Interim financial report
30 June 2011

Member of the Cooperative Financial Services Network

Deutsche Genossenschafts-Hypothekenbank

DG HYP

Overview

Business development	1 Jan to 30 Jun 2011	1 Jan to 30 Jun 2010
Development of originated new business	€ mn	€ mn
Commercial Real Estate Finance	1,825	2,335
Germany*	1,728	1,522
International*	97	813
Treasury		
Originated loans to local authorities	185	410
Pfandbrief sales and other refinancing sources	2,325	4,567

Balance Sheet	30 Jun 2011	31 Dec 2010
	€ mn	€ mn
Total assets	59,618	63,443
Loans secured by property mortgages	20,415	21,437
Mortgage Backed Securities (MBS)	2,978	3,261
Public-sector and local authority loans	30,807	33,297
Pfandbriefe and other debt securities	40,294	44,602
Own funds for solvency purposes	1,543	1,630
Total capital ratio (%)	11.1	10.6
Core capital ratio (%)	8.2	7.6

Profit and Loss Account	1 Jan to 30 Jun 2011	1 Jan to 30 Jun 2010
	€ mn	€ mn
Net interest income	118.6	102.6
Net commission result	10.5	8.8
Administrative expenses	51.5	48.1
Net other operating income/expenses	0.5	–0.6
Provisions for loan losses	37.5	42.5
Securities and investment result	–51.4	–52.1
Operating profit	–10.8	–31.9
Net extraordinary income/expenses	23.7	41.8
Taxes	0.1	0.1
Partial profit transfer	12.8	9.8
Profit transfer	0.0	0.0

Employees	30 Jun 2011	31 Dec 2010
(part-time and full-time)	Number of staff	Number of staff
Half-yearly average	442	452

*Location of property

Contents

Welcome 4

Interim Management Report 6
- Economic environment 6
- Business development 8
- Financial situation and results of operations 11
- Report on opportunities and risks 14

Interim Financial Statements 18
- Condensed balance sheet 18
- Condensed profit and loss account 20
- Notes to the financial statements 21

Responsibility Statement 27

Review report 28

DG HYP contacts and office addresses 30

Ladies and Gentlemen,
dear business associates,

DG HYP successfully pursued its chosen path during the first half of 2011, strengthening its market position in the core German market. The business environment on the real estate markets, and for the economy as a whole, is favourable: commercial real estate transaction volumes have grown across all segments during the first six months of the year, and economic developments have outperformed expectations. Thanks to the strong economy, investors are increasingly focusing on the German real estate market. With unemployment falling below the three million threshold, the labour market has seen a turnaround. Nevertheless, in the light of the euro zone sovereign debt crisis, markets in the European Union (EU) are unsettled and volatile: despite the positive economic framework, the overall situation is therefore characterised by uncertainty.

We originated € 1.73 billion in new Commercial Real Estate Finance business during the first half of 2011, representing a 13.5% improvement over the first six months of the previous year – which was already a good result. We take this positive development as evidence that the decision to focus on Germany – our core market – was the right one. As expected, new business generated abroad of € 97 million was significantly lower than the previous year's figure of € 813 million.

Cooperation with our partners in the Cooperative Financial Services Network developed particularly well: loans originated jointly with cooperative banks were up 62% during the first half of the year, to € 631 million. We will consistently pursue the joint market coverage and business development with the cooperative banks.

The fact that our operating performance remained positive during the first six months of 2011 affirms the viability of our business model as a provider of commercial real estate finance, adhering to traditional financing principles within a strong financial services group. The high-quality new business, which we carefully and diligently select with a focus on risk and return, continues to make a sustainable contribution to DG HYP's stable development. In line with our target business, net commission income and net interest income have developed favourably and sustainably – exceeding the previous year's figures and projections. Administrative expenses are in line with the previous year's level, even taking a higher contribution to pension provisions and the bank levy – which is payable in 2011 for the first time – into account. Provisions for loan losses in our target business are in line with our expectations.

