6	50.0
Interest on investments by silent partners	4.2	8.0	– 47.5
Profit before taxes and protit and loss transfer agreement	29.5	21.8	35.3

in %	30.06.2014	30.06.2013	
Other information			
Cost-income ratio	33.6	34.1	

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

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

HALF-YEARLY FINANCIAL REPORT 2014

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.

Economic report

Macroeconomic and sector environment

Economic performance in Germany and Europe

The German economy started 2014 with a strong momentum. Real gross domestic product (GDP) in the first quarter rose by a seasonally-adjusted 0.8 % in comparison to the previous quarter. Domestic demand climbed by almost 2 %, which is the strongest quarterly growth in over 20 years. Sustained support has been provided, above all, by the ongoing outstanding employment situation, with the unemployment rate hovering at a historic low. Due to the increase in geopolitical tension in Ukraine, the Germany economy was unable to maintain this strong growth in the second quarter, according to the preliminary numbers. Indicators such as the decline in the ifo business climate index suggest that Germany saw at best very weak economic growth in the second quarter.

The performance of the economy in Europe, on the contrary, was characterised solely by a moderate recovery process in the first half of 2014. Real first quarter GDP in the EU as a whole was only a seasonally-adjusted 0.3% above the previous quarter. The overall economic recovery was still less dynamic than hoped. Within Europe, the performances also continued to be very different. Besides Germany, the UK and Poland also started the year 2014 with strong growth in the first quarter, but the French economy stagnated at the beginning of the current year. In the Netherlands, there was even an outright contraction of –1.4%. Economic growth in Europe also probably weakened even more in the second quarter due to diverse geopolitical risks.

Development of target real estate markets

Global investments in commercial real estate reached a total volume of US$ 136 billion in the first quarter of 2014. This corresponds to an increase of 26 % in comparison to the same period in 2013. The rise in capital inflows comes with a geographic expansion of investment activities that aim at higher returns. Investments are being made not only in the large metropolises, but also in secondary locations such as smaller cities.

The start of the year on the German investment market for commercial real estate was positive on account of the strong economic performance and low interest rates. A transaction volume of roughly € 10 billion meant that transactions rose by roughly 40 % in the first quarter of 2014 as compared to this period in 2013. Investors' focus continued to be on the office asset class. This type of use accounted for € 4.3 billion or roughly 43 % of the transaction volume, followed by retail real estate, which represented 29 % of the transactions (€ 2.9 billion). Warehouse and logistics real estate increasingly attracted the attention of investors and contributed € 1.3 billion or roughly 13 % to the comprehensive income.

The European commercial real estate markets enjoyed a good start into the new year. In the first three months, € 38.9 billion was invested here. This corresponds to an increase of 21 % as compared to the same period in 2013. According to real estate agents, the good start to the year is due to an improvement in investor sentiment, a better financing environment and increasing activity by opportunistic investors in recovering markets. France (+37.3 %) and the Netherlands (+58.6 %) saw a strong increase in volume. In the UK, transaction volume growth weakened somewhat (+5 %) as compared to this period in 2013. Poland succeeded, contrary to the negative trend in central and Eastern Europe, in achieving strong growth in investment volumes (+ 40.6 %).

Development of international financial markets

The trend toward recovery on international financial markets continued in the first half of 2014, supported by the ongoing monetary policy measures from the European Central Bank (ECB). In particular due to concerns related to the low inflation rates, the base interest rates of the ECB were lowered in June and a package of extensive additional measures was adopted. Accordingly, the tender rate was lowered to 0.15 % and the interest rates on the marginal lending facility (0.40 %) and the deposit facility (–0.10 %) were lowered. The reduction in the base interest rate was also accompanied by measures that should flush additional liquidity into the markets. Initially, the Central Bank decided to continue its main refinancing transactions as fixed rate tenders with full allotment until at least September 2016. Furthermore, it will also conduct a series of long-term refinancing operations (LTROs).

The described monetary policy measures caused the yield on almost all European government bonds to fall. The yield on 10-year German government bonds declined continuously in the first half of the year and was below 1.4 % at the end of the first half. The spreads between European government bonds and German government bonds also continued to decrease. The money market rates remained largely on a low level during this time. After a slight increase at the beginning of the year, the 3-month Euribor fell at the end of the reporting period to just above 0.2 %.

Development of the banking sector

The significant real estate markets – also in Germany – saw more intense competition between real estate financers in the first half of 2014. This is due, among others, to the limited number of available core properties at top real estate locations. Real estate investors are therefore shifting more and more to B locations and value-added real estate. Insurance companies, pension funds and utility companies are increasingly acting as lenders – particularly in large transactions.

The requirements on the regulatory side have also increased in 2014. The regulatory reports in accordance with the CoRep (Common Reporting Framework) and the first-time compliance with the CRR (Capital Requirement Regulation) mean that the scope of reporting for banks has expanded significantly. Among others, it was necessary to implement new rules in the area of large credit and new reporting requirements with regard to the leverage ratio and the new liquidity reports.

Course of business at a glance

Significant influential factors and events

Apart from the described developments in the regulatory sector for banking, which caused a significant implementation effort across the entire banking industry over the last few months, the first half of the current financial year was defined overall by ongoing slightly positive external conditions. Accordingly, the ongoing slight economic recovery in Europe and the still low interest rates in particular culled high demand for European commercial real estate. As a result, there continued to be sufficient new business opportunities for Deutsche Hypo, which led to new business of € 1,513.5 million in the core business area of commercial real estate finance despite the steady increase in competition and the emergence of new market actors.

The increasing emergence of insurance companies, pension funds and utility companies in the market of commercial real estate finance caused Deutsche Hypo to complete its first financings with these aforementioned new market actors in the current financial year. The Bank acquires and structures, in a normal case, larger financing volumes and assumes the loan management in full for the entire financing during the whole term of the contract. Deutsche Hypo also collaborated with a capital management company to create its first real estate debt funds for institutional investors in May 2014. The plan is that the debt funds designed as a special funds under German law will invest in a diversified portfolio of Deutsche Hypo's real estate financing engagements. Both the increased collaboration with insurance companies, pension funds or utility companies as well as the creation of the real estate debt funds expand the business and income opportunities for Deutsche Hypo.

In March of this financial year, the Bank also officially opened its new representative office in Warsaw. Deutsche Hypo considers Poland to be one of the emerging commercial real estate markets in Europe and offers diverse business opportunities that can be handled better with an representative office in the country. The conclusion of new business in the first half of this financial year has already confirmed the Bank's decision to increase its business activities in Poland by opening a representative office there.

Supported by the ongoing calm on international financial markets, Deutsche Hypo continued the strategic reduction of its capital market business in the first half of the current financial year, as planned.

