

Deutsche Hypo

HALF-YEARLY FINANCIAL REPORT

2007

# Deutsche Hypo at a glance

	01.01.-30.06. 2007 € millions	01.01.-30.06. 2006 € millions	Change %
<b>Business progress figures</b>			
Mortgage loans	1,304	967	34.9
Capital market transactions of which public-sector loans	2,761 1,572	3,493 1,474	- 21.0 6.6
Loan drawdowns	3,905	4,330	- 9.8
Bond sales and loans taken up	3,743	6,049	- 38.1
<b>Balance Sheet figures</b>			
	<b>30.06.2007</b>	<b>31.12.2006</b>	
Mortgage loans (including interest)	8,687	8,274	
Public-sector loans (including interest)	12,754	13,103	
Securities	12,368	11,445	
Borrowed funds	34,926	33,567	
Equity (excluding distributable profits) of which: Core capital	861 484	831 479	
Total assets	36,089	34,717	
<b>Profit and Loss Account figures</b>			
	<b>01.01.-30.06. 2007</b>	<b>01.01.-30.06. 2006</b>	
Net interest and commission income	54.4	53.2	2.2
Administrative expenses including depreciation allowance	17.6	16.7	5.4
Result from ordinary business activity	26.1	24.3	7.4
Net income for the year	18.5	17.8	3.9
<b>Other information</b>			
	<b>30.06.2007</b>	<b>30.06.2006</b>	
Share price (in €)	328.00	297.23	10.4
Cost/income ratio	32.4 %	31.3 %	-
Core capital ratio	5.3 %	5.7 %	-
<b>Rating</b>			
	<b>S &amp; P</b>	<b>Moody's</b>	
Public Pfandbriefe	AAA	Aaa	
Mortgage Pfandbriefe	-	Aaa	
Long-term liabilities	-	A2	

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# LETTER TO OUR SHAREHOLDERS

Dear Shareholders  
Dear Sir or Madam

As we explained in our first interim report as at 31 March of this year, the entry into force on 20 January 2007 of the German Transparency Directive Implementation Act ("TUG") imposes new financial reporting requirements on securities issuers whose securities are admitted to trading on the regulated market. Under the provisions of this new law, the companies concerned are required to produce a half-yearly financial report, the content and scope of which extend far beyond that typically required of interim reporting. This report is therefore the first half-yearly financial report from Deutsche Hypo designed to meet the policymakers' intended aims of harmonising and increasing the information that securities issuers make available to investors and of enhancing capital market transparency.

Not quite as new but still as gratifying is the observation, from a German perspective, that the economic upturn which began in 2006 is continuing into 2007 and, indeed, is proving more robust than many had expected. Despite fears to the contrary, the increase in value-added tax has not caused growth to slump in the economy as a whole, whilst other disruptive factors have also failed to have a negative effect on the state of economic development. The tax revenues flowing into the state's coffers are higher than anticipated, with the result that the disciplinary proceedings introduced by the European Commission against Germany for breaching budget

deficit rules have been suspended. Meanwhile, unemployment is falling, investment activity by the corporate sector remains as strong as ever, and all of the mood indicators together with the emergence of greater momentum from the global economy again point to a successful economy in 2007.

Nevertheless, unwelcome developments in the US real estate market with regard to poorly collateralised mortgages provided to borrowers with low credit ratings, known as the subprime market, are detracting from this otherwise positive overall situation. The subprime market is not one of Deutsche Hypo's target markets as the Bank continues – particularly in the USA – to focus on the area of first-rate commercial financing, in other words the low-risk sections of financing structures.

The share of purchased securitisation structures with underlying real estate based in the USA accounted for a mere 1.1% of Deutsche Hypo's mortgage portfolio as at 30 June 2007.

However, given that the possibility of this crisis spreading to other credit markets and other countries cannot be excluded, we are monitoring the market situation with the requisite level of prudence and care to ensure that our strategy can be adapted in good time to any change in market circumstances.

