Interim financial report for the first six months

30 June 2007

Member of the Cooperative Financial Services Network

Deutsche Genossenschafts-Hypothekenbank

DG HYP

DG HYP. The innovative real estate bank.

Overview

Business development

	1 Jan to 30 Jun 2007	1 Jan to 30 Jun 2006	1 Jan to 30 Jun 2005
	€ million	€ million	€ million
New business	8,999	9,664	8,511
– Real estate lending including: loan extensions	2,194	2,131	1,933
– Portfolio investments	839	1,157	680
– Public-sector lending including: loan extensions	5,966	6,376	5,898
Pfandbrief sales and other refinancing sources	4,937	5,170	8,098

Balance Sheet

	30 Jun 2007	31 Dec 2006	31 Dec 2005
	€ million	€ million	€ million
Total assets	84,106	85,671	79,140
Real estate lending	22,786	23,531	24,790
MBS	5,250	4,923	3,396
Public-sector lending	46,845	44,588	41,833
Covered bonds *(Pfandbriefe)* and other debt securities	67,814	70,706	66,789
Liable capital	2,120	2,214	2,197

Profit and Loss Account

	1 Jan to 30 Jun 2007	1 Jan to 30 Jun 2006	1 Jan to 30 Jun 2005
	€ million	€ million	€ million
Gross profit	184.8	154.7	130.7
Administrative expenses	87.6	99.7	85.5
Revaluation results	–28.9	–4.8	19.3
Provisions for loan losses	37.1	41.8	37.6
Operating profit	31.2	8.4	26.9
Profit transfer	0.0	0.0	5.4

Employees

Number of staff	30 Jun 2007	31 Dec 2006	31 Dec 2005
Annual average (full-time equivalent)	586	594	582
Vocational trainees	18	21	22

Contents

Ladies and Gentlemen, dear business associates,

The first half of the 2007 financial year was defined by positive general economic development and at the same time by further intensifying competition in the German real estate finance market.

It is evident in residential real estate finance in particular that the positive economic development has not yet translated into rising retail demand for mortgage loans. At the same time, aggressive price competition has intensified once again over the previous year. Against this background, we were unable to match the volume of new business achieved in the corresponding period of the previous year.

The trend in commercial real estate finance was positive, where we continued the expansion we had embarked upon over the past few years into 2007. This relates in particular to our business activities abroad, where we posted a further significant increase over the previous year.

The market environment induced a reduction in the volume of portfolio investments in Credit Treasury during the first half of the year compared with the first six months of 2006. New business and loan extensions to local authorities on the other hand were up again over the high level achieved last year.

DG HYP together with Münchener Hypothekenbank eG signed a Memorandum of Understanding on the merger of the two institutions, with a view to harnessing to a greater extent the strengths the cooperative banking *sector has to offer in real estate finance. Changes in the market environment require both institutions to realign their real estate finance business, in order to enhance the competitive edge of the cooperative banking sector in this area of business for the future.*

The Supervisory Boards of DG HYP and Münchener Hypothekenbank authorised the Management Boards in early July 2007 to proceed further with the preparations for the merger of the two banks. The merger agreement is expected to be signed before the end of the year and authorised by the shareholder bodies of both institutions.

We are convinced that this merger with Münchener Hypothekenbank represents a meaningful strategic step towards combining our resources as a real estate bank in the cooperative banking sector, to further develop our franchise in the market.

Deutsche Genossenschafts-Hypothekenbank AG
The Management Board

Hamburg, August 2007

Economic environment

The recovery that emerged in the German economy at the end of last year remains intact. This momentum is driven primarily by strong corporate investments.

The real estate markets, however, have benefited only partially from this macroeconomic development to date. Foreign investors are still the main driver of the increased demand for residential and commercial real estate. All in all, the big cities were the key beneficiaries: regions continue to be diversified by prospering and structurally weak locations. In light of declining new construction activities and a stable development overall in the secondary real estate market, there is no evidence of increased demand for private properties. Depending on the specific region, growth is also very varied here too.

