

DEUTSCHE HYPO

Deutsche Hypothekenbank
(Actien-Gesellschaft)

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CHAIRMAN OF THE SUPERVISORY BOARD

Eckhard Forst

BOARD OF MANAGING DIRECTORS

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COMMERCIAL REGISTER

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INTERIM REPORT AS PER

31 March 2008

Hanover, April 2008

Dear Shareholders,

The start of 2008 has confirmed the continuation of the particular challenges to which banks throughout the world are exposed. As a result of the ongoing crisis on the financial markets, the refinancing conditions have deteriorated further, and the generally more restrictive conditions for the award of credit will lead to a falling credit dynamic. Although the possible effects on the real economy have yet to appear, current growth prognoses for the German economy have all been lower than before. This means that the Euro, which remains strong, and the weaker global demand are having a negative impact on the export economy, whilst rising prices for raw materials and foodstuffs are increasing the risk of inflation, as are agreed wages, which have risen sharply in many sectors.

Growth predictions have also been revised downwards in some of our target markets. As a consequence, we have implemented somewhat more restrictive conditions when awarding credit, compared to the same period in the previous year. This is in spite of the continuing concentration on fungible commercial real estate that is in a good location and fulfils long-term requirements. This stance will characterise new business throughout the rest of the 2008 financial year.

In the **real estate financing sector**, at the end of the first quarter of 2008, we recorded approximately €555 million of new business, a reduction of 42.7% when compared with the same period of the previous year. However, the volume of new business for the comparable quarter was particularly high due to two large portfolio financing transactions.

The difficult refinancing conditions that apply to the entire banking sector, together with our investment policy, which is currently conservative, marked the development of new **capital market business**, which displayed a decrease in the first quarter, as

expected, and, at €546 million, is significantly below the previous year's figure of €1.8 billion.

With regard to the **income situation**, we were able to record a pleasing development in interest and commission surplus, which rose by 20% to €33.5 million – partly as the result of one-off effects.

However, the ongoing crisis on the financial markets had the expected impact on risk provisioning. In the partial result for the liquidity reserve, market value write-downs amounting to €13.3 million had to be implemented on our securities portfolio. However, we do not expect there to be a long-term loss of value, as our portfolio principally consists of securities from high-quality issuers.

The picture is much brighter when it comes to risk provisioning in the mortgage sector. Here, a positive balance of €2.5 million partially compensates for the negative impact of the securities portfolio. When combined, the two partial results give a risk result of €11.4 million (previous year: €5.7 million). Of course, this development has an impact on the pre-tax profits, which, at €12.5 million, remain below the result for the comparable period in the previous year (€13.7 million).

Looking at the 2008 financial year as a whole, our estimate has altered since the start of the year, due to the fact that the falls on the capital markets became even more severe, particularly during March of this year. As a result, we are not able to make any reliable predictions for the 2008 financial year overall. Our aim remains to build on to the previous year's result, although this is becoming increasingly difficult against the background of the current market conditions.

DEUTSCHE HYPOTHEKENBANK
(PUBLIC LIMITED COMPANY)

The Management Board

DEUTSCHE HYPO

Deutsche Hypothekbank
(Actien-Gesellschaft)

Business progress figures

	01.1.-31. 3. 2008 in EUR m	1.1.-31.3. 2007 in EUR m	Change in %
Total new business	1,101	2,812	-60.8
Mortgage loans	555	968	-42.7
of which: Commercial loans	442	856	-48.4
Housing loans	113	112	0.9
Capital market business	546	1,844	-70.4
Total loan drawdowns	1,037	2,700	-61.6
Mortgage loans	491	801	-38.7
Capital market business	546	1,899	-71.2
Bond and loan turnover	896	2,198	-59.2
Mortgage Pfandbriefe	300	10	2,900.0
Public Pfandbriefe	287	843	-66.0
Other bonds	309	1,345	-77.0
Loans taken up	347	172	101.7

Profit and Loss Account figures

	1.1.-31.3. 2008 in EUR m	1.1.-31.3. 2007 in EUR m	Change in %
Interest income	408.5	408.4	0.0
Current income	11.2	1.7	558.8
Interest expenses	388.2	382.3	1.5
Net interest income	31.5	27.8	13.3
Commission income	2.9	1.6	81.3
Commission expenditure	0.9	1.6	-43.8
Net commission income	2.0	0.0	
Wages and salaries	4.0	3.8	5.3
Compulsory social insurance contributions	1.2	1.2	0.0
Other administrative expenses	3.9	3.7	5.4
Administrative expenses	9.1	8.7	4.6
Balance of other operating income/expenses	-0.1	0.3	-133.3
Result from financial investments	-0.4	0.0	
Risk provisioning	11.4	5.7	100.0
Result from normal business activity	12.5	13.7	-8.8

Balance Sheet figures

	31.3.2008 in EUR m	31.12.2007 in EUR m
Cash reserves	41	99
Due from banks	5,763	5,956
a) Mortgage loans	0	0
b) Loans to the public sector	4,447	4,610
c) Other claims	1,316	1,346
Due from non-bank customers	15,661	16,109
a) Mortgage loans	8,581	8,544
b) Loans to the public sector	6,787	7,461
c) Other claims	293	104
Bonds and other fixed-income securities	11,896	12,067
Shares and other variable-yield securities	167	167
Due to banks	4,736	4,666
including: a) Registered mortgage Pfandbriefe	156	166
b) Registered public Pfandbriefe	357	468
Due to non-bank customers	10,269	10,048
including: a) Registered mortgage Pfandbriefe	1,274	1,358
b) Registered public Pfandbriefe	7,581	7,491
Bonded liabilities	18,398	19,489
Including: a) Mortgage Pfandbriefe	4,035	3,840
b) Public Pfandbriefe	10,901	11,098
c) Other bonds	3,462	4,551
Subordinated liabilities	228	229
Participatory capital	108	108
Equity capital	496	496
Including a) Subscribed capital	81	81
Capital held by silent partners	44	44
b) Reserves	371	371
Total assets	34,627	35,430
Contingent liabilities	652	661
Other liabilities	799	857

Other information

	1.1. - 31.3. 2008	1.1. - 31.3. 2007
No. of employees (average)	207	207
Including: Part-time staff	21	21
Trainees	7	7