In terms of Deutsche Hypo's performance, the second quarter of the current financial year saw a continuation of the positive development over

all. New business of real estate finance rose to in excess of € 1.3 billion in total during the first half-year. Once again, the major part of this gratifying volume of new business related to our target markets abroad, with regard to which new loan commitments of more than € 1.1 billion were entered into. As a result of this expansion in new business, the mortgage portfolio grew by 7.7% to just under € 8.7 billion.

Capital market business, in a market environment that was characterised by low margins in many of the segments relevant to the Bank's business activities, developed in line with expectations. New business amounted to some € 2.8 billion and was thus € 733 million below the level recorded during the first half of the previous year.

In terms of its issuing business, the Bank continued to benefit from its good market position. The total issuing volume for the first six months of the year was € 3.7 billion, of which € 1.3 billion related to Pfandbrief products. Our strategy of responding to customer demand with specifically tailored issues enabled us to continue our issuing activity with attractive spreads and, consequently, on a cost-effective basis.

With regard to its income position, the Bank was also able to hold its course and continue the positive trend. The operating result before tax, which is reported as the Bank's result from ordinary business activity, rose to over € 26 million, a clear rise of 7.4%. The increase in administration costs (+ € 0.9 million) was offset by a

strong increase in net interest and commission income (+ € 1.1 million to € 54.4 million) and a welcome fall in risk provisioning (- € 1.3 million to € 11.6 million).

As expected, the Bank has continued to perform to a satisfactory level. This is reflected in the development of our share, which, at a price of € 328 as at 30 June 2007, has recorded growth of more than 10%.

We also expect to be able to present a satisfactory result for the 2007 financial year as a whole.

DEUTSCHE HYPOTHEKENBANK  
(ACTIEN-GESELLSCHAFT)

The Board of Managing Directors

# THE SUPERVISORY BOARD AND ITS COMMITTEES

## .. MEMBERS OF THE SUPERVISORY BOARD

**Alexander Stuhlmann**  
Hamburg  
Chairman of the Board of  
Managing Directors of  
WestLB AG  
– Chairman –

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**Dietmar Schmid**  
Frankfurt am Main  
Member of the Board of Managing  
Directors of BHF-BANK AG  
– Vice-Chairman –

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**Jochen Döhle**  
Hamburg  
Personally liable partner of  
PETER DÖHLE Schiffahrts-KG

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**Friedrich Carl Janssen**  
Cologne  
Personally liable partner of Sal.  
Oppenheim jr. & Cie. KGaA

**Joachim Olearius**  
Hamburg  
Executive Manager of M. M.  
Warburg & CO Kommanditgesellschaft  
auf Aktien

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**Max Warburg**  
Hamburg  
Personally liable partner of M. M.  
Warburg & CO Kommanditgesellschaft  
auf Aktien

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**Reinhard Drexler**  
Hanover

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**Michael Gehring**  
Hanover

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**Frank Wolff**  
Hanover

## .. COMMITTEES

### .. LENDING COMMITTEE

Alexander Stuhlmann  
– Chairman –

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Friedrich Carl Janssen

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Max Warburg

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Jochen Döhle  
– Substitute member –

### .. AUDIT COMMITTEE

Friedrich Carl Janssen  
– Chairman –

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Joachim Olearius

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Frank Wolff

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Jochen Döhle  
– Substitute member –

### .. PERSONNEL COMMITTEE

Alexander Stuhlmann  
– Chairman –

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Dietmar Schmid  
– Vice-Chairman –

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Max Warburg

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Joachim Olearius  
– Substitute member –

# MANAGEMENT

## .. BOARD OF MANAGING DIRECTORS

Jürgen Grieger  
Hanover

Jürgen Morr  
Hanover

Thomas v. Tucher  
Hanover  
to 30/06/2007

Andreas Rehfus  
Hanover  
since 01.07.2007

## .. EXECUTIVE MANAGER

Michael Müller

## .. DEPARTMENTAL MANAGERS

Volker Basler  
Gunter Bierwisch  
Joachim Bloß  
Hauke Finger

Markus Heinzel  
Albrecht Mayer  
Uwe Menninger  
Markus Nitsche

Wolfgang Overkamp  
Jörg Quentin  
Thomas Staats  
Dr. Wulfgar Wagener  
Paul Weber

