Pursuant to article 16 para. 3 of the German Securities Prospectus Act investors who have already agreed to purchase or subscribe for Notes issued under the Programme (as defined herein) before this Supplement (as defined herein) has been published shall have the right, exercisable within two working days after the publication of this Supplement, to withdraw their purchase or subscription orders, provided that the new factor arose before the final closing of the offer to the public and the delivery of the securities. In this case the withdrawal has to be addressed to the Issuer (as defined below).

Supplement pursuant to article 16 para. 1 of the German Securities Prospectus Act
dated 22 August 2012

to the base prospectus dated
3 May 2012
relating to

Deutsche Pfandbriefbank AG

Munich, Federal Republic of Germany

as Issuer

Euro 50,000,000,000
Debt Issuance Programme (the "Programme")

This supplement (the "Supplement") to the base prospectus dated 3 May 2012 is prepared in connection with the Euro 50,000,000,000 Debt Issuance Programme (the "Programme") of Deutsche Pfandbriefbank AG (the "Issuer") and is supplemental to, and should be read in conjunction with, the base prospectus dated 3 May 2012 (the "Original Base Prospectus") in respect of the Programme. Unless otherwise stated or the context otherwise requires, terms defined in the Original Base Prospectus shall have the same meaning when used in the Supplement. As used herein, the term "Base Prospectus" means the Original Base Prospectus as amended by the Supplement.

The Issuer accepts responsibility for the information contained in or incorporated by reference into this Base Prospectus. The Issuer hereby declares that all information contained in this Base Prospectus is true and accurate to the knowledge of the Issuer and that no material circumstances have been omitted.

The Supplement has been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* of the Federal Republic of Germany in its capacity as competent authority (the "Competent Authority") under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) which implements Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as lastly amended by Directive 2010/73/EU and Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010. Application has been made to the Competent Authority to provide the *Commission de Surveillance du Secteur Financier* (the "CSSF") of the Grand Duchy of Luxembourg, the *Autoriteit Financiële Markten* of the Netherlands, the *Financial Services Authority* of the United Kingdom, the *Irish Financial Services Regulatory Authority* of Ireland, the *Finanzmarktaufsicht* of Austria and the *Kredittilsynet / Oslo Børs* of Norway with a certificate of approval attesting that the Supplement has been drawn up in accordance with the German Securities Prospectus Act and with a copy of the Supplement.

This Supplement has been filed with the Competent Authority and has been published together with the Original Base Prospectus on the website of the Issuer (www.pfandbriefbank.com). Upon request (to be addressed to Deutsche Pfandbriefbank AG, Freisinger Straße 5, 85716 Unterschleißheim, Germany), the Issuer will provide, free of charge, a copy of this Supplement and of the Original Base Prospectus.

Following the publication of the consolidated interim financial information of the Issuer for the first six months of the financial year 2012 in the morning of 14 August 2012, the Issuer announces the following new factors relating to the information included in the Original Base Prospectus.

OVERALL AMENDMENTS

If reference is made in the Original Base Prospectus to "Base Prospectus", then the respective reference includes all changes made by this Supplement.

I. SUPPLEMENTAL INFORMATION RELATING TO THE TABLE OF CONTENTS

On page 3 of the Original Base Prospectus, the following items shall be added in the Table of Contents after the items in relation to "Section XIII. General Description of the Programme":

"APPENDIX I: DEUTSCHE PFANDBRIEFBANK CONSOLIDATED INTERIM FINANCIAL INFORMATION FIRST HALF 2012

II. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "I. SUMMARY"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. SUMMARY OF THE DESCRIPTION OF THE ISSUER AND OF HYPO REAL ESTATE GROUP – SUMMARY OF THE DESCRIPTION OF THE ISSUER"

On page 8 of the Original Base Prospectus, the information contained in the Subsection "Significant Change in Issuer's Financial Position" shall be deleted and replaced as follows:

"There has been no significant change in the financial position of the Issuer since the end of the last financial period for which interim financial information has been published (30 June 2012)."

III. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "II. DEUTSCHE ÜBERSETZUNG DER ZUSAMMENFASSUNG"

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN UND DER HYPO REAL ESTATE GROUP – ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN"

On page 21 of the Original Base Prospectus, the information contained in the Subsection "Wesentliche Änderung der Finanzlage der Emittentin" shall be deleted and replaced as follows:

"Seit dem Ende des Stichtags, für den Zwischenfinanzinformationen veröffentlicht wurden (30. Juni 2012), hat es keine wesentlichen Veränderungen in der Finanzlage der Emittentin gegeben."

IV. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION "IV. DEUTSCHE PFANDBRIEFBANK AG"

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "2. INFORMATION ABOUT THE ISSUER"

On page 47 of the Original Base Prospectus, the following paragraph shall be added at the end of the Subsection "Recent Events":

"As a result of a comprehensive review of bank ratings initiated in spring 2012 Moody's lowered a number of bank ratings during the first half of 2012, especially in the European Banking sector. In July 2012, Moody's has also placed the ratings of the Issuer on review for downgrade. Amongst others, the following ratings are affected (see also page 230 of the Base Prospectus): the A3 senior unsecured rating and the P-1 short-term rating. Due to methodological linkages between senior unsecured ratings and covered bond ratings, the Moody's ratings for the Issuer's Pfandbriefe were also placed on review for downgrade.

At the occasion of the publication of the consolidated interim financial information of the Issuer for the first six months of the financial year 2012, the Issuer has announced that it has ended Fitch's mandate to rate its Mortgage Pfandbriefe (see in the Base Prospectus on page 230). As a consequence, the Issuer will no longer apply for a Fitch rating of Mortgage Pfandbriefe to be issued under the Programme after the date of this Supplement. It should be noted that the Fitch rating of Mortgage Pfandbriefe mentioned on page 230 of the Base Prospectus does not apply to any issuances of Mortgage Pfandbriefe to be issued under the Programme after the date of this Supplement. Furthermore, it can be expected that Fitch will withdraw the rating of Mortgage Pfandbriefe, including also the individual ratings of Mortgage Pfandbriefe already issued under the Programme."

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION "8. HISTORICAL FINANCIAL INFORMATION"

On page 52 et seq. of the Original Base Prospectus, the following paragraph shall be added at the end of the Subsection "Historical Financial Information relating to the Issuer":

"As of 30 June 2012, the Issuer has published consolidated interim financial information including the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity (condensed), the statement of cash flows (condensed), the notes (condensed) and the auditor's report (the "Deutsche Pfandbriefbank Consolidated Interim Financial Information First Half 2012"). The Deutsche Pfandbriefbank Consolidated Interim Financial Information First Half 2012 is included in Appendix I to the Base Prospectus (pages F-1 to F-35). The Deutsche Pfandbriefbank Consolidated Interim Financial Information First Half 2012 has been prepared on the basis of IFRS."

On page 52 of the Original Base Prospectus, the following paragraph shall be added at the end of the Subsection "Auditing of Historical Financial Information":

"The Deutsche Pfandbriefbank Consolidated Interim Financial Information First Half 2012 is unaudited and has been subject to a review by the auditors (*prüferische Durchsicht*) only. The statutory auditors of the Issuer have issued a review report (*Bescheinigung nach prüferischer Durchsicht*)."

On page 52 of the Original Base Prospectus, the information contained in the Subsection "Interim and other Financial Information" shall be deleted and replaced as follows:

"The Issuer has published reviewed consolidated interim financial information as of 30 June 2012."

On page 53 of the Original Base Prospectus, the information contained in the Subsection "Significant Change in Issuer's Financial Position" shall be deleted and replaced as follows:

"There has been no significant change in the financial position of the Issuer since the end of the last financial period for which interim financial information has been published (30 June 2012)."

V. SUPPLEMENTAL INFORMATION
RELATING TO THE APPENDICES

After page 234 of the Original Base Prospectus the Deutsche Pfandbriefbank Consolidated Interim Financial Information First Half 2012 as laid out on the following pages F-1 to F-35 is newly inserted as F-pages into the Original Base Prospectus.

