

INTERIM FINANCIAL  
STATEMENTS  
FOR THE PERIOD  
1 JANUARY TO 30 JUNE 2010 >>





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## INTERIM MANAGEMENT REPORT

### OVERALL ECONOMIC CONDITIONS

#### ECONOMIC DEVELOPMENT

The effects of the crisis in the financial markets impacted on the European Union (EU) member states at the beginning of the year and subsequently affected the European currency. Driven by doubts about Greece's creditworthiness additional countries in the euro area were confronted with high refinancing premiums, which also dampened confidence in the euro. As a result, measures were quickly taken to support Greece and the financially weaker countries within the euro area. However, the economy and the business sector still face risks stemming from high levels of debt in the industrialised nations – and these risks have not yet been eliminated.

Thus far the global economy has recovered better and quicker than most observers originally anticipated. Furthermore, economic development within the euro area has also improved significantly due, in particular, to the rise in industrial manufacturing in the spring. In contrast, the pace of economic development in the USA – not least due to the still depressed property markets – slowed further in the second quarter.

Germany benefited more from the growing of the global economy than most of the other EU countries, with foreign trade and industrial manufacturing, in particular, most recently posting strong gains. In addition, domestic demand once again began to develop favourably in the second quarter. Based on the Federal Government's initial estimates, Germany's gross domestic product (GDP) expanded notably in the second quarter. The German economy was still only recording slow growth in the first quarter due to the long and hard winter with GDP increasing by only 0.2 percent in comparison to the previous quarter.

The rate of inflation only rose slightly during the first half of 2010 with consumer prices in June climbing by 0.9 percent over the June 2009 figure. In contrast to widely held expectations, the job market continued to show clearly favourable development. The number of unemployed declined steadily

since February 2010 and by June had fallen by about 500,000 to below 3.2 million.

#### FINANCIAL MARKETS

Driven by concerns about sovereign debt and the euro's weak phase volatility and uncertainty rose again in financial markets. The development of budget deficits in certain western industrialised nations, in particular, caused anxiety among investors.

A € 110 billion rescue package for Greece put together by the EU and the International Monetary Fund (IMF) in May could only calm the situation temporarily. The southern European euro area countries of Portugal, Spain and Italy, as well as Ireland, were already in turbulent waters, thus forcing the stronger core countries in the euro area to act and announce an additional assistance package worth € 750 billion. The European Central Bank (ECB) also acted to calm the markets and agreed to purchase sovereign bonds issued by the affected countries. Following substantially wider spreads for credit default swaps (CDS) for debt issued by Greece and the other aforementioned euro area countries in the spring, spreads subsequently narrowed and stabilised a bit by mid-year, albeit at a high level.

Due to these developments the euro came under pressure on the foreign exchange markets falling by over 20 cents since the start of the year to below 1.20 dollar at the beginning of June. International investors preferred to hold US dollars and Swiss Francs. The most recent weaker economic data from the USA has in the interim led to a more balanced market assessment of the euro, which in turn boosted the common European currency back up to a rate of about 1.30 dollar in July.

Money markets continued to function only on a restricted basis. Access to the market was especially difficult for Greek, Portuguese and Spanish banks as the crisis-driven development of government funding caused banks to take a very cautious approach to investing money thereby causing a notable increase in deposits held by the ECB. The July 1, 2010 expiry date of the ECB's large one-year tender led to a reduction in



banks' excess liquidity. Money markets were relieved by the smooth repayment of the one-year tender and the banks' reduced liquidity needs.

The Pfandbrief market was hardly affected by the problems seen in the sovereign bond and money markets. Against the background of the expiry of the ECB's program to buy covered bonds, June was the strongest month for emissions thus far in 2010.

Due to the uncertain economic environment, western countries' central banks are continuing to pursue their low interest rate policies. The ECB and the American Federal Reserve have not changed their key interest rates. However, some central banks, namely those in China, Norway and Australia, recently responded to developments in their respective economies by slightly raising their key rates.

## PROPERTY MARKETS

### RESIDENTIAL PROPERTY MARKET – GERMANY

Demand for residential property in Germany rose further in the first half of 2010 and was driven by the search for a safe investment, inflation worries, as well as the current historically low interest rates for mortgage loans.