# PUBLIC TRUSTEES

Dr. Gunther Krajewski  
Hanover  
Assistant Director  
– Trustee –

Wolfdietrich Kühne  
Hanover  
Degree in business  
– Deputy Trustee –

# MANAGEMENT REPORT

## .. BUSINESS PERFORMANCE

The positive business performance overall can be broken down as follows:

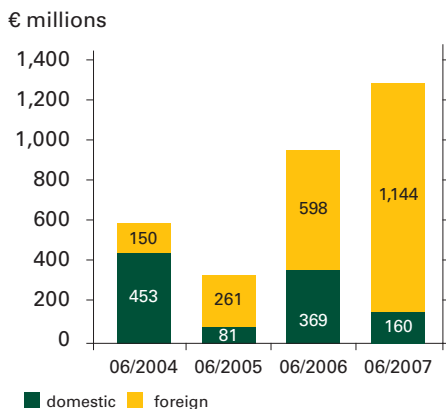
- .. Net interest and commission income increased by € 1.16 million to € 54.4 million (previous year: € 53.2 million). This corresponds to a rise of more than 2%.
- .. Administrative expenses rose by € 0.9 million to € 17.6 million (+ 6%). The cost/income ratio was 32.4% and thus below the 33% recorded at the 2006 year-end.
- .. Risk provisioning fell by a gratifying € 1.3 million, which corresponds to a reduction of 10%. The provisions made for risk provided sufficient cover for all discernible risks.
- .. The Bank's result from ordinary business activity was € 26.1 million (+ 7.4%) and reflected the Bank's gratifying level of performance in the first half of 2007. Net income for the year rose to € 18.5 million (+ € 0.7 million or + 3.9%).
- .. New mortgage loan commitments amounted to € 1,304 million, thereby exceeding the previous year's result by € 337 million (+ 34.9%). This increase was attributable to the fact that foreign real estate financing business continued to enjoy strong growth, rising by € 546 million to € 1,144 million (+ 91.3%).
- .. New capital market business, at € 2,761 million, was € 733 million down on the previous year's figures, which equates to a fall of 21%.

## .. MORTGAGE LOAN BUSINESS

### .. NEW MORTGAGE BUSINESS

New mortgage loan commitments amounted to € 1,304 million, thereby exceeding the previous year's result by € 337 million (+ 35%). This increase was attributable to foreign mortgage business, which rose by € 546 million to € 1,144 million (+ 91%). Domestic new mortgage business fell by € 208 million to € 160 million (- 57%).

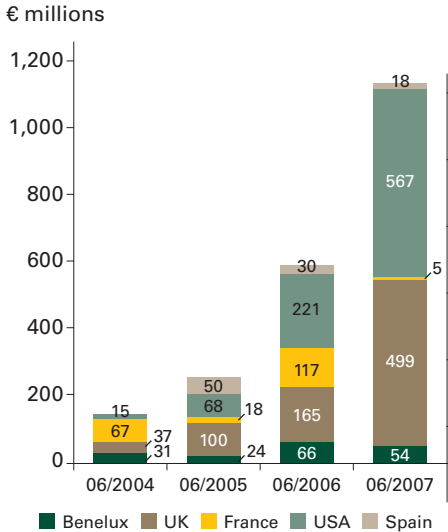
### New business by region (in € millions)



The main increases in foreign business were recorded in the USA (+ € 346 million) and the UK (+ € 335 million). This was an area in which we consistently upheld our strategy described in the 2006 Annual Report of mainly financing senior tranches, which have the lowest risk profile within the respective overall financing structures. With regard to the Benelux countries, the

volume of new business was practically unchanged. The volume of new business in France and Spain was down as at 30 June 2007.

### Foreign mortgage loan commitments (in € millions)



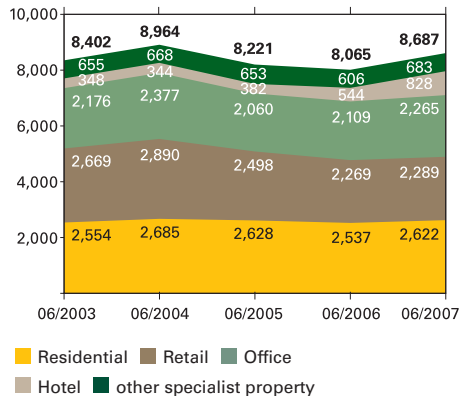
Of the total new business, € 194 million related to financings for residential property, which equates to a proportion of 15%. Commercial loans totalled € 1,110 million (= 85%). This means that the relationship between residential and commercial new mortgage business remained more or less unchanged.