Appendix I

Deutsche Pfandbriefbank
Consolidated Interim Financial Statements First Half 2012

Consolidated Interim Financial Statements

Income Statement

Income/expenses in € million	Note | Page	1.1.– 30.6.2012	1.1.– 30.6.2011	Δ in € million	Δ in %
Operating revenues		223	293	–70	–23.9
Net interest income and similar income	7 | 68	150	192	–42	–21.9
Interest income and similar income		1,494	1,993	–499	–25.0
Interest expenses and similar expenses		1,344	1,801	–457	–25.4
Net commission income	8 | 68	6	19	–13	–68.4
Commission income		8	21	–13	–61.9
Commission expenses		2	2	–	–
Net trading income	9 | 69	–2	–	–2	<–100.0
Net income from financial investments	10 | 69	5	–1	6	>100.0
Net income from hedge relationships	11 | 70	–3	–27	24	88.9
Balance of other operating income/expenses	12 | 70	67	110	–43	–39.1
Provisions for losses on loans and advances	13 | 71	9	–1	10	>100.0
General administrative expenses	14 | 71	164	174	–10	–5.7
Balance of other income/expenses	15 | 72	1	–	1	>100.0
Pre-tax profit/loss		**51**	**120**	–69	–57.5
Taxes on income	16 | 72	16	43	–27	–62.8
Net income/loss		**35**	**77**	–42	–54.5
attributable to: Equity holders (consolidated profit/loss from the parent company)		35	77	–42	–54.5

Statement of Comprehensive Income

Statement of comprehensive income in € million	1.1.–30.6.2012 Before tax	Tax	Net of tax	1.1.–30.6.2011 Before tax	Tax	Net of tax
Net income/loss	**51**	**16**	**35**	**120**	**43**	**77**
Additional paid-in capital	–	–	–	–	–	–
Retained earnings	–	–	–	–1	–	–1
Foreign currency reserve	–1	–	–1	2	–	2
AfS reserve	76	21	55	–22	–10	–12
Cash flow hedge reserve	–21	–5	–16	–132	–30	–102
Total other income of the period	54	16	38	–153	–40	–113
Total comprehensive income of the period	**105**	**32**	**73**	**–33**	**3**	**–36**
attributable to: Equity holders (consolidated profit/loss from the parent company)	105	32	73	–33	3	–36

Disclosure of components of comprehensive income in € million	1.1.–30.6.2012	1.1.–30.6.2011
Net income/loss	**35**	**77**
Additional paid-in capital	–	–
Unrealised gains/losses	–	–
Retained earnings	–	–1
Unrealised gains/losses	–	–1
Foreign currency reserve	–1	2
Unrealised gains/losses	–1	2
AfS reserve	55	–12
Unrealised gains/losses	55	–12
Cash flow hedge reserve	–16	–102
Unrealised gains/losses	–16	–102
Total other income of the period	**38**	**–113**
Total unrealised gains/losses	**38**	**–113**
Total comprehensive income of the period	**73**	**–36**

Statement of Financial Position

Assets in € million	Note | Page	30.6.2012	31.12.2011	Δ in € million	Δ in %	1.1.2011
Cash reserve		52	323	−271	−83.9	224
Trading assets	18 | 73	5,300	9,818	−4,518	−46.0	16,168
Loans and advances to other banks	19 | 73	11,876	7,632	4,244	55.6	12,128
Loans and advances to customers	20 | 74	52,302	55,236	−2,934	−5.3	118,642
Allowances for losses on loans and advances	22 | 75	−483	−477	−6	−1.3	−561
Financial investments	23 | 76	26,856	28,677	−1,821	−6.4	33,605
Property, plant and equipment		3	3	–	–	5
Intangible assets		34	35	−1	−2.9	32
Other assets	24 | 77	6,674	6,058	616	10.2	5,035
Income tax assets	25 | 78	1,896	1,474	422	28.6	1,545
Current tax assets		63	55	8	14.5	64
Deferred tax assets		1,833	1,419	414	29.2	1,481
Total assets		**104,510**	**108,779**	−4,269	−3.9	**186,823**

Equity and liabilities in € million	Note | Page	30.6.2012	31.12.2011	Δ in € million	Δ in %	1.1.2011
Liabilities to other banks	26 | 78	8,607	8,223	384	4.7	62,587
Liabilities to customers	27 | 78	14,805	12,363	2,442	19.8	17,384
Liabilities evidenced by certificates	28 | 79	53,088	55,038	−1,950	−3.5	63,846
Trading liabilities	29 | 79	5,252	9,903	−4,651	−47.0	16,294
Provisions	30 | 80	172	163	9	5.5	176
Other liabilities	31 | 80	15,189	16,123	−934	−5.8	18,883
Income tax liabilities	32 | 81	1,811	1,373	438	31.9	1,526
Current tax liabilities		67	82	−15	−18.3	83
Deferred tax liabilities		1,744	1,291	453	35.1	1,443
Subordinated capital	33 | 81	2,421	2,501	−80	−3.2	2,766
Liabilities		**101,345**	**105,687**	−4,342	−4.1	**183,462**
Equity attributable to equity holders		3,165	3,092	73	2.4	3,361
Subscribed capital		380	380	–	–	380
Silent participation		999	999	–	–	999
Additional paid-in capital		5,036	5,036	–	–	5,036
Retained earnings		−3,160	−3,277	117	3.6	−3,089
Foreign currency reserve		−35	−34	−1	−2.9	−35
Revaluation reserve		−90	−129	39	30.2	255
AfS reserve		−494	−549	55	10.0	−259
Cash flow hedge reserve		404	420	−16	−3.8	514
Consolidated profit/loss 1.1.–31.12.		–	117	−117	−100.0	−185
Consolidated profit/loss 1.1.–30.6.2012		35	–	35	>100.0	–
Equity		**3,165**	**3,092**	73	2.4	**3,361**
Total equity and liabilities		**104,510**	**108,779**	−4,269	−3.9	**186,823**

Statement of Changes in Equity
(condensed)

Statement of Cash Flows
(condensed)

Statement of changes in equity (condensed)									
	Equity attributable to equity holders								
						Revaluation reserve			
in € million	Subscribed capital	Silent participation	Additional paid-in capital	Retained earnings	Foreign currency reserve	AfS reserve	Cash flow hedge reserve	Consolidated profit/loss	Equity
Equity at 1.1.2011	**380**	**999**	**5,036**	**–3,089**	**–35**	**–259**	**514**	**–185**	**3,361**
Capital increase	–	–	–	–	–	–	–	–	–
Transaction costs of capital measures	–	–	–	–	–	–	–	–	–
Treasury shares	–	–	–	–	–	–	–	–	–
Distribution	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–1	2	–12	–102	77	–36
Transfer to retained earnings	–	–	–	–185	–	–	–	185	–
Changes in the group of consolidated companies	–	–	–	–	–	–	–	–	–
Equity at 30.6.2011	**380**	**999**	**5,036**	**–3,275**	**–33**	**–271**	**412**	**77**	**3,325**
Equity at 1.1.2012	**380**	**999**	**5,036**	**–3,277**	**–34**	**–549**	**420**	**117**	**3,092**
Capital increase	–	–	–	–	–	–	–	–	–
Transaction costs of capital measures	–	–	–	–	–	–	–	–	–
Treasury shares	–	–	–	–	–	–	–	–	–
Distribution	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–1	55	–16	35	73
Transfer to retained earnings	–	–	–	117	–	–	–	–117	–
Changes in the group of consolidated companies	–	–	–	–	–	–	–	–	–
Equity at 30.6.2012	**380**	**999**	**5,036**	**–3,160**	**–35**	**–494**	**404**	**35**	**3,165**