Capital investors, above all, were increasingly investing in residential property. Meanwhile, this situation has impacted on property prices in major cities. While prices for residential property on a nationwide basis still remain stable, they have, however, risen in major metropolitan areas and in some cases significantly. The main focus of investors is on condominium apartments and rental apartment buildings in very good locations. Demand shown by owner-occupiers has been more reserved due to the uncertain economy. According to information prepared by the Association of German Pfandbrief Banks, prices for owner-occupied residential property even declined in the first quarter of 2010.

New business recorded in the residential property finance market has been restrained to date. The German Bundesbank noted that market volume contracted by about 16 percent in the first half of

2010 compared to the same year-ago period. The reasons behind the drop are most likely potential buyers' economic concerns and their worries about remaining employed. In contrast, low interest rates led to a substantially stronger demand to refinance existing loans.

The severe winter caused the construction sector considerable suffering as total spending for construction fell by 3.8 percent in the first quarter. However, since the beginning of spring the level of incoming orders, especially in the housing segment, has rebounded notably. The recovery has been mainly supported by investments made in existing housing such as spending for modernisation measures and to improve the efficient use of energy. The number of building permits is apparently beginning to stabilise at a low level. By the end of May 2010 permits had been issued to build about 68,000 housing units. Although this represents 3.5 percent more building permits than in the same year-ago period, the figure is still about one-third less than in 2005, the last year before the government's housing subsidy programme ended.

### RESIDENTIAL PROPERTY MARKETS – INTERNATIONAL

A significant improvement in the American residential property market is not yet in sight. Although a moderate revival was noted in the interim, it was most likely driven by the government's housing support programme to help new home buyers. Once this program had expired the housing market once again collapsed. Furthermore, the drop in demand in the residential property market is also due to the unbroken high unemployment rate and banks' tighter lending conditions. However, there was a notable increase in investor demand for rental apartment buildings.

The residential property markets in Europe continued to develop distinctly different from one another. While there were signs of recovery and rising prices in the UK and France, the market correction noted in southern European countries – especially Spain – continued.

The Swiss property market remained stable following the cooling off of the fast pace of growth seen in property prices between



2005 and 2008. However, the historically low interest rates noted in the first half of 2010 were no longer able to stimulate the property market as it was the case in previous years. Overall market prices developed sideways.

### COMMERCIAL PROPERTY MARKET – GERMANY

The volume of transactions recorded in the German commercial property market has picked up notably. In the first half of 2010 about € 9 billion was invested in commercial property across Germany following about € 3.5 billion in the same year-ago period. Investors continued, above all, to seek first-class properties in good locations.

Meanwhile, foreign investors have returned to the German property market as it is viewed as being stable and safe. This group of investors represented more than 42 percent of the total volume of deals noted in the first half of 2010. Strong demand has already impacted on yield as top yields in cities like Munich and Hamburg have contracted. The German city with the highest number of sales, by far, was Berlin.

### COMMERCIAL PROPERTY MARKETS – INTERNATIONAL

The situation in the international commercial property markets calmed in many locations. The number of commercial property transactions rose sharply in Europe with a total sales volume of about € 19 billion recorded in the first quarter of 2010, or 64 percent higher than the comparable year-ago figure. As in Germany, European investments focused on top properties in the best locations. Some instances of investors seeking properties with potential to grow in value were only seen in the UK and France.

The volume of space sold in the European office market in the first quarter of 2010 was less than in the previous quarter; however it was 34 percent higher than the same year-ago figure. The marginal increase in the European vacancy rate to 11 percent indicates that the situation is stabilising. Top rents in Europe reached their low point in early 2010 and since then have developed sideways at this low level.

Commercial property markets remain weak in the USA. Average vacancy rates in the USA have again risen slightly, although individual markets, like Manhattan in New York City, have shown signs of recovery. An increased volume of deals for top properties in good locations was observed at the current low level of prices.

## BUSINESS DEVELOPMENT

### NEW MORTGAGE BUSINESS

MünchenerHyp's new mortgage business benefited from improved overall economic conditions and the favourable development of the German property market. During the first half of the year we made about € 1.3 billion in new mortgage loan commitments, or more than 50 percent higher than in the same year-ago period.

New lending commitments made in the **private property financing** area of our business were initially slow due to the severe winter weather. However, in the second quarter we were able to significantly improve volumes, which were even quite favourable in historical terms. Total new commitments rose by 44 percent to € 1.2 billion, of which the largest share was generated by our Financial Services Network business with the Volksbanken and Raiffeisenbanken.

Our cooperation with broker sales companies also developed successfully with a significant surge in brokered commitments noted in the second quarter, in particular.

