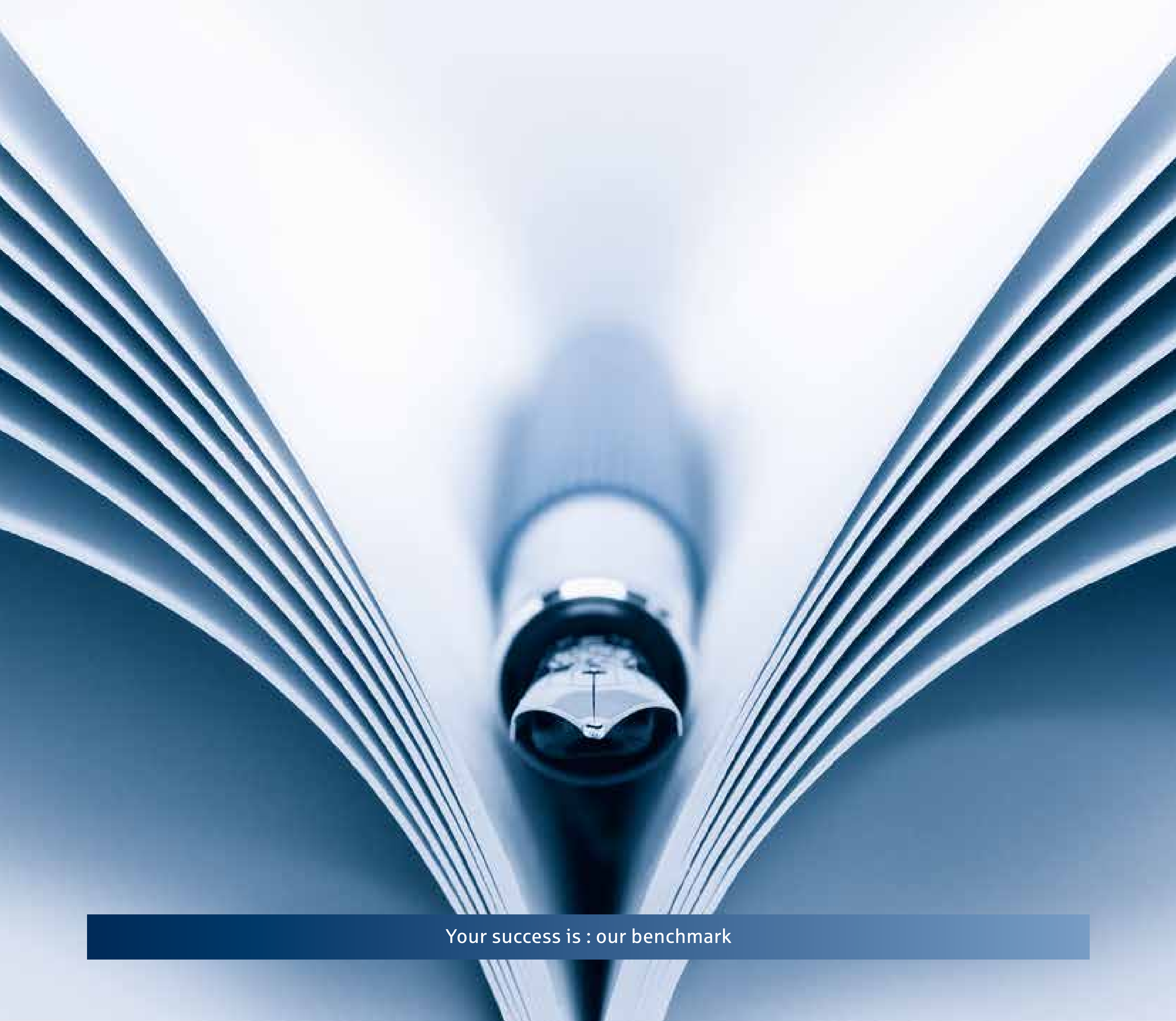
DEUTSCHE HYPO
Member of NORD/LB

HALF-YEARLY FINANCIAL REPORT 2015



DEUTSCHE HYPO AT A GLANCE

in € millions	01.01.- 30.06.2015	01.01.- 30.06.2014	Change (in %)
New business figures			
Commercial real estate finance business	1,402.9	1,513.5	– 7.3
Domestic finance	939.4	1,285.0	– 26.9
Foreign Finance	463.5	228.5	> 100.0
Funding volume	1,518.0	1,144.2	32.7
Mortgage Pfandbriefe	615.0	754.2	– 18.5
Unsecured	903.0	390.0	> 100.0

in € millions	30.06.2015	31.12.2014	Change (in %)
Portfolio figures			
Commercial real estate finance business	11,618.9	12,409.8	– 6.4
Domestic finance	7,375.2	7,811.0	– 5.6
Foreign finance	4,243.7	4,598.8	– 7.7
Loans to local authorities	5,904.0	6,362.2	– 7.2
Securities	8,685.9	9,254.4	– 6.1
Funding capital	26,277.4	28,306.4	– 7.2
Mortgage Pfandbriefe	8,191.8	8,834.8	– 7.3
Public Pfandbriefe	8,297.4	8,807.3	– 5.8
Unsecured	2,105.0	2,172.1	– 3.1
Other liabilities	7,683.2	8,492.2	– 9.5
Equity **)	1,336.6	1,336.6	0.0
Balance sheet total	28,080.5	30,054.9	– 6.6

in € millions	01.01.- 30.06.2015	01.01.- 30.06.2014*)	Change (in %)
Income figures			
Net interest income	124.3	109.0	14.0
Net commission income	– 0.1	4.7	> – 100.0
Administrative expenses ***)	34.2	35.3	– 3.1
Risk result	– 24.6	– 37.8	34.9
Income from securities and participatory interests	– 20.3	0.3	> – 100.0
Result from normal operations	31.3	34.5	– 9.3
Extraordinary result	– 0.5	– 0.8	37.5
Interest on investments by silent partners	4.2	4.2	0.0
Profit before taxes and profit and loss transfer agreement	26.6	29.5	– 9.8

in %	30.06.2015	30.06.2014 *)	
Other information			
Cost-income ratio	30.9	33.0	

*) The amounts from the previous years were corrected. Reference is made to the information in the notes in the financial statements with regards to this.
**) including funds for general banking risks, jouissance right capital and subordinated liabilities
***) including write-downs and value adjustments of intangible assets and tangible fixed assets

The half-yearly financial report of Deutsche Hypo is also available in German. In the event of any descrepancy, the German version shall prevail.

HALF-YEARLY FINANCIAL REPORT 2015

CONTENT

INTERIM MANAGEMENT REPORT

The figures in the tables and charts in the interim management report are expressed in thousand euros (€ thousands) or million euros (€ millions). It should be noted that the amounts and percentages quoted in the tables, charts and text are rounded figures, resulting in rounding differences in some cases.

Economic report

Macroeconomic and sector environment

Economic performance in Germany and Europe

Economic output in Germany continued to be positive in the first few months of the year. First-quarter real gross domestic product (GDP) rose in seasonally-adjusted terms by 0.3 % from the previous quarter. However, this represented a decline of more than 50 % in the rate of growth. The critical factor here was that the economic outlook turned out to be somewhat worse than it initially appeared, above all due to the drag from the negative contribution by net exports and changes in inventories. Countering this were the expansive effects from all the major components related to domestic demand. As in the previous quarters, private consumption played a major part in supporting growth. In the most important surveys of sentiment, the current economic and business situation was judged to be very positive, so that the economic momentum continued in Germany in the second quarter.

The economic performance in Europe enjoyed a moderate upturn at the beginning of the year. At the start the year, real GDP rose by 0.4 % relative to the previous quarter. The main driver of growth was again private consumption. Government spending also rose substantially. A glimpse at individual countries in the currency zone revealed both light and shadows, although the positive aspects outweighed the negative ones. While Germany fell short of expectations, France and Spain surprised to the upside. And Italy was also able to achieve growth again.

Development of target real estate markets

Global investments in commercial real estate continued the positive trend from the previous year, although at a slightly slower pace. The transaction volume in the first quarter of 2015 rose by 9 % to USD 155 billion, with the three mega cities of New York, London and Tokyo alone accounting for roughly 20 % of all real estate investments.

The German investment market continued to benefit from a high level of liquidity and a lack of investment alternatives in the first half of 2015. The commercial transaction volume of roughly € 24 billion was significantly above the level of roughly € 17 billion in 2014. Office real estate accounted for about 42 % and therefore the largest share, closely followed by retail real estate (41 %), which was in especially high demand. Of particular note in the first six months of 2015 is the development of transactions in German residential real estate. The volume of sales rose by 125 % here.