Thanks to our integration in the Cooperative Financial Services Network, we enjoy a good and strong market standing. We will continue to consistently exploit the business opportunities arising from this position. As one of the leading commercial real estate finance houses in Germany, we will continuously develop our business and gradually expand our market position.

Deutsche Genossenschafts-Hypothekenbank AG
The Management Board

Hamburg, August 2011

Economic environment

German economic growth for the first half of 2011 exceeded expectations: whilst the Federal government forecasted a 2.3% rise in gross domestic product at the start of the year, this figure has in the meantime been adjusted upwards to 3% at the mid-year point. A key contributor to this strong performance has been the recovery in domestic demand, primarily driven by plant and construction investments, but also by private consumption. Export momentum remained strong during the first half of the year. The strong economic growth also had a positive effect upon the German labour market: with the most recent figure of 2.9 million, unemployment fell below the three-million threshold for the first time since German reunification.

Even though the economy is expected to weaken during the remainder of the year, growth rates are set to remain positive. Companies have maintained their positive assessment of the German business environment. All told, it is fair to expect a stable domestic economy, low unemployment, and accelerating real wages, with exports also likely to retain their momentum.

Nevertheless, the overall situation in the euro zone is characterised by uncertainty, in the light of the sovereign debt crisis affecting several countries. Last year, the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) established a € 750 billion rescue facility designed to prevent a default of individual euro zone countries. As the Greek sovereign debt crisis escalated, the heads of state and government of the euro zone countries agreed upon an additional € 109 billion rescue package in July 2011; banks, insurance companies and other private-sector creditors are due to share the burden. To calm the markets will require the restoration of market participants' confidence in the sustained economic stability of the euro zone – which will in turn require the willingness and ability to consolidate budgets in the countries concerned. Moreover, the high levels of public-sector debt in the US pose a risk for economic development.

Responding to rising prices across the euro zone, the ECB increased its key interest rates twice within three months during the first half of 2011. The two 0.25% hikes mean that the ECB has continued its gradual exit from a policy of 'cheap money'. The turnaround in the ECB's key rates started in April, with a hike of its main refinancing rate to 1.25% (after it had been unchanged, at 1.00%, for nearly two years), and further to 1.50% in early July.

Transaction volumes in commercial real estate continued the positive trend seen in the previous year during the first six months of 2011, with rising activity across all German market segments. The volume of € 11.3 billion (source: Jones Lang LaSalle) was up by around 19% year-on-year. Retail properties were particularly sought after, accounting for 55% of the overall volume; but all segments contributed to the positive development on the German real estate investment market. Commercial real estate is fundamentally important for the economy as a whole. The real estate asset class provides a stable and reliable focus for investment, which is set to attract high demand even though interest rates have again risen slightly. Transaction volumes are thus expected to continue growing during the second half of the year.

Business development

Commercial Real Estate Finance

With € 1,728 million in new Commercial Real Estate Finance business originated up until 30 June 2011, DG HYP increased its new business volume by 13.5% year-on-year (H1 2010: € 1,522 million). DG HYP thus further strengthened its position as one of the leading commercial real estate finance houses in Germany. During the first half of 2011, the Bank successfully continued to concentrate on its core German market. As expected, new business generated abroad of € 97 million was significantly lower than the previous year's figure (H1 2010: € 813 million). Against this background, the Bank's aggregate originated new business volume of € 1,825 million during the period ended 30 June 2011 was lower than in the previous year (H1 2010: € 2,335 million).

DG HYP engages in Commercial Real Estate Finance business with investors, and as a partner to the approximately 1,100 cooperative banks in Germany, with a focus on the core segments of office, residential and retail properties. DG HYP is also involved in the specialist segments of hotels, logistics and real estate for social purposes, within the scope of its credit risk strategy. Target clients are private and institutional investors, housing companies, as well as commercial and residential real estate developers. Through its six Real Estate Centres in Hamburg, Berlin, Dusseldorf, Frankfurt, Stuttgart and Munich, DG HYP is set up for close cooperation at a local level.

