Münchener Hypothekenbank eG

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY TO 30 JUNE 2012 >>

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INTERIM MANAGEMENT REPORT

OVERALL ECONOMIC CONDITIONS

ECONOMIC DEVELOPMENT

The global economy developed better than expected during the first quarter of the year. This was primarily due to increased production figures noted during this period for most of the Western industrialised nations. Favourable effects were also generated by declining oil prices. Economic performance in the eurozone stagnated. The unexpectedly strong growth of the German economy was the sole factor that kept the eurozone from sliding into a recession. The global economy was increasingly burdened by a renewed worsening of the eurozone's sovereign debt crisis during the second quarter.

Rising exports and stronger consumer spending fuelled a 0.5 percent increase in Germany's gross domestic product in the first quarter. These gains partially offset the drop in investments in plant and equipment. Investments in construction also fell in the first quarter due to the extremely cold weather experienced in February, as well as the expiration of economic stimulus programmes for public-sector construction. Economic perspectives began to deteriorate in the second quarter. Although figures for industrial production rose substantially in May – including figures for the construction industry – early economic indicators fell suddenly and notably in June due mainly to a drop in the volume of incoming orders.

The pace of consumer price increases slowed during the second quarter, and in May the rate of inflation fell below 2 percent for the first time again. The rate of inflation for June was 1.7 percent. The situation in the labour market continued to develop favourably as the unemployment figures posted for June fell by about 100,000 from the same year-ago month to 2.8 million.

FINANCIAL MARKETS

At the beginning of the year the European Central Bank's (ECB) longer-term refinancing operations (LTROs) were able to stabilise the situation in the financial markets. As a result of this injection of liquidity, banks in southern Europe, in particular, purchased major volumes of bonds issued by their home countries, which in turn caused the prices of these bonds to rise as their yields fell. In addition, covered bonds and unsecured bank paper also benefited from the additional liquidity.

In the spring the sovereign debt crisis worsened substantially as investors who held bonds issued by the Greek government were forced to forego some of the value of their bonds and exchange them for new ones. The political and economic uncertainties in Greece and other countries along the periphery of the eurozone – especially Spain and Italy – increased the pressure on the European Currency Union and forced these countries to pay even higher rates of interest to obtain funds from the capital markets. In a move aimed at stabilising the creditworthiness of Spain and Spanish banks, the European heads of state agreed during their summit meeting in June to recapitalise Spanish banks via the European Stability Mechanism (ESM).

After using its LTRO programme to provide additional liquidity to the European financial markets, the ECB hesitated to enact any further measures. The ECB's programme to purchase covered bonds did not take place as planned as there was heavy demand for covered bonds floated by the issuers from within the core countries of the EU. In contrast, issuers from the eurozone's peripheral countries took advantage of the substantially more favourable refinancing costs and submitted their own covered bonds as collateral to the ECB to obtain funding. The ECB was also notably hesitant to buy sovereign bonds during the first half.

The ECB cut its key interest rate by 0.25 percentage points to a historic low of 0.75 percent in early July due to growing concern for economic development in the eurozone. The American Federal Reserve System (Fed) did not change its key interest rate which remained between 0 and 0.25 percent.

The value of the euro declined vis-à-vis almost all of the major currencies. The Swiss franc was the exception due to the Swiss National Bank's policy of fixing the value of franc's exchange rate to the euro, which continued to trade closely to the set rate of CHF 1.20.

During the first half of the year the continually weaker economic perspectives and low inflation rates led to declining interest rates across the entire interest rate curve. Investors' unbroken aversion to risk led to a widening of the gap between prices for securities issued by the core countries of the EU and paper issued by countries on the southern periphery of the EU. German government bonds, or Bunds, in particular, retained their status as safe haven investments.

The stock markets benefited from the ECB's injections of liquidity in the first quarter of the year. In mid-March the DAX index climbed to almost 7,200 points, which was the high mark for the first half. The further worsening of the sovereign debt crisis and the darkening economic outlook forced the DAX to retreat significantly to 5,914 in early June before it recovered.

PROPERTY AND PROPERTY FINANCE MARKETS

RESIDENTIAL PROPERTY – GERMANY

Fears generated by the sovereign debt crisis motivated many investors and potential homeowners to buy residential property in the first half of 2012. Low interest rates further increased demand for property and property financing.

