

Press Release

Münchener Hypothekbank – Business Develops Favourably in First Half of 2008

Munich, August 13, 2008 – Münchener Hypothekbank eG decisively expanded its mortgage business once again in the first six months of 2008. Total commitments made for new loans amounted to € 1.8 billion, or € 440 million more than in the same year-ago period. The favourable new business results led to an increase in the volume of mortgages held in the Bank's portfolio, which – in contrast to the general trend observed in the market – increased by € 500 million to € 14.6 billion. Total assets increased since the end of 2007 from € 32.9 billion to € 33.6 billion. "In an unchanged difficult market environment, we were able to successfully assert our position. Our business results are developing as planned," said Erich Rödel, Chairman of the Münchener Hypothekbank's Board of Management.

Development of the mortgage business

MünchenerHyp's commercial property finance business benefited from a renaissance of the classical lending and syndication business. Margins also developed favourably and were better in the Bank's international area of business than within Germany. These overall conditions led to an increase in new commercial property loans in the first half of 2008 of € 550 million to € 1.1 billion, or almost twice as much as in the same year-ago period. The major portion of lending commitments made was in the Bank's international area of business, with key emphasis, once again, on the USA, UK and France. "We continued to adhere to the proven principles of our risk policy and focused our activities on the lower-risk, top-tier financing business," said Erich Rödel.

Reduced demand in the German market was notably evident in the area of private residential property lending. In addition, the already high level of pressure on margins rose further. For these reasons the volume of new business posted by the Bank in the first half of 2008 amounted to € 650 million, or € 115 million less than in the same year-ago period. Loans with terms of ten

years and longer, in particular, developed favourably as demand for these loans rose due to the current inverse structure of interest rates.

The collaboration with the Swiss PostFinance began as planned in June 2008. Within the framework of our joint efforts, PostFinance will broker mortgage loans from Switzerland to Münchener Hypothekenbank. The volume of loans brokered developed very favourably in the first month of our new business relationship.

Key results

Despite the continuing burden of the financial markets crisis on overall conditions, our net interest income was at the previous year's level and amounted to €62.3 million. The same applies for our results from operations after deducting provisions for risks, which totalled €15.1 million.

Outlook

Overall conditions in the property finance markets are not anticipated to improve substantially in the second half of the year because of the continuing crisis in the financial markets and increasingly weaker economic conditions. However, the Board of Management does expect the Bank to record favourable developments in the second half of 2008. The reason for this is that MünchenerHyp has further strengthened its image in the market by actively developing its markets and gaining a reputation for reliability in handling loans. To the extent that economy and interest rates do not change significantly, MünchenerHyp expects that it will be able to achieve its new business targets for the full year 2008. "Based on specially targeted made investments in the Bank's personnel development program and technical systems, our growth strategy has proven that it is sustainable – even in the current business environment," noted Erich Rödel.

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