### MORTGAGE LOAN PORTFOLIO

The mortgage loan portfolio expanded by € 621 million to € 8,687 million (+ 7.7%). These strong increases can be attributed to a rise in lending with regard to hotel properties (+ € 317 million) and office real estate (+ € 156 million). The rise with regard to residential financings was € 85 million, with practically no change being recorded in the area of retail properties.

The shifts in the portfolio with regard to domestic and foreign business described in the 2006 Annual Report continued. The domestic portfolio fell by € 581 million to € 5,235 million. In terms of foreign business, however, the mortgage portfolio grew by € 1,202 million to € 3,452 million and therefore accounted for approximately 40% of the total loan portfolio.

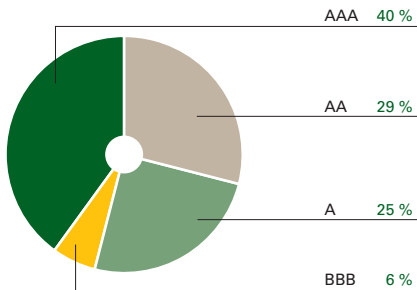
### Development of mortgage loan portfolio (in € millions)



•• MBS PORTFOLIO

The volume of purchased MBS structures as at 30 June 2007 was € 18.5 billion. The MBS portfolio amounted to € 362 million, compared with € 307 million as at 30 June 2006. This is an area in which, from the very beginning, we have set high standards in terms of portfolio quality, exclusively acquiring investment grade papers.

Overview of MBS portfolio by rating



Overall, 32% of the MBS portfolio has experienced an improvement in risk profile since the acquisition of the respective tranche, whilst the remaining 68% has had a constant risk profile.

The Bank's measures to limit risk have proved their worth in light of the current debate surrounding the effects of the crisis affecting the US mortgage market in general and the sub-prime market in particular. None of the papers in our portfolio were downgraded during the period under review.

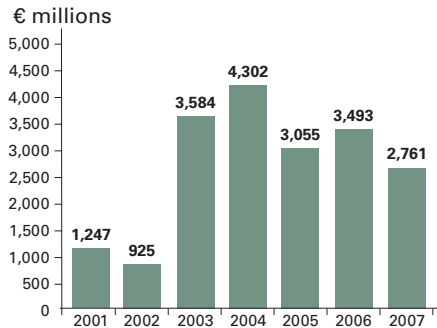
•• CAPITAL MARKET TRANSACTIONS

Capital market business over the first half-year continued the trend of the previous year. The volume of new business, in a somewhat difficult market environment, was in the region of € 2.76 billion. The global search on the part of institutional investors for suitable investment opportunities, coupled with high liquidity levels, resulted in narrower spreads in nearly all of the market segments relevant to Deutsche Hypo. In some cases we successfully disposed of stocks that were trading at very expensive levels in this environment. In this way we were able to improve the portfolio's margin on an ongoing basis.

With regard to new business, the margin in relation to tied equity with term-congruent refinancing remains the crucial key indicator, and we are already applying the risk weightings stipulated in the IRBA rules under Basel II.

New capital market business (in € millions)

as at 30 June of each financial year



Our strategy of selecting first-rate assets has also remained unchanged. The share of new business with the highest rating of AAA was 25%. Overall, all loans with an AA rating ac-

count for 58%. This meant that the rating allocation of the portfolio was maintained. The quality of the loan pool therefore remains consistently good, making the Bank's issues attractive to investors and ensuring high quality.

With regard to new lending business, 60% related to the domestic market and 40% to the international capital market. The trend towards internationalisation is therefore being successfully continued.

The focus with regard to domestic business lay on the German Länder and their development banks, accounting for 75%, followed by the Landesbanks with guarantor liability, making up 24%. We have succeeded in achieving a good proportion of our new business in this attractive asset class, which, following the abolition of the liability mechanisms in 2005, is now only available on the secondary market.