The framework conditions for real estate investments in the eurozone continued to improve not just because of low interest rates, but also due to the high inflow of liquidity, low oil prices and a weaker euro, among other factors. Throughout Europe, sales rose by 22 % year on year, with roughly € 110 billion being invested in total. The UK (+ 37 %) enjoyed the largest share, with Germany following in second place (+ 28 %). By contrast, the target markets of France, Netherlands and Poland underperformed relative to 2014.

Development of international financial markets

The developments on international financial markets continued to be heavily influenced by central banks. While the US Federal Reserve prepared market participants for less expansive monetary policy in the first half of 2015, the European Central Bank (ECB) announced its extensive bond buying programme at the start of the year.

When the ECB began buying European government bonds in March 2015, interest rates in Europe initially fell even faster. The already low level of the 3-month Euribor fell even further and turned slightly negative around the middle of the second quarter of 2015. The announced monthly purchase of € 60 billion in government bonds caused a rapid flattening of the yield curve. Furthermore, all German government bonds with maturities of nine years or less had negative yields. Almost every European government bond also benefited from the ECB's quantitative easing, even if the yields in every country's bonds did not turn negative. Despite all these measures, there was still some uncertainty on the markets. The extremely tense negotiations over the aid packages for Greece led to a reevaluation of the markets. As a result, interest rates rose significantly in the second quarter of 2015.

The described developments in the eurozone also brought about not only different expectations with regard to the future monetary policy of central banks, but also a significant decline in the euro relative to the US dollar. If one euro cost roughly USD 1.20 at the beginning of the year, this fell to an interim low of USD 1.05 in the first six months of 2015. Many market participants expected parity in the near future. This has not taken place, however, and the euro has stabilised at around USD 1.10.

The first half of 2015 was characterised by the ongoing low interest rates and high volatility in many asset classes due to increasing uncertainty on international financial markets.

Development of the banking sector

Demand for commercial real estate also remained high in the first half of 2015. The high demand for real estate investments and low interest rates have caused prices to rise and increased competition both on the investor and lender side. Foreign investors have increasingly looked toward European markets. The competition for low-risk transactions, particularly at top locations, was especially high, and the situation in commercial real estate finance was equally intense. A conspicuous aspect was also the trend toward large-volume financing being awarded by one single bank. Individual institutions were again financing loans in the mid-triple-digit millions, to be able to compete with insurance companies and pension funds.

For credit institutes, the first half of the 2015 was also defined by an ongoing increase in regulatory requirements. In particular, various requirements on liquidity reporting were implemented.

Course of business at a glance

Important influential factors and events

Deutsche Hypo's course of business was significantly affected by the growing competition in commercial real estate finance during the first half of 2015. This put pressure on new business margins in general. Furthermore, there was a tendency on the market to increasingly award financing with higher risks. Since Deutsche Hypo is not following this trend and also continues to focus on its high-quality and diversified credit lending policy, the new business volume on almost the same level as in 2014 represented a satisfactory result.

The large number of real estate transactions in the target markets prompted a high number of early loan repayments in Deutsche Hypo's real estate finance portfolio in the first half of the current financial year. Accordingly, there were significant declines in the real estate finance portfolio, which could not be completely compensated by new business transactions. At the same time, the very good risk result for the core business area of commercial real estate finance again showed the high quality of Deutsche Hypo's real estate finance portfolio. The Bank saw the requirements in its own credit lending policy as confirmed by this.

Deutsche Hypo's capital market business was initially defined primarily by high liquidity on international financial markets in the first half of 2015. The accelerated decline in the long-term interest rates at the beginning of the year and the temporary further narrowing of risk premiums allowed for the active reduction of the capital market portfolio beyond its scheduled run-off. This made it possible to reduce credit risks in the capital market business and increase the quality of the portfolio overall. Since the second quarter of 2015, volatility on international financial markets has increased again significantly, in particular with the beginning of the uncertainties related to Greece and whether it would remain in the eurozone. Risk premiums for individual capital market counterparties rose slightly from the interim lows.

The development of capital market business was also shaped by the additional loan loss provisions required for the receivables from Heta Asset Resolution AG (Heta). The Bank had already created a risk provision in December 2014 for the receivables fully secured with a default guarantee from the state of Carinthia (Austria). This was necessary because the Austrian Financial Market Supervisory Authority declared a debt moratorium for Heta. Due to new findings in the first half of the current financial year in connection with the existing capital shortfall at Heta, the risk provision was significantly increased. In light of the available information, the Bank created a risk provision that is sufficient on the basis of prudent assumptions.

In addition, Deutsche Hypo was also affected by the ongoing regulatory implementation expenses in various areas of the Bank during the first half of 2015. An improvement in cost discipline and the implementation of measures from the efficiency improvement programme in recent years ensured stable administrative expenses, nonetheless.

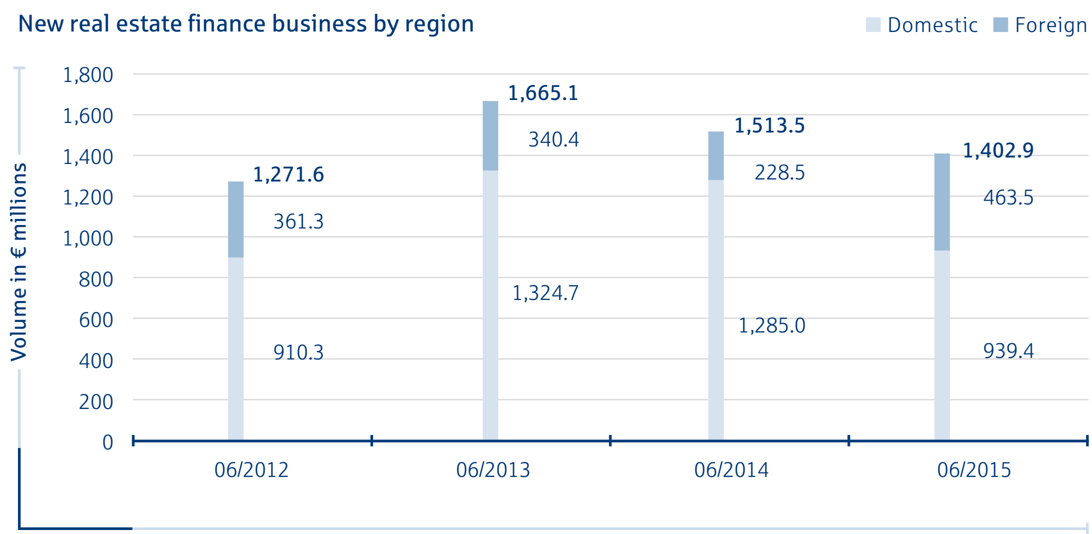
Commercial real estate finance business

New business development

In a very competitive market environment, Deutsche Hypo was able to achieve a satisfactory volume of new business in the amount of € 1,402.9 million in the first half of the current financial year. The high level of € 1,513.5 million from the previous year was not entirely achieved in this performance. As described above, new business transactions continued to be subject to high requirements in terms of the quality of financing.

The majority of the new business transactions, which totalled € 939.4 million (2014: € 1,285.0 million), continued to be in the domestic market of Germany. This corresponded to a 67 % share of new credit commitments (2014: 84.9 %). In comparison to the first half of the past financial year, the volume of new business shifted slightly toward foreign markets. The positive assessment of development in foreign markets continued to have an impact. An expansion of the new business volume was achieved in almost all foreign markets.

New real estate finance business by region



Of total new commitments in real estate finance business (domestic and foreign), the majority was in commercial credit, which accounted for € 1,300.2 million (2014: € 1,329.6 million) or 92.7 % (2014: 87.8 %). And within commercially-financed properties, office real estate accounted for the largest share (€ 694.5 million). The percentage of residential financing fell relative to the first half of 2014, amounting to just 7.3 % of financed property (2014: 12.2 %).