Prices for houses and apartments once again rose substantially, especially in the stronger economic regions and metropolitan areas causing the media to increasingly warn against the creation of a possible bubble in the German residential property markets. But acute indicators of an overheating did not exist. According to the Property Price Index of the German Association of Pfandbriefbanks, price increases remained moderate in the first quarter of 2012 as they rose by 2.6 percent over the same year-ago period. Furthermore, the German system of fixed interest rate financing and high levels of buyer equity counters the creation of overheated conditions in the residential property market. Safe investment considerations are the dominant reason for purchasing property and outweigh speculative motives.

Despite great buyer interest, the number of building permits issued for residential property until March was significantly lower than the comparable year-ago figure. This development only reversed in the spring as permits for about 90,000 housing units were issued by the end of May 2012 or 0.6 percent more than in the same year-ago period.

RESIDENTIAL PROPERTY – INTERNATIONAL

Developments noted in the European residential property markets continued to vary. The residential property market in the UK was clearly split into two contrasting sectors with high vacancy rates and falling prices noted in the economically weaker regions, while properties in London and the business centres remained generally stable with rents and prices rising in good locations.

France saw a shortage of residential properties in the significant economic regions with favourable perspectives. The overall market showed signs of weakening demand due to the high level of prices, which made it more difficult for potential buyers to afford residential property. Further rises in prices were only noted in Paris and the major cities as demand remained high in these locations and a decline in construction activities is on the horizon as existing tax benefits are set to expire.

The Swiss property market continued to be marked by heavy demand and rising prices. Price increases remained very high in certain areas like Zurich, Geneva, Lausanne and Zug which led to unabated discussions about an overheating of the Swiss residential property market.

The residential property market in the USA showed signs of a slight recovery. Prices generally stabilised following years of decline and there were even some significant price increases noted in a few major metropolitan areas. However, the market remained burdened by the slow decline in unemployment figures, high numbers of foreclosures and uncertain overall economic conditions. The market for rental housing continued to expand and held its status as a preferred investment class for domestic and international investors as vacancy rates declined further and notable increases in rents paid were recorded in certain areas.

COMMERCIAL PROPERTY – GERMANY

The market for commercially used property was in good shape in Germany. Investments remained focused on core properties in top locations with investors primarily interested in office buildings and retail trade properties. Buyer interest was also noted for logistics properties. In comparison to the previous year the hotel segment of the market saw notable hesitation on the part of buyers. Purchase prices and market values recorded overall stable development as increases were solely noted for core properties.

The volume of transactions in the first half of the year was € 9.4 billion, or 16 percent less than the comparable figure posted for the first half of 2011. The decline was mainly due to the limited offer of available core properties.

In the financing area there was an increasing hesitation seen on the part of some providers of finance due to the new regulatory requirements, like those contained in Basel III, as well as stagnating margins, altered business strategies and higher refinancing costs in some cases. In addition, foreign banks reduced their activities in the German financing market. Nevertheless, investors were still able to find a broad selection of financing possibilities in the German market. This availability was also reflected by the almost unchanged fierce competition in the area of financing conditions.

COMMERCIAL PROPERTY – INTERNATIONAL

The volume of transactions recorded in the European commercial property market in the first quarter of 2012 was € 22 billion, or almost 25 percent below the same year-ago figure. Among the major European property markets, investment activity in the UK, in particular, declined significantly. The London property market was an exception as it benefited from the difficult economic situation and the crisis in the eurozone. Many international investors viewed property in good locations in London as a safe haven investment. Demand was especially strong for office buildings and retail trade properties, as well as residential properties and student housing.

The investment market in France remained at a fairly stable level during the first half of 2012. Investors in France were also interested in safety above all else and as a result their interest was focused on the stable Paris market. Therefore, returns on purchases fell slightly for core properties due. Vacancy rates in Paris region are at a very low level and prices paid to rent office space have risen a bit due to the tighter availability situation.

Despite the weakening economy the situation in the American commercial property market improved further on an overall basis. This applies in particular to the core markets of New York City, San Francisco, Washington DC, Boston and Los Angeles. The recovery noted in the secondary markets took place at a slower pace. Although loans made for core properties in the core markets represented the primary focus in the financing market, the scope of financing widened increasingly to include selected transactions in the secondary markets.