In terms of foreign business, the focus was on bonds issued by banks with ratings of A to AA+. These accounted for a good 60%. For the greater part, these stocks are refinanced through the ECB tender. Foreign central governments and regional authorities accounted for a good 37%. This is an area in which we were able to achieve good margins in business with debtors whose issues are guaranteed by the state in particular.

## REFINANCING

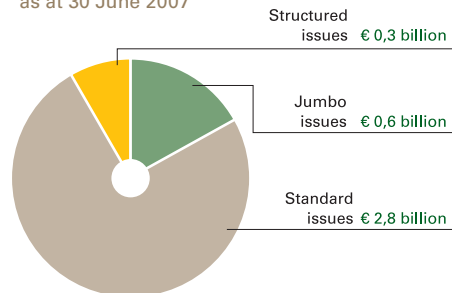
Once again during the first half of 2007 demand for Deutsche Hypo issues was as keen as ever among domestic and foreign investors. The

Bank was able to guarantee its liquidity at all times with ease. Deutsche Hypo continued to be able to place its stocks on the market at conditions where the spread was below that of competitors with comparable ratings. The Bank's good capital market standing therefore contributed to our being able to place our issues at first-rate conditions easily.

The total issue volume for the first half-year was € 3.7 billion, of which € 1.3 billion related to Pfandbrief products. Despite large issue volumes from various different covered bond issuers, Deutsche Hypo succeeded without any problems in implementing three increases worth € 625 million in the form of two jumbo issues, placed at attractive conditions. This was possible due to the fact that the issue was implemented in response to investors' wishes. In line with the intentions of the Bank and the accompanying consortium, the placement process was therefore carried out in a way that protected the market, in other words without any spread widening.

As the yield curve remained flat and with higher capital market yields overall, investors were again only looking for structured issues to a

### Breakdown of issue volume of € 3,7 billion as at 30 June 2007



limited extent (€ 0.3 billion). Our Debt Issuance Programme (DIP), aimed primarily at international investors, met with demand to the tune of € 0.6 billion during the reporting period. Consequently, the DIP continues to represent an important component in our refinancing mix.

## .. RATING

On 14 May 2007, Moody's Investors Service confirmed the Bank's rating of A2 and Prime-1 for long and short-term (unsecured) liabilities.

The rating for financial strength was reduced from a C+ to a C, a move that was primarily due to a change in the rating methodology used. No changes were made to the language used in Moody's assessment of Deutsche Hypo, which was confirmed by the assessment of the Bank's future outlook as "stable". Moody's confirmed the top rating of Aaa for the Bank's public Pfandbriefe and mortgage Pfandbriefe.

The Standard & Poor's rating of the Bank's public Pfandbriefe remained unchanged at AAA.

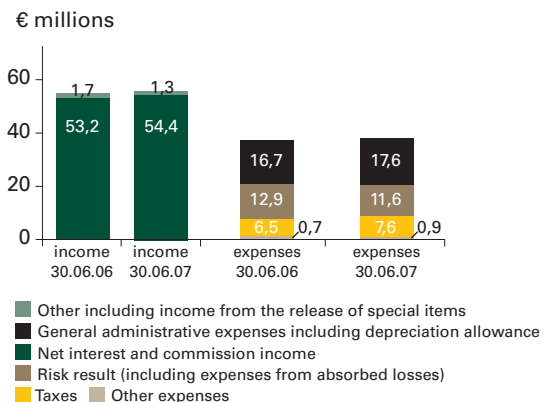
### Deutsche Hypo rating

	Public Pfandbriefe	Mortgage pfandbriefe	Short-term liabilities	Long-term liabilities	Financial strength
Moody's	Aaa	Aaa	Prime-1	A2	C
Standard & Poor's	AAA	-	-	-	-

## .. PROFIT SITUATION

The Bank was able to post a slight year-on-year increase in its net interest and commission income during the first half of 2007, recording a figure of € 54.4 million (+ € 1.1 million or + 2%). Both areas of business made successful contributions in this regard, although it was the economic recovery on the real estate markets that had a particularly positive effect, generating a rise in the mortgage portfolio, especially abroad, and stable margins. As in previous years, capital market business was also able to make a stable contribution to profit.