Portfolio development

The high demand for commercial real estate led to high early repayments of credits for a broad number of financed objects. For Deutsche Hypo, this caused the portfolio in real estate finance to decline to € 11,618.9 million (2014: € 12,409.8 million). The volume of domestic financing in the portfolio also fell by € 435.8 million to € 7,375.2 million (2014: € 7,811.0 million), and the portfolio of foreign financing dropped by € 355.1 million to € 4,243.7 million (2014: € 4,598.8 million). Foreign financing accounted for 36.5 % (2014: 37.1 %) and thus roughly the same amount as in the previous year. The UK again reported the highest foreign real estate finance portfolio at € 1,337.7 million (2014: € 1,390.6 million). The portfolio in the Benelux countries fell to € 1,164.0 million (2014: € 1,392.6 million). The portfolio in other foreign markets remained largely stable.

The decline in the real estate finance portfolio was seen in particular in the office real estate class. In the first half of 2015, there was a decline of € 363.0 million to € 4,408.3 million (2014: € 4,771.3 million). Nonetheless, office real estate remained the main type of property in the real estate finance portfolio, followed by retail real estate with a finance portfolio of € 4,109.2 million (2014: € 4,243.4 million). The financing of other real estate totalled € 1,700.3 million (2014: € 1,852.6 million), while residential real estate finance fell to € 1,401.1 million (2014: € 1,542.5 million).

Development in the capital market business

Deutsche Hypo was able to proceed with the strategic reduction of the portfolio in capital market business at an accelerated pace by taking advantage of the temporarily very favourable market environment, as described in the course of business, in order to keep reducing credit risks. In accordance with the strategic requirements, the Bank's new business in the capital market business was solely pursued in a restrictive manner and primarily for liquidity and cover pool management as well as bank management. As a result, the portfolio of loans to local authorities fell in the first half of 2015 to € 5,904.0 million (2014: € 6,362.2 million) and the portfolio of securities also dropped significantly to € 8,685.9 million (2014: € 9,254.4 million). The active reduction of the capital market portfolio led to an improvement in the portfolio quality. The increase in volatility on international financial markets at the end of the second quarter of 2015, which was primarily due to the increasing uncertainty regarding Greece and whether it would remain in the eurozone, was felt again in the existing latent risks in the capital market business.

The Bank's funding continued to be affected by the prevailing developments on international financial markets. The increasing uncertainties – for example and in this case dominated by the developments in Greece – reinforced the trend toward ongoing high demand for low-risk securities. The ECB's bond buying programme caused the already high demand for low-risk securities to increase even more.

Deutsche Hypo's funding mix consistently generated a comfortable liquidity situation and thus also a good competitive position with regard to new business in commercial real estate finance. The Bank issued its first Pfandbrief benchmark of the year in April. Although the buyers were primarily from German-speaking countries, the thoroughly international, very granular order book met strong demand. It was oversubscribed four times, which shows the very high investor acceptance of Deutsche Hypo. This positive resonance will be used for future transactions. Other demand was driven primarily by private placements, particularly for unsecured bonds.

In the first half of 2015, Deutsche Hypo issued a volume of € 1,518.0 million (2014: € 1,144.2 million), of which € 615.0 million consisted of real estate Pfandbriefe and € 903.0 million of unsecured bonds.

Net assets, financial and income position

Income position

in € millions	Total result		Commercial real estate finance		Capital market business		Other business	
	1 January – 30 june		1 January – 30 june		1 January – 30 june		1 January – 30 june	
	2015	2014*)	2015	2014*)	2015	2014	2015	2014*)
Net interest income	124.3	109.0	88.2	87.7	27.2	12.5	8.9	8.8
Net commission income	– 0.1	4.7	1.1	5.2	– 0.4	– 0.5	– 0.8	0.0
Administrative expenses **)	34.2	35.3	19.3	20.1	2.9	2.6	12.0	12.6
Other operating income	– 13.8	– 6.4	0.0	– 2.2	0.0	0.0	– 13.8	– 4.2
Risk result ***)	– 24.6	– 37.8	– 8.4	– 23.9	– 11.2	– 5.7	– 5.0	– 8.2
Income from securities and participatory interest ****)	– 20.3	0.3	0.0	0.0	– 20.3	0.3	0.0	0.0
Result from normal operations	**31.3**	**34.5**	**61.6**	**46.6**	**– 7.6**	**4.1**	**– 22.7**	**– 16.2**
Extraordinary result	– 0.5	– 0.8	0.0	0.0	0.0	0.0	– 0.5	– 0.8
Interest on investment by silent partners *****)	4.2	4.2	0.0	0.0	0.0	0.0	4.2	4.2
Profit before taxes and profit and loss transfer	**26.6**	**29.5**	**61.6**	**46.6**	**– 7.6**	**4.1**	**– 27.4**	**– 21.2**
CIR	30.9 %	33.0 %	21.5 %	22.2 %	10.8 %	21.7 %	> 100.0 %	> 100.0 %
RoRaC / RoE	6.4 %	7.0 %	29.6 %	21.0 %	– 9.7 %	5.1 %	<– 100.0 %	<– 100.0 %

*) The figures from the previous year were restated on account of a change in the disclosure of interest-like fee components, similar to 31 December 2014.
**) General administrative expenses, including write-downs and value adjustments of intangible assets and tangible fixed assets.
***) Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in the lending business.
****) Write-downs and value adjustments on income from writing up participatory interests, shares in affiliated companies and securities treated as fixed assets.
*****) The interest on investment by silent partners corresponds to the income statement item “Profit surrendered under partial surrender agreements”.

The result from normal operations, from an overall Bank point of view, amounted to € 31.3 million as of 30 June 2015 (2014: € 34.5 million). Against the backdrop of the loan loss provisions required for the capital market portfolio, Deutsche Hypo was able to achieve a very satisfactory result. The development of income from an overall Bank point of view was primarily due to very high net interest income and an ongoing improvement in the risk result in the business area of commercial real estate finance. As a result, it was possible to counter almost in full the negative impact from the income from securities and participatory interest as well as the higher expenses from the new European bank levy.

The main influential factors described above led to distinct developments in the results of the business areas. While the result from normal operations in the core business area of commercial real estate finance rose again significantly to € 61.6 million (2014: € 46.6 million) due to the positive developments in the risk result, the result in the capital market business fell substantially and led to a loss of € – 7.6 million due to the described loan loss provisions for the capital market portfolio (2014: € 4.1 million). The result in the business area of “Other” declined to € – 22.7 million due to the major increase in expenses on account of the European bank levy (2014: € – 16.2 million).

From an overall Bank point of view, net interest income totalled € 124.3 million in the year under review, significantly above the previous year's level of € 109.0 million. This development was mainly due to early repayments of credit, while the portfolio margin level remained stable. While effects from the slightly declining portfolio within the core business area were roughly compensated, net interest income in capital market business rose significantly on account of one-off effects and despite declining portfolios. Net commission income fell as planned and totalled € – 0.1 million (2014: € 4.7 million). An expected slight rise in expenses for the assumption of credit risks by third parties stood opposite a lower commission income from one-off charges and processing fees relative to the comparative period in the previous year.

Administrative expenses fell slightly overall to € 34.2 million as a result of the ongoing high cost discipline and the implementation of additional measures within the scope of the efficiency improvement programme (2014: € 35.3 million). As a result, additional negative impacts from the new regulatory requirements and higher allocations to pension provisions were more than compensated for.

The other operating income was at € – 13.8 million in total (2014: € – 6.4 million). The reduction was largely defined by the significantly higher expenses for the expected annual contribution to the uniform European Single Resolution Mechanism (bank levy). In addition to this, there was a slight increase in expenses from the previous year due to the discounting of provisions. The opposite effect was produced by the loss of last year's one-off expenses for buildings managed by third parties.

The risk result from an overall Bank point of view improved significantly to € – 24.6 million (2014: € – 37.8 million). This very positive development continues to be the result of a quality-oriented credit lending policy in the core business area, which was noticed in the successive improvement in the portfolio quality of the real estate finance business and a significant improvement in the risk result to € – 8.4 million (2014: € – 23.9 million) as a result. The risk result in the capital market business was again strained by loan loss provisions within the capital market portfolio.

The income from securities and participatory interest was € – 20.3 million, and significantly below the income of € 0.3 million in 2014. The decline was largely affected by the already described loan loss provisions of securities connected with Heta Asset Resolution AG. In accordance with the strategic focus, the capital market portfolio continued to be reduced in the first half of 2015, which had a positive overall effect on the income from securities and participatory interest.

