Münchener Hypothekenbank eG

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY TO 30 JUNE 2011 >>

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INTERIM MANAGEMENT REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

As expected, the upswing in the global economy continued in the first half of 2011, although growing signs of weakening were visible. Above all else, the sharp rise in commodity prices and the related notable increase in inflation had a dampening effect.

On an overall basis, growth noted in the industrialised countries developed at a weaker pace compared to the rest of the world. This applied especially to the USA, where the weak economy and the high level of government debt led to growing unease. Japan was also a cause of concern as the country continued to suffer from the effects of the March earthquake and Tsunami.

In contrast, the Germany economy posted very good development. During the first quarter of this year a sharp increase was noted for the German gross domestic product (GDP), which advanced by more than 5 percent over the same year-ago period. Growth was primarily driven by capital expenditures, consumer spending and exports. Outlays for construction again contributed to the expansion of the economy as they rose by 12.6 percent over the same year-ago quarter.

Consumer prices rose further and were led by substantial increases in energy and food prices. The rate of inflation has remained over 2 percent since February 2011 and most recently was 2.3 percent in June. The situation in the labour market improved further due to strong economic development. For the first time in almost 20 years the number of unemployed persons fell to nearly 2.9 million in June.

FINANCIAL MARKETS

The European sovereign debt crisis worsened in the first half of 2011 as financial markets were particularly upset by the dramatic escalation of the government debt situation in Greece.

Fears that the sovereign debt crisis could again spread further increased as Portugal's creditworthiness was significantly downgraded by Moody's, a rating agency, thus raising again doubts about the country's ability to avoid default. Portugal subsequently decided to seek shelter beneath the EU's rescue umbrella.

A further package of financial assistance to ensure the solvency of Greece was agreed on during a special EU summit meeting in July, which includes the voluntary participation of private creditors for the first time. The package foresees an offer to exchange existing Greek bonds for new bonds with longer maturities. Participating investors would see a 21 percent reduction in the net present value of their existing Greek bonds.

Italy was also hit by the turmoil in the financial markets at the beginning of July. The crisis was triggered by fears that Italy's high level of public debt could result in a situation similar to Greece's.

The European Central Bank (ECB) responded to rising inflation and the good outlook for growth in the core euro zone countries by raising its key interest rate in two steps to 1.5 percent. These moves made the ECB the first of the major western central banks to end its expansive monetary policy. In contrast, the American central bank, the Fed, left its interest rates at historic lows in an effort to support the American economy and revive the weak labour market.

The widening spread in interest rates and better economic perspectives in Europe fuelled a rise in the value of the euro over the US dollar. In contrast, the value of the euro vis-à-vis the Swiss franc fell significantly to new lows under SFr 1.20 in the first half. The Swiss franc profited from uncertainty surrounding the financial situation of euro zone countries and speculation that the European Monetary Union could break apart. These exchange rate developments dampened inflation in Switzerland and have thus far restrained the Swiss National Bank from following the ECB in raising its interest rates.

Interest rates rose at the beginning of the year in the euro bond markets in response to rising inflation and good economic data. Prices for German government bonds (Bunds) rose again in the second quarter due to poorer economic data in the USA and, in particular, because of developments seen in Greece.

The international covered bond markets got off to a spectacular start in 2011 as the volume of new issues floated set a record in the first quarter. France was the biggest issuer followed by Germany and Spain. During the remainder of the first half of the year, however, the European sovereign debt crisis had an increasing impact on the covered bond markets. The markets reacted far more sensitively to bad news coming from the EU member countries. As a result, countries affected by the sovereign debt crisis and issuers located in these countries, in particular, faced increasingly difficult access to the markets.

PROPERTY MARKETS

RESIDENTIAL PROPERTY MARKET – GERMANY

Rising demand for residential property noted since the outbreak of the crisis in the financial markets continued. Against the background of the sovereign debt crisis, increased investments in residential property were primarily made by investors, although purchases of residential property for personal use also rose. This led to a shrinking supply in major metropolitan areas and economically strong regions and correspondingly higher prices, which in some cases were quite significant. This in turn resulted in individual discussions if the first signs of a growing bubble weren't becoming visible. In some cases returns on investment fell notably. However, on a national level, prices for residential property continued to rise moderately.