The Swiss PostFinance was able to further expand its new business activities. The volume of deals they brokered rose again in comparison to the same year-ago period.

Last year we were very cautious in our **commercial property financing business**. In 2010 we again increased our new business activities. Growth took place in line with our business policy and strict risk standards. For this reason our unchanged focus remained on top tier financing deals with moderate



loan-to-value ratios in Germany and Western Europe, with emphasis on France and the UK. The volume of new commitments made as of June 30, 2010 was € 131 million. In the USA we solely focused our attention on the active support of our existing portfolio.

## PUBLIC-SECTOR AND BANK LENDING

We continued to conduct our lending business with the public-sector and banks carefully as volatility has risen substantially in the markets and market players have not yet regained their trust in the creditworthiness of economically weaker countries and their banking systems.

We made total lending commitments of about € 1.2 billion to the public-sector, banks, and municipalities. We primarily entered into these new deals for the purpose of retaining a stable level of loans to the public-sector and banks in our coverage pools after major volumes of existing claims and securities matured and were repaid in the first half of 2010.

## REFINANCING

MünchenerHyp's refinancing situation remained favourable despite the turbulent market environment.

In June 2010 we issued a five-year Jumbo Mortgage Pfandbrief with a nominal value of over € 1.25 billion. The issue was very successful as the order book was closed after two-and-a-half hours with orders received for over € 1.7 billion. More than 100 orders from 16 countries were recorded. With a spread of eight basis points over the mid-swap rate we were able to obtain refinancing at conditions that were attractive not only in comparison to those obtained within the banking sector. An English trade journal honoured our issue as being in a "class of its own." We believe that this success is not least due to the continuous and intensive care and support we have provided to our investors over the years, and the resulting trust that has been steadily built with them over this time.

In the money market we expanded our investor base with gains in funding commercial paper and the collateralised money market, in addition to achieving very good prices. The cooperative Financial Services Network remained, as before, our strongest partner for uncovered financing requirements.

Our gross sales of securities totalled € 5.8 billion, of which € 3.4 billion consisted of Mortgage Pfandbriefe, € 2.3 billion uncovered papers, and € 0.1 billion in Public Pfandbriefe.

## RATING

MünchenerHyp's ratings did not change in the first half of 2010. Our ratings were issued by Moody's Investors Service.

### MÜNCHENERHYP'S RATINGS AT A GLANCE:

	Rating	Outlook
Public Pfandbriefe	Aaa	stable
Mortgage Pfandbriefe	Aaa	stable
Long-term liabilities	A1	negative
Short-term liabilities	Prime -1	stable
Fundamental financial strength	C-	negative

## APPOINTMENTS

Prof. Dr. Willibald Folz's term of office as Chairman of the MünchenerHyp Supervisory Board ended at the close of the Münchener Hypothekendarlehen's delegates meeting held on April 17, 2010. He stepped down from the Supervisory Board as of this date. The Supervisory Board elected one from among its members to succeed him as Chairman: Konrad Irtel, Spokesman of the Board of Management of VR Bank Rosenheim-Chiemsee eG.

The delegates meeting elected two new Supervisory Board members: Wolfhard Binder, Chairman of the Board of Management of Raiffeisen-Volksbank Ebersberg eG, and Erich Rödel, who stepped down as Chairman of the MünchenerHyp Board of Management due to age reasons as of the close of the delegates meeting. Hans Pfeifer, Chairman of the Management



Board of the Rheinisch-Westfälischer Genossenschaftsverband e.V. was re-elected to the Supervisory Board along with Hans-Joachim Tonnellier, Chairman of the Management Board of the Frankfurter Volksbank eG.

The Supervisory Board appointed Dr. Louis Hagen as Spokesman of the Board of Management. Dr. Hagen became a member of the Management Board on July 1, 2009. The Board of Management of the Münchener Hypothekbank now consists of Dr. Louis Hagen, Bernhard Heinlein and Klaus Sturm.

## EARNINGS, FINANCIAL AND ASSET SITUATION

### BALANCE SHEET STRUCTURE

As of June 30, 2010 total assets amounted to € 36.0 billion, or slightly higher than the figure noted at the end of 2009.

We once again expanded our portfolio of mortgage and other property finance loans during the first half of the year by € 0.8 billion to € 17.5 billion. This growth contrasted with the stagnating development of the volume of outstanding mortgages in the German market.