At the same time, competition has intensified further in commercial, and in particular in residential real estate finance. Accordingly, the margins in real estate financing remain under pressure. Further growth in new commitments and loan extensions demands for increased efforts to be made in the area of product development and sales.

In its international real estate finance business, DG HYP focuses exclusively on commercial real estate in selected markets in France, the United Kingdom, Scandinavia, and the US. Developments in these markets continue to be positive. In terms of DG HYP's overall portfolio, the bank's investments in residential MBS related to the crisis-ridden US sub-prime segment have no material impact whatsoever, and comprise investment-grade tranches only.

Business development

Residential Real Estate Finance

The first half of the year was defined overall by stagnating demand for residential real estate loans, while competition in retail real estate financing intensified again, with various providers offering aggressive quotes. Against this background, the volume of mortgage loans originated through our distribution partners in the cooperative banking sector declined, reflecting a higher volume of loans cooperative banks have taken on their own books. New business and loan extensions in Residential Real Estate Finance amounted to € 791 million as at 30 June 2007; this represents a significant decline from the previous year's figure of € 961 million.

In view of the prevailing competitive challenges, DG HYP further developed its strategic initiative with the launch of the lighthouse product *immo express* in the first half of 2007 – in the meantime, the product has been rolled out to more than 200 cooperative banks. DG HYP offers cooperative banks a highly competitive, standardised product that is geared to customers with an excellent credit rating and loan-to-value ratios of up to 60 per cent, backed by regional advertising campaigns, attractive terms and service-oriented, simple execution via participating banks' websites. The strong response through online media shows that *immo express* has already attracted a high level of attention from customers.

DG HYP added a complementary product in March 2007: *immo spezial* provides retail customers with sound credit quality, but no equity, with financing solutions of up to 120% of the mortgage lending value. Some 50 cooperative banks as well the distribution partner *Bausparkasse Schwäbisch Hall* are currently involved in the pilot phase of the launch. DG HYP will cooperate with the mortgage insurance provider PMI Mortgage Insurance Company Limited (PMI Europe) in implementing the new *immo spezial* financing model. PMI Europe offers tailor-made mortgage insurance to cover DG HYP's credit risk exposure from this product.

Commercial Real Estate Finance

DG HYP continued to build on the success its Commercial Real Estate Finance business has achieved in recent years. New business and loan extensions reached € 1,403 million in the first half of 2007, which corresponds to a 20 per cent increase over the previous year (H1 2006: € 1,170 million). The New York representative office, as well as the centrally-managed European business in France and Scandinavia, contributed in particular to the positive figure of € 389 million (2006: € 74 million) achieved in foreign financing.

DG HYP is represented in the important financial centres in both Germany and abroad. The decentralised structure comprising six real estate centres in Germany and representative offices in London and New York forms the basis for the continued positive development in the commercial real estate finance business.

Loans to local authorities and public-sector lending

New business and loan extensions for originated local authority business (direct financing for local authorities in Germany) totalled € 1,322 million on the reporting date, and was thus again up year-on-year (H1 2006: € 1,234 million). This positive development is also evident in promissory note loans, where the volume has risen from € 890 million to € 1,771 million. Together with the purchase of securities eligible for inclusion as cover assets (€ 2,873 million), the volume of business in public finance and originated local authority lending for the first half of 2007 totals € 5,966 million (previous year: € 6,376 million).

Credit Treasury

The Credit Treasury division is responsible for transactions and services related to active portfolio management at DG HYP. Market development here is defined by a significant drop in margins, in particular for 'true-buy' transactions. The strong growth in the structured finance market in 2006 was followed by stagnation in 2007. In line with this development, we limited our investments in the first six months of the current financial year exclusively to selected MBS transactions offering a good risk/return profile. The total volume of portfolio investments (€ 839 million) in the reporting period is thus down considerably on the same period of the previous year (€ 1,157 million).