Statement of cash flows (condensed)		
in € million	2012	2011
Cash and cash equivalents at 1.1.	**323**	**224**
+/– Cash flow from operating activities	–2,358	–3,201
+/– Cash flow from investing activities	2,179	3,382
+/– Cash flow from financing activities	–92	–274
+/– Effects of exchange rate changes and non-cash valuation changes	–	–
Cash and cash equivalents at 30.6.	**52**	**131**

1 Principles

Deutsche Pfandbriefbank Group has prepared the condensed consolidated interim financial statements for the period ended 30 June 2012 in line with EC ordinance No. 1606/2002 of the European Parliament and Council of 19 July 2002 in accordance with International Financial Reporting Standards (IFRS). The condensed consolidated interim financial statements are based on the IFRS rules, which have been adopted in European Law by the EU commission as part of the endorsement process; it is also based on the regulations of commercial law which are applicable in accordance with section 315 a (1) HGB (German Commercial Code). In particular, requirements of IAS 34 were considered. On 30 June 2012, the European Union has not endorsed Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters, Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets as well as specific regulations relating to a portfolio hedge of interest risks in IAS 39 Financial Instruments: Recognition and Measurement. The amendments to IFRS 1 and IAS 12 are not relevant for Deutsche Pfandbriefbank Group. Moreover, the Group does not apply this specific type of portfolio hedge accounting. In consequence, these condensed consolidated interim financial reports are in accordance with the entire IFRS as well as the IFRS applicable in the EU.

The IFRS are standards and interpretations adopted by the International Accounting Standards Board (IASB). These are, in particular, the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the IFRS Interpretations Committee (formerly IFRIC) or the former Standing Interpretations Committee (SIC). If they are not inconsistent with the IFRS, the German Accounting Standards (GAS) published by the Deutsche Rechnungslegungs Standards Committee (DRSC) have also been taken into account.

On 7 August 2012, the Management Board of Deutsche Pfandbriefbank AG prepared these condensed consolidated interim financial statements under the going-concern assumption.

Initially Adopted Standards and Interpretations In the first half of the financial year 2012 Deutsche Pfandbriefbank Group initially adopted the following standards:
> Amendments to IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets
> Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
> Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

Amendments to IFRS 7 require disclosures which enable the estimation of the relationships between derecognised financial assets and the corresponding liabilities as well as the nature and the risks of the continuing involvement in derecognised financial assets. This will result in material impacts on the disclosures in the consolidated financial statements of Deutsche Pfandbriefbank AG. In the current condensed consolidated interim financial statements these disclosures are not required according to IAS 34.15 B.

Amendments to IFRS 1 solely concern IFRS first-time adopters. The announcement is applicable for financial years beginning on or after 1 July 2011. The endorsement on behalf of the European Union has not yet been done. There are no impacts on the current condensed consolidated interim financial statements because Deutsche Pfandbriefbank Group is not an IFRS first-time adopter.

Amendments to IAS 12 regulate the nature of realisation of specific assets in conjunction with deferred tax measurement. The announcement is applicable for investment properties, property, plant and equipment as well as intangible assets which are measured at fair value. Furthermore, the announcement supersedes SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets. Amendments to IAS 12 are applicable for financial years beginning on or after 1 January 2012. The endorsement on behalf of the European Union has yet not been done. There have been no impacts on the current condensed consolidated interim financial statements because Deutsche Pfandbriefbank Group has no investment properties, property, plant and equipment, and intangible assets measured at fair value.

2 Consolidation

On pages 120 and 121, the Annual Report 2011 of Deutsche Pfandbriefbank Group contains a list of all consolidated and non-consolidated investments of Deutsche Pfandbriefbank AG. Compared to the group of consolidated companies described in the Annual Report 2011 the changes were as follows:

The company Hypo Real Estate Capital Singapore Corporation Private Ltd. (in liquidation), Singapore, a previously consolidated 100% subsidiary of Deutsche Pfandbriefbank AG, was liquidated effective 2 March 2011. The liquidation did not result in any impacts on the development in earnings, assets and financial position of Deutsche Pfandbriefbank Group because the subsidiary had no assets or liabilities on the date of liquidation.

3 Transfer of Positions to FMS Wertmanagement

With economic effect from 1 October 2010, Deutsche Pfandbriefbank Group transferred positions to FMS Wertmanagement, a public law institution with partial legal capacities of Bundesanstalt für Finanzmarktstabilisierung (FMSA), which was established on 8 July 2010. The positions had been transferred at the respective carrying amount of the transferred company in line with the accounting principles which were applicable for the separate financial statements of the respective company. The amount of the compensation claims which Deutsche Pfandbriefbank Group received from FMS Wertmanagement was calculated as the difference between the carrying amount of the assets transferred by the respective companies less the transferred equity and liabilities.

The transfer has resulted in the derecognition of non-derivative assets with an IFRS balance sheet value of € 41.3 billion, provisions for losses on loans and advances of € –2.5 billion, derivatives of € 9.8 billion and (previously HRE-internal) refinancing of € 76.1 billion. The effects which reduced total assets were partially compensated for by opposite effects. These amounted to € 113.4 billion as of 1 October 2010, € 20.2 billion as of 31 December 2011 and € 14.2 billion as of 30 June 2012.

4 Notes to Segment Reporting by Operating Segment

Deutsche Pfandbriefbank Group operates in the three operating segments Public Sector Finance, Real Estate Finance and Value Portfolio, which are used for managing the Group.

The presentation of the segments of Deutsche Pfandbriefbank Group is based on internal reporting which is prepared in accordance with IFRS. Income and expenses are allocated to the segments in line with the principle of causation. The external net interest income of the Group is calculatively allocated to the segments.

Public Sector Finance (PSF) The Public Sector Finance segment comprises the financing arrangements of the public sector. Holdings in the PSF segment are based on eligibility to be used as cover funds in accordance with German law. The segment comprises public sector investment finance arrangements, in which Deutsche Pfandbriefbank Group operates new business, as well as expired budget financing. Concentrating on public investment finance is the aim. The target group for these activities are profitable customer segments with a commensurate risk level: regions, cities and municipalities as well as state-guaranteed public corporations and guaranteed public-private partnerships.

Real Estate Finance (REF) The operating segment Real Estate Finance comprises all commercial real estate financing arrangements of the Group. New business focuses on financing existing properties with a conservative refinancing strategy. The customers are professional investors. Adequate batch sizes and loan-to-values commensurate for the level of risk involved are essential for independent operations. Strategic partnerships are agreed with other institutions with the aim of permitting higher loan-to-values and larger volumes for customers by means of syndications and consortium financing arrangements.

Value Portfolio (VP) The Value Portfolio segment mainly comprises the income and expenses attributable to the services of Deutsche Pfandbriefbank Group for the ongoing operation of FMS Wertmanagement as well as IT services provided to the affiliated company DEPFA. The segment also comprises the income and expenses of selected structured products.

The **Consolidation & Adjustments** column is used for reconciling the sum of operating segments results with the consolidated result. The column includes equity which is not allocated to the operating segments.

5 Income Statement and Balance-Sheet-Related Measures, Broken Down by Operating Segment

Income / expenses in € million		PSF	REF	VP	Consolidation & Adjustments	**Deutsche Pfandbriefbank**
Operating revenues	1.1.–30.6.2012	19	120	79	5	223
	1.1.–30.6.2011	44	146	96	7	293
Net interest income and similar income	1.1.–30.6.2012	31	109	5	5	150
	1.1.–30.6.2011	57	123	4	8	192
Net commission income	1.1.–30.6.2012	–1	7	–	–	6
	1.1.–30.6.2011	–2	22	–1	–	19
Net trading income	1.1.–30.6.2012	–1	–1	–	–	–2
	1.1.–30.6.2011	3	1	–	–4	–
Net income from financial investments	1.1.–30.6.2012	–3	8	–	–	5
	1.1.–30.6.2011	3	–	–4	–	–1
Net income from hedge relationships	1.1.–30.6.2012	–1	–2	–	–	–3
	1.1.–30.6.2011	–25	–2	–	–	–27
Balance of other operating income / expenses	1.1.–30.6.2012	–6	–1	74	–	67
	1.1.–30.6.2011	8	2	97	3	110
Provisions for losses on loans and advances	1.1.–30.6.2012	1	8	–	–	9
	1.1.–30.6.2011	–	11	–12	–	–1
General administrative expenses	1.1.–30.6.2012	26	69	69	–	164
	1.1.–30.6.2011	26	67	79	2	174
Balance of other income / expenses	1.1.–30.6.2012	–	1	–	–	1
	1.1.–30.6.2011	–	–	–	–	–
Pre-tax result	1.1.–30.6.2012	**–8**	**44**	**10**	**5**	**51**
	1.1.–30.6.2011	**18**	**68**	**29**	**5**	**120**

Key ratio in %		PSF	REF	VP	**Deutsche Pfandbriefbank**
Cost-income ratio[1]	1.1.–30.6.2012	> 100.0	57.5	87.3	73.5
	1.1.–30.6.2011	59.1	45.9	82.3	59.4

[1] The cost-income ratio is the ratio between general administrative expenses and operating revenues.