The volume of loans made to the public-sector and banks remained almost unchanged at € 14.2 billion. Against the background of the high level of public debt in southern euro-area countries, both the media and the markets increasingly focused attention on the exposure of German banks to loan risks in this area as well as in Ireland. MünchenerHyp's claims against these countries in the Bank's corresponding pools of coverage are substantially below 5 percent. This is not only low in comparison to the banking sector, it is a very low value on its own.

Balance-sheet equity capital fell by € 15 million to € 757 million due to silent participation redemptions. Liable equity capital rose

from € 1,135 million to € 1,159 million as a result of new transactions for subordinated loans. As of June 30, 2010 our core capital ratio was 6.2 percent and the total capital ratio was 9.8 percent.

### DEVELOPMENT OF EARNINGS

Effects stemming from the crisis in the financial markets had a substantially milder impact on our earnings situation in the first half of 2010 as we increased our net interest income<sup>1</sup> by € 12.3 million to € 74.7 million.

The net commission balance<sup>2</sup> was minus € 12.4 million thereby improving by € 1.5 million in comparison to the same year-ago figure. Overall, we were able to increase our net interest less net commissions figure from the € 48.5 million recorded at mid-2009 to € 62.3 million. Net expense of the trading portfolio amounted to € 4.2 million.

Administrative expenses<sup>3</sup> rose by € 1.0 million to € 30.8 million. While personnel expenses remained at the level noted in 2009 and were € 16.6 million, other administrative costs grew by € 0.6 million to € 11.8 million. The increase was due to a significant increase in our contributions to the protection scheme operated by the National Association of German Cooperative Banks, as well as expenses related to the introduction of the Internal Ratings Based Approach (IRBA) to determine equity capital requirements. These factors more than offset savings generated by the current cost-cutting project. We recorded a figure of € 2.3 million for depreciation and write-downs of intangible and tangible assets, which is marginally higher than the same year-ago figure of € 2.1 million.

The increase in income led to an improvement in our cost-income ratio<sup>4</sup> from 63 percent to 53 percent.

Total results from operations before expenses for risks<sup>5</sup> thus rose from € 17.7 million to € 27.4 million.

1) Net sum of interest expenses, interest income and current income

2) Net sum of commission costs less commission income

3) General administrative expenses and depreciation and adjustments to value of intangible and tangible assets

4) Ratio of the sum of general administrative expenses, and depreciation and write-downs of intangible and tangible assets, to net interest less commission income, as well as net results from financial investments.

5) Sum of income statement expense items 1, 2, 3, 4, 5, 6 and income items 1, 2, 3, 5



The item "Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses" amounted to a minus € 9.6 million in comparison to minus € 7.7 million posted in the comparable year-ago period. This figure contains costs due to the creation of € 19 million in individual adjustments to value taken to protect the Bank against possible future losses arising from non-performing loans. The strength of the US dollar led to negative effects in the amount of € 6 million from writing down holdings denominated in foreign currencies and led to a corresponding increase in our previously created provisions for write-downs. In contrast, we noted favourable effects related to the redemption and sale of securities and promissory notes.

Total results from operations after making provisions for risks were € 18.4 million. After deduction of expenses for silent participations<sup>6</sup> (€ 12.2 million) and taxes (€ 1.6 million) net profit was € 4.6 million, and at the same level as in the previous year.

## RISK REPORT

As before, the Bank's business and risk strategy continues to define MünchenerHyp's parameters for its major business activities.

## CORPORATE PLANNING AND OUTLOOK

### CORPORATE PLANNING

The Bank's business and risk strategy was further developed during the first half of 2010. This was due, on one hand, by having to meet new requirements associated with the introduction of IRBA, and, on the other, adjustments made to our business policy to reflect changing market conditions.

In addition to the modifications in our business strategy, the Bank will decisively continue to pursue a cost-aware approach to efficiently execute its business and risk strategy. The cost reduction program introduced last year is a key element towards achieving this goal. Thus, first potentials of cost reduction were already realised in the first quarter. The goal is to achieve a sustained cost-income ratio that is appropriate for our business model.

### OUTLOOK

The IMF anticipates that the global economy will grow by 4.6 percent in 2010, and will only weaken slightly in 2011. Despite the predicted high pace of economic growth, research institutes and economic experts believe that a continuation of the recovery is facing increasing risks. Above all else, high levels of government debt and massive efforts to cut spending – especially within the euro area – are seen as possible burdens on a recovery. Because successes achieved in revitalising government finances could lead to higher fiscal burdens that might dampen economic growth.