As the specialist for Commercial Real Estate Finance within the Cooperative Financial Services Network, DG HYP continuously develops this business line, joining forces with the cooperative banks. In this context, DG HYP provides its partner banks in the network with a high-performance range of products and services meeting customer needs, know-how regarding commercial real estate and related financing solutions, and joint market coverage. Thanks to the successfully intensified cooperation, and reflecting the rising interest on the part of cooperative banks in the IMMO META REVERSE+ product launched in 2011, the volume of jointly-originated business soared to € 631 million in the first half of 2011 – a year-on-year increase of 62% (H1 2010: € 390 million).

Local authority lending

DG HYP extends loans to local authorities in close cooperation with the cooperative banks. Reflecting the competitive environment in this business, the Bank originated € 185 million in new business during the first half of 2011 (H1 2010: € 410 million).

Public finance business

Within the framework of DG HYP's strategic realignment, the Bank suspended its public finance and interbank lending activities back in 2008 – a decision taken well in advance of the debt crisis affecting euro zone peripheral states. The related portfolio was reduced as planned, from € 38.5 billion at the end of 2007 to € 21.5 billion as at 30 June 2011. DG HYP will continue to adhere to this strategy – implementing the resulting portfolio reduction – in the years to come.

Refinancing

The primary market for covered bonds had a momentuous start to the first half of the year: total issuance during the first quarter alone amounted to just over € 100 billion – more than in any other first quarter of the past decade. In the midst of the financial crisis, new issues tended to have rather short maturities: the present trend to issue longer-maturity bonds is evidence of a restoration of investor confidence in this bond market segment, in spite of the prevailing challenges arising from the sovereign debt crisis.

In this market environment, DG HYP raised € 2,325 million in funding during the first half of 2011. Once again, the Bank's covered funding was carried out exclusively via Mortgage Pfandbriefe, whilst uncovered funding was provided once more exclusively by the Cooperative Financial Services Network.

Financial situation and results of operations

Profit and loss account

DG HYP's return to profitability remains on schedule. The fact that our operating performance remained positive during the first six months of 2011 affirms the viability of our business model as a provider of commercial real estate finance, adhering to traditional financing principles within a strong financial services group. New commercial real estate finance business, yielding good returns related to the risk exposures taken on, contributed significantly to stable results of operations. This means that the Bank's strengthening operating profitability helps to fully offset default risks from the non-strategic portfolios – which it continues to resolve as planned – at an earlier point in time than expected.

Against this background, DG HYP's net interest income of € 118.6 million for the first half of 2011 was up 16% year-on-year. The net figure includes a net € 16.9 million in non-recurring realised profits on derivatives, which was offset by a net € 14.1 million in expenses (recognised in the securities and investment result) realised upon the sale of the underlying transactions, which necessitated the close-out of derivatives hedges. Adjusted for this non-recurring effect, net interest income was in line with the previous year's figure, as planned. At the same time, net commission income – which is generated in particular through service fees in Commercial Real Estate Finance – rose by € 1.7 million over the comparable period of the previous year, to € 10.5 million for the period ended on 30 June 2011. Lower expenses for own securitisation transactions also contributed to this increase.

Administrative expenses (the sum of general administrative expenses and amortisation/depreciation and write-downs of intangible and tangible fixed assets) already reached their sustainable target level in the previous year. Considering a € 2.4 million increase in the contribution to pension provisions, as well as the bank levy which is payable in 2011 for the first time (with a pro-rata amount of € 2.3 million), six-month administrative expenses of € 51.5 million (up € 3.4 million) were stable. In this context, the development of all major expense areas affirms the lasting improvements that were made to DG HYP's cost structures as a result of the restructuring.

At € 37.5 million, provisions for loan losses were below our expectations, down € 5.0 million from the first half of 2010 (€ 42.5 million), reflecting the performance of our target business, which remains on schedule.