BUSINESS DEVELOPMENT

NEW MORTGAGE BUSINESS

Our new business developed favourably in the first half of the year. This was due to the current strong appeal of residential property in Germany, as well as the positive effects of the unchanged level of historically low interest rates. In addition, favourable developments noted in the economy and the labour market also assisted the market for residential property financing.

The volume of new loan commitments made in our private property finance area of business rose by 30 percent over the first half of the previous year to about € 1.4 billion, of which € 1 billion was generated by our Cooperative Financial Network business with the Volksbanken and Raiffeisenbanken. This represents an increase of almost 75 percent. The Volksbanken and Raiffeisenbanken were sought after as partners for financing the purchase of houses and apartments due to their strong anchoring in the market and the great amount of trust they have earned.

Mortgage lending values remained low because many of our customers brought a great amount of their own capital to the financing of their home. This ensured that our new business remained conservative and involved little risk.

Our collaboration with independent financial service providers and the Swiss PostFinance also developed favourably.

New lending commitments made in our commercial property financing business grew by € 640 million or 19 percent over the same year-ago period. We were able to increase our margins without having to deviate from our conservative lending principles.

As of June 30, 2012 we had made total commitments of € 2.0 billion in mortgage loans in our private residential and commercial property finance areas of business. This figure is more than 25 percent higher than the comparable same year-ago amount.

PUBLIC-SECTOR AND BANK LENDING

Investor confidence in the creditworthiness of the peripheral eurozone countries suffered again due to the worsening sovereign debt crisis and the conditions of the Greek debt restructuring agreement. Following a slight improvement in spreads seen at the start of the year, a deterioration of confidence led to higher spreads for securities issued by some of these countries' governments and banks.

In light of these developments we only conducted our lending activities with the public-sector and banks on an unchanged basis involving the greatest of caution and hesitation. We only invested in highly rated securities issued by parties located outside of the peripheral eurozone countries and other countries viewed as weaker. For this reason the total volume of new commitments made, including loans to municipalities, declined by more than half from the same year-ago figure to just € 424 million.

REFINANCING

The entire capital market was influenced by the low level of interest rates and the sovereign debt crisis. The ECB's injection of liquidity generated by its two three-year LTROs led to an exceptionally quiet January, a month that normally sees a high volume of new issues, and a serene first quarter – despite investors' great need to invest their capital.

MünchenerHyp's two successful Mortgage Pfandbriefe issued in the early summer generated a great deal of attention in the markets. At the end of May we floated a ten-year Jumbo Mortgage Pfandbrief that was priced at 10 basis points above the mid-swap rate. The € 1 billion issue was oversubscribed by about 50 percent. Orders were received from buyers in 17 countries, which reflected our strong ties to our investors as more than half of the orders received originated outside of Germany. The buyer profile also mirrored our broad investor base and the fact that we also enjoy a strong reputation as a solid issuer outside of Germany.

At the beginning of July we issued a three-year Mortgage Pfandbrief with a nominal value of over US$ 500 million. This issue also met with great investor demand which drove our decision to float it as the Bank's first US dollar denominated issue in benchmark format.

The Volksbanken Raiffeisenbanken Cooperative Financial Network has traditionally been our most important and most reliable partner for uncovered financing. The unchanged good demand from insurance companies was encouraging; they purchased unsecured registered securities from us in the long-term segment.

During the first half of 2012 we issued securities with a total nominal value of € 4.4 billion consisting of € 1.3 billion worth of Mortgage Pfandbriefe, € 2.0 billion of Public Pfandbriefe, and € 1.1 billion of uncovered securities.

RATING

In July 2012 the rating agency Moody's, reconfirmed their ratings for our long-term and short-term liabilities. In their report Moody's commented particularly favourably on the strong benefits MünchenerHyp's receives as a member in the Volksbanken Raiffeisenbanken Cooperative Financial Network. Although Moody's reduced its rating for the Bank's fundamental financial strength by one notch to D. It should be noted that comparable downgrades within the banking industry were generally far greater.