High demand was supported by the historically low interest rates for residential property finance, as well as favourable economic development. As a result, for the first time in many years, investments in new construction were higher than those made in existing housing. This is also reflected by the substantially higher number of building permits issued: by the end of May 2011, building permits had been granted for 90,000 apartments – almost one-third more than at the same year-ago date. However, when viewed on a long-term comparative basis, the number of building permits issued still remained at a low level.

RESIDENTIAL PROPERTY MARKETS – INTERNATIONAL

Development noted for the European residential property markets continued to be very mixed.

Average prices for residential property rose in the Scandinavian countries, as well as in France, Austria, Switzerland and Belgium. In contrast, prices declined slightly in Great Britain, the Netherlands, Poland and Italy. The uncertain overall economic outlook, especially in the UK, dampened private demand in the residential property markets. Residential property markets in countries that had been particularly hard hit by the crisis in the financial markets, like Spain and Ireland, were still unable to show any signs of recovering. Furthermore, the situation in Spain was exacerbated by a significant excess of available housing. Several regions in Switzerland and Sweden exhibited overheating tendencies, which in the interim have also become subjects of political discussions.

The situation in the American market for residential housing and condominiums has not yet improved. The market continues to be burdened by uncertain economic development in the USA, a high level of unemployment, excess supply and numerous foreclosures. Average prices fell reflecting weak demand. In addition, the situation has not been helped by unchanged tight lending criteria. The residential rental market, in contrast, has continued to benefit from these conditions, especially the apartment building segment.

COMMERCIAL PROPERTY MARKET – GERMANY

The volume of transactions noted for the German commercial property market once again expanded significantly: € 11.3 billion was invested in commercial property across all of Germany in the first half of 2011, or 23 percent more than in the same year-ago period.

Retail properties, above all else, were in demand and drove the market as this sector was responsible for more than half of all transactions recorded in the commercial property market in the second quarter. Furthermore, demand for commercial property was further strengthened by foreign investors, as they generated more than one-third of all transactions. On average, top returns remained generally unchanged, although they did decline slightly in Berlin and Duesseldorf.

COMMERCIAL PROPERTY MARKETS – INTERNATIONAL

The European market for commercial property transactions also posted favourable development. During the first quarter of 2011 the volume of transactions in Europe – including Germany – amounted to about € 28 billion, or by one-third more than in the first three months of the previous year. Volume noted in the second quarter was more modest and almost € 25 billion, as the sovereign debt crisis led to fewer investments in commercial property located in Southern Europe. Investments remained mainly focused in premium or so-called core properties. As the supply of properties in this segment is, however, limited, and top yields in the core markets are contracting, first indications of more investments are again being made the secondary markets.

Commercial property markets showed mixed development in the USA as the core markets of New York City, Washington D.C., Boston, San Francisco and Los Angeles continued to show signs of recovering. While first indications were visible that a floor had been reached in certain sectors of the secondary markets, however, the situation remained tense.

BUSINESS DEVELOPMENT

NEW MORTGAGE BUSINESS

Our new business was favourably influenced by the economic conditions in certain countries, as we made about € 1.6 billion in mortgage loan commitments in the first half of 2011, or 19 percent more than in the same year-ago period. This puts us within the parameters of the goals we set for 2011.

The overall market recorded stable development in the private property financing area. In total we made over € 1.2 billion in residential property loans, including loans to residential housing companies, or close to the previous year's level. In contrast, we were able to expand our new business with the Volksbanken and Raiffeisenbanken – our most important cooperating partners – by about 35 percent. Here we benefited from our partner banks' strong market position.

As before, the mortgage lending value ratios of the loans we made were low as our private customers brought in a high share of equity capital with them to purchase their property. The share of forward loans, or loans that allow our customers to secure current interest rates up to five years prior to the date when they refinance their current mortgage, rose further due to the low level of interest rates. Furthermore, the share of loans made for energy-related measures also increased.

Turnover of private property financing by independent financial service providers expanded as planned. The volume of new business rose by 44 percent over the first half of 2010 to € 233 million. Our cooperation with the Swiss PostFinance developed better than planned. Excluding one-time effects, we were able to further increase the volume of loans brokered in comparison to the same year-ago period.

