DEUTSCHE HYPO
Member of NORD/LB

HALF-YEARLY FINANCIAL REPORT 2017

DEUTSCHE HYPO AT A GLANCE

in € millions	01.01.- 30.06.2017	01.01.- 30.06.2016	Change (in %)
New business figures			
Commercial real estate finance business	2,116.2	1,802.4	17.4
Domestic finance	1,313.4	1,092.6	20.2
Foreign finance	802.8	709.7	13.1
Funding volume	2,247.9	2,681.0	– 16.2
Mortgage Pfandbriefe	628.0	1,250.0	– 49.8
Unsecured	1,619.9	1,431.0	13.2

in € millions	30.06.2017	31.12.2016	Change (in %)
Portfolio figures			
Commercial real estate finance business	12,337.9	11,977.0	3.0
Domestic finance	7,261.1	7,156.0	1.5
Foreign finance	5,076.8	4,821.0	5.3
Loans to local authorities	4,322.3	4,815.5	– 10.2
Securities	5,984.0	6,720.3	– 11.0
Funding capital	22,859.9	23,493.4	– 2.7
Mortgage Pfandbriefe	8,072.5	8,286.9	– 2.6
Public Pfandbriefe	4,938.9	5,378.5	– 8.2
Unsecured	3,338.3	2,740.5	21.8
Other liabilities	6,510.2	7,087.5	– 8.1
Equity *)	1,307.1	1,382.6	– 5.5
Balance sheet total	24,442.7	25,202.6	– 3.0

in € millions	01.01.- 30.06.2017	01.01.- 30.06.2016	Change (in %)
Income figures			
Net interest income	98.6	101.9	– 3.2
Net commission income	0.2	1.7	– 88.2
Administrative expenses **)	46.0	42.6	8.0
Risk result	– 19.5	– 25.5	23.5
Income from securities and participatory interest	0.7	0.0	> 100.0
Result from normal operations	35.2	33.7	4.5
Extraordinary result	0.5	– 2.5	> 100.0
Interest on investments by silent partners	3.5	4.2	– 16.7
Profit before taxes and profit and loss transfer agreement	32.3	27.0	19.6

in %	30.06.2017	30.06.2016	
Other information			
Cost-income ratio	46.0	41.9	

*) 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 2017

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 grew significantly in the first half of 2017. After a very dynamic start to the year, the German economy carried the high energy from the beginning of the year through to the spring. In the first quarter of 2017, real gross domestic product increased by 0.6 % compared to the same period in the previous year, and is likely to have increased again slightly in the second quarter. While consumption, a pillar of growth, remained reliable, exports and investment also developed positively. Ongoing moderate inflation and constant improvement in the state of the labour market contributed to high domestic demand. New employment records were set each month, with just less than 44.2 million people in employment (seasonally adjusted).

The economic upturn in the eurozone increased its strength and breadth in the first half of the year. In the first two quarters, real gross domestic product (adjusted for seasonal fluctuation) increased by 0.5 % and 0.6 % compared to the respective previous quarter. While the moderate recovery continued in Italy, the dynamism in the other major economies remained very high in the second quarter. Along with private and public consumption, investment was also a driver of growth in the eurozone. Exports developed positively as a result of robust global demand. Corporate and consumer sentiment is currently more positive than it has been for years, and a large number of indicators underline the strong and robust upturn in the eurozone.

Development of target real estate markets

The first half of 2017 was characterized by political turbulence around the world and the resulting uncertainty. However, the development of worldwide commercial real estate transactions remained stable. In the first half of 2017, global transaction volumes totalled approximately € 260 billion (2016: € 254 billion), an increase of around 2 % compared to the first half of 2016.

European real estate markets profited from the continued economic upturn and were characterised by a continuing high level of demand in the core segment and sustained high liquidity. In the first half of 2017, transaction volumes totalled approximately € 100 billion. That represented an increase of 7 % compared to the same period in 2016. Despite uncertainty resulting from the Brexit referendum, the United Kingdom was also a focus of international activity in 2017. In the first half of 2017, transaction volumes in the country amounted to approximately € 29 billion (an increase of 4 % compared to the first half of 2016). The Netherlands also continued to develop positively with transaction volume of approximately € 6 billion (+ 53 %). The transaction volume in France amounted to approximately € 8 billion (– 16 %).

The upward trend in the German commercial investment market continued. In the first half of 2017, the volume of commercial real estate transactions in Germany totalled approximately € 25.8 billion (+ 47 %). The strongest markets were Berlin and Munich. Office real estate remained the asset class with the highest demand, at 39 % of total volume. For the first time logistics real estate was in second place with a market share of 22 %, followed by retail real estate with 19 %.

Development of international financial markets

The development of the capital markets in the first half of the year was characterised by the divergent monetary policies of the central banks. In March and June, the US Federal Reserve increased the federal funds target rate moderately, by 25 basis points respectively, as expected. Those monetary policy measures were anticipated by the financial markets as a result of previous clear communication by the central bank. The Federal Reserve has also raised the prospect of a further increase in benchmark interest rates in the second half of the year and has indicated that it may also begin to actively reduce its bond portfolio.

In the eurozone, the European Central Bank (ECB) continued its extremely expansive monetary policy. However, the solid economy in the eurozone and a further increase in inflation have driven discussion about when the ECB will gradually start to end its expansive monetary policy. From April, the ECB's expanded asset purchase programme (EAPP) returned to its original monthly purchase volume of € 60 billion. As expected, there were no changes to the EAPP purchase programme or benchmark rates in July – however inflation continued to display subdued development.

Rates on European government bonds are increasing considerably – above all in the long-term segment. The yield on ten-year German federal bonds was above the 0.60 % mark in July. The US dollar was not able to profit from US monetary policy and weakened noticeably compared to the euro. In the meantime, political turbulence in Washington has even led to a pronounced weakness of the US dollar.

Course of business at a glance

Significant influential factors and developments

Deutsche Hypo's business was again affected by the continued intensity of competition in commercial real estate finance, along with ongoing comparatively strong demand for real estate during the first half of 2017. In this sustained challenging environment, Deutsche Hypo nonetheless managed to increase its volume of new business year on year. The Bank maintained its conservative risk policy in the year to date, remaining faithful to its strictly-defined criteria regarding the quality and profitability of new business. Detailed information on the development of new business in the core business area is presented in the following section.

Deutsche Hypo plans to strengthen its sales activities by opening a new branch in Berlin. The resumption of business in the former target market Spain is also currently being prepared.

The uncertainty in the target real estate market UK, an important market for Deutsche Hypo, which resulted from the Brexit decision and political developments in recent months, has so far continued to have no significant direct impact on the Bank's business. The Bank believes that it is well-positioned in the United Kingdom thanks to the high quality of its finance portfolio. Deutsche Hypo will continue to carefully observe ongoing developments in the United Kingdom and, if necessary, adjust its assessments of this key foreign target market.