The economic outlook for Germany depends primarily on the further development of the global economy as the current upswing is being mainly driven by exports. According to the Deutsche Bundesbank and economic experts German economic performance will grow by almost 2 percent in 2010 – with half a percentage point lower economic growth foreseen for 2011. The lower figure for 2011 is due to the expiry of economic stimulus programs and the fact that the government will begin to reduce its budget deficit.

Saving measures and deflationary tendencies in the western industrialised countries will force central banks to continue their policy of low interest rates. The outlook for a favourable and less volatile scenario for the stock markets and euro continue to depend primarily on hopes that confidence in the

6) Income statement expenses item 11





ability of the financial markets to function effectively stabilises once again. A major factor towards achieving this will be if governments in the euro area are able to consolidate their financial situation.

We do not anticipate that the risk premiums facing Portugal, Ireland, Italy, Greece and Spain will narrow any time soon. For this reason it is expected that the situation in the capital markets will remain very volatile. It may also be anticipated that the market for covered bonds will continue to track this development through to splitting into segments for stronger and weaker issuers. Based on an estimate made by the German Association of Pfandbrief Banks the volume of German Pfandbriefe issued – driven by the decline in the volume of Public Pfandbriefe issues – will decrease by about 10 percent in 2010 to € 100 billion.

Regarding the German residential property market we expect that as long as interest rates remain favourable demand for houses and apartments, as well as the construction sector, will continue to grow in the second half of the year and beyond. For this reason a slight increase in the number of building permits issued is anticipated for the entire year. It is likely that, based on the entire market, prices for residential property will develop stably and continue to rise in major metropolitan areas. In contrast, the Federal Government's saving measures have led to substantial cuts in government subsidies to upgrade buildings to make them more energy efficient, which in turn will have a dampening effect. On an overall basis we expect that we will achieve our targeted volume of new lending commitments for private property financing.

It is expected that overall development in the Swiss property market will be stable. Market observers anticipate that property prices will stagnate in most regions of the country. Risks could appear in the form of rising interest rates and a further weakening of the economy. Furthermore, signs of increasing competition in the property financing market have been noted.

It is anticipated that the favourable development in the commercial property markets will continue throughout the rest of 2010 as well as into 2011. Sales of commercial property in Europe are

therefore expected to rise to over € 100 billion in 2010 thereby exceeding the previous year's level of investments by more than one-third. Demand will continue to be primarily focused on first-class properties in very good locations, while lesser demand is expected for secondary properties. Possible changes in supervisory regulations – higher equity capital ratios for commercial property financing and the possible introduction of a cap on leverage ratios – will be burdensome and accelerate the consolidation process.

The economic outlook in the USA remains uncertain in light of the weak housing market as well as the continuing levels of unemployment. For this reason it is anticipated that neither the residential nor the commercial property market will recover significantly in 2010 or 2011.

In accordance with our business policies we will successively, and with a full awareness of risks, expand our commercial property financing business. In doing this we will place special attention on providing care and support to our existing customers as well as on building long-term oriented customer relationships as we move towards our goal of continuously expanding our portfolio of loans.

Based on our refinancing and liquidity plans we have the opportunity to float a large volume Pfandbrief issue in the second half of the year. We anticipate that the environment for private placement issues will remain favourable for us. A Jumbo Public Pfandbrief with a face value of more than € 1 billion will mature in September 2010. In light of the accommodating developments in the money market and the Münchener Hypothekbank's strength in placing new issues in the capital markets, we do not see any problems in meeting our refinancing and liquidity requirements in the second half of 2010.

We are striving to achieve results that will be at the previous year's level.