Our commercial property financing business was favourably influenced by significantly higher demand noted in Germany and our core markets of France and Great Britain. This was because the availability of commercial property financing was still lower in comparison to the years prior to the crisis in the financial markets, despite the fact that the number of banks actively engaged in making these kinds of loans has been steadily rising. In addition, lending criteria remained comparatively conservative in the financing market. We view ourselves as well positioned in this competitive environment.

By the end of June 2011 we had made a total of € 370 million in new commercial property lending commitments. This meant that we had already reached the total volume recorded for the previous year.

PUBLIC SECTOR AND BANK LENDING

The sovereign debt crisis led to uncertainty in the public sector and bank lending business, as well as to higher spreads. In addition, investments in bank securities were also burdened by tighter requirements foreseen for equity capital and liquidity in accordance with Basel III. This was particularly reflected in notably widened refinancing spreads in the uncovered segment.

Against this background, MünchenerHyp again conducted its lending business with the public sector and banks on a very risk-conscious basis, and with the particular goal of maintaining stable pools of coverage for loans in this area of business. The volume of loan commitments made as of June 30, 2011, including the municipal loan business, amounted to € 1.1 billion, or slightly below the previous year's level.

REFINANCING

Following the successful issuance of a 5-year Jumbo Mortgage Pfandbrief at the start of the year we were able to cover our additional refinancing requirements through private placements on the capital and money markets. The unchanging low level of interest rates increased demand for simply structured securities with long maturities. Our refinancing strategy benefited from this development.

The overall weak market environment caused by the sovereign debt crisis did not hinder MünchenerHyp's refinancing activities. We continued to benefit from MünchenerHyp's good reputation in the capital markets due to our intensive and sustained activities to support our investors, as well as from the quality of the coverage pools backing our Pfandbriefe.

We were able to win new investors in the uncovered refinancing segment. The Cooperative Financial Network remained our most important partner.

As of the end of the first half total gross sales of our issues amounted to € 4.0 billion, of which € 2.4 billion were Mortgage Pfandbriefe, € 0.4 billion Public Pfandbriefe, and € 1.2 billion in uncovered securities. Outflows amounted to € 3.4 billion, resulting in a net sales volume of € 0.6 billion.

RATING

MünchenerHyp's ratings remained unchanged in the first half of 2011. Our ratings are provided by Moody's, a rating agency.

MÜNCHENERHYP'S RATINGS AT A GLANCE:

	Rating	Outlook
Public Pfandbriefe	Aaa	stable
Mortgage Pfandbriefe	Aaa	stable
Long-term liabilities	A1	negative
Subordinated liabilities	A3	stable
Short-term liabilities	Prime -1	
Fundamental financial strength	C-	negative

APPOINTMENTS

Following 20 years of membership, His Royal Highness Duke Max in Bavaria, stepped down as the Deputy Chairman of Münchener Hypothekenbank's Supervisory Board at the end of his term of office following the close of the Delegates Meeting on April 16, 2011. The Chairman of Münchener Hypothekenbank's Supervisory Board, Konrad Irtel, praised the extraordinary commitment and important service rendered by His Royal Highness. He contributed his vast experience and business expertise to several of the Supervisory Board's committees including, most recently, Chairman of the Lending Committee.

The members of the Supervisory Board elected one of their colleagues, Michael Glos, a former Federal Minister, as the new Deputy Chairman of the Supervisory Board.

The Delegates Meeting elected His Serene Highness Albrecht Prince of Oettingen-Spielberg to the Supervisory Board. During their constitutive meeting held on April 16, 2011, the members of the Supervisory Board re-elected Konrad Irtel, Spokesman of the Board of Management of the VR Bank Rosenheim-Chiemsee eG, as Chairman of the Supervisory Board.

The close of the Delegates Meeting on April 16, 2011 also marked the end of the term of office of delegates representing the members of the MünchenerHyp cooperative. The members of the Supervisory Board and the Board of Management thanked the delegates for their work and support over the past five years, which contributed towards successfully steering the bank through turbulent times. Elections held directly after the Delegates Meeting elected 52 delegates, as well as 10 alternate delegates. The list of the elected delegates is shown on page 21 of this interim report.