From an overall Bank point of view, the described developments led to a result from normal operations in the amount of € 31.3 million (2014: € 34.5 million). After taking into account an extraordinary result of € – 0.5 million (2014: € – 0.8 million) and interest on investment by silent partners in the amount of € 4.2 million (2014: € 4.2 million), the Bank reported a profit before taxes and profit and loss transfer of € 26.6 million (2014: € 29.5 million). Due to the very high net interest income with slightly declining administrative expenses, the CIR fell to 30.9 % (2014: 33.0 %). The Return on Equity (RoE) was 6.4 % (2014: 7.0 %) and slightly below the comparable amount from the previous year.

Net assets and financial position

Development of the balance sheet

in € millions	30.06.2015	31.12.2014	Change (in %)
Receivables			
Mortgage loans	11,618.9	12,409.8	– 6.4
Loans to local authorities	5,904.0	6,362.2	– 7.2
Other receivables	1,712.4	1,740.5	– 1.6
Securities	8,685.9	9,254.4	– 6.1
Other assets	159.3	288.0	– 44.7
Total assets	**28,080.5**	**30,054.9**	**– 6.6**
Liabilities			
Mortgage Pfandbriefe	8,191.8	8,834.8	– 7.3
Public Pfandbriefe	8,297.4	8,807.3	– 5.8
Unsecured bonds	2,105.0	2,172.1	– 3.1
Other liabilities	7,683.2	8,492.2	– 9.5
Subordinated liabilities	326.0	326.0	0.0
Jouissance right capital	83.0	83.0	0.0
Funds for general banking risks	14.4	14.4	0.0
Equity	913.2	913.2	0.0
Other liabilities	466.5	411.9	13.3
Total liabilities	**28,080.5**	**30,054.9**	**– 6.6**
Contingent liabilities *)	1,219.3	1,216.7	0.2
Other obligations	1,264.9	1,048.7	20.6

*) The disclosure of contingent liabilities changed in comparison to the previous year and required an adjustment of the figures from the previous year as a result. Reference is made to the information about this in the condensed notes to the financial statements.

The Bank's total assets fell slightly by € 1,974.4 million or 6.6 % from 31 December 2014 to € 28,080.5 million. There were declines in both business areas. In cutting the portfolios of loans to local authorities by 7.2 % or € 458.2 million to € 5,904.0 million and securities by 6.1 % or € 568.5 million to € 8,685.9 million, the strategic reduction of the public sector lending business proceeded as planned. The already described developments in the core business area led to a 6.4 % decline (€ 790.9 million) to € 11,618.9 million in the portfolio of receivables for mortgage loans.

Following the development of the net assets the portfolio of outstanding mortgage Pfandbriefe fell by 7.3 % or € 643.0 million from the end 2014 to € 8,191.8 million, and the portfolio of outstanding public Pfandbriefe declined by 5.8 % or € 509.9 million to € 8,297.4 million. Unsecured bonds fell slightly by 3.1 % or € 67.1 million to € 2,105.0 million.

The equity remained unchanged at € 913.2 million in comparison to the previous year. Due to the domination and profit and loss transfer agreement, Deutsche Hypo transfers profits in full to NORD/LB. The total balance sheet equity plus the jouissance right capital, subordinated liabilities and the funds for general banking risks in accordance with Section 340g HGB was unchanged at € 1,336.6 million. For information on the regulatory equity capital, reference is made to the explanations in the expanded risk report of this management report. Other obligations in the form of irrevocable credit commitments rose by € 216.2 million or 20.6 % from the end of 2014 to € 1,264.9 million as of 30 June 2015. Contingent liabilities remained almost unchanged at € 1,219.3 million (2014: € 1,216.7 million).

Rating

	Mortgage Pfandbriefe	Public Pfandbriefe	Short-term liabilities	Long-term liabilities	Baseline Credit Assessment (BCA)
Moody's	Aa1	Aa1	Prime-2	A3	b1
	Until 23 June 2015: Aa2	Until 23 June 2015: Aa2		Until 19 June 2015: Baa1	

After making an adjustment in its rating methodology, the rating agency Moody's announced all the new ratings for the German banking sector on 19 June 2015. Deutsche Hypo was upgraded one notch to A3 for its long-term liabilities. Among others, this is due to the strong support by NORD/LB if necessary. Moody's also praised the good asset quality of the real estate finance business and access to cost-efficient funding. All other ratings were confirmed at their current level since the fundamental basic assumptions for the rating of Deutsche Hypo remained mostly unchanged according to Moody's.

Due to the improvement in its rating, the ratings for Deutsche Hypo's mortgage Pfandbriefe and public Pfandbriefe also improved. Since 23 June 2015, both Pfandbrief ratings have an Aa1.

General statement on the course of business and the position of the Bank

Deutsche Hypo achieved a very satisfactory first half of 2015 in an ongoing challenging market environment. Despite another negative impact on the capital market portfolio due to the additional loan loss provisions of receivables from Heta Asset Resolution AG and the higher charges from the new European bank levy, the Bank was able to achieve a result from normal operations that was almost as high as the result from the comparable period of 2014 thanks to the ongoing positive developments in the core business area. The ongoing significant improvement in the risk result in commercial real estate finance proved to be a driver of income. The very high quality of the real estate finance portfolio continued to have a positive impact here.

Positive effects on income also resulted from one-off income due to the early repayments of loans. Accordingly, net interest income may have increased significantly, but the loan portfolios unexpectedly fell by a significant amount. The high demand for real estate and greater competition in commercial real estate finance as a result of low interest rates meant that the achieved new business volume was not able to fully compensate for the effects from the high early repayments in the loan portfolio. Deutsche Hypo will continue to pursue its quality-based credit lending policy, nonetheless.

Report on subsequent events

There were no events of particular significance that occurred after the end of the interim reporting period and could have a sustained impact on the Bank's risk situation and the net assets, financial and income position.

Forecast, opportunity and risk report

Forecast report

Development of business and general conditions

Forecast for economic development

The outlook for the German economy this year continues to be positive. Sentiment may have dimmed a little – although from a high level – but this is certainly due to the back-and-forth in the Greek debt crisis. Furthermore, various strikes in the spring put a temporary lid on sentiment, although no negative real-economic impact is expected as a result. For 2015, growth in real GDP by 1.8 % is forecast.

In Europe, the indicators of sentiment show a continuation of the moderate economic recovery. For full year 2015, growth in real GDP by 1.3 % is currently forecast. The almost euphoric mood in Spain should be noted in particular where growth of 2.7 % is anticipated. In addition, there are positive developments in particular in Germany and the UK.

Forecast for the development of the target real estate markets

An ongoing positive development of global real estate investments is assumed for the second half of 2015. Particularly in the fourth quarter, as is often the case in the real estate market, there should be another year-end rally. For the full year, Jones Lang LaSalle forecasts a rise in sales from USD 740 to 760 billion.

The positive development of employment in Germany is requiring many companies to keep expanding their facilities. In addition to lower vacancy rates, rising new construction activity is anticipated in this connection. For full year 2015, therefore, an investment volume in the amount of € 40 to 45 billion is expected in Germany. Large volumes of investment will be made in A-cities such as Frankfurt, Munich and Berlin. The low availability of top real estate and the already sharp drop in yields have caused numerous investors to shift to B-cities and B-locations. Besides a high number of individual transactions, portfolio sales in the areas of retail, residential and office are increasingly being expected.

An ongoing improvement in the situation on European real estate markets is also anticipated through the end of 2015. Investors see growing opportunities in almost all European countries, with the focus continuing to be on core properties in cities such as London or Paris, although more speculative investments with higher initial yields are also being made.

Forecast for the development of international financial markets

The development of international financial markets over the rest of the year will also depend heavily on measures taken by central banks. The US Federal Reserve will probably take the first step toward a gradual normalization of its monetary policy. However, it will proceed cautiously. US monetary policy will remain fundamentally expansive this year, but somewhat less so than before.

For the eurozone, inflation should remain low at least until autumn. Therefore, the ECB will continue its monthly purchases of € 60 billion in bonds in accordance with the programme that started in March. The purchases are initially planned until September 2016. On the bond market, these measures initially led to a further decline in yields. According to NORD/LB Research, yields will not fall below and stay at the depths hit in the first half of the year. On the other hand, the constant purchase of bonds by the ECB will also prevent too sharp of a rise in yields. A major factor of uncertainty for the development of capital market yields remains the Greek debt crisis despite the most recent compromises.

Forecast for the development of business

On the basis of the still valid assumptions made in the management report of 2014, Deutsche Hypo assumes that the course of business in 2015 and the result from normal operations will develop as forecast and thus easily exceed the level of € 41.4 million in financial year 2014. The basis for this is the trend toward an improvement in the risk result in the business area of commercial real estate finance, which is already suggested by the ongoing improvement in the quality of the real estate finance portfolio in the first half of 2015. This should overcompensate for the negative impact that the capital market portfolio will have on income.