The Management Board controls balance-sheet related-measures by operating segments based on equity, risk-weighted assets and on financing volumes. Financing volumes are the notional amounts of the drawn parts of granted loans and parts of the securities portfolio.

Balance-sheet-related measures, broken down by operating segments in € billion		PSF	REF	VP	Consolidation & Adjustments	**Deutsche Pfandbriefbank**
Equity[1]	30.6.2012	1.2	1.1	0.1	0.9	3.3
	31.12.2011	1.0	1.2	0.1	0.9	3.2
Risk-weighted assets[2]	30.6.2012	5.1	9.8	0.3	0.8	16.0
	31.12.2011	4.3	12.1	0.6	–	17.0
Finance volume[2]	30.6.2012	38.3	23.2	1.1	–	62.5
	31.12.2011	44.0	23.5	1.1	–	68.6

[1] Excluding revaluation reserve
[2] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5; according to Basle II advanced IRB approach for authorised portfolios, otherwise Basle II standardised approach; pro forma as per prepared annual financial statements and after result distribution

6 Breakdown of Operating Revenues

Operating Revenues by Products Operating revenues from other products mainly resulted from net income for the servicing for the ongoing operation of FMS Wertmanagement as well as for IT services to the affiliate DEPFA totalling € 70 million (1.1.–30.6.2011: € 86 million).

Operating revenues by products in € million		Public sector financings	Real estate financings	Other products	**Deutsche Pfandbriefbank**
Operating revenues	1.1.–30.6.2012	19	120	84	223
	1.1.–30.6.2011	44	146	103	293

Operating Revenues by Customers Net income of € 53 million (1.1.–30.6.2011: € 65 million) recognised in the Value Portfolio segment resulted from services for the ongoing operation of FMS Wertmanagement. Because the net income accounts for more than 10 % of all operating revenues of Deutsche Pfandbriefbank Group, FMS Wertmanagement is a major customer in accordance with IFRS 8.34. The net income compensates for the expenses of Deutsche Pfandbriefbank Group incurred in connection with servicing.

Notes to the Income Statement

7 Net Interest Income and Similar Income

Net interest income and similar income, broken down by categories of income/expenses in € million	1.1.–30.6.2012	1.1.–30.6.2011
Interest income and similar income	**1,494**	**1,993**
Lending and money-market business	832	1,141
Fixed-income securities and government-inscribed debt	463	484
Current result from swap transactions (balance of interest income and interest expenses)	199	368
Interest expenses and similar expenses	**1,344**	**1,801**
Deposits	321	583
Liabilities evidenced by certificates	967	1,159
Subordinated capital	56	59
Total	**150**	**192**

Total interest income for financial assets that are not measured at fair value through profit or loss, amounted to € 1.5 billion (1.1.–30.6.2011: € 2.0 billion). Total interest expenses for financial liabilities that are not measured at fair value through profit or loss amounted to € 1.3 billion (1.1.–30.6.2011: € 1.8 billion).

Net interest income and similar income includes income of € 4 million (1.1.–30.6.2011: € 6 million) due to the increase in the present value of the adjusted allowances resulting over a period of time and an expense of € – 8 million (1.1.–30.6.2011: € – 8 million) due to the increase in the present value of the adjusted liabilities over a period of time.

8 Net Commission Income

Net commission income in € million	1.1.–30.6.2012	1.1.–30.6.2011
Securities and custodial services	– 1	– 2
Lending operations and other service operations	7	21
Total	**6**	**19**

Net commission income is attributable exclusively to financial assets and financial liabilities which are not designated at fair value through profit or loss. Commission income from trust activities amount to € 0 million (1.1.–30.6.2011: € 0 million), with commission expenses at € 0 million (1.1.–30.6.2011: € 0 million).

9 Net Trading Income

Net trading income in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
From interest rate instruments and related derivatives	–4	–
From foreign currency instruments and related derivatives	2	–
Total	**–2**	**–**

10 Net Income from Financial Investments

Net income from financial investments in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Income from financial investments	11	3
Expenses from financial investments	6	4
Total	**5**	**–1**

Based on measurement categories, net income from financial investments is broken down as follows:

Net income from financial investments by IAS 39 categories in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Available-for-sale financial investments	5	–
Loans-and-receivables financial investments	–	–1
Total	**5**	**–1**

11 Net Income from Hedge Relationships

Net income from hedge relationships in € million	1.1.– 30.6.2012	1.1.– 30.6.2011
Result from fair value hedge accounting	–5	–6
Result from hedged items	–127	241
Result from hedging instruments	122	–247
Result from dFVTPL investments and related derivatives	2	–22
Result from dFVTPL investments	2	–31
Result from derivatives related to dFVTPL investments	–	9
Ineffectiveness from cash flow hedge accounting affecting income	–	1
Total	**–3**	**–27**

12 Balance of Other Operating Income/Expenses

Balance of other operating income/expenses in € million	1.1.– 30.6.2012	1.1.– 30.6.2011
Other operating income	135	166
Other operating expenses	68	56
Balance of other operating income/expenses	**67**	**110**

Balance of other operating income/expenses included net income from services for the ongoing operations of FMS Wertmanagement amounting to € 53 million (1.1.–30.6.2011: € 65 million) and net income from IT services to the affiliate DEPFA of € 17 million (1.1.–30.6.2011: € 21 million). A net income of € 1 million (1.1.–30.6.2011: € 9 million) resulted from foreign currency translation. The bank levy expenses amounted to € 12 million (1.1.–30.6.2011: € 1 million). In the first half of 2012 the position includes both the calculative annual amount 2012 and the subsequent amount.

13 Provisions for Losses on Loans and Advances

Provisions for losses on loans and advances in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Provisions for losses on loans and advances	10	–
Additions	25	39
Releases	–15	–39
Provisions for contingent liabilities and other commitments	–1	–
Additions	1	–
Releases	–2	–
Recoveries from write-offs of loans and advances	–	–1
Total	**9**	**–1**

The development of individual allowances on loans and advances as well as portfolio-based allowances is disclosed in the note Allowances for Losses on Loans and Advances.

