

Press release

Münchener Hypothekenbank strengthens market position – very good result in new business – clear growth in mortgage portfolio

Munich, March 5, 2008 – Münchener Hypothekenbank eG achieved clear growth in its mortgage business in 2007. New business saw a rise of a good 42 per cent, to EUR 3.43 bn. "Both in residential housing finance and in commercial property finance we have achieved considerable growth – in spite of serious additional challenges, such as the merger negotiations with the DG HYP", said Erich Rödel, Chairman of the Board of Münchener Hypothekenbank.

The good result in new business also ensured an expansion of the mortgage portfolio. Its current volume amounts to EUR 14.1 bn, i.e. around EUR 2 bn more than in the previous year. This contains a portfolio of residential property loans amounting to EUR 0.7 bn, which was acquired in summer 2007. Total assets rose by EUR 1 bn to EUR 32.9 bn. Cost development continued to be favourable. The cost-income-ratio fell below 50 per cent.

Since 2004, MünchenerHyp has made clear progress both in earnings and costs. Since then, new business has risen by more than 130 per cent, while at the same time administrative expenditure has fallen by EUR 4.6 bn to EUR 49.8 bn in 2007. MünchenerHyp attributes the positive results to the MHB2008 strategy programme, which was successfully implemented in recent years.

In the residential housing finance business sector, Münchener Hypothekenbank, with commitments of EUR 1.62 bn, is for the first time the market leader in the cooperative Financial Services Network (FinanzVerbund). A main contributor to this result was the high demand for forward loans and the joint market approach together with the Volksbanken and Raiffeisenbanken, which was further intensified last year. The commercial property finance sector also developed positively. EUR 1.81 bn of new loans were committed, of which more than half, EUR 1.09 bn, went on business abroad.

The financial market crisis did not affect the business and the results of MünchenerHyp. "Neither our loan nor our bond business has any involvement in the subprime segment. The crisis therefore has no direct effect on us", said Erich Rödel. Furthermore, MünchenerHyp is profiting at the moment from the renaissance of the traditional credit business, which began with the decline in the securitisation business. This permitted the bank to exploit its growth chances as an established and attractive partner in commercial property finance.

Risk provision was stable, at a low level. Individual value adjustments fell in the last few years. Operating profit rose over 13 per cent to EUR 31.6 million.

In the current year, MünchenerHyp has set itself the task of organic growth under its own steam. "In the mortgage business, we wish to get close to the figure of EUR 4 bn in loan commitments", said Erich Rödel on the aims for the current year. In residential housing finance, the bank wishes to strengthen its position as the market leader in the cooperative Financial Services Network. Additional market potential is to be opened up by more intensive collaboration with other sales cooperation partners. Maintaining our conservative risk strategy, the commercial property finance sector will be further expanded in Germany and abroad.

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