On the level of the overall Bank, it is assumed that net interest income will remain stable relative to the previous year. This is primarily due to the already present one-off effects from the early repayments of credit, which should fully compensate for slightly declining net interest income in the core business area. Net interest income in the business area of commercial real estate finance is expected to decline slightly while portfolio margins should remain largely stable in connection with the lower volume of new business. The decrease in the real estate finance portfolio results from not only a high number of early loan repayments, but also a slightly declining new business volume relative to the previous year, which was not expected.

Otherwise, there have been no new discoveries that would require an adjustment of the previous significant forecasts and other statements on the anticipated development of the Bank.

Opportunities and risks of future business development

Significant opportunities and risks related to the forecast development of the result in the second half of this financial year may arise above all from new findings in connection with the receivables from Heta Asset Resolution AG. As described in the course of business, Deutsche Hypo had taken sufficient precautionary measures as of 30 June 2015 on the basis of the available information. It cannot be ruled out that new developments will make it necessary to overhaul this assessment. This may be due to positive as well as negative impacts on Deutsche Hypo’s result.

Due to the expected ongoing high demand for commercial real estate and low interest rates, it is not possible to rule out over the rest of the year, as was seen in the first half of this financial year, that the not-forecast ongoing high early repayments of loans will have an impact on the Bank's net interest income.

In addition, unexpected developments in external framework conditions may have a significant and not-forecast influence on Deutsche Hypo's development of business and income. This relates in particular to developments on international financial markets, which were already characterised by significantly higher volatility at the end of the first half of the year. Due to the ongoing, existing uncertainties in regard to Greece and whether it will remain in the eurozone, it is not possible to rule out a rise in volatility or the corresponding impact on risks in the capital market business in the second half of 2015. Due to the Bank's risk management, possible opportunities and risks resulting from such developments will be recognised early on and managed accordingly. The following expanded risk report describes the significant developments and changes in the first half of the current financial year.

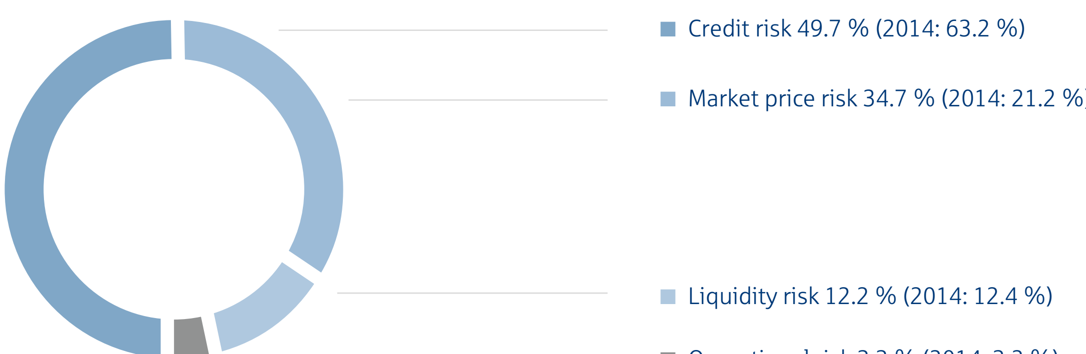
Expanded risk report

Current developments in risk management

As a result of the waiver rule under Section 2a (1) KWG (German Banking Act) (old) and Art. 7 CRR, the risk-bearing capacity of Deutsche Hypo is secured on the level of the NORD/LB Group. The risk-bearing capacity on the Group level was met as of 30 June 2015. In terms of a functional early warning system in regard to the risk-bearing capacity on the level of the NORD/LB Group, NORD/LB AöR determines the institute limits for the significant risk types, compliance with which represents a central aspect of risk management for the Bank. In the course of the regular monitoring of the limits, the risk potential that is fundamentally based on a value-at-risk approach (VaR approach) is viewed in relation to the appropriate institute limits.

The risk potential (confidence level of 95 %, time horizon of fundamentally 1 year) from the significant risk types consists as follows on 30 June 2015:

Composition of risk potential from the significant risk types as of 30 June 2015



The breakdown of the risk potential from the significant risk types hardly changed in comparison to 31 December 2014. The improvement in quality and the slight decline in exposure led to the fact that the risk potential declined in the credit risk. By contrast, an increase in the risk potential for market price risks was observed due to the conversion of equity capital investments and the rise in volatility on bond markets.

Counterparty risk

Breakdown of total credit exposure by rating category

30.06.2015 in € millions	Real estate finance	Loans to local authorities	Securities	Derivatives	Other	Total exposure	Share in total exposure
Very good to good	8,643.2	5,821.8	7,579.1	1,614.2	824.0	**24,482.3**	81.3 %
Good / satisfactory	2,500.7	0.4	313.6	56.9	0.1	**2,871.7**	9.5 %
Still good / sufficient	1,024.5	0.0	321.4	0.0	18.2	**1,364.1**	4.5 %
Elevated risk	444.9	52.5	360.9	0.0	0.0	**858.2**	2.8 %
High risk	17.7	1.6	3.5	0.0	0.0	**22.9**	0.1 %
Very high risk	38.9	0.0	0.0	0.0	0.0	**38.9**	0.1 %
Default (=NPL)	306.3	66.8	108.6	0.0	0.0	**481.7**	1.6 %
Total	**12,976.1**	**5,943.1**	**8,687.0**	**1,671.1**	**842.4**	**30,119.6**	**100.0 %**

31.12.2014 in € millions	Real estate finance	Loans to local authorities	Securities	Derivatives	Other	Total exposure	Share in total exposure
Very good to good	8,566.3	6,273.3	8,013.3	1,715.0	606.1	**25,173.9**	79.2 %
Good / satisfactory	2,769.3	0.4	328.7	25.0	25.3	**3,148.7**	9.9 %
Still good / sufficient	1,298.6	0.0	365.6	0.0	59.4	**1,723.6**	5.4 %
Elevated risk	500.5	0.0	337.3	0.0	0.0	**837.8**	2.6 %
High risk	29.7	53.2	78.3	0.0	0.0	**161.1**	0.5 %
Very high risk	195.6	0.0	0.0	0.0	0.0	**195.6**	0.6 %
Default (=NPL)	343.4	50.2	137.2	0.0	0.0	**530.8**	1.7 %
Total	**13,703.4**	**6,377.0**	**9,260.5**	**1,740.0**	**690.7**	**31,771.6**	**100. 0 %**

Total credit exposure fell by € 1,652.0 million or 5.2 % to € 30,119.6 million in the first half of 2015 from its level on the balance sheet date of 31 December 2014 (2014: € 31,771.6 million) due to the described reduction in the portfolio of both business areas. The quality of the portfolio also improved slightly overall. The share of financing in the best rating class (very good to good) was 81.3 % (2014: 79.2 %) and continued to be on a high level. The situation is the same for the good and satisfactory rating classes. The share of this financing as a percentage of the total portfolio amounted to 14.0 % (2014: 15.3 %). The share of positions with “elevated to very high risk” fell from 3.7 % to 3.0 %, while the share of financing in default as a percentage of total loan exposure remained almost unchanged at 1.6 % (2014: 1.7 %). Exposure to financing in default totalled € 481.7 million (2014: € 530.8 million).

Significant improvements in quality are primarily visible in the real estate finance portfolio as the core business area of Deutsche Hypo. The credit exposure of very good to good real estate financing increased significantly despite the decline in total exposure, while above all financing that was categorised as having very high risk was reduced significantly. The share of real estate financing in default also fell significantly, following the trend in recent years.

The average rating of the new business in real estate finance and also in the capital market business was above average for the portfolio business and did not change. This underlines the Bank's ongoing strategic orientation, according to which only new business is accepted if it satisfies the Bank's high quality requirements. This contributed to keeping the good rating level of the portfolio on the previous high level.

Market price risk

In the following overview, the market price risks of Deutsche Hypo are represented as of the reporting deadline and in comparison to 2014.