Moody's stated that the reduced rating was primarily due to the difficult environment arising from the European sovereign debt crisis. The agency's ratings outlook for the Bank's long-term liabilities and fundamental financial strength were reduced to negative in both cases. This change was also primarily in response to the intensification of the European sovereign debt crisis, as Moody's expressly emphasised that MünchenerHyp's core business had developed favourably. In addition, Moody's stated that the Bank's risk position had improved and that it benefits from its very good access to capital market as a Pfandbrief issuer.

MÜNCHENERHYP'S RATINGS AT A GLANCE:

	Rating	Outlook
Public Pfandbriefe	Aaa	stable
Mortgage Pfandbriefe	Aaa	stable
Long-term liabilities	A2	negative
Short-term liabilities	Prime-1	
Fundamental financial strength	D	negative

APPOINTMENTS

Wilfried Mocken and Hans-Joachim Tonnellier stepped down from Münchener Hypothekenbank's Supervisory Board at the close of the 2012 Delegates Meeting. Wilfried Mocken had been a member of the Supervisory Board for 20 years and resigned at the end of his term of office. Hans-Joachim Tonnellier resigned from the Supervisory Board as he had previously stepped down as a member of the Board of Management of the Frankfurter Volksbank due to age reasons. The Chairman of the Supervisory Board, Konrad Irtel, thanked both for their many years of dedicated service and praised their efforts on behalf of the MünchenerHyp.

The Delegates Meeting elected the following persons as new members of the Supervisory Board: Heinz Fohrer, member of the Board of Management of the Volksbank Esslingen eG, and Kai Schubert, member of the Board of Management of the Raiffeisenbank Südstormarn Mölln eG.

EARNINGS, FINANCIAL POSITION AND ASSET SITUATION

BALANCE SHEET STRUCTURE

Total assets amounted to € 39.3 billion on June 30, 2012 following € 37.3 billion recorded at the end of 2011.

We were again able to expand our portfolio of mortgage and other property finance loans to € 20.3 billion, or € 0.8 billion more than we posted at the end of 2011. Our lending and securities business with the public-sector and banks totalled € 13.0 billion, or € 0.3 billion less than the 2011 year-end figure.

The moderate volume of our investments in bonds issued by peripheral eurozone countries, as well as bonds issued by banks within this region, or in bonds that are directly or indirectly guaranteed by a sovereign state from within this region, declined. About 94 percent of the volume of the bonds issued by banks that we hold are covered bonds.

	SOVEREIGN STATES		BANKS				TOTAL	
Nominal value in € million			covered		uncovered			
	30 June 12	31 Dec. 11	30 June 12	31 Dec. 11	30 June 12	31 Dec. 11	30 June 12	31 Dec. 11
Portugal	70	95	147	197	20	20	237	312
Italy	97	97	60	60	40	40	197	197
Ireland	30	30	60	60	0	0	90	90
Greece	0	108	0	0	0	0	0	108
Spain	122	122	700	700	5*	5*	827	827
Total	**319**	**452**	**967**	**1,017**	**65**	**65**	**1,351**	**1,534**

*** With explicit state guarantee**

We divested ourselves of all of our bonds issued by the Greek government and bonds issued by a Greek company that were guaranteed by the Greek government. The negative impact of these transactions amounted to € 7.2 million and is reflected in the financial statements dated June 30, 2012.

As of June 30, 2012 our portfolio of securities carried under fixed assets had unrealised losses of € 380 million of which € 299 million were attributable to sovereign states listed in the above table.

Equity capital as stated on the balance sheet was € 785 million. Liable equity amounted to € 1,156 million and was at the same level recorded on December 31, 2011. The core capital ratio (based on the Internal Ratings-Based Approach that was introduced in 2011) was 8.7 percent at mid-year, while the total capital ratio was 12.9 percent.

DEVELOPMENT OF EARNINGS

Net interest income[1] was € 61.0 million and was at the same year-ago level.

Expenses for commissions paid to intermediaries rose due to the very good new business results. For this reason the net commission balance[2] amounted to a minus € 21.7 million. This resulted in a net interest income less commissions paid figure of € 39.3 million, or € 6 million less than the same figure posted for the first half of 2011.

Administrative expenses[3] increased by € 0.4 million to € 32.4 million. Personnel expenses fell by € 0.3 million to € 16.0 million, other administrative expenses rose by € 0.8 million to € 13.9 million.