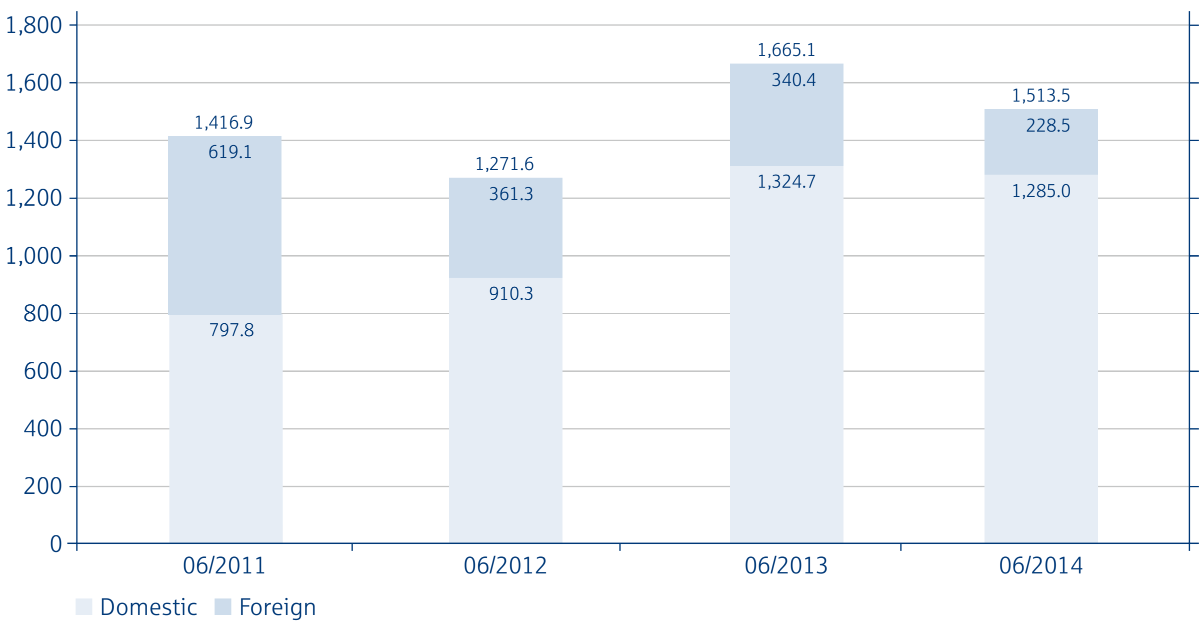
With the implementation of additional measures, the efficiency improvement programme SIGN ("using synergies in the Group") continued to move ahead. The cost optimisation achieved here ensured the largely stable administrative expenses from an overall Bank point of view.

Commercial real estate finance business

Deutsche Hypo took advantage of the overall, ongoing, slightly positive external conditions and the positive performance on the target real estate markets, particularly in Germany, to conclude numerous new transactions in the first half of the current financial year. The new business volume reached € 1,513.5 million, which was just a little below the level in the first six months of 2013 (€ 1,665.1 million). In accordance with the requirements of the risk strategy, the focus continued to be on good to very good quality in the new business commitments.

The vast majority (€ 1,285.0 million or 84.9 %) of the total new business volume was concluded in Germany. This continues to reflect the significant focus on the domestic market. In foreign new business, the opening of the new office in Warsaw meant the conclusion of additional new business in the target region of Poland.

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



The majority of the total new commitments in real estate finance (domestic and foreign) were attributable to commercial loans (€ 1,329.6 million or 87.8%). The share of residential finance rose slightly to 12.2 % of the entire new business volume. Office and retail real estate represent roughly one-third of the new business volume.

For the second half of the year, Deutsche Hypo continues to foresee sufficient new business opportunities that should allow it to achieve last year's new business volume over the course of the entire year. The priority will continue to be high expectations in terms of quality and returns.

Deutsche Hypo's commercial real estate finance portfolio has risen slightly, by € 59.2 million to € 11,990.9 million, since the end of last year (2013: € 11,931.7 million). Furthermore, irrevocable credit commitments in the amount of € 1,212.0 million (2013: € 1,067.8 million) had not yet been valued at the reporting deadline and have not yet been transferred to the portfolio. Deutsche Hypo continues to assume that it will achieve a year-on-year increase in the portfolio of real estate finance as forecast at the end of financial year 2013 on account of the performance in new business and the existing credit commitments.

In the development of the portfolio, the focus on the German market continued to remain evident. The volume of domestic finance business totalled € 7,710.8 million (2013: € 7,591.0 million). An amount of € 4,280.1 million was attributable to international finance business (2013: € 4,340.7 million). The share of domestic loans increased slightly from the previous year to 64.3 % (2013: 63.6 %) of the entire loan portfolio. In the foreign finance portfolio, significant declines in non-strategic target markets were offset by a noticeable increase in the portfolio for the new core business region of Poland.

In terms of property types, there was slight portfolio growth in office and retail real estate, while the portfolios of financings for other real estate and residential real estate fell slightly.

Capital market business

The prevailing calm on international financial markets has allowed Deutsche Hypo to continue the strategic reduction of its municipal loans portfolio and its third-party securities, as planned. In accordance with the strategic requirements, Deutsche Hypo's new business in the capital market segment was solely pursued in a restrictive manner and primarily for liquidity, cover pool management as well as bank management. In this connection, € 117.0 million in new business was completed in the first six months of this financial year (2013: € 1,180.0 million).

As a result of planned run-offs, the portfolio of municipal loans fell in the first half of 2014, according to expectations, by € 711.5 million or 9.6 % to € 6,701.0 million (2013: € 7,412.5 million); the portfolio of third-party securities also fell by € 653.4 million or 6.4 % to € 9,491.8 million (2013: € 10,145.2 million). Qualitatively, the capital market portfolio continues to be at a good level.