### Structure of income and expenses (in € millions)



## • ADMINISTRATIVE EXPENSES

Administrative expenses including depreciation underwent a moderate increase of 6% over the half-year and totalled € 17.6 million (previous year: € 16.7 million).

The cost/income ratio, at 32.4%, was slightly up on the same period of 2006 (31.3% as at 30 June 2006) but was below the year-end figure of 33.0%. The Bank therefore confirmed its leading position in this regard among its direct competitors.

## • OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses, at € 0.9 million, was only slightly up on the previous year. Income was primarily generated from the leasing of the Bank's own real estate.

## • RISK PROVISIONING

The risk result improved by a total of € 1.3 million (- 10%) compared with the previous year. The credit risk result included in this figure was € 7.9 million. Due to special effects at the beginning of the previous year, the credit risk result was a clear € 4.7 million higher. Risk provisioning in terms of the liquidity reserve fell by € 6 million to € 3.7 million.

## • RESULT FROM ORDINARY BUSINESS ACTIVITY

The generally positive business development was reflected in a 7% year-on-year improvement in the result from ordinary business activity, which rose to € 26.1 million (+ € 1.8 million).

## • NET INCOME FOR THE YEAR

Net income for the year was up on the same period of 2006 by € 0.7 million (+ 4%) and amounted to € 18.5 million.

## • DEVELOPMENT OF EQUITY CAPITAL

The expansion of business in the first half of 2007 meant that our core capital ratio was reduced to 5.3%. To improve the capital base, the extraordinary general meeting of the Bank back in November of last year resolved with a large majority to issue a hybrid bond. All of the legal prerequisites have now been fulfilled, and we are therefore aiming to place the bond towards the end of the third quarter.

## • RISK REPORT

The principles of the Bank's risk management system, its commercial and risk strategy and a description of the individual types of risk that are measured, monitored and managed by the Bank are detailed in the Annual Report for the 2006 financial year. With regard to the Bank's strategy of pursuing a low-risk business policy, there have been no changes. In particular, no

risks have emerged in the 2007 financial year to date that would have led to unexpected negative effects on the Bank. Correspondingly, provisions for risk have been made in line with the Bank's plans and expectations.

#### .. COUNTERPARTY DEFAULT RISK

Counterparty default risk represents the greatest potential risk. Around 75% of the Bank's overall risk position relates to this type of risk. Whilst the level of counterparty default risk has remained practically unchanged with regard to capital market business, there has been a slight increase in the area of real estate financing compared with the situation as at 31 December 2006. The main reason for this increase has been the expansion in the Bank's mortgage portfolio.

#### .. MARKET PRICE RISK

There have been no significant changes to market price risk (composed of currency risk and interest rate risk) since the 2006 year-end. The business policy pursued by Deutsche Hypo means that there are no currency risks, as they are eliminated separately for each financing denominated in a foreign currency through congruent offsetting transactions. The average interest rate risk has been reduced during the period under review compared with the first half of 2006. The absolute value as at 30 June 2007 (VaR: € 2.3 million) was only minimally higher than at the 2006 year-end (VaR: € 2.2 million). This applies to the calculation of risk according to the basis point value method and to the Value at Risk method. There were no instances of limits being exceeded during the reporting period.

#### .. OPERATIONAL RISK

In terms of operational risks there have been no instances of damage over the past six months that placed a significant burden on the Bank's profit situation. Similarly, there is no knowledge of any potential risks representing a major threat to Deutsche Hypo.

The Bank's risk-bearing capacity was sufficient at all times during the period under review, including with regard to the heightened requirements now made of the Bank (see 2006 Annual Report).

#### .. LIQUIDITY RISK

Deutsche Hypo met the requirements of Principle II without any problems throughout the reporting period. As at 30 June 2007 the Bank's liquidity ratio was 1.69. This means that short-term payment obligations were covered by incoming payments due in the short term by a factor of 1.69.

The liquidity escalation procedure applied for liquidity management purposes was permanently in its "green" phase during the reporting period. This means that the Bank's liquidity situation was not at risk at any time.