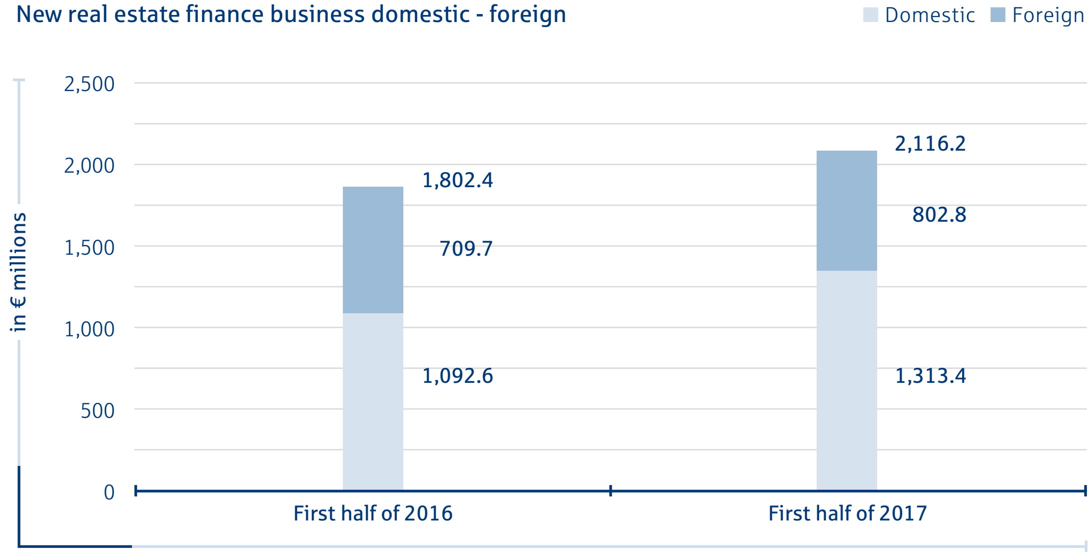
The ECB's ongoing expansive monetary policy measures resulted in a largely stable environment for the Bank's capital market business. In contrast to the previous year, there were no significant one-off effects in this area. Accordingly, the Bank continued its portfolio downsizing in this business area, consistently and in line with its plans. The funding of the Bank, which was also allocated to the capital market business, was carried out as planned in the first half of the year. For detailed information refer to the explanations regarding funding activities.

The development of the Bank's business also continued to be affected by regulatory developments. New or amended regulatory requirements continued to necessitate the implementation of significant measures in various areas of the Bank. The Bank also began initial planned investments in the further strengthening of its brand identity and organisational and technical infrastructure. As expected, this resulted in higher administrative expenses.

Development of new business in the core business area

In a market environment that remains very competitive, and despite continued high requirements with regard to the quality and profitability of financing, Deutsche Hypo increased its volume of new business to € 2,116.2 million (2016: € 1,802.4 million). This was roughly equal to the planned volume of new business as of 30 June 2017 on which last year's full-year forecast was based.

New real estate finance business domestic - foreign



At € 1,313.4 million (2016: € 1,092.6 million), and with a share of approximately 62.1 % (2016: 60.6 %), the majority of new business was domestic. The focus of new domestic business was office and retail real estate with selective financing of hotels and logistics real estate.

New business in foreign markets was primarily generated in the target markets of the Benelux countries and the United Kingdom. The significant increase to € 357.7 million in the Benelux countries (2016: € 85.3 million) primarily related to residential real estate finance. The Bank thereby improved the diversification of its portfolio. In the United Kingdom, the volume of new business decreased compared to the same period in the previous year, to € 253.1 million (2016: € 471.6 million). Deutsche Hypo thereby selectively engaged in new business opportunities in the important target market the United Kingdom in line with internal risk policies following the Brexit decision.

Of the total new commitments in real estate finance (domestic and foreign), approximately a third were accounted for by office and retail real estate respectively. The remaining portion was made up of residential real estate finance with 18.3 % (2016: 8.5 %) and other real estate with 14.9 % (2016: 12.3 %).

Funding activities

Funding activities in the first half of 2017 continued to be carried out under competitive conditions and according to the demand created by the development of new business. In particular, it took into account the changeable conditions on international financial markets as well as political uncertainty. Among other things, the Bank issued a benchmark Pfandbrief with a volume of € 500.0 million and a term of eight years. While mortgage Pfandbriefe, the most important funding instrument used by Deutsche Hypo, were primarily issued via the benchmark transaction, the sale of unsecured bonds was carried out by means of private placements. In the first half of 2017, Deutsche Hypo issued own securities with a volume of € 2,247.9 million (2016: € 2,681.0 million), of which € 628.0 million (2016: € 1,250.0 million) were mortgage Pfandbriefe and € 1,619.9 million (2016: € 1,431.0 million) were unsecured bonds.

Rating

	Mortgage Pfandbriefe	Public Pfandbriefe	Short-term liabilities	Long-term liabilities	Baseline Credit Assessment (BCA)
Moody's	Aa1	Aa2	Prime-2	Baa3 outlook: negative	b2
		until 7 July 2017 Aa1		until 30 June 2017 Baa2 until 18 April 2017 Baa1	until 30 June 2017 b1 until 18 April 2017 Ba3

During the first half of 2017, the rating agency Moody's made two adjustments to Deutsche Hypo's rating, most recently to Baa3 for long-term unsecured liabilities. They were directly related to decreases in the rating of the NORD/LB Group, which was hit hard by the shipping crisis. The rating agency noted positively that Deutsche Hypo's income development and asset quality have tended to improve further. It is also positive that the Bank's mortgage Pfandbriefe, the most important funding instrument, continued to carry an Aa1 rating, while the rating for its public Pfandbriefe was adjusted on 7 July 2017.

Net assets, financial and income position

Income position

in € millions	Total result 1 January - 30 June		Commercial real estate finance 1 January - 30 June		Capital market business 1 January - 30 June		Other business 1 January - 30 June	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net interest income	98.6	101.9	86.8	86.3	5.9	7.3	5.9	8.3
Net commission income	0.2	1.7	0.5	2.1	– 0.3	– 0.3	0.0	0.0
Administrative expenses	46.0	42.6	21.3	19.3	3.1	2.9	21.6	20.5
Other operating income	1.2	– 1.7	0.2	0.0	0.0	0.0	1.0	– 1.7
Risk result	– 19.5	– 25.5	– 2.3	1.5	– 0.2	– 15.0	– 17.0	– 12.0
Income from securities and participatory interest	0.7	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Result from normal operations	**35.2**	**33.7**	**63.9**	**70.6**	**2.9**	**– 10.9**	**– 31.7**	**– 26.0**
Extraordinary result	0.5	– 2.5	0.0	0.0	0.0	0.0	0.5	– 2.5
Interest on investment by silent partners	3.5	4.2	0.0	0.0	0.0	0.0	3.5	4.2
Profits before taxes and profit and loss transfer	**32.3**	**27.0**	**63.9**	**70.6**	**2.9**	**– 10.9**	**– 34.6**	**– 32.7**
CIR	46.0 %	41.9 %	24.3 %	21.8 %	55.6 %	41.1 %	> 100.0 %	> 100.0 %
RoRac / RoE *)	7.6 %	6.4 %	24.7 %	28.5 %	4.7 %	– 13.8 %	<– 100.0 %	<– 100.0 %