Net assets, financial and income position

Income position

in € millions	Total result		Commercial real estate finance		Capital market business		Other business	
	1 January–30 June		1 January–30 June		1 January–30 June		1 January–30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income*)	109.5	105.2	88.2	85.6	12.5	9.8	8.8	9.8
Net commission income*)	4.2	2.5	4.7	2.6	– 0.5	– 0.1	0.0	0.0
Administrative expenses**)	36.4	35.4	20.1	19.9	2.6	2.7	13.7	12.8
Other operating income	– 5.3	– 4.1	– 2.2	0.0	0.0	0.0	– 3.1	– 4.1
Risk result ***)	– 37.8	– 34.0	– 23.9	– 20.3	– 5.7	– 1.2	– 8.2	– 12.5
Income from securities and participatory interests ****)	0.3	– 2.8	0.0	0.1	0.3	0.3	0.0	–3.2
Result from normal operations	34.5	31.4	46.6	48.1	4.1	6.1	– 16.2	– 22.8
Extraordinary result	– 0.8	– 1.6	0.0	0.0	0.0	0.0	– 0.8	– 1.6
Interest on investment by silent partners *****)	4.2	8.0	0.0	0.0	0.0	0.0	4.2	8.0
Profit before taxes and profit and loss transfer	29.5	21.8	46.6	48.1	4.1	6.1	– 21.2	– 32.4
CIR	33.6 %	34.1 %	22.2 %	22.5 %	21.7 %	28.3 %	>100.0 %	>100.0 %
RoRaC / RoE	7.0 %	5.7 %	21.0 %	17.8 %	5.1 %	11.2 %	<–100.0 %	<–100.0 %

*) The figures from the previous year were restated on account of a change in the disclosure of interest-like fee components, similar to 31 December 2013.
**) General administrative expenses, including write-downs and value adjustments of intangible assets and tangible fixed assets.
***) Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in the lending business.
****) Write-downs and value adjustments on income from writing up participatory interests, shares in affiliated companies and securities treated as fixed assets.
*****) The interest on investments by silent partners corresponds to the income statement item "Profit surrendered under partial surrender agreements".

The result from normal operations from an overall bank point of view amounted to € 34.5 million on the reporting deadline of 30 June 2014. Deutsche Hypo was able to exceed the result from the comparable period in 2013 by 9.9 % (2013: € 31.4 million). This positive development was primarily due to an increase in the net interest and net commission income. This was able to overcompensate for the slightly higher expenses in the risk result. A significant source of income was, as expected, the core business area of commercial real estate finance.

Net interest income totalled € 109.5 million over the reporting period from an overall bank point of view, remaining on a high level and above the comparable amount of € 105.2 million in 2013. This development was due to the positive performance of margins and higher interest-like fee components in the area of commercial real estate finance. In addition, higher interest income in comparison to this period in 2013 was also achieved in the capital market business on account of overall bank management measures.

Net commission income also developed very positively, and at € 4.2 million it was above the comparable amount of € 2.5 million from the previous year. The higher commission income from one-off fees and processing fees, for example from loan structuring, was able to overcompensate for the slightly higher commission expenses for sureties and guarantees from third parties.

Administrative expenses remained largely stable despite a significantly higher funding of pension provisions due to a lower discount interest rate and totalled € 36.4 million (2013: € 35.4 million). This development was particularly also due to the ongoing success of active cost management as well as the implementation of measures in the efficiency improvement programme SIGN.

The other operating income totalled € – 5.3 million (2013 € – 4.1 million). The result was largely affected by the contribution made to the restructuring funds for financial institutions (bank levy), expenses in connection with the discounting of provisions and income from the release of provisions. In addition, this income item includes expenses and income from a building in the Bank's own portfolio that does not serve bank operations.

The risk result from the overall bank view amounted to € – 37.8 million (2013: € – 34.0 million). The main drivers of the results were the increase in net expenses in the lending business and in particular the expenses from the repurchase of the Bank's own securities for market support, which were assigned to the risk result of capital market business, as well as effects from changes in provision reserves. Despite the described development of the risk result, the Bank continued to see an ongoing trend toward an improvement in the quality of the real estate finance portfolio, which will also be noticed in a stabilisation of the trend toward declining net expenses from the lending business in the future.

The income from securities and participatory interest was € 0.3 million, above the amount of € – 2.8 million in 2013. The increase was largely affected by the absence of one-off expenses that were incurred in the comparable period of 2013. Significant developments and transactions with a notable impact on these earnings items did not occur in the first half of the current financial year.

The described developments led to a result from normal operations of € 34.5 million from an overall bank point of view (2013: € 31.4 million). Other measures in connection with the efficiency improvement programme SIGN led to extraordinary result of € – 0.8 million (2013: € – 1.6 million). After taking into account the interest on investment by silent partners in the amount of € 4.2 million (2013: € 8.0 million), profit before taxes and profit and loss transfer were € 29.5 million (2013: € 21.8 million). Due to the existing profit and loss transfer agreement with NORD/LB and the resulting fiscal tax unit, Deutsche Hypo solely reports income taxes that relate to the foreign branch and the financial years up to and including 2012. The profit transfer reported on the income statement as of 30 June 2014 has not taken place yet because the result at the end of the financial year is definitive for this.

The developments described in the first half of the current financial year led to another improvement in the important key performance indicators. The cost-income ratio (CIR) improved to 33.6 % on account of the significant improvements in the important sources of income, the net interest and net commission income, as well as on account of the largely stable administrative expenses (2013: 34.1 %). As a result, the CIR continued to be on a pleasingly low level. The return on equity (RoE) improved to 7.0 % on account of the ongoing rise in earnings (2013: 5.7 %).

Net assets and financial position

Development of the balance sheet

in € millions	30.06.2014	31.12.2013	Change (in %)
Receivables from financial institutions	2,708.8	3,030.9	– 10.6
Receivables from customers	17,344.8	17,716.3	– 2.1
Third-party securities	9,491.8	10,145.2	– 6.4
Other assets	342.3	382.1	– 10.4
Total assets	**29,887.7**	**31,274.5**	**– 4.4**
Liabilities to financial institutions	7,164.2	6,665.8	7.5
Liabilities to customers	8,927.0	9,267.8	– 3.7
Securitised liabilities	12,149.6	13,693.4	– 11.3
Subordinated liabilities	326.0	336.0	– 3.0
Jouissance right capital	83.0	83.0	0.0
Funds for general bank risks	14.4	14.4	0.0
Equity	913.2	913.2	0.0
Other liabilities	310.5	300.9	3.2
Total liabilities	**29,887.7**	**31,274.5**	**– 4.4**
Contingent liabilities	789.6	838.2	– 5.8
Other obligations	1,212.0	1,067.8	13.5

Due to the ongoing strategic reduction of the capital market business portfolio, the Bank's balance sheet total fell, in comparison to the end of 2013, by € 1,386.8 million or 4.4 % to € 29,887.7 million (2013: € 31,274.5 million). The entire portfolio of receivables declined overall by € 693.6 million, which was due in particular to significant decreases in the municipal credit business. The receivables from financial institutions decreased by € 322.1 million or 10.6 % and receivables from customers fell by € 371.5 million or 2.1 %. In addition, the strategic reduction of the capital market business portfolio was again evident in the balance of third-party securities, which fell significantly from the end of 2013, by € 653.4 million or 6.4 %, to € 9,491.8 million (2013: € 10,145.2 million), due to planned run-offs.

