

Press Release

## **Münchener Hypothekenbank to remain independent - merger talks with DG HYP ended**

Munich, 27 September 2007 – The boards of management of Münchener Hypothekenbank eG and DG HYP have today declared the merger negotiations to have ended by mutual consent. Following detailed examination, no agreement could be reached regarding key aspects of the merger. An agreement was made to keep the contents of the merger talks confidential.

"We will continue to optimise both our product range and our services while consistently enhancing our proven business model in cooperation with the Volksbanken and Raiffeisenbanken", says Erich Rödel, Chairman of the Münchener Hypothekenbank's Board of Management, outlining the bank's direction. In so doing, the aim is to strengthen and continue to build on the leading position in the private property finance market in the cooperative FinanzVerbund. At the same time, MünchenerHyp will carry on driving forward the already successful expansion strategy in the national and international commercial property finance business.

During the first half of 2007, MünchenerHyp continued to grow. In contrast to the trend throughout Germany, mortgage holdings were increased by 2 percent and new business by 18 percent. The cost-income ratio improved by more than 2 percentage points to 49.0 percent. The positive trend in new business development is continuing in the second half of the year. MünchenerHyp is in no way exposed to the subprime segment of the US mortgage market and is thus not affected by the current situation.

The current capital market performance is strengthening the Pfandbrief trend and as a result conventional long-term property financing as well. "This is another factor from which MünchenerHyp will certainly benefit", adds Rödel.

"In future too, we will be open to partnerships and mergers and be well-equipped for them. Ultimately, however, the benefit of such a measure must always be clearly measurable for our customers and shareholders", says Rödel, keeping the door open to alternatives.

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