*) on business area level disclosure of Return on Risk Adjusted Capital (RoRaC), on level of whole bank disclosure of Return on Equity (RoE)
RoRaC business area = Profit before taxes and profit and loss transfer / fixed capital (= 11.5 % of yearly average risk-weighted assets). In contrast to the last interim report as at 30 June 2016, the previous year's figures were also reported as 11.5% of the average risk-weighted assets.
RoE whole bank = Profit before taxes and profit and loss transfer / yearly average of capital under commercial law (= subcribed capital + capital and profit reserves)

In the first half of the year, Deutsche Hypo generated a result from normal operations of € 35.2 million (2016: € 33.7 million). That represented a slight year-on-year improvement compared to the first half of the previous year. The strong result of € 63.9 million (2016: € 70.6 million) in commercial real estate finance made a significant contribution. The stable income position and historically good risk result in the core business area are noteworthy. The capital market business also made an overall positive contribution to earnings of € 2.9 million (2016: € – 10.9 million). The strong result was used to create precautionary reserves, which had a negative effect on other business.

Net interest income at the Bank as a whole totalled € 98.6 million, and was slightly below its level of € 101.9 million in the previous year. In the core business area, the strong level achieved in the previous year (€ 86.3 million) was maintained, at € 86.8 million. The noticeable pressure on margins was compensated by positive portfolio development. The capital market business met expectations by generating slightly lower net interest income than in the previous year because of further reductions in the capital market portfolio. With regard to other business, as expected, the low level of interest rates was reflected by a year-on-year decrease in investment income from the Bank's equity. From the Bank's overall perspective, net interest income continues to reflect Deutsche Hypo's stable and solid income.

As expected, administrative expenses of € 46.0 million exceeded the figure from the same period in the previous year (€ 42.6 million) and reflected the start of initial investments in the further strengthening of Deutsche Hypo's brand identity and its organisational and technical infrastructure. Contributions of € 10.0 million to the bank levy were recognised in full for the current financial year. This resulted in an intra-year increase in the cost-income ratio (CIR) to 46.0 % due to the bank levy (2016: 41.9 %). The cost discipline shown in the previous year thereby continued to be reflected by the low CIR compared to the rest of the industry.

A one-off effect relating to amended tax assessments was included in the result from other operating activity, resulting in total other operating income of € 1.2 million (2016: € – 1.7 million), despite the addition to provisions due to legal uncertainty over existing credit contracts.

In the commercial real estate finance business area, the risk result of € – 2.3 million was again very good. In the previous year, the reversal of value adjustments even led to a positive risk result of € 1.5 million. Those results reflect the very good quality of the credit portfolio combined with the continued stability of the real estate market. The risk result in the capital market business of € – 0.2 million improved compared to the previous year because the result in the first half of 2016 was negatively affected by the repurchase of own securities as a means of regulating price. Taking into account the strengthening of precautionary reserves, the risk result from the Bank's overall perspective improved to € – 19.5 million (prior year: € – 25.5 million).

In the first half of the year, costs for the terminated investment by silent partners of € 3.5 million (2016: € 4.2 million) arose for the last time.

The positive course of business in the first half of 2017 led to a good profit before taxes and a profit transfer of € 32.3 million (2016: € 27.0 million). The associated RoE figure was 7.6 % (2016: 6.4 %). The excellent profitability of the core business was reflected by RoRaC, which remained very good at 24.7 % (2016: 28.5 %).

Net assets

in € millions	30.06.2017	31.12.2016
Receivables		
Mortgage loans	12,337.9	11,977.0
Loans to local authorities	4,322.3	4,815.5
Other receivables	1,466.0	1,457.3
Securities	5,984.0	6,720.3
Other assets	332.5	232.5
Total assets	**24,442.7**	**25,202.6**

Deutsche Hypo's total assets decreased again compared to the end of 2016, to € 24,442.7 million (2016: € 25,202.6 million). This was due to portfolio downsizing in the capital market business, which was shown clearly by the decreases in public-sector loans and third-party securities. This development was largely the result of the affected instruments becoming due as planned. Individual disposals were also carried out in the scope of active portfolio management, for example the securities of the Carinthian Compensation Fund. New business for liquidity and cover pool management was limited in scope and only involved high-quality securities. The quality of the capital market portfolio therefore remained at the good level achieved in the previous year. For more information, see the explanations regarding counterparty risk in the expanded risk report in this interim management report.

The portfolio in the core business area grew as expected compared to the end of 2016, and in line with the previous year's forecast, to € 12,337.9 million (2016: € 11,977.0 million). This was due to the good development of new business in the current financial year and disbursements relating to irrevocable credit commitments from the previous year. While the portfolio of irrevocable credit commitments decreased to € 1,608.9 million (2016: € 1,809.7 million), it remained at a high level.

A slightly larger proportion of the increase in the real estate finance portfolio related to foreign markets. The portfolio of € 5,076.8 million (2016: € 4,821.0 million) exceeded the previous year's level. The portfolio in the target markets of the Benelux countries, in particular, increased significantly to € 1,881.4 million (2016: € 1,630.7 million). That was due to the expansion of residential real estate finance for the diversification of the overall portfolio described in the previous year and continued in the current financial year. The portfolio in the United Kingdom also increased to € 1,476.6 million (2016: € 1,384.2 million). Meanwhile, the portfolios in the regions that are no longer among the target markets continued to decrease. The domestic finance portfolio also increased slightly compared to the previous year, to € 7,261.1 million (2016: € 7,156.0 million).

Among the property classes, the office real estate portfolio continued to be the largest at € 4,669.1 million (2016: € 4,583.4 million). Retail real estate remained the second largest property class at € 3,927.8 million (2016: € 4,007.7 million). The residential real estate finance portfolio increased to € 1,991.8 million (2016: € 1,909.0 million) as a result of the described financing of residential property, and the other real estate finance portfolio increased to € 1,749.3 million (2016: € 1,477.0 million). This was due to the financing of hotels and logistics real estate, primarily in Germany.

The quality of the real estate finance portfolio with regard to the average rating improved again slightly as a result of the quality-oriented lending policies and active portfolio management. The proportion of financing in default and specific loan loss provisions remained very low. For detailed information about the development of ratings, see the explanations regarding counterparty risk in the expanded risk report in this interim management report.

Financial position

in € millions	30.06.2017	31.12.2016
Liabilities		
Mortgage Pfandbriefe	8,072.5	8,286.9
Public Pfandbriefe	4,938.9	5,378.5
Unsecured bonds	3,338.3	2,740.5
Other liabilities	6,510.2	7,087.5
Subordinated liabilities	394.5	395.0
Jouissance right capital	60.0	60.0
Funds for general banking risks	14.4	14.4
Equity	838.2	913.2
Other liabilities	275.7	326.6
Total liabilities	**24,442.7**	**25,202.6**
Contingent liabilities	878.4	1,029.3
Other obligations	1,608.9	1,809.7

In terms of balance sheet total, the reduction in total liabilities was primarily due to amounts becoming due that were attributable to Mortgage Pfandbriefe and Public Pfandbriefe currently in circulation. Other bonds, on the other hand, rose significantly in the first half of the year due to the aforementioned issuing activities of the Bank. In terms of the liabilities maturing or falling due, please refer to the breakdown of liability maturities in the condensed notes to the financial statements. The expanded risk report in this interim management report also contains information on the Bank's liquidity situation.