The securities and investment result as at 30 June 2011 was burdened additionally by the valuation of Greek government bonds held, having an aggregate nominal volume of € 33.7 million. Given the discussions regarding the solvency of Greece, DG HYP has modified its intention for holding these securities, and reclassified them to the liquidity reserve. This reclassification required a write-down of € 18.9 million to the lower fair value. Moreover, write-downs of € 17.1 million were recognised during the first half of 2011 for impairments of the MBS portfolio which are expected to be permanent. The fact that these write-downs were € 35.7 million lower than in the previous year (H1 2010: € 52.8 million) supports the expectation that DG HYP will increasingly be able to shoulder the default risks from this portfolio, which the Bank continues to reduce. A further material component of the securities and investment result was a net € 14.1 million expense for early disposals of portfolio holdings. Pending derivatives positions were closed out in connection with these disposals; the resulting accrued profit of € 16.9 million was reported under net interest income, due to the absence of a valuation unit pursuant to section 254 of the German Commercial Code.

Net extraordinary income/expenses of € 23.7 million was largely attributable to an income contribution from DZ BANK, which was reduced by € 18.3 million year-on-year. Accordingly, the interim result, after taxes and partial profit transfers, is balanced.

Balance sheet development

DG HYP’s total assets as at the reporting date stood at € 59.6 billion, a further 6% decrease from 31 December 2010. The increase in Commercial Real Estate Finance exposures, in line with the business strategy, was more than offset by the reduction in retail real estate lending; as a result, the aggregate real estate loan portfolio declined by € 1.0 billion to € 20.4 billion. At the same time, the portfolio of public-sector loans and loans to local authorities decreased by € 2.5 billion compared with 31 December 2010, in line with the strategy.

Reflecting developments on the assets side, the volume of outstanding Pfandbriefe and other debt securities fell by € 4.3 billion.

Report on material events after the reporting date

No events occurred between 1 July 2011 and 12 August 2011 that would have had a material impact on our results for the first six months of 2011.

Report on opportunities and risks

As the specialist for Commercial Real Estate Finance within the Cooperative Financial Services Network, DG HYP has maintained its position as one of the leading German real estate banks, and will continue to strengthen this sound market position in the future. New business will increasingly be originated in successful collaboration with German cooperative banks, for whom DG HYP provides a high-performance range of products and services. Thanks to its size and stability, the German market provides sizeable potential for successful business activities. DG HYP's specific strengths are nationwide market coverage, reliability and speed in decision-making, close collaboration with the cooperative banks, and a strong funding base. The Bank consistently exploits the opportunities available through professional conduct – from origination to risk management – in order to affirm its higher market share.

Against this background, DG HYP anticipates attractive new business volumes in its domestic Commercial Real Estate Finance activities during the 2011 financial year. In contrast, new business originated abroad will be lower year-on-year, which is in line with the Bank's planning due to the strategic reduction in its international business activities. Overall, DG HYP originates a reasonable level of new business, with a sound risk/return profile that will stabilise results in a sustainable way.

Following the extensive portfolio adjustments in the recent past, and thanks to DG HYP's improved operating performance, the Bank is increasingly able to shoulder any discernible default risks in the Mortgage Backed Securities (MBS) and subordinated debt portfolios on its own. DG HYP is intensively monitoring its non-strategic investments, using a detailed risk management system, regular analyses of individual exposures, and comprehensive stress testing.

The development of material risk factors has shown initial indications for a stabilisation at the current low levels. Nonetheless, DG HYP anticipates individual defaults to occur in these portfolios, which tend to exhibit late-cycle sensitivities; such defaults might burden results.

DG HYP's securities portfolio also includes bonds issued by the so-called PIIGS countries (euro zone members Portugal, Ireland, Italy, Greece and Spain), acquired within the scope of the public finance business which the Bank generally discontinued in 2008:

Total securities

Nominal principal

	30 Jun 2011	31 Dec 2010	Change
	€ mn	€ mn	
Portugal	842	923	–81
Italy	2,066	2,264	–198
Ireland	70	165	–95
Greece	486	688	–202
Spain	5,227	5,346	–119
Total	8,691	9,386	–695

of which: government bonds

Nominal principal

	30 Jun 2011	31 Dec 2010	Change
	€ mn	€ mn	
Portugal	275	355	–80
Italy	1,610	1,622	–12
Ireland	50	50	0
Greece	34	236	–202
Spain	3,408	3,453	–45
Total	5,377	5,716	–339