On the liabilities side, the decline in the balance sheet total is mainly visible in the clear reduction in securitised liabilities. They fell by € 1,543.8 million or 11.3 % to € 12,149.6 million (2013: € 13,693.4 million) and account for a share of 40.7 % (2013: 43.8 %), which is still the largest balance sheet item on the liabilities side. Liabilities to customers fell by € 340.8 million or 3.7 % to € 8,927.0 million (2013: € 9,267.8 million), in contrast to which liabilities to financial institutions rose in comparison to the previous year by € 498.4 million or 7.5 % to € 7,164.2 million (2013: € 6,665.8 million). The outlined development came with significant decreases in the circulating Public Pfandbriefe, whilst the portfolio of Mortgage Pfandbriefe has risen slightly since the end of 2013. The circulation of other bonds also fell.

The balance sheet equity was € 913.2 million as of the reporting deadline and at the end of 2013. The total balance sheet equity plus jouissance right capital, subordinate liabilities and the funds for general bank risks in accordance with Section 340g of the German Commercial Code (HGB) was € 1,336.6 million and thus € 10.0 million below the level in 2013 due to a reduction in subordinate liabilities (2013: € 1,346.6 million).

Off-balance sheet obligations in the form of irrevocable credit commitments rose, in comparison to 2013, by € 144.2 million or 13.5 % to € 1,212.0 million (2013: € 1,067.8 million), whilst contingent liabilities fell by 5.8 % to € 789.6 million (2013: € 838.2 million).

Funding and rating

In the first few months of 2014, high levels of investor liquidity led to strong demand for low-risk securities – i.e. Pfandbriefe and other covered bonds. For regulatory reasons, a trend toward benchmark issues is being observed. Private placements are losing a little bit of significance as a result.

The funding mix at Deutsche Hypo in the first half of 2014, consisting of private placements and a tap of a benchmark issue, generated the necessary liquidity for new business at all times. A 5-year Mortgage Pfandbrief with an original issue of € 500 million was increased to € 750 million, with a yield discount of 3 basis points to mid-swap and a remaining term of just under 4 years at the time of the tap. It was possible to place this very well on the market due to the high demand from investors.

The funding volume in the first six months totalled € 1,144.2 million (2013: € 2,183.7 million), consisting of € 754.2 million in Mortgage Pfandbriefe and € 390.0 million in unsecured bonds. Due to the aforementioned trends, the Bank anticipates a funding mix dominated by benchmark transactions and supplemented by private placements in the second half of 2014. Consequently, Deutsche Hypo can continue to fend off new competitors in commercial real estate finance thanks to its very competitive funding base.

Deutsche Hypo rating

	Mortgage Pfandbriefe	Public Pfandbriefe	Short-term Liabilities	Long-term Liabilities	Financial strength
Moody’s	Aa2	Aa2	Prime-2	Baa1	E+

The negative outlook from the rating agency Moody's for the long-term rating of Deutsche Hypo from September 2013 continues to apply. A decision is expected in the coming months. Parallel to this, Moody has adjusted its assessment of European banks on 29 May 2014. The reason for this was the potential impact of the EU's adoption of guidelines on the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM). In connection with this, a total of 109 European financial institutions received a 'negative outlook'.

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 position or results of operations.

Forecast, opportunity and risk report

Forecast report

Development of business and general conditions

Forecast of economic development

Despite the anticipated weakening of economic growth in the second quarter of this year, the prospects for the German economy continue to be good. Even if the sentiment indicators still suggest a slowing of the economic momentum and additional uncertainties have arisen in particular due to the current geopolitical developments in Ukraine, the economic recovery should fundamentally continue. In all likelihood, this will be supported primarily by domestic demand as well as low interest rates. For this reason, real GDP growth of 2.0 % is still anticipated for 2014.

The prospects for the macroeconomic performance in Europe remain, on the contrary, subdued due to the ongoing political uncertainties in Ukraine and very different situations in individual countries. However, the economic recovery process should continue slowly, as expected. Real GDP growth of 1.6 % is currently anticipated for the EU in 2014. In addition to Germany, particularly the UK and Poland should continue to enjoy strong growth. The economic performance in France and the Netherlands, which are particularly relevant for Deutsche Hypo, should be released from the current stagnation or recession and also see slight economic recovery over the course of the year.

Forecast of the development of target real estate markets

Another increase in global investments in commercial real estate is anticipated in 2014 overall, similar to the previous years. Jones Lang LaSalle raised its forecast for the current year to US$ 700 billion. This is due in particular to the volumes in America and Europe, which have exceeded expectations.

The very positive sentiment on the German real estate market has also remained over the course of the year. The forecast economic growth of 2 % will continue to foster demand for space in individual real estate markets and ensure, connected with slightly rising rental prices, a rise in cash flow in the real estate segment. Since the increase in cash flow in the second half of the year should also be reflected in large volume investments of more than € 100 million, a further rise in transaction volume to € 35 to 40 billion is anticipated.

As a result of the ongoing economic recovery in Europe and the ongoing low interest rates, investor demand remains high on the European real estate market. Increasing competition for the best properties has led to an ongoing drop in initial returns and driven up the capital values in established core markets. The increasing investment pressure also comes with a rise in investors' willingness to take risks. Beside the recovering crisis countries, attention has turned above all to the edges of leading metropolises, secondary cities and market segments that had been less in focus such as logistics real estate, student housing or health facilities.

Forecast of development of international financial markets

Developments on international financial markets are also largely determined by the monetary policy of the central banks. Whilst in particular the US Federal Reserve is expected to conclude the already started gradual reduction of its bond purchases in the fall of this year and will at least hold out the prospect of raising interest rates for the first time in 2015, and the Bank of England has also put a change of course toward more restrictive monetary policy on the agenda, the ECB is expected to continue with its expansive monetary policy over the course of the year and may even increase it if the economy or inflation give reason for this. Accordingly, a slight rise in yields on European government bonds is expected in the next few months. The liquidity through the ECB, which should be adequate over the long term, will ensure that there is not much movement on money markets over the next few months.

Accordingly, international financial markets should continue to remain in recovery mode due to the availability of sufficient liquidity and the low interest rates if there are no significant negative external developments.

Forecast of the development of business

On the basis of the management report 2013 and the still valid assumptions, particularly on the ongoing slightly positive economic environment, Deutsche Hypo assumes a positive course of business in 2014 and a result from normal operations that confirms the level of € 64.3 million in financial year 2013. According to the business strategy, the focus continues to be on a shift toward commercial real estate finance business.

A positive development of margins in connection with a slightly higher real estate finance portfolio will lead, from an overall bank point of view, to slightly rising interest income in comparison to the previous year. A positive development for the entire year continues to be expected in the risk result as well on account of the ongoing improvement in the quality of the real estate finance portfolio in the first half of 2014. Here, the trend toward lower net expenses in the lending business should proceed over the rest of the year. Together with ongoing stable administrative expenses on the entire bank level, the result from normal operations should remain roughly on the level of 2013.