The Bank's balance-sheet equity declined to € 838.2 million year on year (2016: € 913.2 million). This was due to the repayment of the investments by silent partners terminated in the previous financial year as at the reporting date. There were no other changes to balance-sheet equity. Deutsche Hypo transfers all profits and losses to NORD/LB on the basis of the control and profit and loss transfer agreement. Total balance-sheet equity, plus jouissance right capital, subordinated liabilities and the funds for general banking risks pursuant to Section 340g German Commercial Code (HGB) declined to € 1,307.1 million year on year (2016: € 1,382.6 million), primarily due to the repayment of the investments by silent partners. Please refer to the statements in the expanded risk report to this interim management report with regard to regulatory capital requirements.

The anticipated declines in contingent liabilities were the result of the maturity of credit derivatives and disbursements relating to irrevocable credit commitments.

Overall statement on the course of business and the Bank's situation

Deutsche Hypo generated a solid half-year result in a challenging market environment in the first half of 2017. This was due to the positive income basis and the ongoing very good performance of the risk result in the core business area. The quality of the real estate financing portfolio has also been clear to see over the course of the year so far. In a market environment continued to be shaped by high demand for real estate but also intense competition in commercial real estate finance, the Bank generated a slight year-on-year increase in new business volume – as expected. The real estate financing portfolio was also increased slightly in the first half of the year, after another slight improvement in the average rating.

In terms of capital market business, strategic portfolio downsizing continued as planned. Unlike in previous years, there have been no notable one-off effects on the overall result. Capital market business generated a slightly positive earnings contribution in the first half of the year. Funding has progressed in line with demand so far this year and at competitive terms and conditions.

All in all, business performance over the first half of the current financial year can be considered solid, as it has allowed a further strengthening of precautionary reserves.

Report on subsequent events

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

Forecast, opportunity and risk report

Forecast report

Development of business and framework conditions

Forecast for economic development

Extremely positive economic data for the second half of 2017 suggest that the German economy will continue the significant expansion observed in the first half of the year. Important sentiment indicators such as the ifo Business Climate Index are at high levels, pointing to extremely dynamic economic development moving forward in spite of all the geopolitical risks. Economic output is forecast to rise by 1.8 % in 2017.

There has been a further improvement in the macroeconomic prospects for the eurozone, with year-on-year economic growth of 2.0 % in real terms anticipated in 2017. Private consumption remains an important pillar of growth. What is more, there has also been a marked rise in investments. Monetary policy in the eurozone will remain extremely expansive for the time being, creating a favourable monetary environment. However, these positive economic prospects are subject to a number of risks. These include geopolitical conflicts and the threat of global terrorism, the direction of foreign and economic policies in the US, complex negotiations on the departure of the UK from the European Union and upcoming elections in a number of EU member states, particularly Italy.

Forecast for the development of the target real estate markets

Global demand for real estate is expected to match the solid level recorded in the previous year, against the backdrop of low interest rates and a dearth of alternative investments. Jones Lang LaSalle forecasts global transaction volume for commercial real estate to amount to US$ 650 billion in 2017.

In Europe, the office segment is expected to offer the greatest potential for rent growth. The UK should retain its position as an attractive destination for real estate investment, despite some uncertainty over the implications of the Brexit referendum. However, the number of vacant properties is expected to rise more significantly, while rent is to fall further. In other European cities, such as Paris, high-quality office space is likely to be extremely scarce: 2017 will mark a peak in cyclical construction activity here. Office rents will also rise by a moderate margin. All in all, investment activities in France and in the Netherlands are expected to increase.

Germany will remain attractive in this regard, continuing to offer investors a safe haven for their wealth in times of political uncertainty. In 2017, commercial real estate transaction volume is expected to exceed € 50 billion. Yields on office real estate will remain under pressure, with no trend reversal in this asset class expected before the end of the year. Interest among investors for B and C cities is also expected to rise due to the higher yields available here.

Forecast for developments on international financial markets

The US central bank is set to continue to tighten its monetary policy, after raising benchmark interest rates for the fourth time in June. Another increase in rates remains a possibility this year. The ECB will continue its ultra-expansive monetary policy throughout the remainder of 2017, both in terms of benchmark rates and in relation to its bond-buying activities. In the autumn, the Governing Council of the ECB will meet to decide on its monetary strategy moving forward. It is likely that it will gradually abandon its bond-buying activities starting in 2018. Capital market yields are expected to continue to rise by a small margin if inflation rates normalise and no further political shocks emerge. Yields on ten-year German government bonds could realistically reach 0.80 % by the end of 2017.

Business performance and forecast

The following section concerns business performance compared to the forecast published in the 2016 management report. Deutsche Hypo continues to expect new business volume to fall slightly year on year. Exercising caution in relation to new business planning appears to be a sensible approach, especially given the intense competition in the market. Stringent requirements imposed on the quality and profitability of potential new business continue to play a primary role in lending for Deutsche Hypo. The Bank continues to anticipate a slight year-on-year rise in the real estate financing portfolio, with portfolio development over the first half of the year already indicating such performance.

Deutsche Hypo confirms its previous income forecast and continues to expect a solid result from normal operations, which is set to be down on the figure from the 2016 financial year of € 115 million, which itself was influenced by one-off effects. Accordingly, RoE is also expected to be down year on year. The core business area will make the largest contribution to the result, as expected.

In the core business area, the income situation can be expected to remain solid through to the end of the year thanks to the year-on-year rise in the real estate financing portfolio, even though increased competition could see pressure increase on margins. Downsizing of the capital market portfolio will continue as planned, which will lead to the anticipated decline in income.

The risk result in core business will remain at the lower forecast level due to the high quality of the real estate financing portfolio and the positive market environment but will fail to match the positive previous-year result, which was affected by net reversals.

Administrative expenses will rise year on year, as forecast, due to investments in the further strengthening of the Deutsche Hypo brand identity and in the organisational and technical infrastructure, therefore resulting in an increase in the cost-income ratio (CIR). However, the CIR will remain positive compared to the rest of the industry.

Otherwise, there have been no new discoveries that would require an adjustment of other previous significant forecasts or of other statements regarding the anticipated development or performance of the Bank.

Opportunities and risks of future business development

Opportunities and risks can result from an upturn or downturn in demand for real estate finance, which results in new business volume being higher or lower than forecast. Two factors influencing demand are interest rates and economic growth. In this sense, the recent outcomes of elections in France and in the Netherlands are considered positive, as they point to relief in political tensions. Uncertainty over negotiations on the UK's departure from the EU remains, even though the Bank does not see this uncertainty posing any direct risks to its earnings performance in the second half of 2017. The Bank's risk management system promptly identifies potential opportunities and risks from such developments and implements corresponding countermeasures.