14 General Administrative Expenses

General administrative expenses in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Personnel expenses	66	67
Wages and salaries	53	54
Social security costs	9	8
Pension expenses and related employee benefit costs	4	5
Other general administrative expenses	92	101
Consulting expenses	25	18
IT expenses	48	58
Office and operating expenses	6	7
Other administrative expenses	13	18
Depreciation/amortisation	6	6
on software and other intangible assets excluding goodwill	5	5
on property, plant and equipment	1	1
Total	**164**	**174**

Cost-income ratio in %	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Cost-income ratio	73.5	59.4

15 Balance of Other Income/Expenses

Balance of other income/expenses in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Other income	3	–
thereof: Releases of restructuring provisions	3	–
Other expenses	2	–
thereof: Additions to restructuring provisions	2	–
Balance of other income/expenses	**1**	**–**

16 Taxes on Income

Breakdown in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Current taxes	–7	26
Deferred taxes	23	17
thereof: Deferred taxes on capitalised losses carried forward	19	21
Total	**16**	**43**

17 Net Gains/Net Losses

The following net gains or net losses were recognised in profit or loss according to IFRS 7.20(a):

Net gains/net losses in € million	**1.1.– 30.6.2012**	**1.1.– 30.6.2011**
Loans and receivables	–7	3
Available for sale	5	–
Held for trading	–2	–
Designated at fair value through P&L	2	–22
Financial liabilities at amortised cost	3	17

Notes to the Statement of Financial Position

18 Trading Assets

Trading assets in € million	30.6.2012	31.12.2011
Positive fair values from derivative financial instruments	266	248
Stand-alone derivatives (bank book)	5,034	9,570
Total	**5,300**	**9,818**

19 Loans and Advances to Other Banks

Loans and advances to other banks, broken down by type of business in € million	30.6.2012	31.12.2011
Loans and advances	6,636	6,886
Public sector loans	2,367	2,602
Real estate loans	–	–
Other loans and advances	4,269	4,284
Investments	5,240	746
Total	**11,876**	**7,632**

Loans and advances to other banks, broken down by maturities in € million	30.6.2012	31.12.2011
Repayable on demand	3,481	293
With agreed maturities	8,395	7,339
Up to 3 months	6,014	4,890
From 3 months to 1 year	300	150
From 1 year to 5 years	884	1,032
From 5 years and over	1,197	1,267
Total	**11,876**	**7,632**

20 Loans and Advances to Customers

Loans and advances to customers, broken down by type of business in € million	30.6.2012	31.12.2011
Loans and advances	52,302	54,736
Public sector loans	20,220	21,725
Real estate loans	32,054	32,984
Other loans and advances	28	27
Investments	–	500
Total	**52,302**	**55,236**

Loans and advances to customers, broken down by maturities in € million	30.6.2012	31.12.2011
Unspecified terms	–	–
With agreed maturities	52,302	55,236
Up to 3 months	2,297	3,608
From 3 months to 1 year	4,653	5,286
From 1 year to 5 years	19,660	20,326
From 5 years and over	25,692	26,016
Total	**52,302**	**55,236**

21 Volume of Lending

Volume of lending in € million	30.6.2012	31.12.2011
Loans and advances to other banks	6,636	6,886
Loans and advances to customers	52,302	54,736
Contingent liabilities	51	38
Total	**58,989**	**61,660**

22 Allowances for Losses on Loans and Advances

Development in € million	Individual allowances on loans and advances	Portfolio-based allowances	**Total**
Balance at 1.1.2011	**460**	**101**	**561**
Changes affecting income	12	−23	−11
Gross additions	54	14	68
Releases	−33	−37	−70
Increase of the present value due to passage of time (unwinding)	−9	–	−9
Changes not affecting income	−59	−14	−73
Changes in the group of consolidated companies	–	–	–
Use of existing loan-loss allowances	−87	−14	−101
Other changes	7	–	7
Effects of currency translations and other changes not affecting income	21	–	21
Balance at 31.12.2011	**413**	**64**	**477**
Balance at 1.1.2012	**413**	**64**	**477**
Changes affecting income	−8	14	6
Gross additions	11	14	25
Releases	−15	–	−15
Increase of the present value due to passage of time (unwinding)	−4	–	−4
Changes not affecting income	–	–	–
Changes in the group of consolidated companies	–	–	–
Use of existing loan-loss allowances	−2	–	−2
Other changes	−3	–	−3
Effects of currency translations and other changes not affecting income	5	–	5
Balance at 30.6.2012	**405**	**78**	**483**

The allowances for losses on loans and advances were exclusively recognised for assets of the measurement category Loans and Receivables.

23 Financial Investments

Breakdown in € million	30.6.2012	31.12.2011
AfS financial investments	4,270	3,916
Shares in non-consolidated subsidiaries	1	1
Debt securities and other fixed-income securities	4,267	3,913
Equity securities and other variable-yield securities	2	2
dFVTPL financial investments	83	148
Debt securities and other fixed-income securities	83	148
LaR financial investments	22,503	24,613
Debt securities and other fixed-income securities	22,503	24,613
Total	**26,856**	**28,677**

The carrying amounts of the LaR financial investments were reduced by portfolio-based allowances amounting to € 11 million (31.12.2011: € 6 million).

Financial investments, broken down by maturities in € million	30.6.2012	31.12.2011
Unspecified terms	3	3
With agreed maturities	26,853	28,674
Up to 3 months	892	1,654
From 3 months to 1 year	3,388	1,500
From 1 year to 5 years	8,537	10,987
From 5 years and over	14,036	14,533
Total	**26,856**	**28,677**

Deutsche Pfandbriefbank Group has made use of the IASB amendments to IAS 39 and IFRS 7, published on 13 October 2008, and reclassified financial assets. Deutsche Pfandbriefbank Group identified assets, eligible under the amendments, for which at the reclassification date it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term and fulfil the requirements of the measurement category loans and receivables according to IAS 39 (amongst others not quoted in an active market). The reclassified portfolios are disclosed under financial investments.

Deutsche Pfandbriefbank Group reclassified retrospectively as of 1 July 2008 financial investments out of the measurement category available-for-sale of total € 30.2 billion. At the date of reclassification the effective interest rate for the AfS assets was between 0.25 % and 34.4 %. Since the date of reclassification, financial assets with a (reclassified) carrying amount of around € 9.5 billion became due. In the first half of 2012 securities with a reclassified carrying amount of € 0.1 billion (2011: € 0.1 billion) were sold due to the decided reduction of portfolios. Thereby a net income of € 6 million (2011: € 6 million) was realised. The reclassification of AfS assets did not cause a disclosure change of current interest income. Interest income is still disclosed in net interest income.

The following tables summarise the carrying amounts and fair values as of 30 June 2012 and 31 December 2011 as well as fair value gains and losses that would have been recognised in the first half of 2012 and in 2011 if the financial assets had not been reclassified.

Reclassifications 2012	into: Financial investment loans and receivables (LaR)			Effect in reporting period if no assets would have been reclassified (1.1.–30.6.2012)	
			30.6.2012		
	Date	Carrying amount in € billion	Fair value in € billion	Income statement in € million	AfS reserve (after taxes) in € million
out of:					
Financial investments available for sale (AfS)	1.7.2008	11.2	10.4	1	–57

Reclassifications 2011	into: Financial investment loans and receivables (LaR)			Effect in reporting period if no assets would have been reclassified (1.1.–31.12.2011)	
			31.12.2011		
	Date	Carrying amount in € billion	Fair value in € billion	Income statement in € million	AfS reserve (after taxes) in € million
out of:					
Financial investments available for sale (AfS)	1.7.2008	12.1	11.3	8	–309

24 Other Assets

Other assets in € million	**30.6.2012**	**31.12.2011**
Positive fair values from derivative financial instruments	6,283	5,714
Hedging derivatives	6,283	5,714
Micro fair value hedge	5,253	4,800
Cash flow hedge	1,030	914
Salvage acquisitions	95	90
Other assets	268	240
Deferred charges and prepaid expenses	28	14
Total	**6,674**	**6,058**

25 Income Tax Assets

Income tax assets in € million	30.6.2012	31.12.2011
Current tax assets	63	55
Deferred tax assets	1,833	1,419
Total	**1,896**	**1,474**

26 Liabilities to Other Banks

Liabilities to other banks by maturities in € million	30.6.2012	31.12.2011
Repayable on demand	2,490	2,007
With agreed maturities	6,117	6,216
Up to 3 months	683	2,435
From 3 months to 1 year	294	786
From 1 year to 5 years	4,641	2,750
From 5 years and over	499	245
Total	**8,607**	**8,223**

27 Liabilities to Customers

Liabilities to customers by maturities in € million	30.6.2012	31.12.2011
Repayable on demand	3,262	841
With agreed maturities	11,543	11,522
Up to 3 months	895	675
From 3 months to 1 year	1,661	1,003
From 1 year to 5 years	5,672	5,526
From 5 years and over	3,315	4,318
Total	**14,805**	**12,363**