At the present time, there have been no new discoveries that would require an adjustment of the previous significant earnings forecasts and other statements on the anticipated development of the Bank.

Opportunities and risks of future business development

There continue to be significant risks primarily due to macroeconomic and geopolitical uncertainties, which e.g. could negatively affect economic performance and thus have an impact on the new business volume or possibly the risk result of Deutsche Hypo. In addition, unexpected developments on international financial markets could have an influence on the development of Deutsche Hypo's business and earnings. In the Bank's risk management, possible risks resulting from current developments are identified early on and managed accordingly. The following expanded risk report represents the significant developments and changes in the first half of the current financial year.

Expanded risk report

The management report 2013 describes in detail the risk controlling and risk management system, the structure and process organisation, and the corresponding processes and methods on risk measurement and monitoring. They have not changed for the most part in the first half of 2014.

Current developments in risk management

As a result of the simplification options from use of the provisions in accordance with Section 2a (1) old version of the German Banking Act (KWG), Deutsche Hypo's risk bearing capacity has been ensured on the level of the NORD/LB Group since the reporting deadline of 30 June 2013. 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. The risk-bearing capacity on the Group level was met as of 30 June 2014.

To ensure the risk bearing capacity of the NORD/LB Group, Deutsche Hypo uses institute limits derived from NORD/LB for the major risk types. Compliance with these limits plays an important role for Deutsche Hypo. In the course of the regular monitoring of the limits, risk potential from major risk types that are fundamentally based on a value-at-risk approach are juxtaposed to the appropriate institute limits.

The risk potential (confidence level of 95 %, time horizon of fundamentally 1 year) from the significant risk types consists as follows on 30 June 2014:

Composition of risk potential from the significant risk types

The division of the risk potential from the significant risk types hardly changed in comparison to 31 December 2013.

Counterparty risk

Breakdown of total credit exposure by rating category:

in € millions 30.06.2014	Real estate finance	Municipal loans	Securities	Derivatives	Other	Total exposure	Share in total exposure
Very good to good	7,278.1	6,668.2	8,296.3	1,753.0	741.7	24,737.3	77.0 %
Good / satisfactory	3,084.1	0.4	401.2	26.6	5.6	3,517.9	10.9 %
Still good / sufficient	1,565.6	0.0	233.3	0.0	34.1	1,833.0	5.7 %
Elevated risk	435.5	0.0	471.3	0.0	0.0	906.8	2.8 %
High risk	174.3	54.8	88.9	0.0	0.0	318.0	1.0 %
Very high risk	388.4	0.0	0.0	0.0	0.0	388.4	1.2 %
Default (=NPL)	445.3	0.0	0.0	0.0	0.0	445.3	1.4 %
Total	**13,371.3**	**6,723.4**	**9,491.0**	**1,779.6**	**781.4**	**32,146.7**	**100.0 %**

in € millions 31.12.2013	Real estate finance	Municipal loans	Securities	Derivatives	Other	Total exposure	Share in total exposure
Very good to good	7,332.0	7,314.8	8,726.5	1,696.1	814.9	25,884.4	76.7 %
Good / satisfactory	2,932.5	19.1	442.4	219.7	7.9	3,621.6	10.7 %
Still good / sufficient	1,494.7	56.8	430.9	25.5	61.9	2,069.7	6.1 %
Elevated risk	518.5	2.7	462.5	0.0	0.0	983.6	2.9 %
High risk	212.0	51.2	106.2	0.0	0.0	369.4	1.1 %
Very high risk	418.9	0.0	0.0	0.0	0.0	418.9	1.2 %
Default (=NPL)	408.0	0.0	0.0	0.0	0.0	408.0	1.2 %
Total	**13,316.7**	**7,444.6**	**10,168.5**	**1,941.3**	**884.7**	**33,755.7**	**100.0 %**

Total credit exposure fell in the first half of 2014 in comparison to the reporting deadline of 31 December 2013, particularly due to the strategic reductions in the capital market portfolio, by € 1,609.0 million or 4.8 % to € 32,146.7 million (2013: € 33,755.7 million). Declines in comparison to the previous year were primarily noted in municipal loans (€ 721.2 million) and securities (€ 677.5 million).

The portfolio's quality slightly improved overall. The share of financing in the best rating class (very good to good) was 77.0 % (2013: 76.7 %) and continued to be on a high level. The situation was similar for the good and satisfactory rating classes. The share of this financing as a percentage of the entire portfolio was 16.6 % (2013: 16.8 %). The share of positions with an "elevated to very high risk" fell from 5.2 % to 5.0 %, while the share of financing in default as a percentage of total credit exposure rose slightly from 1.2 % to 1.4 %. Total exposure to financing in default amounted to € 445.3 million (2013: € 408.0 million).

The average rating of the new business in the commercial real estate finance area and also in the capital market business was above the average of the portfolio business and did not change. This underlines the Bank's unchanged strategic orientation, according to which new business is only accepted if it meets the Bank's high quality requirements. Such an approach contributes to the fact that the good rating level of the portfolio continues to be on the previous high level.

Market price risk

The continuation of the conservative risk policy in the area of the market price risk was also the focus of Deutsche Hypo's business activity in the first half of 2014. In the following overview, the market price risks of Deutsche Hypo are represented as of the reporting deadline and in comparison to 2012.

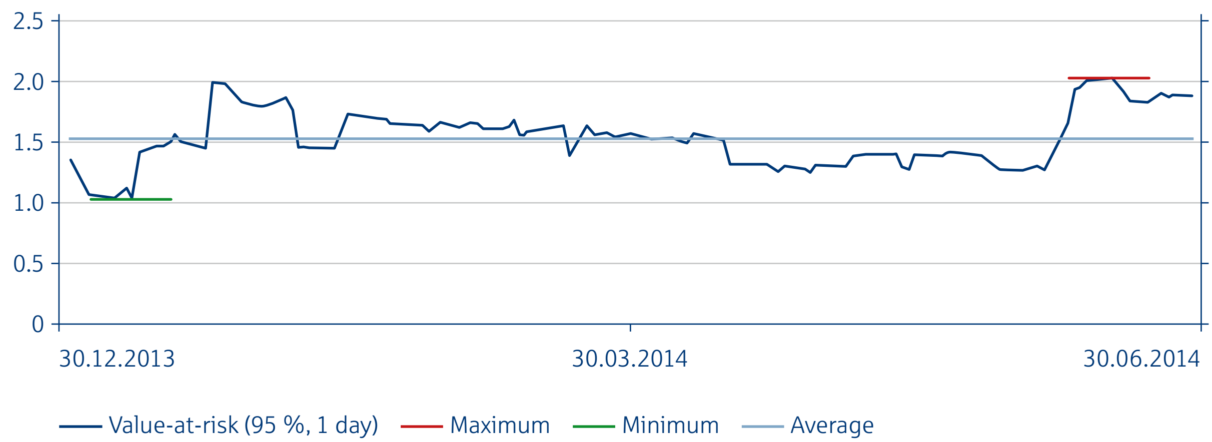
Market price risks	End values	
in € thousands	30.06.2014	31.12.2013
VaR*) interest rate risk for portfolio of "entire bank"	1,892	1,341
Standard risk**) Interest rate risks for the "operating" portfolio	20,816	18,280
VaR *) Market price risks (gone concern) for portfolio of "entire bank"	25,614	28,547