Furthermore, changes to underlying conditions and the competitive situation in the commercial real estate finance market can lead to portfolios and margins performing better or worse than forecast. Changes to underlying external or internal conditions could also have an impact on the Bank's funding terms for its core business area. In particular, the most-recent rating downgrade and the potential for further downgrades could have an impact on funding terms. In addition, legal uncertainty linked to existing contracts in credit business could have implications for the Bank's result.

Unexpected developments in underlying external conditions, such as economic, geopolitical or industry-specific changes, may also have an unforeseeable and considerably positive or negative influence on the financial performance of Deutsche Hypo's capital market business.

As before, there are also no major effects expected on results in connection with negative interest rates.

Beyond the above, the opportunities and risks illustrated in the management report as of 31 December 2016 continue to apply as before. The following expanded risk report describes the significant risk-related developments and changes in the first half of the current financial year.

Expanded risk report

Current developments in risk management

As a result of the waiver rule under Section 2a (1) of the German Banking Act (KWG) (old version) and Art. 7 CRR, the risk-bearing capacity of Deutsche Hypo is secured at the level of the NORD/LB Group. The risk-bearing capacity at Group level was met as of 30 June 2017. As part of a functional early warning system regarding risk-bearing capacity at the level of the NORD/LB Group, NORD/LB AöR determines the institution's limits for material risk types, and compliance with these limits is a central aspect of the Bank's risk management system. Risk potential, which is based on a value-at-risk approach (VaR approach), is analysed in relation to the appropriate institution limits, as part of the regular monitoring of the limits.

The risk-bearing capacity model was adjusted at Group level in the first half of 2017. These adjustments included raising the confidence level of the primary management-related approach, which is geared towards the long-term survival of the group, from 95 % to 99.9 %. The risk potential (confidence level of 99.9 %, time horizon set at one year) from the material risk types consists of the following as of 30 June 2017:

Composition of risk potential from the material risk types in the going concern as of 30.06.2017

Values deviating from the management report 2016 due to a change in the model.

The breakdown of material risk types only changed slightly in comparison to 31 December 2016. The share of market price risk declined in proportion to overall risk, which was due to the change in the modelling of pension commitments within market price risk. This model-related one-off effect resulted in a reduction in interest rate risks.

Counterparty risk

Breakdown of total credit exposure by rating category

30.06.2017 in € millions	Real estate finance	Loans to local authorities	Securities	Deriva-tives	Other	Total exposure	Share in total exposure
very good to good	10,034.0	4,280.9	5,515.2	1,054.1	781.9	**21,666.1**	81.9 %
good / satisfactory	2,413.6	0.2	250.2	163.6	0.1	**2,827.7**	10.7 %
still good /sufficient	864.0	52.7	146.5	0.0	171.0	**1,234.1**	4.7 %
elevated risk	353.7	0.0	72.8	0.0	48.0	**474.5**	1.8 %
high risk	17.8	0.0	0.0	0.0	0.0	**17.8**	0.1 %
very high risk	29.5	0.0	0.0	0.0	0.0	**29.5**	0.1 %
Default (=NPL)	166.5	0.0	0.0	33.3	0.0	**199.8**	0.8 %
Total	**13,879.0**	**4,333.8**	**5,984.7**	**1,251.0**	**1,000.9**	**26,449.5**	**100.0 %**

31.12.2016 in € millions	Real estate finance	Loans to local authorities	Securities	Deriva-tives	Other	Total exposure	Share in total exposure
very good to good	9,404.4	4,775.1	6,118.5	1,420.5	596.2	**22,314.7**	81.5 %
good / satisfactory	2,667.9	0.2	265.8	0.0	0.0	**2,933.8**	10.7 %
still good /sufficient	1,037.9	51.8	190.2	0.0	75.1	**1,355.0**	5.0 %
elevated risk	344.3	0.0	149.7	0.0	6.0	**500.0**	1.8 %
high risk	19.0	0.0	2.9	0.0	0.0	**21.9**	0.1 %
very high risk	13.8	0.0	0.0	0.0	0.0	**13.8**	0.1 %
Default (=NPL)	192.8	0.0	0.0	36.1	0.0	**228.9**	0.8 %
Total	**13,680.0**	**4,827.1**	**6,727.0**	**1,456.6**	**677.3**	**27,368.1**	**100.0 %**

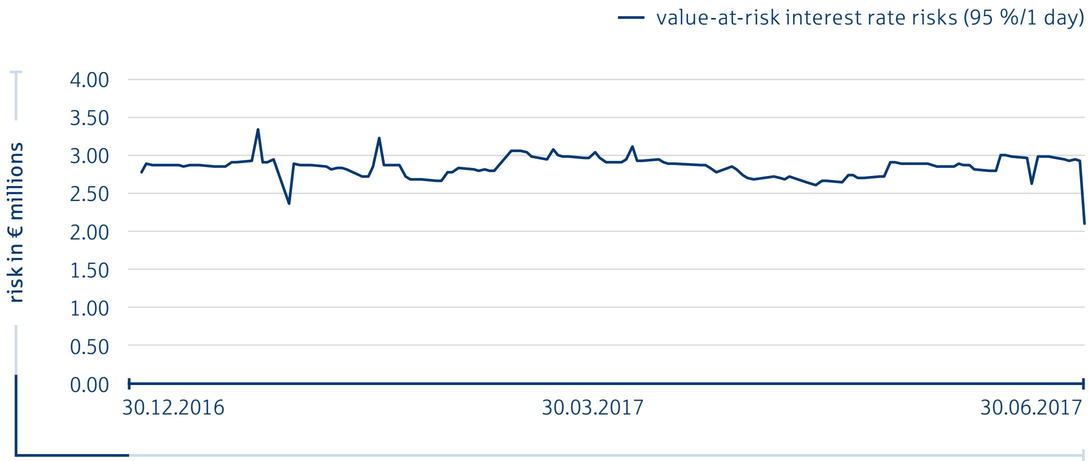
Total credit exposure declined to € 26,449.5 million (2016: € 27,368.1 million) in the first half of 2017 compared to the reporting date of 31 December 2016, in line with the portfolio development described in the section net assets. The breakdown according to rating categories confirms the high quality of the entire Deutsche Hypo finance portfolio. The share of financing with a rating of at least satisfactory improved slightly from its solid level, accounting for 97.3 % (2016: 97.2 %) of the total exposure. The share of non-performing loans (NPL) in the overall exposure remains at an extremely low level of 0.8 % (2016: 0.8 %). The absolute NPL volume fell by € 29.1 million to € 199.8 million (2016: € 228.9 million).

In the core business area, the share of financing with a rating of at least satisfactory improved slightly once again to 95.9 % (2016: 95.8 %). At the same time, the share of real estate financing in default followed the trend of recent years by declining to 1.2 % (2016: 1.4 %) of the overall portfolio in the core business area.

Market price risk

The value-at-risk (VaR) fluctuated in the reporting period between € 2.1 million and € 3.4 million with an average value of € 2.9 million. Around 75 % of the VaR limit was utilized on average in the reporting period and the VaR limit was not exceeded at any time. The development of the Bank’s VaR over time (95 % confidence level, 1 day holding period) is outlined in the following chart. This chart does not include credit spread risks.