## BALANCE SHEET AS OF 30 JUNE 2010

ASSETS		30 June 10	31 Dec. 09
	€	€	€ 000
<b>1. Cash reserve</b>			
a) Cash on hand	5,984.86		17
b) Balances with Central Banks	320,334,860.45		66,955
of which			
with Deutsche Bundesbank € 320,334,860.45			
		<b>320,340,845.31</b>	<b>66,972</b>
<b>2. Claims on banks</b>			
a) Mortgage loans	74,007,459.81		79,316
b) Public-sector loans	1,399,811,484.47		1,578,829
c) Other claims	2,931,022,905.16		2,350,268
of which			
payable on demand € 1,305,681,581.30			
		<b>4,404,841,849.44</b>	<b>4,008,413</b>
<b>3. Claims on customers</b>			
a) Mortgage loans	17,142,302,818.64		16,335,719
b) Public-sector loans	6,168,322,837.43		6,160,048
c) Other claims	200,778,505.96		182,350
of which			
with securities pledged as collateral € 625,609.83			
		<b>23,511,404,162.03</b>	<b>22,678,117</b>
<b>4. Bonds and other fixed-income securities</b>			
a) Bonds and notes	6,982,831,401.52		6,830,856
aa) Public-sector issuers € 1,508,435,977.40			( 1,181,909 )
of which			
eligible as collateral for Deutsche Bundesbank advances € 1,262,543,785.13			
ab) Other issuers € 5,474,395,424.12			( 5,648,947 )
of which			
eligible as collateral for Deutsche Bundesbank advances € 5,104,918,298.05			
b) Own bonds and notes	481,184,872.66		1,809,693
Nominal Value € 480,955,200.00			
		<b>7,464,016,274.18</b>	<b>8,640,549</b>
Carried forward		35,700,603,130.96	35,394,051



LIABILITIES, CAPITAL AND RESERVES	30 June 10	31 Dec. 09
	€	€ 000
<b>1. Liabilities to banks</b>		
a) Registered mortgage Pfandbriefe issued	605,130,798.18	678,592
b) Registered public-sector Pfandbriefe issued	215,211,740.16	223,640
c) Other liabilities	4,128,951,489.24	4,457,582
of which		
payable on demand € 312,915,973.89		
delivered to lenders as collateral		
for loans received		
registered mortgage Pfandbriefe € 213,255.89		
and registered public-sector Pfandbriefe € 248,443.74		
	<b>4,949,294,027.58</b>	<b>5,359,814</b>
<b>2. Liabilities to customers</b>		
a) Registered mortgage Pfandbriefe issued	3,820,345,827.14	3,753,170
b) Registered public-sector Pfandbriefe issued	4,246,737,800.54	4,435,930
c) Other liabilities	1,176,737,934.55	1,092,432
of which		
payable on demand € 21,508,730.73		
delivered to lenders as collateral for		
loans received registered mortgage		
Pfandbriefe € 0.00		
and registered public-sector Pfandbriefe € 0.00		
	<b>9,243,821,562.23</b>	<b>9,281,532</b>
<b>3. Certificated liabilities</b>		
a) Bonds issued	19,961,349,990.92	19,674,631
aa) Mortgage Pfandbriefe issued € 9,263,449,180.09		( 9,272,033 )
ab) Public-sector Pfandbriefe issued € 6,411,825,940.50		( 6,584,360 )
ac) Other bonds issued € 4,286,074,870.33		( 3,818,238 )
b) Other certified liabilities	493,153,602.45	342,756
of which		
Money market paper € 493,153,602.45		
	<b>20,454,503,593.37</b>	<b>20,017,387</b>
<b>4. Liabilities incurred as trustee</b>	<b>191,439.91</b>	<b>206</b>
of which		
loans € 191,439.91		
<b>5. Other liabilities</b>	<b>351,304,649.90</b>	<b>65,946</b>
Carried forward	34,999,115,272.99	34,724,885



## BALANCE SHEET AS OF 30 JUNE 2010

ASSETS		30 June 10	31 Dec. 09
	€	€	€ 000
Brought forward		35,700,603,130.96	35,394,051
<b>5. Shares and other variable-yield securities</b>		<b>12,826,912.10</b>	<b>13,180</b>
<b>6. Participating interests and shares in cooperatives</b>			
a) Participating interests	78,054,419.90		78,063
of which			
in banks € 17,189,982.18			
b) Shares in cooperatives	18,500.00		19
of which			
in credit cooperatives € 15,500.00			
		<b>78,072,919.90</b>	<b>78,082</b>
<b>7. Shares in affiliated companies</b>		<b>11,174,713.16</b>	<b>11,181</b>
<b>8. Assets held in trust</b>		<b>191,439.91</b>	<b>206</b>
of which			
loans € 191,439.91			
<b>9. Intangible assets</b>		<b>7,146,302.52</b>	<b>6,497</b>
<b>10. Tangible assets</b>		<b>79,626,989.66</b>	<b>79,911</b>
<b>11. Other assets</b>		<b>63,241,380.24</b>	<b>75,976</b>
<b>12. Deferred Items</b>			
a) From issuing and lending business	64,001,441.91		72,358
b) Other	1,769,577.13		1,937
		<b>65,771,019.04</b>	<b>74,295</b>
<b>Total assets</b>		<b>36,018,654,807.49</b>	<b>35,733,379</b>