In principle, these securities were purchased as cover assets for DG HYP's Public-Sector Pfandbrief issues, with a view to holding them over a long-term period. During the period under review, the Greek government bond held (with a nominal volume of € 33.7 million) was written down by € 18.9 million. Considering the ongoing major efforts by the European Union (EU), the European Central Bank (ECB), and the International Monetary Fund (IMF), DG HYP anticipates no need for further write-downs on this portfolio in the future. This is subject to a credible und proven willingness (as well as the ability) of the countries concerned to balance their budgets. Continued strong political pressure on the governments in question, as well as further coordinated economic and monetary policy resolutions by the European Union, will also contribute in this context.

Overall, looking at the successful operating performance to date, DG HYP expects to outperform its return targets in the 2011 financial year. The Bank anticipates being able to fully cover expected defaults in the MBS portfolio, and on existing subordinated debt, from its operating income. However, given the prevailing uncertainty in connection with the as yet unresolved sovereign debt crisis, an income contribution by DZ BANK is still expected to be necessary to achieve a balanced result for 2011.

Condensed balance sheet

Assets

	30 Jun 2011	31 Dec 2010
	€ mn	€ mn
Cash funds	**0**	**1**
Loans and advances to banks	**2,726**	**2,778**
Loans secured by property mortgages	66	74
Loans to local authorities	1,477	1,525
Other loans and advances	1,183	1,179
Loans and advances to customers	**33,986**	**35,807**
Loans secured by property mortgages	20,348	21,363
Loans to local authorities	12,635	13,547
Other loans and advances	1,003	897
Debt securities and other fixed-income securities	**21,124**	**23,218**
Bonds and debt securities	19,891	21,702
Public-sector issuers	8,851	9,681
Other issuers	11,040	12,021
Own bonds issued	1,233	1,516
Equities and other non-fixed-income securities	**1**	**1**
Investments in affiliated companies	**2**	**2**
Trust assets	**1,368**	**1,106**
Tangible fixed assets	**152**	**152**
Other assets	**26**	**125**
Prepaid expenses	**233**	**253**
Total assets	**59,618**	**63,443**

Interim Financial Statements

Condensed balance sheet

Liabilities and equity

	30 Jun 2011	31 Dec 2010
	€ mn	€ mn
Liabilities to banks	**16,605**	**15,860**
Registered Mortgage Pfandbriefe	1,142	1,180
Registered Public Sector Pfandbriefe	1,893	1,959
Other liabilities	13,570	12,721
Liabilities to customers	**14,489**	**15,324**
Registered Mortgage Pfandbriefe	2,527	2,587
Registered Public Sector Pfandbriefe	10,037	10,237
Other liabilities	1,925	2,500
Securitised liabilities	**24,694**	**28,639**
Mortgage Pfandbriefe	10,230	11,073
Public Sector Pfandbriefe	12,484	14,872
Other debt securities	1,980	2,694
Trust liabilities	**1,368**	**1,106**
Other liabilities	**27**	**40**
Deferred income	**186**	**207**
Provisions	**120**	**123**
Subordinated liabilities	**671**	**681**
Profit-participation certificates	**51**	**56**
Equity	**1,407**	**1,407**
Total equity and liabilities	**59,618**	**63,443**
Contingent liabilities	**424**	**468**
Other commitments	**2,452**	**2,039**