A turnaround is also evident in transactions involving non-performing loans (NPLs). Large-volume portfolio offers in the past were driven by foreign investors in particular. In future, greater emphasis will be placed on trading smaller-sized packages: for example, loans originated by cooperative and savings banks. Cooperating with IMMOFORI Gesellschaft für Immobilien Forderungsinkasso mbH, DG HYP is well positioned here and supports the cooperative banks with a standardised process for the sale of terminated loans. In this segment DG HYP has already won 30 advisory mandates from cooperative banks.

Refinancing

DG HYP is a flexible and investor-friendly issuer that meets the requirements of the capital markets; it increased an outstanding jumbo issue maturing in January 2014 by € 250 million, to € 1.5 billion. Outstanding jumbo issues continue to trade well on the secondary market.

Refinancing volume in the first six months of the year totalled € 4.9 billion. Mortgage and public-sector covered bonds accounted for the lion's share of € 3 billion in issues placed during the period under review. Unsecured refinancing through bearer bonds and promissory notes accounted for € 1.9 billion.

Financial Situation and Results of Operations

Profit and Loss Account

DG HYP's earnings development in the first six months of the 2007 financial year was defined by an increase in gross profit as well as by a reduction in administrative expenditure and lower risk provisioning.

Gross profit climbed from € 154.7 million to € 184.8 million. The rise was largely attributable to the rise in net interest income, from € 167.8 million to € 198.3 million: the figure includes substantial contributions to earnings from our asset/liability management, which are not expected to be matched in the second half of the year. The net commission result of € 19.1 million was defined mainly by commission expense incurred for residential real estate financings originated through our distribution partners in the cooperative banking sector.

Administrative expenses in the period under review were down year-on-year, at € 87.6 million (2006: € 99.7 million). This decline is attributable mainly to non-recurring costs that were included in other operating expenses in the previous year, and which no longer apply.

The trend in recent years towards lower loan loss provisioning remained intact. Provisions for loan losses in the first half of the year amounted to € 37.1 million, down from € 41.8 million in the corresponding period of the previous year.

All in all, the operative result of € 31.2 million exceeded the comparable figure for the previous year (€ 8.4 million) by € 22.8 million. After taxes and owing to profits transferred under partial profit transfer agreements, the half-year result was balanced.

Balance sheet development

DG HYP’s total assets rose by € 1.6 billion during the period under review, to € 84.1 billion.

Whilst our real estate lending fell by € 0.7 billion, the volume of public-sector loans was increased by € 0.4 billion compared with 31 December 2006. Other loans and advances to banks posted a reduction of € 1 billion.

On the liabilities and equity side of the balance sheet, the volume of outstanding Pfandbriefe and other debt securities dropped by € 2.9 billion, whilst other liabilities to banks increased by € 1.1 billion at the same time. DG HYP’s equity capital has risen by € 336 million. The quality of DG HYP’s core capital was improved through the allocation of € 35 million to capital reserves, and through € 301 million in perpetual silent partnership contributions.

Report on Opportunities and Risks/Outlook

We expect new business and loan extensions for the 2007 financial year as a whole to be in line with the previous year’s level.

The Commercial Real Estate Finance business will continue to expand. New business and loan extensions in 2007 are likely to exceed the high level of the previous year. We will continue to pursue a selective strategy with regard to portfolio investments, and expect their volume in 2007 to match that of the previous year. Business volume in Residential Real Estate Finance will fall just short of last year's figures. Economic developments and associated increases in tax revenues are expected to reduce the financing requirements of local authorities. In this respect, originated local authority lending should to be down on the high level achieved in the previous year. We are forecasting a balanced result for the full-year 2007.

We will require a sustained increase in new business in the years ahead in order to maintain net interest income and operating results at their present levels. Against this background, DG HYP launched a project covering the strategic development options across all four divisions of DG HYP during the first half of 2007, with a view to substantially improving the bank's profitability. Further strategic options were also examined, whereby greater synergies could be achieved through closer networking within the Real Estate business segment of DZ BANK Group.

In parallel, DG HYP embarked on talks with Münchener Hypothekenbank eG on a merger between the two banks. To this end, a Memorandum of Understanding was signed. The Supervisory Boards of DG HYP and Münchener Hypothekenbank authorised the Management Boards in early July 2007 to proceed further with the preparations for the merger of the two banks. The merger agreement is expected to be signed before the end of the year and authorised by the shareholder bodies of both institutions.