LIABILITIES, CAPITAL AND RESERVES	30 June 10	31 Dec. 09
	€	€ 000
Brought forward	34,999,115,272.99	34,724,885
<b>6. Deferred items</b>		
From issuing and lending business	16,111,770.39	18,464
	<b>16,111,770.39</b>	<b>18,464</b>
<b>7. Provisions</b>		
a) Provisions for pensions and similar obligations	25,927,595.00	25,278
b) Provisions for taxes	996,065.07	1,656
c) Other provisions	11,020,806.77	13,417
	<b>37,944,466.84</b>	<b>40,351</b>
<b>8. Subordinated liabilities</b>	<b>187,500,000.00</b>	<b>156,300</b>
<b>9. Profit-participation certificates</b>	<b>21,474,259.01</b>	<b>21,474</b>
of which		
€ 5,112,918.81 are due within two years		
<b>10. Capital and reserves</b>		
a) Subscribed capital	471,929,221.03	483,938
aa) Members' capital contributions € 149,282,043.21		( 148,741 )
ab) Silent participations € 322,647,177.82		( 335,197 )
b) Revenue reserves	279,338,340.75	279,338
ba) Legal reserve € 277,804,465.11		( 277,804 )
bb) Other revenue reserves € 1,533,875.64		( 1,534 )
c) Unappropriated profit	5,241,476.48	8,629
	<b>756,509,038.26</b>	<b>771,905</b>
<b>Total liabilities, capital and reserves</b>	<b>36,018,654,807.49</b>	<b>35,733,379</b>
<b>1. Contingent liabilities</b>		
Contingent liability on guarantees and indemnities	<b>129,192,121.57</b>	<b>109,026</b>
<b>2. Other commitments</b>		
Irrevocable loan commitments	<b>1,589,677,491.16</b>	<b>1,182,600</b>



# INCOME STATEMENT

## 1 JANUARY THROUGH 30 JUNE 2010

EXPENSES	1 January through	1 January through
	30 June 10	30 June 09
	€	€ 000
<b>1. Interest expenses</b>	<b>584,072,475.39</b>	<b>689,927</b>
<b>2. Commission paid</b>	<b>15,462,129.98</b>	<b>19,995</b>
<b>3. Net expense of the trading portfolio</b>	<b>4,168,849.01</b>	<b>1,106</b>
<b>4. General administrative expenses</b>		
a) Personnel expenses	16,599,627.26	16,500
aa) Wages and salaries € 13,524,958.25		( 12,974 )
ab) Social security contributions and cost of pensions and other benefits € 3,074,669.01		( 3,526 )
of which		
for pensions € 1,215,727.08		
b) Other administrative expenses	11,824,053.38	11,228
	<b>28,423,680.64</b>	<b>27,728</b>
<b>5. Depreciation and write-downs of intangible and tangible assets</b>	<b>2,349,900.00</b>	<b>2,100</b>
<b>6. Other operating expenses</b>	<b>798,254.63</b>	<b>983</b>
<b>7. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses</b>	<b>9,609,866.31</b>	<b>7,748</b>
<b>8. Taxes on income and earnings</b>	<b>1,558,067.19</b>	<b>385</b>
<b>9. Other taxes not included under "Other operating expenses"</b>	<b>42,522.08</b>	<b>44</b>
<b>10. Profits paid out due to a profit pooling agreement, a profit transfer agreement or a partial profit transfer agreement</b>	<b>12,240,226.36</b>	<b>7,536</b>
<b>11. Net income</b>	<b>4,608,169.85</b>	<b>4,701</b>
<b>Total expenses</b>	<b>663,334,141.44</b>	<b>762,253</b>



INCOME		1 January through	1 January through
	€	30 June 10	30 June 09
	€	€	€ 000
<b>1. Interest income from</b>			
a) Lending and money market operations	532,287,039.22		597,425
b) Fixed-income securities and government debt register claims	126,016,903.03		149,495
		<b>658,303,942.25</b>	<b>746,920</b>
<b>2. Current income from</b>			
a) Shares and other variable-yield securities	0.00		5,009
b) Participating interests and shares in cooperatives	449,994.34		350
		<b>449,994.34</b>	<b>5,359</b>
<b>3. Commission received</b>		<b>3,048,243.22</b>	<b>6,085</b>
<b>4. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets</b>		<b>593,948.55</b>	<b>2,856</b>
<b>5. Other operating income</b>		<b>938,013.08</b>	<b>1,033</b>
<b>Total income</b>		<b>663,334,141.44</b>	<b>762,253</b>