EARNINGS, FINANCIAL AND ASSET SITUATION

BALANCE SHEET STRUCTURE

Total assets only changed slightly, and as of June 30, 2011 amounted to € 35.4 billion following € 35.2 billion recorded at the end of 2010.

Our loan portfolios developed stably: the portfolio of mortgage and other property finance loans totalled € 18.5 billion, while the portfolio of loans and securities generated by our business with public-sector lenders and banks amounted to € 13.6 billion.

The scope of Müncherhyp's investments in bonds issued by countries particularly affected by the European debt crisis, or in bonds issued by banks domiciled in these countries, as well as bonds which are additionally secured by direct and immediate guarantees issued by the respective state remains moderate. The vast majority of bank bonds held by Müncherhyp are covered bonds.

	SOVEREIGN STATES	BANKS		TOTAL
		Covered bonds	Uncovered bonds	
Portugal	95	197	30	322
Italy	97	60	40	197
Ireland	30	60	0	90
Greece	108	0	0	108
Spain	137	700	5	842
Total	**467**	**1,017**	**75**	**1,559**

Status: 30.06.2011. in million € (nominal value)

Claims against Greece consist of a bond issued by the Greek government, as well as two bonds issued by a company; these two bonds are secured by a guarantee given by the Greek government. The book value of the Greek government bonds (nominal value € 40 million) maturing in May 2012, and which are covered by the foreseen exchange offer, was written down from the previous book value of € 40.2 million to € 31.6 million based on a recommendation made by the Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW) for the credit sector. No write-downs were taken for the two corporate bonds due in April 2013 and January 2014 (nominal value € 68 million, book value € 68 million) as we anticipate that they will be fully repaid on their maturity dates. Of the € 334 million in unrealised losses for securities carried under fixed assets, € 254 million refers to securities from countries shown in the above table.

Equity capital shown on the balance sheet consists of € 785 million. Liable equity capital declined slightly from € 1,198 million to € 1,185 million due to repayment of subordinated loans. At the middle of the year the core capital ratio was 6.6 percent while the total capital ratio was 10.1 percent.

DEVELOPMENT OF EARNINGS

During the current year we were able hold our net interest income[1] of € 61.8 million at the previous year's level.

The net commission balance[2] was a minus € 16.5 million. Due to the increase in expenses for broker commissions paid, the net interest less commissions figure fell from € 50.1 million noted at mid-2010 to € 45.3 million as of June 30, 2011. Net expenses of the trading portfolio amounted to € 1.0 million.

Administrative expenses[3] rose by € 1.2 million to € 32.0 million. While personnel expenses of € 16.3 million stayed at the level seen in 2010, the remaining administrative expenses increased by € 1.2 million to € 13.1 million. The change was due to the first-time payment of the bank levy of € 1.1 million, as well as by expenses incurred within the framework of introducing the Internal Ratings Based Approach (IRBA) for determining equity capital requirements. On an overall basis, we were able to absorb the higher costs due to savings effects derived from a cost-cutting program.

Depreciation and write-downs of intangible and tangible assets totalled € 2.6 million, or slightly more than the same year-ago figure of € 2.3 million.

Results from operations before provisions for risks[4] amounted to € 11.3 million.

The item "Income from write-ups on claims and certain securities, as well as from the reversal of provisions for possible loan losses" amount to a plus of € 4.8 million compared to a minus € 9.6 million posted in the same year-ago period. The change is the result of an improved lending risk position in the mortgage business, which in turn is due to the overall favourable economic development and the Bank's successful restructuring of loans over the last few years.

The item "Write-downs and adjustments to value of participations, shares in affiliated companies, and securities treated as fixed assets" includes the € 8.6 million write-down of the Greek government bond. As a result of this effect, we recorded a negative value of € 8.6 million for this item.

Results from operations after making provisions for risk were € 7.6 million. After deduction of € 2.8 million for tax expenses, net profits attributable for the first six months of the year amounted to € 4.8 million.

CORPORATE PLANNING AND OUTLOOK

CORPORATE PLANNING

MünchenerHyp's business and risk strategy defines the parameters of the Bank's key business activities and were adjusted as scheduled. The primary change made was to strengthen the integration and linkage of the operational planning and control processes with the business and risk strategy.