28 Liabilities Evidenced by Certificates

Liabilities evidenced by certificates, broken down by type of business in € million	**30.6.2012**	**31.12.2011**
Debt securities issued	29,532	31,634
Mortgage bonds	6,890	6,984
Public sector bonds	19,343	21,290
Other debt securities	2,949	3,246
Money market securities	350	114
Registered notes issued	23,556	23,404
Mortgage bonds	6,829	6,768
Public sector bonds	15,610	15,527
Other debt securities	1,117	1,109
Total	**53,088**	**55,038**

Liabilities evidenced by certificates, broken down by maturities in € million	**30.6.2012**	**31.12.2011**
With agreed maturities		
Up to 3 months	1,853	4,266
From 3 months to 1 year	8,862	4,767
From 1 year to 5 years	17,692	20,980
From 5 years and over	24,681	25,025
Total	**53,088**	**55,038**

29 Trading Liabilities

Trading liabilities in € million	**30.6.2012**	**31.12.2011**
Negative fair values from derivative financial instruments	257	367
Other trading liabilities	2	2
Stand-alone derivatives (bank book)	4,993	9,534
Total	**5,252**	**9,903**

30 Provisions

Breakdown in € million	30.6.2012	31.12.2011
Provisions for pensions and similar obligations	1	2
Restructuring provisions	66	68
Provisions for contingent liabilities and other commitments	13	20
Other provisions	92	73
thereof: Long-term liabilities to employees	3	3
Total	**172**	**163**

As of 1 January 2005, Deutsche Pfandbriefbank AG took out reinsurance which is classified as a qualifying insurance policy under IAS 19 to protect itself against parts of the risks arising from the defined-benefit pension commitments. The expected return of the plan assets has been calculated by employing the return of comparable pension insurance products in accordance with the investment strategy of the plan assets.

Legal and Arbitration Proceedings In March 2009, a credit broker who formerly acted for Deutsche Pfandbriefbank in France submitted a lawsuit against Deutsche Pfandbriefbank to the Landgericht (regional court) Stuttgart, claiming damages of at least € 20 million due to the suspension of the cooperation agreement. The lawsuit was withdrawn in July 2012.

Legal verdicts of the labour courts and also the regional labour courts in Munich and Baden-Württemberg are not consistent, which means that legal actions in relation to bonus payments for 2008 and 2009 have in certain cases been completely rejected, although in certain cases such actions have been partially allowed. At present, an appeal has been submitted by the Company (Deutsche Pfandbriefbank AG or pbb Services) to the federal labour court in three cases, and the plaintiff has submitted an appeal in one case (against Deutsche Pfandbriefbank AG). It is assumed that, as a result of various measures taken by Deutsche Pfandbriefbank Group, the risk of legal action taken by employees in relation to bonus payments has been considerably reduced.

31 Other Liabilities

Other liabilities in € million	30.6.2012	31.12.2011
Negative fair values from derivative financial instruments	6,239	5,829
Hedging derivatives	6,236	5,812
Micro fair value hedge	5,490	5,046
Cash flow hedge	746	766
Derivatives hedging dFVTPL financial instruments	3	17
Other liabilities	8,890	10,238
Deferred income	60	56
Total	**15,189**	**16,123**

32 Income Tax Liabilities

Income tax liabilities in € million	30.6.2012	31.12.2011
Current tax liabilities	67	82
Deferred tax liabilities	1,744	1,291
Total	**1,811**	**1,373**

33 Subordinated Capital

Breakdown in € million	30.6.2012	31.12.2011
Subordinated liabilities	2,120	2,208
Participating certificates outstanding	6	6
Hybrid capital instruments	295	287
Total	**2,421**	**2,501**

Subordinated capital, broken down by maturities in € million	30.6.2012	31.12.2011
With agreed maturities		
Up to 3 months	476	99
From 3 months to 1 year	45	416
From 1 year to 5 years	938	947
From 5 years and over	962	1,039
Total	**2,421**	**2,501**

Notes to the Financial Instruments

34 Fair Values of Financial Instruments

The recognised fair values of financial instruments according to IFRS 7 correspond to the amounts at which, in the opinion of Deutsche Pfandbriefbank Group, an asset could be exchanged on the balance sheet date between willing, competent business partners or the amount at which a liability could be settled between such business partners.

Fair values of financial instruments

	30.6.2012		31.12.2011	
in € million	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets	**102,186**	**100,087**	**106,923**	**105,244**
Cash reserve	52	52	323	323
Trading assets (HfT)	5,300	5,300	9,818	9,818
Loans and advances to other banks[1]	11,859	11,654	7,615	7,386
Category LaR	11,859	11,654	7,615	7,386
Loans and advances to customers[1]	51,836	51,899	54,776	55,158
Category LaR	51,836	51,899	54,776	55,158
Financial investments	26,856	24,899	28,677	26,845
Category AfS	4,270	4,270	3,916	3,916
Category dFVTPL	83	83	148	148
Category LaR	22,503	20,546	24,613	22,781
Other assets	6,283	6,283	5,714	5,714
thereof: Hedging derivatives	6,283	6,283	5,714	5,714
Liabilities	**99,047**	**98,789**	**103,758**	**103,183**
Liabilities to other banks	8,607	8,574	8,223	8,224
Liabilities to customers	14,805	15,010	12,363	12,504
Liabilities evidenced by certificates	53,088	52,561	55,038	54,159
Trading liabilities (HfT)	5,252	5,252	9,903	9,903
Other liabilities	14,874	14,903	15,730	15,794
thereof: Hedging derivatives	6,236	6,236	5,812	5,812
Derivatives hedging dFVTPL financial instruments	3	3	17	17
Subordinated capital	2,421	2,489	2,501	2,599
Other items	**789**	**712**	**1,175**	**1,094**
Contingent liabilities	51	51	38	38
Irrevocable loan commitments	738	661	1,137	1,056

[1] Reduced by allowances for losses on loans and advances

The fair values of the liabilities in relation to cover pool assets which were synthetically transferred to FMS Wertmanagement were € 29 million (31.12.2011: € 64 million) higher than the carrying amounts.

35 Assets and Liabilities According to Measurement Categories and Classes

Assets and liabilities according to measurement categories and classes in € million	30.6.2012	31.12.2011
Assets	**102,186**	**106,923**
Loans and receivables (LaR)	86,198	87,004
Held to maturity (HtM)	–	–
Available for sale (AfS)	4,270	3,916
Held for trading (HfT)	5,300	9,818
dFVTPL assets (dFVTPL)	83	148
Cash reserve	52	323
Positive fair values from hedging derivatives	6,283	5,714
Liabilities	**99,047**	**103,758**
Held for trading (HfT)	5,252	9,903
Financial liabilities at amortised cost	87,556	88,026
Negative fair values from hedging derivatives	6,239	5,829

36 Exposure to Selected European Countries

Exposure to selected European countries as of 30.6.2012

in € million	Counterparty (direct exposure)	IAS 39 measurement category	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	From 5 years and over	**Carrying amount**	Notional value	Fair value
Italy	Sovereign	LaR	–	818	100	149	**1,067**	1,037	994
		AfS	–	–	–	1,093	**1,093**	1,060	1,093
	Sub-sovereign	LaR	–	–	36	1,905	**1,941**	1,781	1,494
	State guaranteed	LaR	–	–	16	5	**21**	20	19
Portugal	Sovereign	LaR	–	–	48	45	**93**	82	51
		AfS	–	–	21	94	**115**	165	115
		dFVTPL	–	–	–	–	**–**	–	–
	Sub-sovereign	LaR	–	101	50	44	**195**	194	157
	State guaranteed	LaR	–	–	122	528	**650**	620	288
Spain	Sub-sovereign	LaR	210	144	665	1,326	**2,345**	2,132	1,757
		HfT	–	–	–	4	**4**	35	4
	State guaranteed	LaR	–	142	104	178	**424**	406	371
Hungary	Sovereign	LaR	–	–	263	125	**388**	341	305