Depreciation and write-downs of intangible and tangible assets were recorded at € 2.5 million for the first half, or slightly less than the same year-ago figure of € 2.6 million.

Results from operations before provisions for risk[4] amounted to € 5.8 million.

The item "Write-downs and adjustments to claims and certain securities and additions to provisions for possible loan losses" totalled € 6.3 million compared to the same year-ago figure of € 4.8 million in income, which was due, in particular, to reversals of adjustments to value in the American portfolio.

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) Net sum of Income Statement expense items 1. 2. 3. 4. 5. 6. and income items 1. 2. 3. 5.

The item "Income from reversals of write downs on participating interests, shares in affiliated companies and securities treated as fixed assets" contained losses of € 7.2 million arising from the exchange of a Greek sovereign bond for new bonds and the subsequent sale of the new bonds. This figure was offset by profits of € 12.1 arising from the sale of securities held as fixed assets for a net sum of € 4.9 million posted for this item.

Results from operations after making provisions for risk amounted to € 4.4 million. Tax expenses fell to € 0.4 million due to tax-related special items resulting in a pro rata temporis net income for the year of € 4.0 million.

CORPORATE PLANNING AND OUTLOOK

CORPORATE PLANNING

MünchenerHyp's business and risk strategy sets the parameters for its main business activities and it was regularly adjusted. Our business strategy continues to be focused on increasing the volume of our mortgage loan portfolio and steadily decreasing the volume of business we do with sovereign states and banks. We made slight adjustments to our risk strategy due to the European sovereign debt crisis and the new regulatory requirements.

OUTLOOK: OPPORTUNITIES AND RISKS

The European sovereign debt crisis will continue to weaken trust in the eurozone's economic performance thereby continuing to burden the global economy. As a result of this the IMF slightly reduced its outlook for global economic growth to 3.5 percent in July 2012, although it does anticipate that this figure will improve to 3.9 percent in 2013. Economic performance in the eurozone will probably shrink by 0.3 percent in 2012. However, this figure would be significantly worse without the inclusion of the strong German economy. Economic growth of 0.7 percent is viewed as possible in 2013.

The European sovereign debt crisis is also dampening the German economy. However, forecasts have risen slightly due to the strong first quarter results. In the interim the Bundesbank expects the German gross domestic product to rise by 1 percent in real terms following a previous estimate of 0.6 percent. Economic growth could rise by 1.6 percent if the situation in the peripheral eurozone countries stabilises in 2013 and the domestic economy continues to grow.

As long as the European sovereign debt crisis does not abate it may be expected that the ECB will continue to provide sufficient liquidity in the future to the banking sector. Experts do not rule out that the ECB could again cut its key interest rate by an additional 0.25 percent in light of the subdued economic outlook for the eurozone and the lower rate of inflation.

The covered bond markets of the western core states of the EU were strengthened by the scepticism many investors held regarding sovereign bond issues from Europe's economically weaker regions. The Pfandbrief market, in particular, benefited from this situation. This is why issuers – especially banks – located in the economically weaker regions of Europe will find it increasingly difficult to tap the capital markets.

Based on the aforementioned overall economic and capital market conditions, we assume that the demand for residential property in Germany will remain high. The dominant motives here will be investors seeking a safe investment for their capital and benefiting from the low level of interest rates. We anticipate that price increases will also remain moderate on a nationwide basis for the full year 2012, although the gap between prices paid for property in economically strong major metropolitan areas and less developed regions will continue to widen. We do not anticipate that the property markets will overheat on a Germany-wide basis. Furthermore, we do not expect the situation for residential property finance to change substantially.

It is anticipated that the Swiss residential property market will also post stable development in 2012. Price increases for houses and condominium apartments will grow modestly across the nation. However, a danger of the property markets overheating does exist in the major population centres and particularly desirable regions.

The commercial property market in Germany will still develop favourably in 2012 as will comparable property markets in the UK and France, albeit slightly less firmly. We do not anticipate major swings in purchase prices, market values and rental values. However, economic trend reasons can lead to regional differences, especially in the economically strong regions where the prices of core properties may rise significantly.