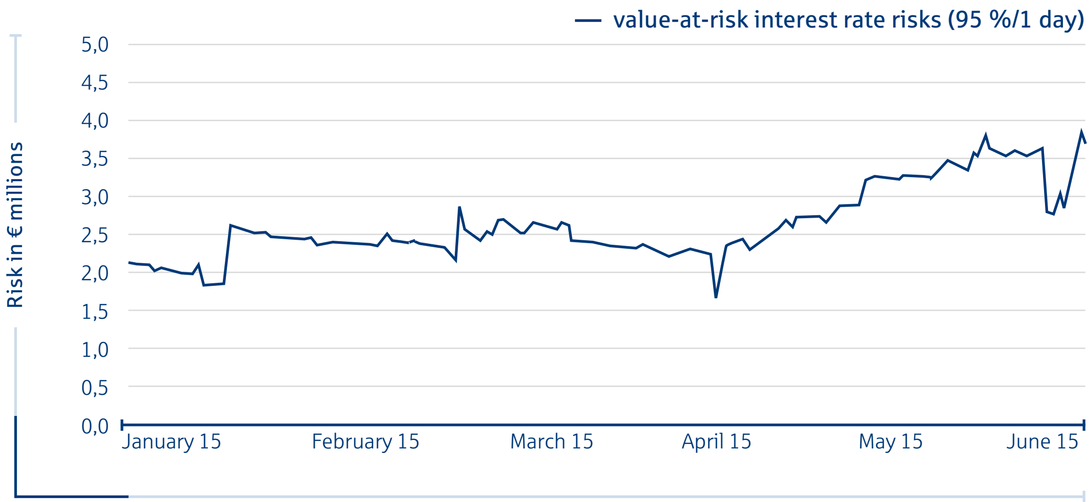
Market price risks in € thousands	End values 30.06.2015	End values 31.12.2014
VaR *) Interest rate risk portfolio of "entire bank"	3,670	2,113
Standard risk **) Interest rate risks portfolio "operating"	22,402	22,655

*) Confidence level 95 %, 1 day holding period **) Parallel shift 100 BP

2014 resulted in particular from the conversion of the investment strategy for the perpetual equity and thus not from the normal business activity of Deutsche Hypo. In addition, the high volatility on money and capital markets in the second quarter of 2015 ensured a slight increase in the VaR. However, it continued to be comfortably within the risk limits. The VaR fluctuated in the reporting period between € 1.7 million and € 3.8 million with an average value of € 2.6 million. Only 58 % of the VaR limit was utilized on average in the reporting period and was not surpassed at any point in time.

The course of the VaR (95 % confidence level, 1 day holding period) of the Bank is outlined in the following chart. The chart does not include the credit spread risks.

Change in value-at-risk interest rate risks (95 %/1 day)



The assumption of interest rate risks plays a subordinate role for Deutsche Hypo from a risk-strategy point of view. In this regard, the risk continued to be on a low level. Deutsche Hypo's interest rate risk resulted for the most part from the investment of perpetual equity and thus only somewhat from normal business activity.

The described reduction of the positions in the banking book in the annual report 2014 that involved credit spread risks was also successfully continued in the first half of 2015 so that the portfolio fell by roughly € 1 billion (including loan loss provisions to capital market positions) to about € 15.3 billion. Despite the higher volatility in credit spreads due to the uncertainties related to Greece and its possible exit from the eurozone, the hidden charges in the banking book also fell in the current reporting period.

Liquidity risk

In the first half of 2015, Deutsche Hypo had excellent access to money and capital markets at all times. In the dynamic liquidity stress test used for management and limits, a satisfactory liquidity situation was observed throughout the entire period. Relative to the end of 2014, the distance to illiquidity improved to 322 days (31 December 2014: 316 days).

Deutsche Hypo held a sufficient portfolio of highly-liquid securities in the reporting period so that the MaRisk requirements for the maintained liquidity buffer were met in full. As of 30 June 2015, the utilization of the buffer was 0.0 % (31 December 2014: 0.0 %).

At 1.52 (31 December 2014: 1.58), the liquidity performance indicator in accordance with the German Liquidity Regulation (LiqV) was significantly above the regulatory required minimum of 1.0 at the reporting deadline. During the entire reporting period, this minimum amount was not exceeded.

Operational risk

In the first half of 2015, no notable damage of an operational kind was discovered. Also, no risks with high potential damage in this period were identified.

Regulatory equity resources

By making use of the waiver, Deutsche Hypo must no longer meet the obligation to file individual bank reports in accordance with Article 99 CRR. Deutsche Hypo will continue to determine the risk-weighted assets and regulatory equity requirements on its own for internal controlling purposes.

For the reports on the equity capital resources on the Group level, Deutsche Hypo supplies and will also continue to supply, after exercising the waiver, the equity and risk-weighted assets (RWA) that are consolidated in the reports prepared by NORD/LB for the Group. Since Deutsche Hypo continues to determine the RWA, the validations of Deutsche Hypo's rating systems used for this continue to take place on the basis of its data. The Bank also calculates the equity ratio, which compares all the existing capital components with the equity requirements calculated in accordance with the regulatory provisions.

In accordance with the regulatory requirements, a total of € 1,251.6 million (2014: € 1,254.9 million) could be included for regulatory capital backing. The almost unchanged capital should be viewed in relation to a substantial decline of 11.3 % in the risk-weighted assets. As a result, the equity ratio improved to 19.2 % (2014: 17.1 %).

Summary and outlook

The active reduction of the capital market portfolio led to an improvement in the portfolio quality; at the same time, a decline in the hidden charges in the banking book was observed. Nonetheless, risks still remain in the banking book. The high volatility on international financial markets in connection with the existing uncertainties in regard to whether individual states remain in the eurozone means that there is latent potential for a setback. For this reason, the Bank will proceed with the measures it began some time ago to reduce risks in the banking book and thereby protect the income statement. A specific measure in connection with this is the scheduled reduction of the capital market portfolio.

In the real estate finance business, the quality of the portfolio improved significantly yet again. New business will continue to be transacted in the core business area solely in a quality-oriented way. Deutsche Hypo will also not follow the tendency to increasingly take greater risks in financing, which is being observed on the market.

Beyond the above-mentioned risks, no significant new risks can currently be identified. Deutsche Hypo has taken all the known and material risks into appropriate account through precautionary measures and considers itself to be well equipped for the upcoming challenges with the risk provisions it has made.

Hanover, 11 August 2015

The Board of Managing Directors

Pohl Rehfus

INTERIM CONDENSED FINANCIAL STATEMENTS

BALANCE SHEET AS OF 30 JUNE 2015

ASSETS

	€	€	€	31 December 2014 (in € thousands)
1. Cash reserve				
b) Credit with central banks		17,666,902.65		41,884
of which:				
with the "Deutsche Bundesbank"				
€ 17,666,902.65 (PY € 41,884 thousand)				
			17,666,902.65	**41,884**
2. Receivables from financial institutions				
a) Mortgage loans		19,147,689.15		21,386
b) Loans to local authorities		1,083,464,883.41		1,299,496
c) Other receivables		1,640,194,107.11		1,633,504
of which: due daily				
€ 1,215,690,086.57 (PY € 1,329,866 thousand)				
			2,742,806,679.67	**2,954,386**
3. Receivables from customers				
a) Mortgage loans		11,599,722,181.75		12,388,420
b) Loans to local authorities		4,820,561,866.12		5,062,692
c) Other receivables		72,229,205.41		106,957
			16,492,513,253.28	**17,558,069**
4. Bonds and other fixed interest securities				
b) Bonds and debentures				
ba) from public issuers	3,967,548,812.10			4,025,475
of which:				
borrowed from "Deutsche Bundesbank"				
€ 2,171,127,833.73 (PY € 2,140,832 thousand)				
bb) from other issuers	4,718,315,232.64			5,228,946
of which:				
borrowed from "Deutsche Bundesbank"				
€ 4,139,112,427.22 (PY € 4,475,244 thousand)				
		8,685,864,044.74		
c) Own bonds		24,575,922.77		66,926
Nominal amount				
€ 24,191,000.00 (PY € 67,018 thousand)				
			8,710,439,967.51	**9,321,347**
5. Participatory interests			**76,949.43**	**77**
6. Shares in affiliated companies			**51,138.13**	**51**
7. Intangible Assets				
b) Purchased licenses, industrial property, as well as licenses to those rights and assets		285,790.58		370
d) Payments made on account		488,387.90		488
			774,178.48	**858**
8. Tangible assets			**2,491,993.44**	**2,396**
9. Other assets			**45,449,288.66**	**98,988**
10. Accrued and deferred items				
a) from the issue and loan transaction		56,433,135.64		57,659
b) others		11,767,197.18		19,200
			68,200,332.82	**76,859**
Total assets			**28,080,470,684.07**	**30,054,915**