The merger will be carried out in two legal stages. As a first step, Münchener Hypothekenbank eG – which will continue to exist as a registered cooperative – will spin off its operations into an interim entity. In a second step, this interim entity will be merged with DG HYP: as a result, the existing Münchener Hypothekenbank eG and DZ BANK AG will be shareholders in the new bank, with DZ BANK AG holding a majority stake. The new bank will be called "Münchener Hypothekenbank AG", and will have its registered office in Munich.

The objectives of the merger are to enhance profitability of the new real estate bank by joining forces on realigning the real estate financing business, and to boost the competitive strength of the cooperative banking sector in this area of business for the future. Innovative products and distribution strategies will be deployed, to successfully develop real estate banking within the cooperative banking sector and enhance competitiveness. The new bank will organise its activities along four business lines: Residential Real Estate Finance, Commercial Real Estate Finance, Local Authority Lending and Treasury, and Credit Treasury.

Combining the strengths of both institutions will allow to support cooperative banks in enhancing their regional competitiveness, and will also increase efficiency in terms of production, distribution, and settlements. At the same time, the new bank will consistently remain on track in growing its direct business of commercial real estate financing in Germany and abroad. Hence, the merger will facilitate the realisation of significant income and cost synergies.

This is why we are convinced that a merger with Münchener Hypothekenbank represents a meaningful strategic step towards combining our resources as a real estate bank in the cooperative banking sector, to further develop our franchise in the market.

Condensed balance sheet

Assets

	30 Jun 2007	31 Dec 2006	Change
	€ million	€ million	%
Cash funds	**29**	**24**	**20.8**
Loans and advances to banks	**5,621**	**6,679**	**–15.8**
Loans secured by property mortgages	290	217	33.6
Loans to local authorities	4,238	4,400	–3.7
Other loans and advances	1,093	2,062	–47.0
Loans and advances to customers	**41,016**	**41,146**	**–0.3**
Loans secured by property mortgages	22,497	23,314	–3.5
Loans to local authorities	18,162	17,575	3.3
Other loans and advances	357	257	38.9
Bonds and other fixed-income securities	**36,410**	**36,711**	**–0.8**
Bonds and debt securities	36,051	36,458	–1.1
Public-sector issuers	16,674	16,062	3.8
Other issuers	19,377	20,396	–5.0
Own bonds issued	359	253	41.9
Equities and other non-fixed-income securities	**2**	**2**	**–**
Participations	**1**	**1**	**–**
Investments in affiliated companies	**3**	**3**	**–**
Trust assets	**696**	**746**	**–6.7**
Intangible fixed assets	**30**	**33**	**–9.1**
Tangible fixed assets	**4**	**3**	**33.3**
Other assets	**43**	**52**	**–17.3**
Prepaid expenses	**251**	**271**	**–7.4**
Total assets	**84,106**	**85,671**	**–1.8**

Condensed balance sheet

Liabilities and equity

	30 Jun 2007	31 Dec 2006	Change
	€ million	€ million	%
Liabilities to banks	**13,414**	**13,552**	**–1.0**
Registered mortgage bonds *(Hypotheken-Namenspfandbriefe)*	817	1,168	–30.1
Registered public sector covered bonds *(öffentliche Namenspfandbriefe)*	2,995	3,858	–22.4
Other liabilities	9,602	8,526	12.6
Liabilities to customers	**16,052**	**14,351**	**11.9**
Registered mortgage bonds *(Hypotheken-Namenspfandbriefe)*	2,732	2,977	–8.2
Registered public sector covered bonds *(öffentliche Namenspfandbriefe)*	10,562	8,564	23.3
Other liabilities	2,758	2,810	–1.9
Securitised liabilities	**50,708**	**54,139**	**–6.3**
Mortgage bonds *(Hypothekenpfandbriefe)*	12,782	13,219	–3.3
Public-sector covered bonds *(öffentliche Pfandbriefe)*	31,267	35,553	–12.1
Other debt securities	6,659	5,367	24.1
Trust liabilities	**696**	**746**	**–6.7**
Other liabilities	**77**	**106**	**–27.4**
Deferred income	**131**	**131**	**–**
Provisions	**95**	**96**	**–1.0**
Subordinated liabilities	**786**	**731**	**7.5**
Profit-participation certificates	**146**	**154**	**–5.2**
Equity capital	**2,001**	**1,665**	**20.2**
Total equity and liabilities	**84,106**	**85,671**	**–1.8**
Contingent liabilities	**596**	**633**	**–5.8**
Other commitments	**1,899**	**1,663**	**14.2**