OUTLOOK: OPPORTUNITIES AND RISKS

Forecasts for the global economy continue to anticipate notable growth, although its pace may, however, weaken slightly. Thus, the IMF's forecast remains almost unchanged and predicts that global GDP will expand by 4.3 percent in 2011 and 4.5 percent in 2012. Despite the sovereign debt crisis, economic

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 adjustments to value of intangible and tangible assets
4) Sum of income statement expense items 1., 2., 3., 4., 5., 6. and income items 1., 2., 3., 6.

experts have raised their outlook for economic growth in the euro zone from original forecasts made at the start of the year. In the interim, the economy in the euro zone is expected to grow by about 2 percent in 2011. However, the European economy is expected to cool noticeably in 2012 due primarily to measures taken to consolidate government budgets. If, in addition, the sovereign debt crisis should spread further, it is likely that this would have substantial negative effects on the development of the euro zone's economy.

The German economy is currently benefiting from its export strength, low unemployment and its good domestic economic situation. This development is leading to notably higher tax revenues and higher inflows to state social funds thereby supporting the government's efforts to consolidate its budgetary situation. For this reason the German Bundesbank believes that Germany is at the edge of a long and broad economic upswing and is predicting a 3.1 percent rise in GDP for 2011. Economic growth may weaken in 2012 to 1.8 percent as most of the overall economic capacity is already being fully utilised. Exports remain the main driver behind the upswing. For this reason a further worsening of the sovereign debt crisis could also pose major risks to the German economy.

The financial markets remained mainly burdened by the debt situation, especially by the problems in Greece along with the issues facing the other countries on the periphery of Europe. Currently it cannot be said how the continuation of this crisis will influence the ECB's interest rate policy in the future. It appears that the American Fed will be very reluctant to end its expansive monetary policy and will only change course and slowly begin to raise interest rates next year. The money markets continue to anticipate that the central banks will continue to provide liquidity generously.

The volume of issues in the covered bond markets is likely to exceed the previous year's level. However, the sovereign debt crisis will lead to even sharper distinctions between issuers: spreads for core euro-zone countries will remain stable, while issuers from the peripheral countries will have to accept significantly higher spreads.

We do not anticipate any major changes in the current market environment or in the overall conditions facing the German residential property and residential property financing market. We expect that financing conditions will remain favourable in long-term historic comparison, even after an increase in the key rates by the ECB. We also anticipate that this will allow demand for residential property to develop stably. Overall expert opinions foresee only slightly rising prices for residential property, although the strong regional differences noted in the development of prices will solidify even further.

We do not foresee any major changes in the Swiss residential property market and believe that this will favourably influence our relationship with PostFinance.

We expect that the tendency towards normalisation noted in the first half of 2011 for the commercial property markets in Germany and in all of Europe will continue. The concentrated focus of investors and property financers on very good properties in the best locations, with very creditworthy tenants can temporarily result in exaggerated prices in this segment. Currently no signs are visible that this situation could expand into a widely spread trend. Investments are forecast to decline in Southern Europe. We anticipate that lending standards in the credit sector will not change materially and that they will continue to remain comparatively conservative.

We believe that the volume of transactions for all categories of property in our core markets of Germany, France and the UK will continue to rise, and that an expansion of financing activities will also extend to good secondary properties. We do not anticipate that the current market environment for residential houses and condominiums will change in the USA until a broad-based economic recovery takes place. This also means that the increased demand for rental housing will continue. It appears likely that the stabilisation of the core markets in the American commercial property market will continue, even though the uncertain economic outlook could easily reverse this trend. In accordance with our business strategy we are continuing to further reduce our activities in the USA.

Based on the current market environment, we view ourselves as being well positioned in both the private property and commercial property financing segments. We expect that the current overall conditions will enable us to achieve our volume of new business as planned.

Our refinancing and liquidity plans are also progressing as forecast. A € 1 billion Public Jumbo Pfandbrief will come due in September 2011. Should market conditions be favourable at that time we believe it would present us an opportunity to float a large volume issue. We plan on using private placements to cover our remaining refinancing requirements.