LIABILITIES

	€	€	€	31 December 2014 (in € thousands)
1. Liabilities to financial institutions				
a) Issued registered mortgage Pfandbriefe		166,208,664.49		173,982
b) Issued registered public Pfandbriefe		493,262,819.45		537,086
c) Other liabilities		5,708,368,448.21		6,831,741
of which: due daily				
€ 428,449,930.39 (PY € 512,474 thousand)				
			6,367,839,932.15	7,542,809
2. Liabilities to customers				
a) Issued registered mortgage Pfandbriefe		824,495,032.73		844,108
b) Issued registered public Pfandbriefe		6,347,834,347.45		6,615,371
d) Other liabilities		1,974,791,587.18		1,660,502
of which: due daily				
€ 14,386,681.14 (PY € 12,815 thousand)				
			9,147,120,967.36	9,119,981
3. Securitised liabilities				
a) Assigned bonds				
aa) mortgage Pfandbriefe	7,201,113,023.90			7,816,704
ab) public Pfandbriefe	1,456,319,912.78			1,654,881
ac) other bonds	2,105,049,088.03			2,172,129
		10,762,482,024.71		
			10,762,482,024.71	11,643,714
4. Other liabilities			298,373,084.36	279,052
5. Accrued and deferred items				
a) from the issue and loan transaction		57,900,263.66		60,754
b) other		11,696,059.83		12,831
			69,596,323.49	73,585
6. Provisions				
a) Provisions from pensions and similar obligations		37,292,962.03		33,636
b) Tax provisions		4,635,112.77		4,328
c) Other provisions		56,558,654.01		21,238
			98,486,728.81	59,202
7. Subordinated liabilities			326,000,000.00	326,000
8. Jouissance right capital			83,000,000.00	83,000
9. Funds for general banking risks			14,400,000.00	14,400
10. Equity				
a) Subscribed capital		80,640,000.00		80,640
Capital held by silent partners		75,000,000.00		75,000
b) Capital reserves		481,313,877.23		481,314
c) Profit reserves				
ca) statutory reserves	18,917,799.60			18,918
cd) other profit reserves	257,299,946.36			257,300
		276,217,745.96		
			913,171,623.19	913,172
Total liabilities			28,080,470,684.07	30,054,915
1. Contingent liabilities				
b) Liabilities arising from sureties and guarantee agreements		1,219,309,531.58		1,216,674
			1,219,309,531.58	1,216,674
2. Other obligations				
c) Irrevocable credit commitments		1,264,930,091.14		1,048,712
			1,264,930,091.14	1,048,712

INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

	€	€	€	1 January 2014 – 30 June 2014 (in € thousands)
1. Interest earnings from				
a) Credit and money market transactions	333,234,576.08			336,120
b) Fixed interest bearing securities and book-entry securities	126,061,946.31			140,321
		459,296,522.39		476,441
2. Interest expenses		335,013,846.67		367,463
			124,282,675.72	108,978
3. Commission income		5,511,270.44		9,641
4. Commission expenses		5,589,955.47		4,946
			– 78,685.03	4,695
5. Other operating income			1,949,929.78	1,402
6. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	17,905,837.46			17,788
ab) social security and expenses for pension plans and for support	4,100,646.48			3,697
of which: for pension plans € 1,443,218.41 (PY € 1,015 thousand)				
		22,006,483.94		
b) Other administrative expenses		11,819,608.82		13,622
			33,826,092.78	35,107
7. Write-downs and value adjustments of intangible assets and tangible fixed assets			325,741.82	243
8. Other operating expenses			15,763,511.44	7,805
9. Write-downs and value adjustments on receivables and specific securities as well as allocations to provisions in credit business		24,606,399.39		37,762
			24,606,399.39	37,762
10. Write-downs and value adjustments on participatory interest, shares in affiliated companies and on securites treated as fixed assets		20,299,186.45		0
			20,299,186.45	0
11. Income from writing up participatory interest, shares in affiliated companies and securities treated as fixed assets		0.00		324
			0.00	324
12. Result from normal operations			31,322,988.61	34,482
13. Extraordinary expenses		506,264.15		751
14. Extraordinary result			– 506,264.15	– 751
15. Taxes on income		1,384,722.54		1,285
16. Other taxes not included under item 9		8,553.75		10
			1,393,276.29	1,295
17. Profit surrendered under partial surrender agreements			4,200,000.00	4,200
18. Profits surrendered under partial surrender agreements or a profit and loss transfer agreement			25,233,448.17	28,236
19. Profit for the period			0.00	0

STATEMENT OF CHANGES IN EQUITY

in € thousands	Subscribed capital	Capital held by silent partners	Capital reserves	Profit reserves	Balance sheet profit	Total equity
As of 1 January 2015	80,640	75,000	481,314	276,218	0	913,172
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Other changes						
Allocations to the profit reserves	0	0	0	0	0	0
Conversion of capital held by silent partners	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0
As of 30 June 2015	80,640	75,000	481,314	276,218	0	913,172

in € thousands	Subscribed capital	Capital held by silent partners	Capital reserves	Profit reserves	Balance sheet profit	Total equity
As of 1 January 2014	80,640	75,000	481,314	276,218	0	913,172
Capital increases	0	0	0	0	0	0
Dividend payments	0	0	0	0	0	0
Other changes						
Allocations to the profit reserves	0	0	0	0	0	0
Conversion of capital held by silent partners	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0
As of 30 June 2014	80,640	75,000	481,314	276,218	0	913,172

CASH FLOW STATEMENT

in € thousands		2015
1.	**Net result**	**0**
2.	Write-downs, value adjustments and write-ups to receivables and tangible fixed assets	59,879
3.	Increase/decrease in reserves	13,238
4.	Other non-cash expenses/income	0
5.	Profit/loss from the disposal of tangible fixed assets	– 122,826
6.	Profit to be surrendered under a profit and loss transfer agreement	25,233
7.	Other adjustments (balance)	4,131
8.	Increase/decrease of receivables from financial institutions	120,165
9.	Increase/decrease of receivables from customers	993,188
10.	Increase/decrease of securities (if not financial assets)	41,427
11.	Increase/decrease of other assets from current operations	54,080
12.	Increase/decrease of liabilities to financial institutions	– 1,058,897
13.	Increase/decrease of liabilities to customers	59,600
14.	Increase/decrease of securitised liabilities	– 834,336
15.	Increase/decrease of other liabilities from current operations	31,745
16.	Interest expenses/income	– 124,283
17.	Expenses/income from extraordinary items	506
18.	Income tax expenses/income	1,385
19.	Interest and dividend payments received	613,132
20.	Interest paid	– 482,180
21.	Extraordinary deposits	0
22.	Extraordinary disbursements	0
23.	Income tax payments	– 1,078
24.	**Cash flow from current operations (total of items 1 to 23)**	**– 605,891**
25.	Deposits from disposals of financial assets	1,483,527
26.	Disbursements for investments in financial assets	– 850,388
27.	Deposits from disposals of tangible fixed assets	12
28.	Disbursements for investments in tangible fixed assets	– 347
29.	Deposits from disposals of intangible fixed assets	0
30.	Disbursements for investments in intangible fixed assets	0
31.	Deposits from disposals from the consolidated group	0
32.	Disbursements for additions to the consolidated group	0
33.	Changes in funds from other investment activities (balance)	0
34.	Deposits from extraordinary items	0
35.	Disbursements for extraordinary items	0
36.	**Cash flow from investment activities (total of items 25 to 35)**	**632,804**
37.	Deposits from equity contributions by shareholders of the parent company	0
38.	Deposits from equity contributions by other shareholders	0
39.	Disbursements for equity reductions to shareholders of the parent company	0
40.	Disbursements for equity reductions to other shareholders	0
41.	Deposits from extraordinary items	0
42.	Disbursements for extraordinary items	0
43.	Dividends paid to shareholders of the parent company	0
44.	Dividends paid to other shareholders	0
45.	Other disbursements to company owners	– 22,311
46.	Profit and loss transfer	– 28,818
47.	Changes in funds from other capital (balance)	0
48.	**Cash flow from financing activities (total of items 37 to 47)**	**– 51,129**
49.	Cash changes in finance funds (total from 34, 36, 48)	– 24,216
50.	Exchange-rate and valuation-related change in finance funds	0
51.	Consolidation-related change in finance funds	0
52.	Finance funds at the start of the period	41,883
53.	**Finance funds at the end of period (total of items 49 to 52)**	**17,667**

CONDENSED NOTES

The figures in the tables in the condensed notes are expressed in thousand euros (€ thousands). It should be noted that the amounts quoted in the tables and text are rounded figures, resulting in rounding differences in some cases.

