

Hanover, August 2006

Dear Shareholders,

Against the background of continuing positive economic conditions in the industrialised nations, and given the fact that those economies remained robust despite the pressures to which they were exposed, global capital market rates rose during the spring and summer of the current year, whilst in the eurozone, the value of the euro rose once again, thanks to favourable economic conditions and the resulting increasing interest expectations. The German economy performed well, even after the all-pervading Soccer World Cup competition, which means that prospects for the rest of the year are favourable, thanks to an increase in domestic demand and the highly competitive nature of German companies.

For Deutsche Hypo, the first half-year was a positive one and we are pleased to inform you in this letter of the most significant details of the favourable development recorded in both of the operational divisions of the Bank.

In the case of **new mortgage business**, the Bank succeeded in almost tripling the volume that was achieved during the same period of the previous year and acquired new business of approximately € 967 million. The Bank significantly increased the business it transacted on both on the domestic (€ 368 million) and the foreign target markets (€ 598 million). These pleasing results are particularly worthy of note by virtue of the fact that the growth was achieved without compromising the stringent requirements that the Bank applies in respect of the quality of new business. The prospect of a powerful boost to new business that was announced at the most recent General Meeting of Shareholders and the slight improvement, by € 196 million, in the Bank's mortgage lending were both confirmed in the Bank's half-yearly figures.

New capital market business increased by 14% to € 3.5 billion, which was a significantly better result than the one recorded after the first six months of last year. The proportion of international assets also increased further.

Demand from investors for securities issued by Deutsche Hypo, particularly for those with long-term maturities, was also just as high as before. This demand related both to covered and uncovered issues. A new issue of the mortgage Jumbo Pfandbrief (€ 1 billion) with a maturity period of ten years also took place successfully in May of this year. In addition, the Bank also responded to the needs of the markets and of investors, by increasing outstanding Jumbo Pfandbriefe.

The **Bank's profits** continue to remain stable and, in terms of the relevant reference values, are slightly higher than those of the same period last year. The effect upon the loan portfolio of the major expansion of new business is currently still only slight. Nevertheless, the net interest and commission income, at € 53.2 million, increased by only just under 3%, when compared to the figure achieved during the first half of the previous year. At 3.1%, the growth rate in administration expenses, which totalled € 16.7 million during the period under review, was lower than the growth rate in the previous year (+7.3%). The healthy cost-income-ratio of the Bank remained unchanged at 31.3%. Risk Provisioning was increased by € 12.9 million (+4%). The result from normal business activity, at € 24.3 million, was very much at the same level as in the previous year.

Based upon the performance during the first six months of the year, the remaining part of the year is expected to be a positive one and to give rise to satisfactory end-of-year profits.

**DEUTSCHE HYPOTHEKENBANK
(ACTIEN-GESELLSCHAFT)**

The Management Board

DEUTSCHE HYPO

Deutsche Hypothekbank
(Actien-Gesellschaft)

Business progress figures

	1. 1.-30. 6. 2006 in EUR m	1.1.-30.6. 2005 in EUR m	Change in %
Total new business	4,460	3,396	31.3
Mortgage loans	967	341	183.6
of which: Commercial loans	763	236	223.3
Housing loans	204	105	94.3
Capital market business	3,493	3,055	14.3
Total loan drawdowns	4,330	3,407	27.1
Mortgage loans	837	381	119.7
Capital market business	3,493	3,026	15.4
Bond and loan turnover	5,856	6,030	-2.9
Mortgage Pfandbriefe	1,408	6	>100.0
Public Pfandbriefe	2,402	4,842	-50.4
Other bonds	2,046	1,182	73.1
Loans taken up	193	113	70.8

Profit and Loss Account figures

	1.1.-30.6. 2006 in EUR m	1.1.-30.6. 2005 in EUR m	Change in %
Interest income	765,4	773,8	-1.1
Current income	20,3	15,0	35.3
Interest expenses	732,2	737,8	-0.8
Net interest income	53,5	51,0	4.9
Commission income	2,3	1,6	43.8
Commission expenditure	2,6	0,8	225.0
Net commission income	-0,3	0,8	
Net interest and commission income	53,2	51,8	2.7
Wages and salaries	7,4	7,1	4.2
Compulsory social insurance contributions	2,3	2,3	0.0
Other administrative expenses	7,0	6,8	2.9
Administrative expenses	16,7	16,2	3.1
Balance of other operating income/expenses	0,7	1,1	-36.4
Operating result before risk provisioning	37,2	36,7	1.4
Risk provisioning	12,9	12,4	4.0
Result from normal business activity	24,3	24,3	0.0

Balance Sheet figures

	30.6.2006 in EUR m	31.12.2005 in EUR m
Cash reserves	50	33
Due from banks	7,286	6,652
a) Mortgage loans	33	35
b) Loans to the public sector	5,535	5,411
c) Other claims	1,718	1,206
Due from non-bank customers	16,909	16,566
a) Mortgage loans	8,032	7,855
b) Loans to the public sector	8,877	8,530
c) Other claims	0	181
Bonds and other fixed-income securities	11,778	9,534
Shares and other variable-yield securities	230	204
Due to banks	3,204	3,188
including: a) Registered mortgage Pfandbriefe	313	308
b) Registered public Pfandbriefe	728	932
Due to non-bank customers	9,208	8,083
including: a) Registered mortgage Pfandbriefe	1,567	1,316
b) Registered public Pfandbriefe	6,603	5,785
Bonded liabilities	22,996	20,870
Including: a) Mortgage Pfandbriefe	3,903	3,341
b) Public Pfandbriefe	14,210	14,086
c) Other bonds	4,882	3,443
Subordinated liabilities	225	210
Participatory capital	129	129
Equity capital	465	458
Including a) Subscribed capital	81	81
Capital held by silent partners	44	44
b) Reserves	340	333
Total assets	36,429	33,164
Contingent liabilities	21	1
Other liabilities	380	307

Other information

	1.1. - 30.6. 2006	1.1. - 30.6. 2005
No. of employees (average)	205	204
Including: Part-time staff	21	19
Trainees	7	7

DEUTSCHE HYPO

Deutsche Hypothekenbank
(Actien-Gesellschaft)

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INTERIM REPORT AS PER

30 JUNI 2006