

DEUTSCHE HYPO

Deutsche Hypothekenbank
(Actien-Gesellschaft)

BRANCHES OFFICES

40213 Düsseldorf
Rathausufer 12
Tel.: +49 211 86792-0
Fax: +49 211 86792-29

30159 Hanover
Georgsplatz 8
Tel.: +49 511 3045-591
Fax: +49 511 3045-599

REPRESENTATIVE OFFICES

London EC2V 5DE
40 Basinghall Street
City Tower – Level 19
Tel.: +44 20 7 9200100
Fax: +44 20 7 9200110

75002 Paris
23, rue de la Paix
Tel.: +33 1 550484-85
Fax: +33 1 550484-89

SUBSIDIARIES

1071 AB Amsterdam
Deutsche Hypo B.V.
Vossiusstraat 3
Tel.: +31 20 6914551
Fax: +31 20 6919811

STATE SUPERVISORY BODY

Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Straße 108
53117 Bonn

85774 Munich-Unterföhring
Münchner Strasse 16
Tel.: +49 89 992908-0
Fax: +49 89 9576201

28006 Madrid
Maria de Molina 40
1° planta
Tel.: +34 91 7452642
Fax: +34 91 4116183

US CUSTOMER RELATIONS

30159 Hanover
Georgsplatz 8
Tel.: +49 511 3045-680
Fax: +49 511 3045-689

MANAGEMENT BOARD

30159 Hanover
Georgsplatz 8
Tel.: +49 511 3045-0
Fax: +49 511 3045-459
www.deutsche-hypo.de

REGISTERED BRANCH

10719 Berlin
Uhlandstrasse 165/166
Tel.: +49 30 8827331
Fax: +49 30 8832648

CHAIRMAN OF THE SUPERVISORY BOARD

Wolfgang Hollender

BOARD OF MANAGING DIRECTORS

Jürgen Grieger
Jürgen Morr
Thomas Frhr. v. Tucher

COMMERCIAL REGISTER

AG Hanover 81 B 5602
AG Berlin-Charlottenburg 92 B 1

INTERIM REPORT AS PER

31 March 2007

Hanover, April 2007

Dear Shareholders,

Due to new financial reporting regulations, this year for the first time we are publishing an interim report covering the first quarter of the current financial year. This new requirement, which affects all share issuers, is a result of the implementation of the EU Transparency Directive in national law. The primary goal of this European directive is to increase and harmonise capital market transparency for investors and their investment decisions. This should improve investor protection and also increase market efficiency.

The encouraging progress of new **mortgage loan business** seen in the previous financial year continued in the period under review. Commitments were more than 80% up on the same quarter the previous year, with the Bank adhering to its tried and tested lending policy, which is based on a cautious appraisal of income versus risk in all its target markets. Loans amounting to a total of € 968 million were approved in this division. The focus of new commitments lay in foreign business, which accounts for a steadily growing proportion of overall business due to continuous growth in recent years.

In view of this performance the mortgage portfolio grew by a substantial € 480 million to reach € 8.7 billion.

New capital market business stood at € 1.84 billion, 2.6% down on the same quarter the previous year. The vast majority (85%) concerns AAA and AA ratings, which reflect our focus on high credit qualities. Foreign business accounted for 38% of new business overall.

At € 2.37 billion, issue volume was down on the previous year's figure of € 2.87 billion. The public Jumbo-Pfandbrief maturing in 2009 was tapped in two tranches for a total sum of € 500 million. We have also issued a new SLIMBO maturing in February 2008 with a volume of € 500 million which, thanks to good demand, we were able to tap for € 250 million in the period under review.

The **Bank's income position** reflects a favourable business performance and shows improved results compared the previous year's figures. A particularly striking feature is the positive trend of net interest and commission income at Deutsche Hypo, which increased by € 27.8 million or 19%. The growth in administrative expenses was a modest 1%, mainly attributable to a slight increase in personnel costs. The cost/income ratio, having stood at 33.0% at the end of 2006, fell to 31.4% in the period under review. Risk provisioning fell by 15% to € 5.7 million, and thus lay within the expected range. Finally, earnings before tax rose by a gratifying 9% to reach € 13.7 million.

The new financial year got off to an extremely successful start. However, these figures cannot be extrapolated for the year as a whole – particularly not in the case of new mortgage loan business. Overall, we are confident of achieving our income targets for 2007 as a whole.

**DEUTSCHE HYPOTHEKENBANK
(ACTIEN-GESELLSCHAFT)**

The Management Board

Business progress figures

	1.1.-31.3. 2007 in EUR m	1.1.-31.3. 2006 in EUR m	Change in %
Total new business	2,812	2,431	15.7
Mortgage loans	968	537	80.3
of which: Commercial loans	856	409	109.3
Housing loans	112	128	-12.5
Capital market business	1,844	1,894	-2.6
Total loan drawdowns	2,700	2,316	16.6
Mortgage loans	801	423	89.4
Capital market business	1,899	1,893	0.3
Bond and loan turnover	2,198	2,767	-20.6
Mortgage Pfandbriefe	10	48	-79.2
Public Pfandbriefe	843	1,261	-33.1
Other bonds	1,345	1,458	-7.8
Loans taken up	172	106	62.3

Profit and Loss Account figures

	1.1.-31.3. 2007 in EUR m	1.1.-31.3. 2006 in EUR m	Change in %
Interest income	408.4	380.5	7.3
Current income	1.7	1.8	-5.6
Interest expenses	382.3	358.9	6.5
Net interest income	27.8	23.4	18.8
Commission income	1.6	1.2	33.3
Commission expenditure	1.6	0.7	128.6
Net commission income	0.0	0.5	
Wages and salaries	3.8	3.6	5.6
Compulsory social insurance contributions	1.2	1.1	9.1
Other administrative expenses	3.7	3.9	-5.1
Administrative expenses	8.7	8.6	1.2
Balance of other operating income/expenses	0.3	0.5	-40.0
Result from financial investments	0.0	3.5	
Risk provisioning	5.7	6.7	-14.9
Result from normal business activity	13.7	12.6	8.7

Balance Sheet figures

	31.3.2007 in EUR m	31.12.2006 in EUR m
Cash reserves	52	221
Due from banks	5,770	6,117
a) Mortgage loans	0	0
b) Loans to the public sector	4,737	4,984
c) Other claims	1,033	1,133
Due from non-bank customers	16,889	16,466
a) Mortgage loans	8,746	8,274
b) Loans to the public sector	8,065	8,119
c) Other claims	78	73
Bonds and other fixed-income securities	12,201	11,445
Shares and other variable-yield securities	256	231
Due to banks	5,322	3,891
including: a) Registered mortgage Pfandbriefe	345	365
b) Registered public Pfandbriefe	499	505
Due to non-bank customers	9,570	9,422
including: a) Registered mortgage Pfandbriefe	1,246	1,349
b) Registered public Pfandbriefe	7,084	7,030
Bonded liabilities	19,390	20,254
Including: a) Mortgage Pfandbriefe	3,095	3,587
b) Public Pfandbriefe	12,603	12,559
c) Other bonds	3,692	4,108
Subordinated liabilities	223	223
Participatory capital	129	129
Equity capital	479	479
Including a) Subscribed capital	81	81
Capital held by silent partners	44	44
b) Reserves	354	354
Total assets	35,436	34,717
Contingent liabilities	20	23
Other liabilities	541	399

Other information

	1.1. - 31.3. 2007	1.1. - 31.3. 2006
No. of employees (average)	207	201
Including: Part-time staff	21	21
Trainees	7	7