Condensed profit and loss account

	1 Jan to 30 Jun 2011	1 Jan to 30 Jun 2010
	€ mn	€ mn
Interest income	1,163.7	1,227.6
Interest expenses	1,045.1	1,125.0
Net interest income	**118.6**	**102.6**
Commission income	16.3	16.3
Commission expenses	5.8	7.5
Net commission income	**10.5**	**8.8**
Gross profit	**129.1**	**111.4**
Administrative expenses	**51.5**	**48.1**
General administrative expenses		
Personnel expenses	21.1	18.2
Other administrative expenses	29.1	28.5
Amortisation/depreciation and write-downs of intangible and tangible fixed assets	1.3	1.4
Net other operating income/expenses	**0.5**	**–0.6**
Amortisation and write-downs of loans and advances and specific securities, as well as additions to loan loss provisions	75.0	42.6
of which: Provisions for loan losses	37.5	42.5
Amortisation and write-downs on participations, interests in affiliated companies, and investment securities	13.9	52.0
Result from ordinary activities	**–10.8**	**–31.9**
Extraordinary income	23.7	42.0
Extraordinary expenses	0	0.2
Net extraordinary income/expenses	**23.7**	**41.8**
Other taxes	0.1	0.1
Profits transferred under partial profit transfer agreements	12.8	9.8
Net income	**0.0**	**0.0**

Notes to the financial statements

General information

General information on the preparation of the half-yearly financial report

DG HYP's half-yearly financial report as at 30 June 2011 has been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – "HGB").

Furthermore, the financial statements are prepared in accordance with the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute – "RechKredV"); they fulfil the requirements of the German Stock Corporation Act (Aktiengesetz – "AktG") and the German Pfandbrief Act (Pfandbriefgesetz – "PfandBG").

The half-yearly financial report has been subject to a review.

Accounting policies

The present interim report is generally based on the same accounting policies as were applied in the financial statements as at 31 December 2010.

Loans and advances to banks/to customers

Loans and advances to banks and customers are recognised at nominal value, in accordance with section 340e (2) of the HGB. Where their stated value differs from the amount disbursed, or cost, the amount of the difference is reported under prepaid expenses or deferred income, and amortised in interest income over the term of the transaction.

Loans and advances which are fully classified as current assets are valued strictly at the lower of cost or market. All existing individual lending risks are covered by specific loan loss provisions.

As prescribed by international accounting standards, changes over time in the value of real estate collateral recognised for the purposes determining the value of commercial real estate finance receivables are reported in net interest income. This so-called 'unwinding effect' amounted to € 2.7 million as at 30 June 2011. Besides this policy, no income received on commercial real estate financings for which a specific provision has been recognised is reported in net interest income: receipts for such exposures are set off against the provision for loan losses.

In case of settlement of a private real estate financing, interest income is no longer recognised where it becomes obvious during execution proceedings that the realisable proceeds will fall short of the carrying amount.

Existing risks of default in the retail lending business are covered by recognising specific provisions at a flat rate. Tax-deductible general loan loss provisions are formed to cover expected loan losses which have been incurred (but not identified as such) at the balance sheet date. Specific provisions for possible loan losses related to country risk exposure under claims to foreign borrowers are recognised in the form of a lump-sum allowance.

Prepayment penalties charged for loan repayments or extensions during the fixed-interest term of a loan are fully recognised in interest income.

Debt securities and other fixed-income securities

Except for repurchased own securities issues, which are valued strictly at the lower of cost or market, and Greek government bonds, all debt and other fixed-income securities were carried as fixed assets, at amortised cost, as at 30 June 2011. Premiums and discounts are amortised in net interest income over the term of the securities.

As at 30 June 2011, we did not recognise an extraordinary write-down in the aggregate amount of € 1,920.2 million for negotiable securities with a fair value of € 18,048.4 million not measured at the lower of cost or market, due to the expected temporary nature of the impairment, pursuant to section 253 (3) sentence 4 of the HGB.

Taking into account the compensating effects from hedges within the context of the overall management of the bank, these hidden encumbrances in relation to the entire non-trading portfolio increased to € 2,380.8 million. Since impairments of interest and principal payments are not expected to occur – in our view – with respect to the securities concerned and the hedges, no write-downs pursuant to section 253 (3) sentence 4 of the HGB were recognised based on such a high-level portfolio view.

We had to recognise extraordinary write-downs on Mortgage Backed Securities (MBS) in the amount of € 17.1 million, pursuant to section 253 (3) sentence 3 of the HGB, because we expected the impairment of the securities to be of a permanent nature.

The carrying amount of securities held as liquidity reserve, valued strictly at the lower of cost or market, amounted to € 1,244.0 million.