Change in value-at-risk interest rate risks (95 %/1 day)



The assumption of interest rate risks plays a secondary role for Deutsche Hypo from a risk strategy perspective. Interest rate risks for Deutsche Hypo remained subdued for the most part in the first half of the year. However, as of the reporting date 30 June 2017, the interest rate risk increased significantly by approximately 30 % due to a one-off model adjustment relating to the modelling of pension commitments. The value-at-risk as of 30 June 2017 arose largely as a result of the investment of the perpetual equity and, still only to a very minor extent, from the operating business.

The reduction of the positions in the banking book involving credit spread risks as described in the 2016 management report was successfully continued in the first half of 2017, such that the portfolio fell by roughly € 1.3 billion to approximately € 10.6 billion with hidden charges declining somewhat.

Liquidity risk

In the first half of 2017, Deutsche Hypo again had excellent access to money and capital markets at all times. In the dynamic liquidity stress test used for management and limits, a satisfactory liquidity situation was observed throughout the entire period. The distance to illiquidity was in line with internal requirements as of the reporting date of 30 June 2017, at 229 days (2016: 319 days).

Deutsche Hypo held a sufficient portfolio of highly liquid securities in the reporting period, such that the MaRisk rules regarding the liquidity buffer to be maintained were met in full. At 2.04 (2016: 1.98), the liquidity performance indicator in accordance with the German Liquidity Regulation (LiqV) was significantly above the regulatory required minimum of 1.00 as of the reporting date. The Bank's liquidity coverage ratio (LCR) as of the end of June 2017 stood at 132.0 %, significantly exceeding the minimum ratio under regulatory requirements of 80.0 %, which has applied since 1 January 2017. Minimum values for the liquidity performance indicator in accordance with the German Liquidity Regulation (LiqV) and for the LCR were not breached throughout the entire reporting period.

Operational risk

Provisions were formed in the first half of the year on account of legal uncertainty relating to existing credit agreements. Beyond this, no other risks were identified in this period that had the potential to cause severe losses.

Regulatory equity resources

Due to the use of the waiver rule, Deutsche Hypo's obligations to submit separate institution reports and to comply with the capital requirements and regulatory equity resources requirements in accordance with the Capital Requirements Regulation (CRR), Parts 2 and 3, do not apply at the level of the separate institution. For Group equity reports and internal controlling reports, Deutsche Hypo determines the equity and risk-weighted assets (RWA) that is consolidated at NORD/LB for the Group report due to the use of another waiver. In addition, the Bank calculates its equity ratio as such that all available capital components are compared against the Bank's regulatory own funds requirements.

In accordance with regulatory requirements, a total of € 1,154.6 million (2016: € 1,182.4 million) was eligible for recognition under regulatory minimum capital requirements. The mild decline in equity was offset by a comparable 4.9 % drop in risk-weighted assets, putting the equity ratio at 19.4 % (2016: 18.9 %) as of 30 June 2017.

Summary and outlook

There was a further mild improvement in the quality criteria for the Deutsche Hypo real estate financing portfolio. New business was also conducted in the core business area solely on a quality oriented basis. As before, Deutsche Hypo will not follow the tendency observed on the market to enter into higher-risk financing.

There was a further reduction in the capital market portfolio in the reporting period, with hidden charges also falling slightly compared to 31 December 2016. Measures initiated some time ago to reduce the capital market portfolio while maintaining the result were continued.

Beyond the above-mentioned risks, no significant new risks can currently be identified compared to those illustrated in the management report as of 31 December 2016. Deutsche Hypo has accounted for all known and material risks appropriately by means of precautionary measures and considers itself to be well-equipped for the challenges ahead.

Hanover, 15 August 2017

The Board of Managing Directors

Pohl Barthauer Rehfus

HALF-YEARLY FINANCIAL STATEMENTS AS OF 30 JUNE 2017

BALANCE SHEET AS OF 30 JUNE 2017

ASSETS

	€	€	€	31. December 2016 (in € thousands)
1. Cash reserve				
b) Credit with central banks		101,972,997.16		50,541
of which: with the "Deutsche Bundesbank" € 101,972,997.16 (PY € 50,541 thousand)				
			101,972,997.16	**50,541**
2. Receivables from financial institutions				
a) Mortgage loans		11,933,274.26		13,277
b) Loans to local authorities		496,971,410.01		588,295
c) Other receivables		1,434,878,218.00		1,402,643
of which: due daily € 950,143,146.47 (PY € 1,179,926 thousand)				
			1,943,782,902.27	**2,004,215**
3. Receivables from customers				
a) Mortgage loans		12,326,013,637.19		11,963,723
b) Loans to local authorities		3,825,304,407.56		4,227,234
c) Other receivables		31,143,772.94		54,624
			16,182,461,817.69	**16,245,581**
4. Bonds and other fixed interest securities				
b) Bonds and debentures				
ba) from public issuers	3,035,722,180.97			3,406,873
of which: borrowed from "Deutsche Bundesbank" € 1,641,254,053.23 (PY € 1,970,427 thousand)				
bb) from other issuers	2,948,311,215.03			3,313,398
of which: borrowed from "Deutsche Bundesbank" € 2,461,612,293.71 (PY € 2,806,383 thousand)				
		5,984,033,396.00		
c) Own bonds		39,398,275.40		39,367
Nominal amount: € 39,179,000.00 (PY € 39,197 thousand)				
			6,023,431,671.40	**6,759,638**
5. Participatory interest			**76,949.43**	**77**
6. Intangible assets				
b) Purchased licenses, industrial property, as well as licenses to those rights and assets		637,516.08		584
d) Payments made on account		833,395.22		483
			1,470,911.30	**1,067**
7. Tangible assets			**2,209,066.75**	**2,176**
8. Other assets			**133,459,340.12**	**87,115**
9. Accrued and deferred items				
a) from the issue and loan transaction		44,743,365.40		43,436
b) others		9,053,722.32		8,765
			53,797,087.72	**52,201**
Total assets			**24,442,662,743.84**	**25,202,611**