General information on accounting and valuation principles

The interim condensed financial statements as of 30 June 2015 have been prepared in accordance with the provisions of the German Commercial Code (HGB) in conjunction with the Ordinance on the Presentation of Accounts of German Banks (RechKredV) and with due adherence to the provisions of the German Joint Stock Companies Act (AktG), the Covered Bonds Act (Pfandbriefgesetz), and the recommendations of the German accounting standards (DRS 16). The interim financial statements form part of the half-yearly financial report as defined in Section 37w of the German Securities Trading Act (WpHG). The cash flow statement was already prepared in accordance with the requirements of DRS 21.

The interim condensed financial statements as of 30 June 2015 comprise the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and selected disclosures provided in the form of the condensed notes. The Bank has refrained from voluntary segment reporting. With regard to the events and circumstances in the current interim reporting period, which are relevant for an understanding of the material changes in the positions on the balance sheet and income statement as compared to the presented comparable figures, reference is made to the information in the condensed notes and the information in the economic report provided in the interim management report.

For the preparation of the interim financial statements, the accounting and valuation methods used for the preparation of the financial statements as of 31 December 2014 applied largely without any changes. Adjustments were made to the methodology for calculating the loan loss provisions of receivables in connection with procedural optimisations. This resulted in only minor changes to the net assets, financial and income position. Due to the amended version of IDW RS BFA 1 and the resulting reassessment of the credit derivatives in the portfolio, the nominal volume of total return swaps, which were previously not reported as pending transactions, was disclosed as a contingent liability off the balance sheet. This resulted in a substantial increase in contingent liabilities, which also made an adjustment of the figures from the previous year necessary:

in € thousands	before adjustment	adjustment	after adjustment
1. Contingent liabilities	790,999	425,675	1,216,674

As a result of the change in last year's financial statements for the disclosure of certain interest-like fee components in the lending business and a portion of the expenses from the discounting of pension provisions, the figures from the comparative period last year were adjusted in these interim financial statements. The following adjustments to the figures from the previous year were made for the described reasons:

in € thousands	before adjustment	adjustment	after adjustment
1. Interest income	476,984	– 543	476,441
4. Commission income	9,098	543	9,641
7. General administrative expenses	36,191	– 1,084	35,107
9. Other operating expenses	6,721	1,084	7,805

Due to the fiscal tax unit for income tax purposes on account of the profit and loss transfer agreement between Deutsche Hypo and NORD/LB, Deutsche Hypo only reports income taxes that relate to financial years up to and including 2012 or to foreign branches. These are calculated on the basis of the anticipated taxable result at the applicable income tax rate and taken into account proportionately. The surrender of profits reported in item 18 of the income statement as of 30 June 2015 has not taken place yet because the result at the end of the financial year is definitive for this. The amount reported there was added to provisions for this reason.

Notes on the balance sheet

Receivables from financial institutions and customers

in € thousands	30.06.2015	31.12.2014
Receivables from financial institutions		
Breakdown of residual maturities		
- due daily	1,215,690	1,329,866
- up to three months	82,679	156,663
- more than three months and up to one year	507,716	153,354
- more than one year and up to five years	436,615	727,024
- more than five years	254,745	250,704
- proportionate interest in total	245,362	336,775
Balance sheet item	**2,742,807**	**2,954,386**
Receivables from customers		
Breakdown of residual maturities		
- up to three months	480,194	580,287
- more than three months and up to one year	2,359,327	1,754,466
- more than one year and up to five years	6,063,415	7,239,399
- more than five years	7,500,629	7,854,271
- proportionate interest in total	88,948	129,646
Balance sheet item	**16,492,513**	**17,558,069**

Bonds and other fixed interest securities

For securities in fixed assets with a carrying value of € 1,767.8 million (2014: € 1,200.4 million) and a fair value of € 1,675.2 million (2014: € 1,133.8 million), a write-down of € 92.6 million to the lower value (2014: € 66.6 million) was not applied. In these cases, the Bank does not anticipate a long-term impairment, since a review of the credit rating of the issuer in question in the individual case did not reveal any signs that a long-term impairment was justified.

Liabilities to financial institutions or customers as well as securitised liabilities

in € thousands	30.06.2015	31.12.2014
Liabilities to financial institutions		
Breakdown of residual maturities		
- due daily	428,450	512,474
- up to three months	3,150,289	3,972,434
- more than three months and up to one year	1,233,907	1,192,206
- more than one year and up to five years	1,082,321	1,307,555
- more than five years	256,475	254,489
- proportionate interest in total	216,398	303,651
Balance sheet item	**6,367,840**	**7,542,809**
Liabilities to customers		
Breakdown of residual maturities		
- due daily	14,387	12,815
- up to three months	585,741	647,111
- more than three months and up to one year	1,262,327	304,927
- more than one year and up to five years	1,974,614	2,326,114
- more than five years	5,150,940	5,637,442
- proportionate interest in total	159,112	191,572
Balance sheet item	**9,147,121**	**9,119,981**
Securitised liabilities		
- due in the following year	2,961,223	3,059,124

Contingent liabilities and other obligations

in € thousands	30.06.2015	31.12.2014
Liabilities arising from sureties and guarantee agreements	**1,219,310**	**1,216,674**
of which credit default swaps	981,421	1,020,708
of which sureties in the mortgage business	237,889	195,966

Other obligations in the amount of € 1,264.9 million (2014: € 1,048.7 million) are reported on the off-balance sheet and involve solely irrevocable credit commitments from mortgage loans.

Notes on the income statement

Other operating income

Other operating income totalled € 1,950 thousand (2014: € 1,402 thousand) and mainly includes income from the release of provisions, income from foreign currency valuation and ongoing income from leases.

Other operating expenses

Other operating expenses of € 15,764 thousand (2014: € 7,805 thousand) mainly include the anticipated annual contribution to the uniform European Single Resolution Mechanism (bank levy), expenses in connection with the accrual of provisions and expenses for leased buildings.

Extraordinary expenses

Extraordinary expenses of € 506 thousand (2014: € 751 thousand) are mainly due to additions to pension provisions in accordance with Art. 67 (1) Cl. 1 of the Introductory Act to the German Commercial Code (EGHGB) and to the implementation of measures in connection with the efficiency improvement programme SIGN started in 2012.

Other disclosures

Information about cover analysis

The quarterly disclosures required pursuant to Section 28 of the German Covered Bonds Act (Pfandbriefgesetz) are available on the Bank's website at www.deutsche-hypo.de.

Changes in the Supervisory Board

Mr Thomas S. Bürkle, member of the Board of Managing Directors of NORD/LB, was appointed to the supervisory board, effective 1 January 2015.

Size of workforce on average

	2015	2014
Female employees	169	165
Male employees	222	223
Total	**391**	**388**

Hanover, 11 August 2015

The Board of Managing Directors

Pohl　　　　Rehfus

REVIEW REPORT

To Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover

We have reviewed the condensed interim financial statements of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover – comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and condensed notes – together with the interim management report of Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover, for the period from 1 January to 30 June 2015 that are part of the semi annual report according to § 37 w WpHG ["German Securities Trading Act"]. The preparation of the condensed interim financial statements in accordance with German principles of proper accounting and with German Accounting Standard No 16 Interim Financial Reporting (GAS 16) and of the interim management report in accordance with the requirements of the WpHG applicable to interim management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim financial statements and on the interim management report based on our review.

We performed our review of the condensed interim financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting, with German Accounting Standard No 16 Interim Financial Reporting (GAS 16), and that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim financial statements have not been prepared, in material respects, in accordance with German principles of proper accounting and with German Accounting Standard No 16 Interim Financial Reporting (GAS 16) or that the interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim management reports.

Hamburg, 11 August 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz	Ehlers
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

"We affirm that, to the best of our knowledge and pursuant to the applicable accounting principles for interim financial reporting, the condensed interim financial statements provide a true and fair view of net assets, financial and income position of the Bank and that the interim management report presents the business development, including the Bank's results and position, such that an accurate picture is presented, with a suitable description of the opportunities and risks relating to the probable development of the Bank in the rest of the financial year."

Hanover, 11 August 2015

The Board of Managing Directors

Pohl Rehfus

ADDRESSES IN GERMANY AND ABROAD

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