## NOTES TO THE HALF-YEARLY FINANCIAL STATEMENT AS OF 30 JUNE 2010 (ABRIDGED)

### GENERAL INFORMATION ON ACCOUNTING POLICIES

Münchener Hypothekbank eG's financial accounts for the first half of 2010 were in principle prepared using the same methods – while observing modifications required by the German Accounting Law Modernization Act (BilMoG) – used to prepare the balance sheet and determine valuations shown in the annual statement of accounts as of December 31, 2009. The previous year's figures were not adjusted to reflect BilMoG requirements concerning preparation of the balance sheet and determination of valuations.

Tax expenses were calculated based on the weighted average of the annual tax rate on income.

### OTHER LIABILITIES

The increase stemmed from the adjustment items for the foreign currency valuation of swaps in the amount of € 241.8 million.

### NET EXPENSE OF THE TRADING PORTFOLIO

The Bank's future transactions are carried in the trading book. The results of these transactions are netted out in the net expense of the trading portfolio.

### PROFITS TRANSFERRED DUE TO A PROFIT TRANSFER AGREEMENT OR A PARTIAL PROFIT TRANSFER AGREEMENT

The higher figure shown for the item is due to the conclusion of a new contract in November 2009 concerning a silent participation.

### CURRENT INCOME

No income was posted for current income from shares and other non-fixed income securities in 2010 due to the liquidation of special funds in 2009.

### AUDITING ASSOCIATION

DGRV-DEUTSCHER GENOSSENSCHAFTS- UND  
RAIFFEISENVERBAND e.V.  
Berlin, Pariser Platz 3

Munich, 30 July 2010  
MÜNCHENER HYPOTHEKENBANK eG  
Board of Management

Dr. Louis Hagen

Bernhard Heinlein

Klaus Sturm



## CERTIFICATION FOLLOWING REVIEW

### To Münchener Hypothekbank eG, Munich

We have conducted a review of the abridged interim financial statements – comprising the balance sheet, the income statement, as well as the abridged notes to the financial statements and the interim management report of Münchener Hypothekbank eG, Munich, for the period 1 January to 30 June 2010, all of which are elements of the half-yearly financial report pursuant to Art. 37w Securities Trading Act (WpHG). The preparation of the abridged interim financial statements in accordance with German commercial law, and the interim management report pursuant to the applicable terms of the WpHG, are the responsibility of the cooperative's legal representatives. Our responsibility is to issue a certificate for the abridged interim financial statements and the interim management report based on our review.

We have conducted our review of the abridged interim financial statements and interim management report in accordance with the generally accepted German standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) in Germany. These standards require that we plan and perform the review so that, by way of a critical assessment, we can exclude with a reasonable measure of certainty that the principal elements of the abridged interim financial statements have not been drawn up in conformity with the German commercial rules, and that the principal elements of the interim management report have not been drawn up in conformity with the WpHG regulations applicable to the interim management report. A review is limited primarily to interviewing the personnel of the cooperative and to analytical assessments and therefore does not achieve the level of certainty provided by an audit cannot be achieved. As we were not assigned to conduct an audit we cannot issue an audit certificate.

Based on the information gained from our review, we are unaware of any circumstances that could lead us to the conclusion that principal elements of the abridged interim financial statements were not drawn up in conformity with the requirements

of German commercial law, or that the principal elements of the interim management report were not drawn up in conformity with the applicable terms of the WpHG.

Berlin, 6 August 2010  
DGRV-DEUTSCHER GENOSSENSCHAFTS- UND  
RAIFFEISENVERBAND e.V.

Dr. Ott  
Auditor

Lenkawa  
Auditor

## AFFIRMATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and earnings situation 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 anticipated development of the company for the remaining business year.

Munich, 30 July 2010  
MÜNCHENER HYPOTHEKENBANK eG  
Board of Management

Dr. Louis Hagen

Bernhard Heinlein

Klaus Sturm



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Dr. Wolfgang Baecker ... Bank director  
Manfred Basler ... Bank director  
Claus-Rüdiger Bauer ... Bank director  
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