*) Confidence level 95 %, 1 day holding peroid **) Parallel shift 100 BP

The daily calculated value-at-risk (VaR) for interest rate risk fluctuated in the reporting period between € 1.0 million and € 2.0 million with an average value of € 1.6 million. Only 57 % of the VaR limit of € 3.5 million (until 4 February 2014) or € 2.6 million (from 4 February 2014) was utilized on average in the reporting period and was not surpassed at any point in time.

The course of the VaR (95 % confidence level, 1 day holding period) of the Bank is outlined in the following graphic. This chart does not include the credit spread risks.

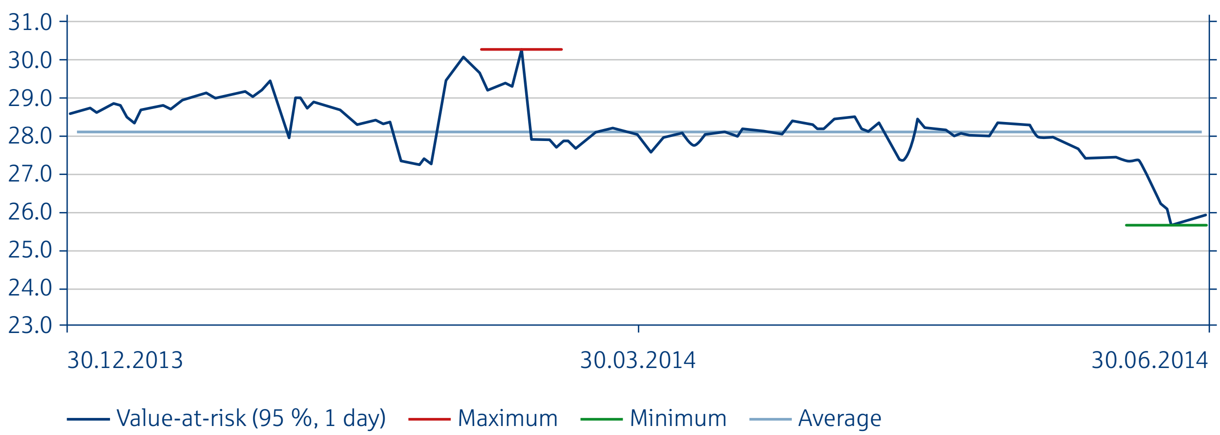
Change in value-at-risk interest rate risks (95 %, 1 day) in € millions



On the basis of Deutsche Hypo's low appetite for risk in the area of interest rate risk, this risk continued to remain on a low level. Deutsche Hypo's interest rate risk resulted largely from the investment of perpetual equity and was thus not determined by operating business activity.

In addition, Deutsche Hypo monitors the VaR for interest rate risks in light of the credit spread risks in the banking book. Due to the planned reduction of the banking book portfolio and the positive market development, the risk potential fell by roughly 10 % to around € 25.6 million in comparison to 31 December 2013. The utilization here fluctuated between € 25.3 million and € 30.4 million, with an average value in the amount of € 28.1 million. Only 58 % of the existing limit was utilised on average and it was not exceeded at any point in time.

Change in value-at risk gone concern (95 %, 1 day), in € millions



In addition to the positive developments observed on the market, the nominal volume of positions connected to credit spread risks, without consideration of internal Group positions, fell by roughly 8 % to € 15,550.6 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 over the course of the year.

Liquidity risk

In the first half of 2014, the focus of the activities in liquidity risk controlling was on the timely fulfilment of the requirements for reporting in the area of liquidity in accordance with CRR. In this area, significant progress was achieved during the reporting period. Parallel to this, the Bank continued to successfully pursue the ongoing development of liquidity management, particularly against the backdrop of the origin-appropriate netting of liquidity costs, benefits and risks.

In the first half of 2014, Deutsche Hypo also had comfortable access to the money and capital market at all times. In the dynamic liquidity stress test and in the static stress test, the Bank observed a satisfactory liquidity situation. As compared to the end of 2013, the situation improved in the dynamic scenario, which is used for internal controlling and limiting, as of 30 June 2014 to a positive liquidity surplus of 365 days (31 December 2013: 318 days).

Deutsche Hypo also held a sufficient portfolio of highly liquid securities in the first half of 2014 so that the requirements of MaRisk (Minimum Requirements for Risk Management) for the maintenance of a liquidity buffer were met in full. As of 30 June 2014, the utilisation of the buffer was 0 %.

At 1.41 (2012: 1.87), 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 covered bond liquidity required in accordance with Section 4 (1a) of the Covered Bond Act (Pfandbriefgesetz) was present throughout the reporting period. Both in the cover pool of the Public Pfandbriefe and in the Mortgage Pfandbriefe, there was no cumulative need for liquidity for the next 180 days as of 30 June 2014.

Operational risk

In the first half of 2014, there was no damage of an operational kind that had a notable impact on Deutsche Hypo's income situation. Also, no risks with high potential damage in this period were identified.

Regulatory equity capital resources

By making use of the waiver, Deutsche Hypo must no longer meet the obligation to file individual bank reports in accordance with Article 99 of the Capital Requirement Regulation (CRR). Deutsche Hypo will continue to determine the risk-weighted assets and regulatory equity capital requirements on its own for internal controlling purposes. As a result, it is ensured that the regulatory minimum equity capital requirements will be met.

For the reports on the equity capital resources on the Group level, Deutsche Hypo supplies and will also continue to supply, after exercising the waver, 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 the 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 capital 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 € 1,203.7 million (2013: € 1,192.6 million) could be included for regulatory minimum capital requirements. This meant a rise of € 11.1 million as compared to 2013. The increase in equity capital stood in relation to only a slight decrease of 4.0 % in risk-weighted assets. As a result, the equity capital ratio improved to 15.6 % (2013: 15.0 %).