Exposure to selected European countries as of 31.12.2011									
in € million	Counterparty (direct exposure)	IAS 39 measurement category	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	From 5 years and over	**Carrying amount**	Notional value	Fair value
Italy	Sovereign	LaR	798	817	101	146	**1,862**	1,788	1,754
		AfS	–	–	–	1,021	**1,021**	1,060	1,021
	Sub-sovereign	LaR	11	–	47	1,958	**2,016**	1,867	1,702
	State guaranteed	LaR	–	–	–	23	**23**	22	20
Portugal	Sovereign	LaR	50	–	47	45	**142**	131	127
		AfS	–	–	16	79	**95**	165	95
		dFVTPL	–	–	17	45	**62**	105	62
	Sub-sovereign	LaR	–	–	151	44	**195**	194	131
	State guaranteed	LaR	–	–	325	577	**902**	878	482
Spain	Sub-sovereign	LaR	–	345	683	1,318	**2,346**	2,155	2,011
		HfT	–	–	–	2	**2**	35	2
	State guaranteed	LaR	–	–	260	180	**440**	422	411
Hungary	Sovereign	LaR	–	–	117	266	**383**	334	287

As of 30 June 2012 and as of 31 December 2011 Deutsche Pfandbriefbank Group did not have any exposure to sovereign, sub-sovereign, and state-guaranteed counterparties of Greece and Ireland.

The exposure to selected European countries shown in the tables contain loans and advances and securities. In addition, it shows interest rate derivatives to sovereign and sub-sovereign counterparties. The interest rate derivatives are netted with collaterals. Time lags in providing the collaterals and haircuts are not taken into account. State-guaranteed exposure contains for example loans and advances to banks and corporations which are guaranteed by sovereigns or sub-sovereigns. As of 30 June 2012 and as of 31 December 2011 Deutsche Pfandbriefbank Group did not have any credit default swaps whose underlyings are linked to sovereigns, sub-sovereigns and state-guaranteed exposures of the disclosed countries.

Financial assets which are measured at fair value affecting income changes in value are directly included in the book value. Deutsche Pfandbriefbank Group tests financial assets which are not measured at fair value affecting income for impairments. Allowances for loans and advance or impairments for securities are created if there is objective evidence that it will not be possible for the entire amount which is due according with the original contractual conditions to be recovered. As of 30 June 2012 and as of 31 December 2011 there was no such objective evidence.

37 Past Due but Not Impaired Assets

LaR assets: past due but not impaired (total investment) in € million	**30.6.2012**	**31.12.2011**
Up to 3 months	333	331
From 3 months to 6 months	38	25
From 6 months to 1 year	9	61
From 1 year and over	20	18
Total	**400**	**435**

Carrying amounts LaR assets in € billion	**30.6.2012**	**31.12.2011**
Carrying amount of LaR assets that are neither impaired nor past due	85.5	86.3
Carrying amount of LaR assets that are past due but not impaired (total investment)	0.4	0.4
Carrying amount of individually assessed impaired LaR assets (net)	0.7	0.7
Balance of portfolio-based allowances	0.1	0.1
Total	**86.7**	**87.5**
thereof: Loans and advances to other banks (including investments)	11.9	7.7
Loans and advances to customers (including investments)	52.3	55.2
Financial investments (gross)	22.5	24.6

Other Notes

38 Contingent Liabilities and Other Commitments

Contingent liabilities and other commitments in € million	30.6.2012	31.12.2011
Contingent liabilities	**51**	**38**
Guarantees and indemnity agreements	51	38
Loan guarantees	5	6
Performance guarantees and indemnities	46	32
Other commitments	**738**	**1,137**
Irrevocable loan commitments	738	1,137
Book credits	54	73
Guarantees	31	51
Mortgage and public sector loans	653	1,013
Other commitments	–	–
Total	**789**	**1,175**

Deutsche Pfandbriefbank AG, as a predecessor institute of Hypo Real Estate Bank International AG, has overtaken with the announcement as of 2 January 2006 irrevocable and unconditional guarantees to fulfil all liabilities of Hypo Public Finance Bank puc, Dublin. By the fact that all shares of Hypo Public Finance Bank puc, Dublin, were sold, the commitment was limited according the guarantee contract to all liabilities, which existed until the date of sale. Due to the current development in earnings, assets and financial position as well as the expected future development, Deutsche Pfandbriefbank AG does not rule out the default of Hypo Public Finance Bank puc, Dublin, but a default should be rather unlikely.

In accordance with the framework agreement for transferring risk positions and non-strategic operations to a deconsolidated environment constituted under federal law in accordance with Section 8a of the Financial Market Stabilisation Act, Deutsche Pfandbriefbank AG assumes joint and several liability for all payment obligations of its subsidiaries resulting from the transaction agreements which have been transferred as part of the process of transferring assets to FMS Wertmanagement.

For Deutsche Pfandbriefbank Group irrevocable loan commitments were the largest part of other commitments. Irrevocable loan commitments comprise all commitments of a creditor which can grant a loan and advance at a later date and which can cause a credit risk. These are mainly credit commitments which are not fully drawn by the customer.

The Restructuring Fund Ordinance specifies an additional charge for the so-called bank levy. The difference between the actually determined bank levy and the calculated standard amount for the years 2011 to 2019 can be subsequently charged in the following two years in each case. However, the obligation to pay the additional amount arises only if corresponding profits are generated in subsequent financial years; the amount of this payment is capped by the feasibility or charge specified in the ordinance. Whether the additional payment becomes due, and also the extent of such an additional payment, accordingly depend on profits being generated in subsequent years. The additional payment of Deutsche Pfandbriefbank AG which can be charged in 2013, is € 32 million. As far as can be seen at present, it is not assumed that the additional amount will be fixed in full.

Due to a requirement in line with the principle of burden sharing required by the EU Commission, profits will be retained at Deutsche Pfandbriefbank Group until reprivatisation, and will be used for repaying the dormant contribution of the Federal Republic of Germany.

39 Key Regulatory Capital Ratios (Based on German Commercial Code)

In accordance with the waiver regulation set out in Section 2 a KWG, Deutsche Pfandbriefbank AG is exempted from the requirement to establish the equity and core capital ratios at the level of the institution.

The waiver regulation set out in Section 2 a KWG states that a credit institution or financial services institution which has its registered offices within Germany and which is part of a regulated group of institutions or financial holding group does not have to comply with the following regulations if these regulations are complied with at the level of the ultimate parent company:
> Regulations regarding solvency (equity in relation to risk-weighted assets)
> Regulations regarding large loans (equity in relation to loans extended to individual borrower units)
> Regulations set out in Section 25 a (1) Clause 3 No. 1 KWG for establishing and assuring risk-bearing capacity, defining strategies, setting up processes for identifying, assessing, managing, monitoring and communicating risks.

Deutsche Pfandbriefbank Group voluntarily discloses these figures on a pro forma basis.

