

Hanover, August 2005

Dear Shareholders,

It is possible that the political direction in Germany may change in the near future and in the meantime, the paralysis that has taken hold of the country in recent months seems stronger than ever. A need for action to solve the problems on the employment market, an urgent need for tax reform, the need for changes to social insurance and a long overdue reform of the Federal system are all waiting to be tackled and the economy is lacking dynamism. And where the fire of growth has not taken hold, no sparks can jump across to the markets. As a result, the real estate market in Germany remains weak, characterised as it is by record low levels of new house-building, a vacancy rate for office accommodation that remains high, coupled with insufficient investment in new building and in real estate assets.

For this reason, the first half of the year saw the Bank maintain its policy to adopt a cautious approach to **new mortgage loan commitments** and this is reflected in the figures for loan commitments, which are significantly lower than in the previous year. It should be said however that new mortgage loan commitments during the first half of 2004 (which totalled € 604 million) also included the acquisition of a portfolio of real estate loans to the value of € 244 million. If we adjust the 2004 figure to take this into account and compare it to the figure for the current financial year (totalling € 341 million), the decrease comes to only € 19 million (-5.3%) and new mortgage business is almost at the same level as the previous year.

New **capital market business** developed as expected and, at € 3.0 billion, was more modest than in the same period last year (€ 4.3 billion). The volume of stocks was maintained, thanks to high-quality new business. A number of new products were

successfully introduced to the market and further new products will be developed in the future, according to our customers' needs. The proportion of our total issue volume of € 5.7 billion that was made up of structured products came to 33%. The EMTN programme that was

introduced at the beginning of the previous year has now achieved a high degree of market acceptance. By means of the EMTN programme, we were able to issue a volume of more than € 1 billion during the first half of the year.

The Jumbo Pfandbrief continues to form an important pillar of the Bank's refinancing strategy and demand amongst investors for our new, 6-year public Jumbo Pfandbrief, issued in February to a volume of € 1 billion has been high. In June, this bond was increased by a further € 250 million.

Despite the low level of new business, the **Bank's profits** are at the same level as the previous year. Net interest and commission income at the end of the first half year, at € 51.8 million, is only 0.4% lower than the figure for the previous year (€ 52.0 million). Administrative expenses are within our expectations, rising by 7.3% to € 16.2 million. The cost-income-ratio of the Bank lies at 31.3% (previous year's figure: 30.3%). An amount of € 12.4 million (- € 1.7 million) was allocated to Risk Provisioning, whilst the result from normal business activity, at € 24.3 million, almost matched the satisfactory figure of € 24.7 million that was achieved in the previous year.

Based upon business to date, we are expecting satisfactory results overall for the 2005 financial year.

**DEUTSCHE HYPOTHEKENBANK
(AKTIEN-GESELLSCHAFT)**

The management board



Business progress figures

	1.1.-30.6. 2005 in EUR m	1.1.-30.6. 2004 in EUR m	Change in %
Total new business	3,396	4,906	-30,8
Mortgage loans	341	604	-43,5
of which: Commercial loans	236	321	-26,5
Housing loans	105	283	-62,9
Capital market business	3,055	4,302	-29,0
Total loan drawdowns	3,407	4,954	-31,2
Mortgage loans	381	655	-41,8
Capital market business	3,026	4,299	-29,6
Bond and loan turnover	6,030	9,927	-39,3
Mortgage Pfandbriefe	6	1,074	-99,4
Public Pfandbriefe	4,842	6,163	-21,4
Other bonds	1,182	2,690	-56,1
Loans taken up	113	45	151,1

Profit and Loss Account figures

	1.1.-30.6. 2005 in EUR m	1.1.-30.6. 2004 in EUR m	Change in %
Interest income	773,8	806,1	-4,0
Current income	15,0	3,9	284,6
Interest expenses	737,8	757,4	-2,6
Net interest income	51,0	52,6	-3,0
Commission income	1,6	1,6	0,0
Commission expenditure	0,8	2,2	-63,6
Net commission income	0,8	-0,6	
Net interest and commission income	51,8	52,0	-0,4
Wages and salaries	7,1	6,5	9,2
Compulsory social insurance contributions	2,3	2,1	9,5
Other administrative expenses	6,8	6,5	4,6
Administrative expenses	16,2	15,1	7,3
Balance of other operating income/expenses	1,1	1,9	-42,1
Operating result before risk provisioning	36,7	38,8	-5,4
Risk provisioning	12,4	14,1	-12,1
Result from financial investments	0,0	0,0	
Result from normal business activity	24,3	24,7	-1,6

Balance Sheet figures

	30.6.2005 in EUR m	31.12.2004 in EUR m
Cash reserves	72	110
Due from banks	6,473	6,688
a) Mortgage loans	40	45
b) Loans to the public sector	5,495	5,705
c) Other claims	938	938
Due from non-bank customers	17,325	17,513
a) Mortgage loans	8,182	8,414
b) Loans to the public sector	9,134	9,091
c) Other claims	9	8
Bonds and other fixed-income securities	9,651	9,192
Shares and other variable-yield securities	205	205
Due to banks	3,360	2,923
including: a) Registered mortgage Pfandbriefe	317	306
b) Registered public Pfandbriefe	660	364
Due to non-bank customers	7,945	7,130
including: a) Registered mortgage Pfandbriefe	1,438	1,561
b) Registered public Pfandbriefe	5,494	4,619
Bonded liabilities	21,674	22,902
Including: a) Mortgage Pfandbriefe	3,886	4,282
b) Public Pfandbriefe	14,433	15,393
c) Other bonds	3,245	3,227
Subordinated liabilities	198	208
Participatory capital	135	135
Equity capital	447	440
Including a) Subscribed capital	81	81
Capital held by silent partners	44	44
b) Reserves	322	315
Total assets	33,910	33,896
Contingent liabilities	3	3
Other liabilities	268	311

Other information

	1.1. - 30.6. 2005	1.1. - 30.06. 2004
No. of employees (average)	204	203
Including: Part-time staff	19	18
Trainees	7	7



DEUTSCHE HYPO

Deutsche Hypothekbank
(Actien-Gesellschaft)

Branch offices

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

30159 Hannover
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

Subsidiary

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

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

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

Head Office

30159 Hannover
Georgsplatz 8
Tel.: +49 511 3045-0
Fax: +49 511 3045-459
Telex 92 12 40
www.deutsche-hypo.de

10719 Berlin
Uhlandstrasse 165/166
Tel.: +49 30 8814036
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 Hannover 81 B 5602
AG Berlin-Charlottenburg 92 B 1