Summary and outlook

In the first half of 2014, the positive performance on money and capital markets continued. As a result of this, the credit spread risks in the asset book fell again. Nonetheless, Deutsche Hypo continues to see latent potential for repercussions from the EU sovereign debt crisis and will therefore continue with the previously begun, systematic reduction of risks in the banking book to protect the income statement. The planned reduction of the sovereign debt portfolio is a specific measure that has resulted from this. Additionally, the Bank is sticking with its strategy of restrictive new capital market business.

In the real estate finance business, particularly the market in the Netherlands is being monitored on a continuous basis due to the ongoing recession. The elevated risks that may result from this can be covered, however, by the currently planned loan loss provision.

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.

Hanover, 6 August 2014

The Board of Managing Directors

Pohl Rehfus

INTERIM CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET AS OF 30 JUNE 2014

ASSETS

	€	€	€	31 December 2013 € thousand
1. Cash reserve				
a) Cash on hand		285.00		0
b) Credit with central banks		80,242,646.60		64,347
of which: with the "Deutsche Bundesbank" € 80,242,646.60 (PY € 64,347 thousand)				
			80,242,931.60	**64,347**
2. Receivables from financial institutions				
a) Mortgage loans		23,658,760.41		25,891
b) Municipal loans		1,451,317,488.88		1,742,388
c) Other receivables		1,233,837,505.13		1,262,646
of which: due daily € 952,606,604.21 (PY € 829.397 thousand)				
			2,708,813,754.42	**3,030,925**
3. Receivables from customers				
a) Mortgage loans		11,967,276,998.36		11,905,859
b) Municipal loans		5,249,695,448.60		5,670,066
c) Other receivables		127,818,167.87		140,344
			17,344,790,614.83	**17,716,269**
4. Bonds and other fixed interest securities				
b) Bonds and debentures				
ba) from public issuers	4,078,654,942.35			4,449,933
of which: borrowed from "Deutsche Bundesbank" € 2,405,902,983.23 (PY € 2,781,707 thousand)				
bb) from other issuers	5,413,098,414.61			5,695,268
of which: borrowed from "Deutsche Bundesbank" € 4,638,276,839.63 (PY € 5,086,908 thousand)				
		9,491,753,356.96		
c) Own bonds		66,569,064.26		27,169
Nominal amount € 65,133,000.00 (PY € 25,761 thousand)				
			9,558,322,421.22	**10,172,370**
5. Participatory interests			**76,949.43**	**77**
6. Shares in affiliated companies			**51,136.51**	**51**
7. Intangible Assets				
b) Purchased licenses, industrial property, as well as licenses to those rights and assets		421,039.56		424
d) Payments made on account		488,387.90		416
			909,427.46	**840**
8. Tangible assets			**1,082,756.51**	**1,116**
9. Other assets			**101,362,102.86**	**180,420**
10. Accrued and deferred items				
a) from the issue and loan transaction		72,496,583.15		87,619
b) others		19,549,528.14		20,494
			92,046,111.29	**108,113**
Total assets			**29,887,698,206.13**	**31,274,528**

BALANCE SHEET AS OF 30 JUNE 2014

LIABILITIES

	€	€	€	31 December 2013 € thousand
1. Liabilities to financial institutions				
a) Issued registered Mortgage Pfandbriefe		191,677,911.09		176,367
b) Issued registered Public Pfandbriefe		547,378,209.68		563,774
c) Other liabilities		6,425,094,509.74		5,925,640
of which:				
due daily				
€ 675,233,219.24 (PY € 623,256 thousand)				
			7,164,150,630.51	6,665,781
2. Liabilities to customers				
a) Issued registered Mortgage Pfandbriefe		838,771,016.11		859,373
b) Issued registered Public Pfandbriefe		6,789,488,941.25		7,093,067
d) Other liabilities		1,298,690,849.05		1,315,388
with which:				
due daily				
€ 28,110,305.31 (PY € 34,419 thousand)				
			8,926,950,806.41	9,267,828
3. Securitised liabilities				
a) Assigned bonds				
aa) Mortgage Pfandbriefe	7,791,891,668.67			7,703,483
ab) Public Pfandbriefe	1,941,935,590.97			3,365,743
ac) other bonds	2,415,723,958.76			2,624,142
		12,149,551,218.40		
			12,149,551,218.40	13,693,368
4. Other liabilities			136,415,201.43	149,413
5. Accrued and deferred items				
a) from the issue and loan transaction		69,008,262.92		76,705
b) other		13,064,032.15		14,288
			82,072,295.07	90,993
6. Provisions				
a) Provisions from pensions and similar obligations		32,319,921.57		30,012
b) Tax provisions		6,470,578.87		7,960
c) Other provisions		53,195,930.68		22,601
			91,986,431.12	60,573
7. Subordinated liabilities			326,000,000.00	336,000
8. Jouissance right capital			83,000,000.00	83,000
9. Funds for general bank risks			14,400,000.00	14,400
10. Equity				
a) Subscribed capital		80,640,000.00		80,640
Capital held by silent partners		75,000,000.00		75,000
b) Capital reserves		481,313,877.23		481,314
c) Profit reserves				
ca) statutory reserves	18,917,799.60			18,918
cd) other profit reserves	257,299,946.36			257,300
		276,217,745.96		
			913,171,623.19	913,172
Total liabilities			29,887,698,206.13	31,274,528
1. Contingent liabilities				
b) Liabilities arising from sureties and guarantee agreements		789,551,323.97		838,183
			789,551,323.97	838,183
2. Other obligations				
c) Irrevocable credit commitments		1,212,033,980.59		1,067,841
			1,212,033,980.59	1,067,841

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2014

	€	€	€	1 January 2013 – 30 June 2013 € thousand
1. Interest earnings from				
a) Credit and money market transactions	336,662,736.57			382,827
b) Fixed interest bearing securities and book-entry securities	140,320,886.23			151,923
		476,983,622.80		534,750
2. Interest expenses		367,462,725.74		429,535
			109,520,897.06	**105,215**
3. Current income from				
b) Participatory interests		0.0		1
			0.0	**1**
4. Commission income		9,098,079.27		5,611
5. Commission expenses		4,946,032.84		3,096
			4,152,046.43	**2,515**
6. Other operating income			**1,401,505.42**	**1,266**
7. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	17,788,487.47			18,309
ab) social security and expenses for pension plans and for support	4,780,697.95			3,436
of which: for pension plans € 2,099,345.17 (PY € 1,102 thousand)				
		22,569,185.42		
b) Other administrative expenses		13,621,970.31		13,290
			36,191,155.73	**35,035**
8. Write-downs and value adjustments of intangible assets and tangible fixed assets			**242,557.06**	**323**
9. Other operating expenses			**6,720,638.81**	**5,385**
10. Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in credit business		37,762,385.65		34,022
			37,762,385.65	**34,022**
11. Write-downs and value adjustments on participatory interest, shares in affiliated companies and on securites treated as fixed assets		0.00		2,850
12. Income from writing up participatory interests, shares in affiliated companies and securities treated as fixed assets		324,650.00		0
			324,650.00	**– 2,850**
13. Result from normal operations			**34,482,361.66**	**31,382**
14. Extraordinary expenses		750,825.41		1,587
15. Extraordinary result			**– 750,825.41**	**– 1,587**
16. Taxes on income		1,285,434.57		777
17. Other taxes not included under item 9		10,132.33		9
			1,295,566.90	**786**
18. Profit surrendered under partial surrender agreements			**4,200,000.00**	**7,950**
19. Profit to be surrendered under a profit and loss transfer agreement			**28,235,969.35**	**21,059**
20. Profit for the period			**0.00**	**0**