The regulatory capital of Deutsche Pfandbriefbank Group in accordance with the Solvency Regulation (SolvV) on a pro forma basis is as follows:

Own funds[1)] in € million	**30.6.2012**	**31.12.2011**
Core capital (Tier I)	2,729	2,762
Supplementary capital (Tier II)	1,334	1,383
Equity capital	**4,063**	**4,145**
Tier III capital	–	–
Total	**4,063**	**4,145**

1) Consolidated pursuant to Section 10 a German Banking Act (KWG); pro forma as per prepared annual financial statements and after result distribution

The risk-weighted assets, the operational risks and the market risk positions on a pro-forma basis are as follows:

Risk-weighted assets[1)] in € billion	**30.6.2012**	**31.12.2011**
Risk-weighted assets	16.0	17.0

[1)] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5; according to Basel II advanced IRB approach for authorised portfolios, otherwise Basel II standardised approach

Operational risks[1)] in € million	**30.6.2012**	**31.12.2011**
Total	**1,074**	**997**

[1)] Scaled with the factor 12.5

Market risk positions[1)] in € million	**30.6.2012**	**31.12.2011**
Currency risks	63	75
Interest rate risks	–	–
Total	**63**	**75**

[1)] Scaled with the factor 12.5

The capital ratios have been determined on the basis of the definition of shareholders' equity in accordance with SolvV and also using risk-weighted assets in accordance with Basel II. On a pro forma basis, the capital ratios are as follows:

Key capital ratios[1)] in %	**30.6.2012**	**31.12.2011**
Core capital ratio[2)]	17.1	16.3
Equity capital ratio[3)]	25.5	24.5
Own funds ratio (overall indicator)[2)]	25.4	24.4

[1)] Pro forma as per prepared annual financial statements and after result distribution
[2)] Including risk-weighted credit risk positions as well as the capital requirements for market risk positions and operational risks scaled with the factor 12.5
[3)] Including risk-weighted credit risk positions as well as the capital requirements for operational risks scaled with the factor 12.5

40 Relationship with Related Parties

SoFFin, a special fund of the Federal Government in accordance with Section 2 (2) FMStFG, represents the ultimate parent entity of HRE Holding and thus also of Deutsche Pfandbriefbank AG. Accordingly, Deutsche Pfandbriefbank AG is a government-related entity and a related party to other companies which are controlled, jointly controlled or significantly influenced by the Federal Republic of Germany. FMS Wertmanagement is also controlled by the Federal Republic of Germany and is thus a related party of Deutsche Pfandbriefbank Group.

Total assets of Deutsche Pfandbriefbank Group have been affected by the following major transactions with FMS Wertmanagement:

> Deutsche Pfandbriefbank Group has transferred market risks to FMS Wertmanagement by means of back-to-back derivatives. The positive market values of the back-to-back derivatives and the related external derivatives amounted to € 2.8 billion as of 30 June 2012 (31.12.2011: € 7.4 billion), and were disclosed as trading assets.

> The carrying amount of securities which were issued by FMS Wertmanagement declined from € 3.0 billion as of 31 December 2011 to € 2.2 billion as of 30 June 2012. These securities are disclosed as financial investments.

> The deposition of unneeded liquidity of FMS Wertmanagement in the central bank amounting to € 2.8 billion (31.12.2011: € 0.7 billion) in loans and advances to other banks resulted in increased total assets.

The financial position of Deutsche Pfandbriefbank Group was impacted by negative market values of back-to-back derivatives and the related external derivatives, which amounted to € 2.8 billion as of 30 June 2011 (31.12.2011: € 7.4 billion) and were disclosed as trading liabilities.

The development in assets and in the financial position resulted in profit or loss effects. However, because these effects were almost completely cancelled out by the corresponding market transactions, they had only an immaterial impact on the development in earnings. The only material effect in profit or loss resulted from servicing for the ongoing operations of FMS Wertmanagement. The net income of € 53 million (1.1.–30.6.2011: € 65 million) compensated for the expenses which were incurred by Deutsche Pfandbriefbank Group for servicing.

All further transactions carried out in the first half 2012 and in the previous period with companies, which were controlled, jointly controlled or significantly influenced by the Federal Republic of Germany, mainly related to operational business, and overall were immaterial for Deutsche Pfandbriefbank Group.

41 Employees

Average number of employees	1.1.–30.6.2012	1.1.–31.12.2011
Employees (excluding apprentices)	1,037	993
Total	**1,037**	**993**

42 Summary of Quarterly Financial Data

Deutsche Pfandbriefbank Group			2011		2012
in € million	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Operating performance					
Operating revenues	162	129	104	103	120
Net interest income and similar income	95	101	78	76	74
Net commission income	5	6	7	3	3
Net trading income	8	4	–12	–	–2
Net income from financial investments	–	–	4	–4	9
Net income from hedge relationships	–12	–7	–22	–2	–1
Balance of other operating income/expenses	66	25	49	30	37
Provisions for losses on loans and advances	1	–1	–10	4	5
General administrative expenses	93	87	96	78	86
Balance of other income/expenses	–	–	7	–	1
Pre-tax profit	68	43	25	21	30

Public Sector Finance			2011		2012
in € million	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Operating performance					
Operating revenues	27	27	–8	7	12
Net interest income and similar income	30	32	20	17	14
Net commission income	–1	–	–1	–1	–
Net trading income	5	–	–6	–	–1
Net income from financial investments	–	–1	3	–4	1
Net income from hedge relationships	–14	–7	–16	–	–1
Balance of other operating income/expenses	7	3	–8	–5	–1
Provisions for losses on loans and advances	–	–	–	1	–
General administrative expenses	14	13	15	12	14
Balance of other income/expenses	–	–	2	–	–
Pre-tax profit	13	14	–21	–6	–2

Real Estate Finance

in € million	2nd quarter 2011	3rd quarter 2011	4th quarter 2011	1st quarter 2012	2nd quarter 2012
Operating performance					
Operating revenues	72	70	58	55	65
Net interest income and similar income	58	62	60	54	55
Net commission income	7	8	7	4	3
Net trading income	2	–	–12	–	–1
Net income from financial investments	–	–	1	–	8
Net income from hedge relationships	2	–	–5	–2	–
Balance of other operating income/expenses	3	–	7	–1	–
Provisions for losses on loans and advances	2	–2	–10	3	5
General administrative expenses	37	34	37	32	37
Balance of other income/expenses	–	–	3	–	1
Pre-tax profit	33	38	34	20	24

Value Portfolio

in € million	2nd quarter 2011	3rd quarter 2011	4th quarter 2011	1st quarter 2012	2nd quarter 2012
Operating performance					
Operating revenues	59	28	44	38	41
Net interest income and similar income	2	1	–5	2	3
Net commission income	–1	–2	1	–	–
Net trading income	1	5	1	–	–
Net income from financial investments	–	1	–	–	–
Net income from hedge relationships	–	–	–1	–	–
Balance of other operating income/expenses	57	23	48	36	38
Provisions for losses on loans and advances	–1	1	–	–	–
General administrative expenses	41	39	41	33	36
Balance of other income/expenses	–	–	2	–	–
Pre-tax profit	19	–12	5	5	5

Consolidation & Adjustments			2011		2012
in € million	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Operating performance					
Operating revenues	4	4	10	3	2
Net interest income and similar income	5	6	3	3	2
Net commission income	–	–	–	–	–
Net trading income	–	–1	5	–	–
Net income from financial investments	–	–	–	–	–
Net income from hedge relationships	–	–	–	–	–
Balance of other operating income/expenses	–1	–1	2	–	–
Provisions for losses on loans and advances	–	–	–	–	–
General administrative expenses	1	1	3	1	–1
Balance of other income/expenses	–	–	–	–	–
Pre-tax profit	3	3	7	2	3

Munich, 7 August 2012

Deutsche Pfandbriefbank Aktiengesellschaft
The Management Board

Manuela Better

Wolfgang Groth

Dr. Bernhard Scholz

Alexander von Uslar

Auditor's Report

We have reviewed the condensed interim financial statements of Deutsche Pfandbriefbank AG, Munich, comprising balance sheet, income statement, statement of comprehensive income, condensed statement of changes in equity, condensed cash flow statement and condensed notes together with the interim group management report of Deutsche Pfandbriefbank AG, Munich, for the period from 1 January to 30 June 2012 that are part of the semi-annual financial report according to § 37w WpHG [«Wertpapierhandelsgesetz»: «German Securities Trading Act»]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group 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 conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the interim financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group 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 causes us to presume that the condensed interim consolidated financial statements have not been prepared in all material respects in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 8 August 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft
[original German version signed by:]

Wiechens	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Signatories on behalf of Deutsche Pfandbriefbank AG

Eschborn, as of 22 August 2012

signed by Stefan Krick Legal Counsel	signed by Martina Horn Legal Counsel