LIABILITIES

	€	€	€	31. December 2016 (in € thousands)
1. Liabilities to financial institutions				
a) Issued registered mortgage Pfandbriefe		146,455,112.46		138,306
b) Issued registered public Pfandbriefe		279,796,416.37		255,527
c) Other liabilities		3,688,389,208.44		4,943,158
of which: due daily				
€ 296,363,211.96 (PY € 474,929 thousand)				
			4,114,640,737.27	**5,336,991**
2. Liabilities to customers				
a) Issued registered mortgage Pfandbriefe		644,833,947.09		660,310
b) Issued registered public Pfandbriefe		4,029,654,882.07		4,312,536
d) Other liabilities		2,821,824,919.91		2,144,343
of which: due daily				
€ 2,277,224.44 (PY € 902 thousand)				
			7,496,313,749.07	**7,117,189**
3. Securitised liabilities				
a) Assigned bonds				
aa) mortgage Pfandbriefe	7,281,198,029.89			7,488,252
ab) public Pfandbriefe	629,410,949.88			810,430
ac) other bonds	3,338,327,086.32			2,740,481
		11,248,936,066.09		
			11,248,936,066.09	**11,039,163**
4. Other liabilities			**111,901,318.31**	**198,410**
5. Accrued and deferred items				
a) from the issue and loan transaction		39,650,188.55		40,795
b) other		9,473,115.83		11,210
			49,123,304.38	**52,005**
6. Provisions				
a) Provisions from pensions and similar obligations		46,177,085.94		44,863
b) Tax provisions		4,267,755.18		2,370
c) Other provisions		64,231,104.41		29,048
			114,675,945.53	**76,281**
7. Subordinated liabilities			**394,500,000.00**	**395,000**
8. Jouissance right capital			**60,000,000.00**	**60,000**
9. Funds for general banking risks			**14,400,000.00**	**14,400**
10. Equity				
a) Subscribed capital		80,640,000.00		80,640
Capital held by silent partners		0.00		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		
			838,171,623.19	**913,172**
Total liabilities			**24,442,662,743.84**	**25,202,611**
1. Contingent liabilities				
b) Liabilities arising from sureties and guarantee agreements		878,357,705.89		1,029,309
			878,357,705.89	**1,029,309**
2. Other obligations				
c) Irrevocable credit commitments		1,608,870,915.41		1,809,697
			1,608,870,915.41	**1,809,697**

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

	€	€	€	€	1. January 2016 – 30. June 2016 (in € thousands)
1. Interest earnings from					
a) Credit and money market transactions	252,597,306.94				264,784
less negative interest from money market transactions	– 1,511,299.08				– 588
		251,086,007.86			
b) Fixed interest bearing securities and book-entry securities		83,554,600.43			95,271
			334,640,608.29		359,467
2. Interest expenses					
Interest expenses from the banking business		241,330,986.48			260,080
less positive interest from the banking business		– 5,318,788.92			– 2,478
			236,012,197.56		
				98,628,410.73	101,865
3. Commission income			5,467,726.40		6,918
4. Commission expenses			5,309,461.28		5,207
				158,265.12	1,711
5. Other operating income				9,244,165.15	959
6. General administrative expenses					
a) Personnel expenses					
aa) wages and salaries		19,578,408.29			17,924
ab) social security and expenses for pension plans and for support of which: for pension plans € 738,412.15 (PY € 897 thousand)		3,706,431.36			3,456
			23,284,839.65		
b) Other administrative expenses			22,367,048.65		20,906
				45,651,888.30	42,286
7. Write-downs and value adjustments of intangible assets and tangible fixed assets				370,363.86	341
8. Other operating expenses				8,025,373.22	2,682
9. Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in credit business			19,490,629.20		25,540
				19,490,629.20	25,540
10. Income from write-ups of participatory interest, shares in affiliated companies and securities treated as fixed assets			676,959.92		0
				676,959.92	0
11. Result from normal operations				35,169,546.34	33,686
12. Extraordinary income			544,767.53		3,178
13. Extraordinary expenses			0.00		5,661
14. Extraordinary result				544,767.53	– 2,483
15. Taxes on income			1,073,112.42		992
16. Other taxes not included under item 8			– 40,322.55		– 14
				1,032,789.87	978
17. Profits surrendered under partial surrender agreements				3,464,166.73	4,200
18. Profits surrendered under partial surrender agreements or a profit and loss transfer agreement				31,217,357.27	26,025
19. 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	Equity difference from currency conversion	Profit/loss carried forward	Profit/loss for the period	Total
As of 1 January 2017	80,640	75,000	481,314	276,218	0	0	0	913,172
Capital increase / reduction	0	0	0	0	0	0	0	0
Allocation to / withdrawal from reserves	0	0	0	0	0	0	0	0
Distribution	0	0	0	0	0	0	0	0
Currency conversion	0	0	0	0	0	0	0	0
Other changes	0	– 75,000	0	0	0	0	0	– 75,000
Profit /loss for the period	0	0	0	0	0	0	0	0
As of 30 June 2017	80,640	0	481,314	276,218	0	0	0	838,172

in € thousands	Subscribed capital	Capital held by silent partners	Capital reserves	Profit reserves	Equity difference from currency conversion	Profit/loss carried forward	Profit/loss for the period	Total
As of 1 January 2016	80,640	75,000	481,314	276,218	0	0	0	913,172
Capital increase / reduction	0	0	0	0	0	0	0	0
Allocation to / withdrawal from reserves	0	0	0	0	0	0	0	0
Distribution	0	0	0	0	0	0	0	0
Currency conversion	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Profit /loss for the period	0	0	0	0	0	0	0	0
As of 30 June 2016	80,640	75,000	481,314	276,218	0	0	0	913,172

CASH FLOW STATEMENT

in € thousands		1 January 2017 – 30 June 2017	1 January 2016 – 30 June 2016
1.	**Net result**	**0**	**0**
2.	Write-downs, value adjustments and write-ups to receivables and tangible fixed assets	21,688	19,711
3.	Increase/decrease in reserves	5,824	– 627
4.	Other non-cash expenses/income	0	0
5.	Profit/loss from the disposal of tangible fixed assets	– 2,829	4
6.	Profit to be surrendered under a profit and loss transfer agreement	31,217	26,025
7.	Other adjustments (balance)	2,614	4,222
8.	Increase/decrease of receivables from financial institutions	27,897	720,723
9.	Increase/decrease of receivables from customers	8,230	414,182
10.	Increase/decrease of securities (if not financial assets)	18	13,028
11.	Increase/decrease of other assets from current operations	– 53,563	– 76,159
12.	Increase/decrease of liabilities to financial institutions	– 1,058,399	600,109
13.	Increase/decrease of liabilities to customers	401,739	– 1,586,410
14.	Increase/decrease of securitised liabilities	219,135	51,327
15.	Increase/decrease of other liabilities from current operations	– 73,795	– 76,098
16.	Interest expenses/income	– 98,628	– 101,865
17.	Expenses/income from extraordinary items	– 545	2,483
18.	Income tax expenses/income	1,073	992
19.	Interest and dividend payments received	413,417	503,757
20.	Interest paid	– 311,748	– 379,935
21.	Extraordinary deposits	0	0
22.	Extraordinary disbursements	0	0
23.	Income tax payments	362	43
24.	**Cash flow from current operations (total of items 1 to 23)**	**– 466,293**	**135,512**
25.	Deposits from disposals of financial assets	805,413	241,024
26.	Disbursements for investments in financial assets	– 89,205	– 336,338
27.	Deposits from disposals of tangible fixed assets	0	1
28.	Disbursements for investments in tangible fixed assets	– 289	– 115
29.	Deposits from disposals of intangible fixed assets	0	0
30.	Disbursements for investments in intangible fixed assets	0	– 83
31.	Deposits from disposals from the consolidated group	0	0
32.	Disbursements for additions to the consolidated group	0	0
33.	Changes in funds from other investment activities (balance)	– 518	0
34.	Deposits from extraordinary items	0	0
35.	Disbursements for extraordinary items	0	0
36.	**Cash flow from investment activities (total of items 25 to 35)**	**715,401**	**– 95,511**
37.	Deposits from equity contributions by shareholders of the parent company	0	0
38.	Deposits from equity contributions by other shareholders	0	0
39.	Disbursements for equity reductions to shareholders of the parent company	0	0
40.	Disbursements for equity reductions to other shareholders	0	0
41.	Deposits from extraordinary items	0	0
42.	Disbursements for extraordinary items	0	0
43.	Dividends paid to shareholders of the parent company	0	0
44.	Dividends paid to other shareholders	0	0
45.	Other disbursements to company owners	– 20,568	– 22,820
46.	Profit and loss transfer	– 101,609	– 61,850
47.	Changes in funds from other capital (balance)	– 75,500	– 23,000
48.	**Cash flow from financing activities (total of items 37 to 47)**	**– 197,677**	**– 107,670**
49.	Cash changes in finance funds (total from 24, 36, 48)	51,431	– 67,669
50.	Exchange-rate and valuation-related change in finance funds	0	0
51.	Consolidation-related change in finance funds	0	0
52.	Finance funds at the start of the period	50,541	90,940
53.	**Finance funds at the end of period (total of items 49 to 52)**	**101,972**	**23,271**