Price data used to determine the fair value of debt securities and other fixed-income securities is generally taken from an external price feed.

Due to an observable increase in market liquidity, the entire MBS portfolio was valued using current liquidity add-ons as at 30 June 2011. The resulting conversion to measurement using liquidity premiums derived from liquid bond markets increased the write-downs which were not recognised (pursuant to section 253 (3) sentence 4 of the HGB) by € 345.0 million; given a nominal volume of € 1,421.0 million, this effect was largely attributable to adjustments concerning Commercial Mortgage Backed Securities (CMBS) as well as other US securitisation transactions.

Equities and other non-fixed-income securities

Equities and other non-fixed income securities are carried at amortised cost.

Participations and interests in affiliated companies

Participations and interests in affiliated companies are carried at amortised cost.

Intangible and tangible fixed assets

Tangible fixed assets are carried at cost less regular depreciation, where applicable. Where necessary, extraordinary write-downs were taken into account in accordance with section 253 (3) sentence 3 of the HGB. Moveable fixed assets are depreciated on a straight-line basis, or degressively with a subsequent transfer to straight-line depreciation. Low-value assets are written off in full during their year of purchase. Standard software is reported under intangible assets, as prescribed by accounting standard HFA 11 issued by the Main Committee of the IDW (IDW RS HFA 11).

Liabilities

Liabilities are shown on the balance sheet at the amount due for repayment. The difference between the nominal value and the initial carrying amount of liabilities is recognised under prepaid expenses or deferred income, and amortised over the term of the transaction.

Liabilities classified as structured products (as defined in Accounting Standard 22 issued by the Auditing and Accounting Board of the IdW) are accounted for as uniform liabilities, since they only contain embedded interest rate derivatives.

Provisions

Contingent liabilities are covered by provisions equalling the anticipated amount of the liability, on the basis of prudent business judgement. Provisions for pensions are determined in accordance with actuarial principles, using Dr Klaus Heubeck's 2005 G actuarial tables. Future salary and pension increases are taken into account in accordance with the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – "BilMoG"). The discount rate of 5.14%, as determined by Deutsche Bundesbank, was used.

The addition to provisions for pensions due to interest rate effects is recognised in other operating expenses.

Derivative financial instruments

Financial derivatives are accounted for separately in auxiliary ledgers. As at 30 June 2011, the nominal volume of financial derivatives amounted to € 123,320.9 million, with a net fair value of € -1,047.7 million. These instruments are generally used to hedge against the interest rate and currency risk exposure of on-balance sheet transactions. Each derivative transaction forms part of the overall management of the banking book; segregated sub-portfolios (valuation units) are not managed on an individual basis. Accordingly, section 254 of the HGB (as amended) is not applicable.

Current interest payments are amortised and recorded in net interest income.

Income from the disposal of interest rate-based derivative financial instruments is generally recognised in interest income.

Premiums paid or received for credit default swaps are amortised in commission income over the terms of the transactions. Compensation payments received under Credit Default Swaps are offset against provisions for loan losses.

Premium payments for swaptions entered into as a hedge against the impact of statutory loan termination rights pursuant to section 489 of the German Civil Code (Bürgerliches Gesetzbuch - "BGB") are allocated to the investment portfolio and carried at cost.

Currency translation

Assets and liabilities from foreign exchange transactions are translated in line with section 340h of the HGB in conjunction with section 256a of the HGB and Statement BFA 3/1995 issued by the IdW. Book receivables, securities, liabilities and unsettled spot transactions are generally translated into euro using the reference rate prevailing on the balance sheet date. Due to the specific coverage of foreign currency items, all currency translation effects are recognised in income, in accordance with the BilMoG, under net other operating income and expenses.

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, 12 August 2011

Deutsche Genossenschafts-Hypothekenbank
Aktiengesellschaft

Dr Reutter Dr Meyer-Raven Salber

Review report

To Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft, Hamburg

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, for the period from 1. January 2011 to 30. June 2011, 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 a report 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 are not 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 are not prepared, in all material respects, in accordance with the provisions of German commerical 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, 12 August 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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