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

BALANCE SHEET AS OF 30 JUNE 2011

ASSETS		30 June 11	31 Dec. 10
	€	€	€ 000
1. Cash reserve			
a) Cash on hand	7,877.34		11
b) Balances with Central Banks	36,546,944.97		78,562
of which			
with Deutsche Bundesbank € 36,546,944.97			
		36,554,822.31	**78,573**
2. Claims on banks			
a) Mortgage loans	58,637,405.12		67,273
b) Public-sector loans	1,284,157,471.61		1,258,645
c) Other claims	2,517,697,830.35		2,491,213
of which			
payable on demand € 934,164,223.75			
		3,860,492,707.08	**3,817,131**
3. Claims on customers			
a) Mortgage loans	18,363,146,514.12		18,121,271
b) Public-sector loans	6,137,008,106.05		6,202,688
c) Other claims	161,149,497.08		169,136
of which			
with securities pledged as collateral € 168,057.98			
		24,661,304,117.25	**24,493,095**
4. Bonds and other fixed-income securities			
a) Bonds and notes	6,425,156,773.30		6,508,216
aa) Public-sector issuers € 1,518,558,089.72			(1,409,424)
of which			
eligible as collateral for Deutsche Bundesbank advances € 1,406,987,011.61			
ab) Other issuers € 4,906,598,683.58			(5,098,792)
of which			
eligible as collateral for Deutsche Bundesbank advances € 4,614,340,339.22			
b) Own bonds and notes	33,492,439.84		28,584
Nominal Value € 33,585,500.00			
		6,458,649,213.14	**6,536,800**
Carried forward		35,017,000,859.78	34,925,599

LIABILITIES, CAPITAL AND RESERVES		30 June 11	31 Dec. 10
	€	€	€ 000
1. Liabilities to banks			
a) Registered mortgage Pfandbriefe issued	899,795,016.47		632,653
b) Registered public-sector Pfandbriefe issued	273,339,063.05		213,408
c) Other liabilities	2,950,214,650.66		3,086,715
of which			
payable on demand € 262,228,554.55			
delivered to lenders as collateral for loans received registered mortgage Pfandbriefe € 105,079.50			
and registered public-sector Pfandbriefe € 133,178.53			
		4,123,348,730.18	**3,932,776**
2. Liabilities to customers			
a) Registered mortgage Pfandbriefe issued	4,151,911,536.33		3,846,882
b) Registered public-sector Pfandbriefe issued	4,171,890,692.70		4,136,324
c) Other liabilities	1,489,731,583.00		1,357,728
of which			
payable on demand € 8,559,529.16			
		9,813,533,812.03	**9,340,934**
3. Certificated liabilities			
a) Bonds issued	20,056,384,405.57		20,376,104
aa) Mortgage Pfandbriefe issued € 10,882,951,168.03			(9,816,379)
ab) Public-sector Pfandbriefe issued € 4,549,532,662.54			(6,397,916)
ac) Other bonds issued € 4,623,900,575.00			(4,161,809)
b) Other certified liabilities	316,467,746.63		444,344
of which			
Money market paper € 316,467,746.63			
		20,372,852,152.20	**20,820,448**
4. Liabilities incurred as trustee		**153,429.48**	**167**
of which			
loans € 153,429.48			
5. Other liabilities		**82,714,608.72**	**69,610**
Carried forward		34,392,602,732.61	34,163,935

BALANCE SHEET AS OF 30 JUNE 2011

ASSETS		30 June 11	31 Dec. 10
	€	€	€ 000
Brought forward		35,017,000,859.78	34,925,599
5. Shares and other variable-yield securities		**13,005,086.19**	**13,198**
6. Participating interests and shares in cooperatives			
a) Participating interests	77,808,262.10		77,808
of which			
in banks € 17,189,982.18			
b) Shares in cooperatives	18,500.00		19
of which			
in credit cooperatives € 15,500.00			
		77,826,762.10	**77,827**
7. Shares in affiliated companies		**11,151,601.64**	**11,174**
8. Assets held in trust		**153,429.48**	**167**
of which			
loans € 153,429.48			
9. Intangible assets			
a) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licens-es to these rights and values	7,078,153.82		7,906
b) Payments made on account	1,588,108.56		785
		8,666,262.38	**8,691**
10. Tangible assets		**77,409,933.20**	**78,155**
11. Other assets		**140,557,973.01**	**47,625**
12. Deferred items			
a) From issuing and lending business	60,395,880.91		60,986
b) Other	3,563,918.46		1,599
		63,959,799.37	**62,585**
Total assets		**35,409,731,707.15**	**35,225,021**