Condensed profit and loss account

	1 Jan to 30 Jun 2007	1 Jan to 30 Jun 2006	Change
	Mio. €	Mio. €	%
Interest income	2,060.7	1,884.9	9.3
Interest expense	1,862.4	1,717.1	8.5
Net interest income	**198.3**	**167.8**	**18.2**
Commission income	11.1	9.6	15.6
Commission expense	30.2	30.3	–0.3
Net commission result	**–19.1**	**–20.7**	**–7.7**
Other operating income	5.6	7.6	–26.3
Gross profit	**184.8**	**154.7**	**19.5**
Administrative expenses	**87.6**	**99.7**	**–12.1**
General administrative expenses			
Personnel expenses	29.3	27.5	6.5
Other administrative expenses	53.0	54.4	–2.6
Amortisation/depreciation and write-downs of intangible and tangible fixed assets	4.2	5.6	–25.0
Miscellaneous other operating expenses	1.1	12.2	–91.0
Amortisation and write-downs of receivables and specific securities, as well as additions to loan loss provisions	64.1	47.3	35.5
of which: Provisions for loan losses	***37.1***	***41.8***	***–11.2***
Income from write-ups on participations, interests in affiliated companies, and investment securities	–1.5	0.7	n/a
Expenses for losses assumed under profit-transfer and similar agreements	0.4	–	n/a
Profit from ordinary activities	**31.2**	**8.4**	**n/a**
Taxes on income	–7.1	5.9	n/a
Other taxes	0.0	0.2	–99.5
Profits transferred under partial profit transfer agreements	38.3	24.4	57.0
Change in the fund for general banking risks	–	22.1	–100.0
Net profit	**0.0**	**0.0**	**n/a**

Selected explanatory notes to the financial statements

The accounting policies applied in the preparation of DG HYP's financial statements as at 31 Dec 2006 were also applied for these interim financial statements as at 30 Jun 2007.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the interim management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company for the remaining months of the financial year.

Hamburg – Berlin, 20 August 2007

Deutsche Genossenschafts-Hypothekenbank
Aktiengesellschaft

Macke Piaskowski Salber

We have changed the frequency of financial reporting to half-yearly publication, in accordance with the German Act for the Implementation of the Transparency Directive *(Transparenzrichtlinie-Umsetzungsgesetz – "TUG")* The next disclosure required under the German Securities Trading Act *(Wertpapierhandelsgesetz – "WpHG")* will take place within the scope of the annual report for the 2007 financial year.

The following is an English translation of the Review Attestation, which has been prepared on the basis of the German language version of the Financial Statements and the Management Report. The translation of the Financial Statements, the Management Report, and the Review Attestation, are provided for convenience; the respective German versions shall be exclusively valid for all purposes.

Review Attestation

To Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg – Berlin

We have reviewed the interim condensed financial statements, comprising the condensed balance sheet, the condensed income statement and the condensed notes, and the interim management report of Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg - Berlin, for the period from January 1st, 2007 to June 30st, 2007, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed financial statements in accordance with German commercial law and of the interim management report in accordance with the provisions of the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] applicable to interim management reports is the responsibility of the Company's management. Our responsibility is to issue an attestation on the interim condensed financial statements and the interim management report based on our review.

We conducted our review of the interim condensed financial statements and the interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed financial statements have not been prepared, in all material respects, in accordance with the provisions of German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports.

Hamburg, 20 August 2007

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