## .. FORECAST

### .. ECONOMY AND REAL ESTATE MARKETS

With regard to the overall economic picture, we expect the second half of the year to see a continuation of the favourable development of the first six months. The global economy continues to profit from the consistent strength of some newly industrialising countries such as India, China and Brazil. Meanwhile, in the euro-zone, the basic trend is an upwards one, albeit at a more moderate pace courtesy of the ECB's stricter monetary policy.

Nevertheless, an otherwise positive picture overall is currently being spoiled by the hardly welcome developments on the US mortgage market. The crisis in the subprime market, the segment relating to poorly collateralised mortgage lending to borrowers with poor credit ratings, is placing a burden on stock markets across the world. Given that involvement in these market segments does not figure among Deutsche Hypo's core business, the impact of this development is very limited as far as the Bank is concerned. However, the possibility of this crisis spilling over into other credit markets and other countries cannot be excluded altogether, with the result that we will obviously be monitoring how the market develops very closely.

Leaving aside this development, however, most commercial real estate markets in our target countries are benefiting from the renewed emergence of positive economic indicators. Liquidity also still appears to be in

sufficient supply, which means that we regard a rise in initial yields this year as still unlikely. The slight increase in interest rates on the bond markets and the related rise in financing costs, together with exaggerated expectations of sustained rent growth, represent the greatest threat to the real estate markets.

### .. CAPITAL MARKET DEVELOPMENT

During the reporting period the European Central Bank (ECB) raised its key rates on two occasions, increasing them by 0.25 percentage points in March and then again in June. The minimum rate for open market transactions is now 4.0%. Yields on 10-year federal loans duly rose from 3.95% at the end of the previous year to 4.64% by mid-June 2007. Through its public statements, the ECB has prepared the markets for a further rate hike in September. Against this background, a sustained fall in capital market yields is currently not expected.

### .. PROFIT SITUATION

In view of the general statements in relation to our profit forecast and the related imponderables, we refer to the detailed description provided in the 2006 Annual Report.

The results of the Bank presented in the form of this half-yearly report have exceeded our expectations. Net interest and commission income was higher than expected and the balance of other operating income and expenses was only minimally below our plans. Administrative expenses and the risk result were better than expected.

## ... OUTLOOK

The gratifying business development described only represents a snapshot of the situation as at 30 June 2007. However, over the normal course of business, our planning models provide reliable results. Against the background of current developments and changes in some segments of the credit markets and in the securities sector, any profit forecast is associated with a relatively large degree of uncertainty. On the basis of the first half-year and the Bank's positioning, it is, however, our expectation that we will match last year's result.

## .. BALANCE SHEET

### .. ASSETS

	30.06.2007	31.12.2006
	€ thousands	€ thousands
<b>Cash reserve</b>	28,498	221,335
<b>Due from banks</b>	6,206,685	6,116,769
a) mortgage loans	0	0
b) loans to the public sector	4,973,402	4,983,930
c) other claims	1,233,283	1,132,839
<b>Due from non-bank customers</b>	16,530,639	16,466,043
a) mortgage loans	8,686,600	8,273,716
b) loans to the public sector	7,781,085	8,119,045
c) other claims	62,954	73,282
<b>Bonds and other fixed-income securities</b>	12,368,299	11,444,842
<b>Shares and other variable-yield securities</b>	255,044	230,977
<b>Investments</b>	497,547	2,547
<b>Other assets</b>	202,143	234,908
<b>Total assets</b>	<b>36,088,855</b>	<b>34,717,421</b>