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 2014	**80,640**	**75,000**	**481,314**	**276,218**	**0**	**913,172**
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0
As of 30 June 2014	**80,640**	**75,000**	**481,314**	**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 2014	**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
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**

CONDENSED NOTES

The figures in the tables in the condensed notes are expresses in thousands euros (€ thousands. It should be notes 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 2014 have been prepared in accordance with the provisions of the German Commercial Code (HGB) in conjunction with the German Ordinance on the Presentation of Accounts 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 2014 comprise the balance sheet, the income statement, the statement of changes in equity and selected disclosures provided in the form of the condensed notes. A (condensed) statement of cash flows has not been voluntarily prepared, and the Bank has also refrained from segment reporting. 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 in the economic report 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 2013 applied without any changes. The numbers for certain interest-like fee components were disclosed differently in the last annual financial statements and these figures from the comparable periods in 2013 have been restated in these condensed interim financial statements. Income in the amount of € 2,066 thousands was reclassified from commission to interest income.

Due to the existing profit and loss transfer agreement between Deutsche Hypo and NORD/LB and the resulting fiscal tax unit, Deutsche Hypo solely reports income taxes that relate to the foreign branch and the financial years up to and including 2012. These are calculated on the basis of the anticipated taxable result at the applicable income tax rate and taken into account proportionately. The profit transfer reported in item 19 on the income statement as of 30 June 2014 has not taken place yet because the result at the end of the financial year is definitive for this. The reported amount was added to provisions for this reason.

Notes on the balance sheet

Receivables from financial institutions and customers

in € thousands	30.06.2014	31.12.2013
Receivables from financial institutions		
Breakdown of residual maturities		
- due daily	952,607	829,397
- up to three months	40,740	185,324
- more than three months and up to one year	286,658	180,059
- more than one year and up to five years	897,878	1,116,089
- more than five years	252,092	339,984
- proportionate interest in total	278,839	380,072
Balance sheet item	**2,708,814**	**3,030,925**
Receivables from customers		
Breakdown of residual maturities		
- up to three months	732,478	700,468
- more than three months and up to one year	1,816,631	2,240,943
- more than one year and up to five years	7,354,194	6,900,975
- more than five years	7,336,970	7,732,282
- proportionate interest in total	104,518	141,601
Balance sheet item	**17,344,791**	**17,716,269**

Bonds and other fixed-income securities

For securities in fixed assets with a carrying value of € 1,601.8 million (2013: € 2,646.2 million) and a fair value of € 1,490.6 million (2013: € 2,445.5 million), a write-down to the lower value of € 111.2 million (2013: € 200.7 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.

Liabilities to financial institutions or customers as well as securitised liabilities

in € thousands	30.06.2014	31.12.2013
Liabilities to financial institutions		
Breakdown of residual maturities		
- due daily	675,233	623,256
- up to three months	3,418,234	2,789,626
- more than three months and up to one year	967,624	903,819
- more than one year and up to five years	1,536,339	1,686,901
- more than five years	302,535	318,459
- proportionate interest in total	264,186	343,720
Balance sheet item	**7,164,151**	**6,665,781**
Liabilities to customers		
Breakdown of residual maturities		
- due daily	28,110	34,419
- up to three months	288,862	129,618
- more than three months and up to one year	203,718	468,999
- more than one year and up to five years	2,281,108	2,042,300
- more than five years	5,949,058	6,389,038
- proportionate interest in total	176,095	203,454
Balance sheet item	**8,926,951**	**9,267,828**
Securitised liabilities		
- due in the following year	3,785,670	4,103,274

Contingent liabilities and other obligations

in € thousands	30.06.2014	31.12.2013
Liabilities arising from sureties and guarantee agreements	**789,551**	**838,183**
- of which credit default swaps	574,738	573,245
- of which sureties in the mortgage business	214,813	264,938

Other obligations in the amount of € 1,212.0 million (2013: € 1,067.8 million) are reported on the off-balance sheet and involve solely irrevocable credit commitments from mortgage loans.

Notes on the income statement

Other operating income

Other operating income totalled € 1,402 thousand (2013: € 1,266 thousand) and mainly includes income from the release of provisions and ongoing income from leases.

Other operating expenses

Other operating expenses of € 6,721 thousand (2013: € 5,385 thousand) mainly include the contribution to the restructuring funds for banks (bank levy), expenses for leased buildings and expenses in connection with the accrual of provisions.

Extraordinary expenses

Extraordinary expenses of € 751 thousand (2013: € 1,587 thousand), are mainly due to the implementation of other measures in connection with the efficiency improvement programme SIGN started in 2012.

Other disclosures

Information about cover analysis

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

Changes in the Supervisory Board

Dr. Johannes-Jörg Riegler left the supervisory board of Deutsche Hypo, effective 28 February 2014. Mr. Frank Wolff left the supervisory board as the employee representative at the end of his regular office period on 11 June 2014. Ms. Andrea Behre was appointed to the supervisory board as the employee representative, effective 11 June 2014.

Size of workforce on average

	2014	2013
Female employees	173	173
Male Employees	227	237
Total	**400**	**410**

Hanover, 6 August 2014

The Board of Managing Directors

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 2014 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, 6 August 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer
(German Public Auditor)

Ehlers
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT

“We affirm that, to the best of our knowledge and pursuant to the applicable accounting principles for interim financial reporting, the condensed interim financial statements provide a true and fair view of net assets, financial and income position of the Bank and that the interim management report presents the business development, including the Bank’s results and position, such that an accurate picture is presented, with a suitable description of the opportunities and risks relating to the probable development of the Bank in the rest of the financial year."

Hanover, 6 August 2014

The Board of Managing Directors

Pohl Rehfus

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