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 are rounded figures, resulting in rounding differences in some cases. Comparison values for balance sheet performance figures relate to the annual financial statements as of 31 December 2016, while comparison values for income statement performance figures relate to the interim financial statements as of 30 June 2016.

General information on accounting and valuation principles

The half-yearly financial statements of Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover, (Deutsche Hypo or the Bank) as of 30 June 2017 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 German Pfandbrief Act (PfandBG) and the recommendations of the German accounting standards.

The half-yearly financial statements as of 30 June 2017 comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and selected disclosures provided in the form of the condensed notes. The Bank has refrained from voluntary segment reporting. With regard to the events and circumstances in the current interim reporting period that are of relevance for an understanding of the material changes in the positions in the balance sheet and income statement as compared to the presented comparison figures, reference is made to the information in the condensed notes and the information in the economic report provided in the interim management report.

Beyond the above, the accounting, valuation and measurement methods for the preparation of the annual financial statements as of 31 December 2016 were applied in unchanged form.

Due to the fiscal tax unit on account of the profit and loss transfer agreement between Deutsche Hypo and Norddeutsche Landesbank Girozentrale (Anstalt öffentlichen Rechts), Hanover, Braunschweig and Magdeburg (NORD/LB), Deutsche Hypo only reports income taxes that relate to financial years up to and including 2012 or that relate to a foreign branch. These have been calculated on the basis of the anticipated taxable result at the applicable income tax rate and have been recognised at the corresponding proportion. The profit and loss transfer reported in item 18 of the income statement as of 30 June 2017 has not taken place yet because it is governed by the result at the end of the financial year. For this reason, the amount reported therein has been added to the provisions.

Notes on the balance sheet

Receivables from financial institutions

in € thousands	30.06.2017	31.12.2016
Breakdown of residual maturities		
due daily	950,143	1,179,926
up to three months	5,750	118,596
between three months and one year	463,653	17,515
between one year and five years	153,654	284,202
more than five years	201,428	202,286
proportional interest in total	169,155	201,690
Balance sheet item	1,943,783	2,004,215

Receivables from customers

in € thousands	30.06.2017	31.12.2016
Breakdown of residual maturities		
up to three months	471,606	584,419
between three months and one year	1,376,130	1,305,707
between one year and five years	6,310,064	6,070,303
more than five years	7,953,819	8,179,570
proportional interest in total	70,843	105,582
Balance sheet item	16,182,462	16,245,581

Bonds and other fixed interest securities

in € thousands	30.06.2017	31.12.2016
Balance sheet item	6,023,432	6,759,638
of which not valued at the lower of cost or market value *)	613,664	846,642
fair value of securities not valued at lower of cost or market value	561,252	774,280

*) In these cases, a long-term impairment was not anticipated, as the individual review of the relevant issuer's credit rating did not reveal any signs that would justify a long-term impairment.

Liabilities to financial institutions

in € thousands	30.06.2017	31.12.2016
Breakdown of residual maturities		
due daily	296,363	474,929
up to three months	1,389,092	1,926,488
between three months and one year	1,234,498	1,464,679
between one year and five years	708,880	945,045
more than five years	322,865	300,036
proportional interest in total	162,943	225,814
Balance sheet item	4,114,641	5,336,991

Liabilities to customers

in € thousands	30.06.2017	31.12.2016
Breakdown of residual maturities		
due daily	2,277	902
up to three months	590,743	609,283
between three months and one year	1,076,537	671,564
between one year and five years	1,681,639	1,740,221
more than five years	4,035,026	3,962,266
proportional interest in total	110,092	132,953
Balance sheet item	7,496,314	7,117,189

Securitised liabilities

in € thousands	30.06.2017	31.12.2016
Balance sheet item	11,248,936	11,039,163
of which due in the following year	3,004,390	2,321,699

Contingent liabilities and other obligations

in € thousands	30.06.2017	31.12.2016
Liabilities from sureties and guarantee agreements	878,358	1.029,309
of which credit default swaps	488,347	598,452
of which total return swaps	195,219	263,408
of which sureties in the mortgage business	194,792	167,449

Other liabilities relate exclusively to irrevocable credit commitments.

Notes on the income statement

Other operating income

in € thousands (1 January – 30 June)	2017	2016
Income statement items	9,244	959
of which material items:		
interest rebates from taxes *)	8,797	0
income from the release of provisions	114	147
ongoing income from leases	3	381
income from currency transactions	0	272

*) This largely relates to a one-off effect relating to amended tax assessments.

Other operating expenses

in € thousands (1 January – 30 June)	2017	2016
Income statement items	**8,025**	**2,682**
of which material items:		
additions to provisions *)	5,000	0
expenses from the discounting of provisions	2,499	2,171
losses from currency transactions	279	0
interest on retrospective tax payments	108	0
expenses for externally managed buildings	9	383

*) This relates to an addition to provisions due to legal uncertainty over existing credit contracts.

Extraordinary income

in € thousands (1 January – 30 June)	2017	2016
Income statement items	**545**	**3,178**
of which material items:		
reversal of provisions for the efficiency improvement programme	545	0
reversal of provisions for pension as a result of the amendment to Section 253 (2) Sentence 1 HGB	0	3,178

Other disclosures

Disclosures regarding cover analysis

The quarterly disclosures required pursuant to Section 28 of the PfandBG are available on the Bank's website at www.deutsche-hypo.de.

Size of workforce on average over the year

	2017	2016
Female employees	179	174
Male employees	225	221
Total	**404**	**395**

Hanover, 15 August 2017

The Board of Managing Directors

Pohl Barthauer 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, cash flow statement and condensed notes – together with the interim management report of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover, for the period from 1 January to 30 June 2017 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 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, 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 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.

Hanover, 15 August 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Thiede	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

"We affirm that, to the best of our knowledge and pursuant to the applicable accounting principles for half-yearly financial reporting, the half-yearly 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, 15 August 2017

The Board of Managing Directors

Pohl Barthauer Rehfus

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