LIABILITIES, CAPITAL AND RESERVES		30 June 11	31 Dec. 10
	€	€	€ 000
Brought forward		34,392,602,732.61	34,163,935
6. Deferred items			
From issuing and lending business	13,817,147.39		14,012
		13,817,147.39	**14,012**
7. Provisions			
a) Provisions for pensions and similar obligations	27,852,155.00		26,802
b) Provisions for taxes	60,458.66		490
c) Other provisions	12,417,662.26		14,877
		40,330,275.92	**42,169**
8. Subordinated liabilities		**156,200,000.00**	**194,200**
9. Profit-participation certificates		**21,474,259.01**	**21,474**
of which			
€ 15,338,756.44 are due within two years			
10. Capital and reserves			
a) Subscribed capital	496,382,084.74		498,261
aa) Members' capital contributions € 154,734,906.92			(156,114)
ab) Silent participations € 341,647,177.82			(342,147)
b) Revenue reserves	283,838,340.75		282,338
ba) Legal reserve € 282,304,465.11			(280,804)
bb) Other revenue reserves € 1,533,875.64			(1,534)
c) Unappropriated profit	5,086,866.73		8,632
		785,307,292.22	**789,231**
Total liabilities, capital and reserves		**35,409,731,707.15**	**35,225,021**
1. Contingent liabilities			
Contingent liability on guarantees and indemnities		**66,410,958.53**	**75,779**
2. Other commitments			
Irrevocable loan commitments		**2,015,871,688.58**	**1,824,222**

INCOME STATEMENT

1 JANUARY THROUGH 30 JUNE 2011

EXPENSES		1 January through 30 June 11	1 January through 30 June 10
	€	€	€ 000
1. Interest expenses		**587,068,574.68**	**596,313**
2. Commission paid		**19,756,646.19**	**15,462**
3. Net expense of the trading portfolio		**962,090.50**	**4,169**
4. General administrative expenses			
a) Personnel expenses	16,300,247.59		16,600
aa) Wages and salaries € 13,333,822.94			(13,525)
ab) Social security contributions and cost of pensions and other benefits € 2,966,424.65			(3,075)
of which			
for pensions € 1,120,442.64			
b) Other administrative expenses	13,143,975.14		11,824
		29,444,222.73	**28,424**
5. Depreciation and write-downs of intangible and tangible assets		**2,550,000.00**	**2,350**
6. Other operating expenses		**1,435,828.60**	**798**
7. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses		**0.00**	**9,610**
8. Write-downs and adjustments to value of participations, shares in affiliated companies, and securities treated as fixed assets		**8,559,817.29**	**0**
9. Taxes on income and earnings		**2,807,013.39**	**1,558**
10. Other taxes not included under "Other operating expenses"		**48,981.44**	**42**
11. Net income		**4,784,853.66**	**4,608**
Total expenses		**657,418,028.48**	**663,334**

INCOME		1 January through 30 June 11	1 January through 30 June 10
	€	€	€ 000
1. Interest income from			
a) Lending and money market operations	532,383,440.76		532,287
b) Fixed-income securities and government debt register claims	115,987,361.91		126,017
		648,370,802.67	**658,304**
2. Current income from			
a) Participating interests and shares in cooperatives	499,698.45		450
		499,698.45	**450**
3. Commission received		**3,288,376.72**	**3,048**
4. Income from write-ups on claims and certain securities, as well as from the reversal of provisions for possible loan losses		**4,804,286.91**	**0**
5. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		**0.00**	**594**
6. Other operating income		**454,863.73**	**938**
Total income		**657,418,028.48**	**663,334**

NOTES TO THE HALF-YEARLY FINANCIAL STATEMENT AS OF 30 JUNE 2011 (ABRIDGED)

GENERAL INFORMATION ON ACCOUNTING POLICIES

Münchener Hypothekenbank eG's financial accounts for the first half of 2011 were prepared using the same methods used to prepare the balance sheet and determine valuations shown in the annual statement of accounts as of December 31, 2010.