## .. LIBILITIES

	30.06.2007	31.12.2006
	€ thousands	€ thousands
<b>Due to banks</b>	5,154,033	3,891,303
<b>including:</b>		
a) mortgage Pfandbriefe issued	263,570	364,936
b) public Pfandbriefe issued	562,651	504,458
<b>Due to non-bank customers</b>	9,637,281	9,421,642
<b>including:</b>		
a) mortgage Pfandbriefe issued	1,282,053	1,349,137
b) public Pfandbriefe issued	7,107,849	7,029,529
<b>Bonded liabilities</b>	20,134,764	20,254,463
<b>including:</b>		
a) mortgage Pfandbriefe	3,390,429	3,587,384
b) public Pfandbriefe	12,335,676	12,558,954
c) other bonds	4,408,659	4,108,125
<b>Other liabilities</b>	283,246	294,793
<b>Subordinated liabilities</b>	247,169	222,669
<b>Participatory capital</b>	129,482	129,355
<b>Equity</b>	484,380	479,090
<b>including:</b>		
a) subscribed capital	80,640	80,640
capital held by silent partners	44,000	44,000
b) reserves	359,740	354,450
<b>distributable profits 2006</b>		24,106
<b>provit 01.01.2007 – 30.06.2007</b>	18,500	
<b>Total liabilities</b>	<b>36,088,855</b>	<b>34,717,421</b>
<b>Contingent liabilities</b>	120,419	23,389
<b>Other obligations</b>	620,103	399,133

## .. PROFIT AND LOSS

	01.01.-30.06. 2007 € millions	01.01.-30.06. 2006 € millions	Change %
Interest income	825.9	765.4	7.9
Current income	5.8	20.3	- 71.4
Interest expenses	778.2	732.2	6.3
<b>Net interest</b>	<b>53.5</b>	<b>53.5</b>	<b>0.0</b>
Commission income	2.9	2.3	26.1
Commission expenditure	2.0	2.6	- 23.1
<b>Commission income</b>	<b>0.9</b>	<b>-0.3</b>	
<b>Net interest and commission income</b>	<b>54.4</b>	<b>53.2</b>	<b>2.3</b>
wages and salaries	7.7	7.4	4.1
social security contributions	2.3	2.3	0.0
other administrative expenses	7.6	7.0	8.6
<b>Administrative expenses</b>	<b>17.6</b>	<b>16.7</b>	<b>5.4</b>
<b>Balance of other operating income / expenses</b>	<b>0.9</b>	<b>0.7</b>	<b>28.6</b>
<b>Operating result before risk provisioning</b>	<b>37.7</b>	<b>37.2</b>	<b>1.3</b>
Risk provisioning	11.6	12.9	- 10.1
Result from financial investments	0.0	0.0	
<b>Result from ordinary business activity</b>	<b>26.1</b>	<b>24.3</b>	<b>7.4</b>
Tax expenses	7.6	6.5	16.9
<b>Profit 01.01. – 30.06.</b>	<b>18.5</b>	<b>17.8</b>	<b>3.9</b>

# NOTES

## .. GENERAL INFORMATION

### .. ACCOUNTING REGULATIONS

The half-yearly financial statements for the period from 1 January 2007 to 30 June 2007 have been prepared in accordance with the same statutory provisions as the 2006 year-end financial statements. The accounting and valuation methods referred to in the latter have been applied in the same way (cf. page 57 onwards of the 2006 Annual Report).

### .. CALCULATION OF INCOME TAX

The calculation of income taxes is based on the weighted average rate of 29.1 % expected for the year as a whole (previous year: 26.8%).

### .. AUDIT/REVIEW BY AN AUDITOR

The interim financial statements and management report have not been audited or reviewed by an auditor.

### .. CALCULATION OF COVER

Up-to-date information (in German) on the calculation of cover is available on the Bank's website at:

[http://www.deutsche-hypo.de/all/download/para\\_28\\_german.pdf](http://www.deutsche-hypo.de/all/download/para_28_german.pdf)

## .. NOTES ON INDIVIDUAL ITEMS OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### .. INVESTMENTS

The rise is essentially due to the acquisition of a 49.5% stake in the Société d'investissement à capital variable, Luxembourg. This company is involved in the investment of securities with broad risk diversification.

### .. OTHER BALANCE-SHEET ITEMS

The other changes are the result of ordinary business activity (see also new business).

### .. CURRENT INCOME

The fall in dividend income is due to the sale of securities during the last financial year and will improve in the second half of the year due to income from the addition of investments.

### .. OTHER INFORMATION

	01.01.-30.06. 2007	01.01.-30.06. 2006
Average number of employees	209	205
of which:		
Part-Time staff	21	21
Trainees	7	7

# RESPONSIBILITY STATEMENT

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

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