Interest expenses arising from silent participations were recorded under interest expenses in the financial statements for the first half of 2011. The same year-ago figures were accordingly adjusted to ensure comparability.

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

AUDITING ASSOCIATION

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

Munich, 2 August 2011
MÜNCHENER HYPOTHEKENBANK eG
Board of Management

Dr. Louis Hagen   Bernhard Heinlein   Michael Jung

CERTIFICATION FOLLOWING REVIEW

To Münchener Hypothekenbank 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 Hypothekenbank eG, Munich, for the period 1 January to 30 June 2011, 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, 3 August 2011
DGRV – DEUTSCHER GENOSSENSCHAFTS- UND RAIFFEISENVERBAND e.V.

Dr. Ott	Lenkawa
Auditor	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, 2 August 2011
MÜNCHENER HYPOTHEKENBANK eG
Board of Management

Dr. Louis Hagen	Bernhard Heinlein	Michael Jung

BODIES

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Dr. Louis Hagen, Spokesman
Bernhard Heinlein
Michael Jung

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Chairman of the Supervisory Board

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Deputy Chairman of the Supervisory Board

Michael Glos MdB ... Prichsenstadt
Master Craftsman (Miller)
Deputy Chairman of the Supervisory Board (as of 16 April 2011)

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Chairman of the Board of Management of
Raiffeisen-Volksbank Ebersberg eG

Wilfried Mocken ... Rheinberg
General Attorney in Fact of
Underberg KG

S.D. Albrecht Fürst zu Oettingen-Spielberg ... Oettingen
(as of 16 April 2011)

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Erich Rödel ... Ingolstadt
Bank director (ret.)

Hans-Joachim Tonnellier ... Frankfurt am Main
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Thomas Sterthoff ... Guetersloh

MEMBERS OF THE DELEGATES MEETING AS OF 16 APRIL 2011

Hermann Arens ... Bank director
Dr. Wolfgang Baecker ... Bank director
Manfred Basler ... Bank director (ret.)
Claus-Rüdiger Bauer ... Bank director
Norbert Beek ... Bank director
Heinrich Beerenwinkel ... Bank director
Dr. Christoph Berndorff ... Bank director
Dietmar Bock ... Managing director
Helmut Böing ... Bank director
Dr. Christine Bortenlänger ... Member of Board of Management
Dr. Michael Brandt ... Bank director
Eckhard Dämon ... Bank director
Lothar Erbers ... Bank director
Johann Fuhlendorf ... Bank director
Dr. Roman Glaser ... Bank director
Klaus Graniki ... Managing director
Markus Gschwandtner ... Bank director
Michael Haas ... Bank director
Eberhard Heim ... Bank director
Joachim Hettler ... Bank director
Dr. Christoph Hiltl ... Attorney
Karl Hippeli ... Bank director
Carsten Jung ... Bank director
Jürgen Jung ... Legal advisor
Norbert Kaufmann ... Bank director
Herbert Kellner ... Bank director
Michael Kittel ... Bank director
Klaus Korte ... Bank director
Roland Kuffler ... Businessman
Helmuth Lutz ... Bank director
Michael Müller ... Attorney
Dr. Hans-Wolfgang Neumann ... General Manager
Thomas Petersen ... Bank director
Klaus Pohl ... Managing director
Erhard Probst ... Bank director
Dr. Rüdiger Renk ... Association director
Frank Ritter ... Attorney, Notary
Christian Scheinert ... Bank director
Dr. Martin Schilling ... Bank director
Andreas Schmidt ... Certified Property Specialist
Hans Schmitt ... Bank director
Klaus Otmar Schneider ... Bank director
Thorsten Schwengels ... Bank director
Wolfgang Siemers ... Managing director
Jörg Stahl ... Bank director
Theo Stauder ... Bank director
Dr. Rainer Sturies ... Attorney
Ulrich Tolksdorf ... Bank director
Martin Trahe ... Bank director
Florian Uhl ... Managing director
Heinz-Walter Wiedbrauck ... Bank director
Michael Zaigler ... Managing director

IMPRINT

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