We do not foresee a further significant reduction in the range of financing offers or the number of property financers in the German commercial property financing market. The previous consolidation in the number of providers will also lead to rising customer demand facing the remaining active institutions in the second half of 2012.

We expect that the residential property market in the USA will continue to recover. It is anticipated that the forecast made at the start of the year that foresaw a stabilisation of the commercial property markets in the economically strong core markets will continue to gain traction, while development in the secondary markets will remain uncertain.

At the mid-point of the year we have clearly surpassed our lending commitment objectives for our core areas of business of residential and commercial property finance. We are confident that we will exceed our business targets for the whole year as we anticipate a continuation of our favourable new business results into the second half of the year.

Due to our successful placement of large-volume issues and a continual flow of private placements, we anticipate that we will be able to obtain appropriate conditions to fulfil our refinancing requirements in the second half of the year. A Jumbo Mortgage Pfandbrief with a nominal value of € 1.25 billion will mature in November 2012. We therefore plan to place another large-volume issue under the premise of acceptable market conditions.

The situation within the countries on the periphery of the eurozone remains critical. We will continue to closely monitor developments in this area.

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

BALANCE SHEET AS OF 30 JUNE 2012

ASSETS		30 June 12	31 Dec. 11
	€	€	€ 000
1. Cash reserve			
a) Cash on hand	5,808.26		9
b) Balances with Central Banks	9,826,574.50		3,040
of which			
with Deutsche Bundesbank € 9,826,574.50			
		9,832,382.76	**3,049**
2. Claims on banks			
a) Mortgage loans	44,096,696.09		48,754
b) Public-sector loans	1,240,186,142.39		1,298,266
c) Other claims	4,041,046,080.76		4,030,333
of which			
payable on demand € 2,134,182,114.61			
		5,325,328,919.24	**5,377,353**
3. Claims on customers			
a) Mortgage loans	20,079,629,347.74		19,175,526
b) Public-sector loans	5,825,867,545.33		5,956,214
c) Other claims	152,201,716.11		166,133
of which			
with securities pledged as collateral € 38,023.79			
		26,057,698,609.18	**25,297,873**
4. Bonds and other fixed-income securities			
a) Bonds and notes	6,234,360,221.82		6,349,720
aa) Public-sector issuers € 1,752,453,800.67			(1,479,421)
of which			
eligible as collateral for Deutsche Bundesbank advances € 1,613,374,454.69			
ab) Other issuers € 4,481,906,421.15			(4,870,299)
of which			
eligible as collateral for Deutsche Bundesbank advances € 4,059,639,228.11			
b) Own bonds and notes	1,381,200,308.75		21,070
Nominal Value € 1,378,324,100.00			
		7,615,560,530.57	**6,370,790**
Carried forward		39,008,420,441.75	37,049,065

LIABILITIES, CAPITAL AND RESERVES		30 June 12	31 Dec. 11
	€	€	€ 000
1. Liabilities to banks			
a) Registered mortgage Pfandbriefe issued	632,118,584.93		702,527
b) Registered public-sector Pfandbriefe issued	204,651,945.86		188,620
c) Other liabilities	6,683,942,217.91		5,355,426
of which			
payable on demand € 790,964,024.46			
delivered to lenders as collateral for loans received registered mortgage Pfandbriefe € 42,516.91			
and registered public-sector Pfandbriefe € 40,174.90			
		7,520,712,748.70	**6,246,573**
2. Liabilities to customers			
a) Registered mortgage Pfandbriefe issued	4,445,641,843.33		4,514,716
b) Registered public-sector Pfandbriefe issued	4,247,713,497.57		4,308,072
c) Other liabilities	1,677,568,246.93		1,708,791
of which			
payable on demand € 14,640,712.40			
		10,370,923,587.83	**10,531,579**
3. Certificated liabilities			
a) Bonds issued	19,988,802,174.52		19,219,450
aa) Mortgage Pfandbriefe issued € 11,550,464,863.95			(10,722,626)
ab) Public-sector Pfandbriefe issued € 3,582,698,156.60			(3,750,346)
ac) Other bonds issued € 4,855,639,153.97			(4,746,478)
b) Other certified liabilities	128,326,379.14		84,419
of which			
Money market paper € 128,326,379.14			
		20,117,128,553.66	**19,303,869**
4. Liabilities incurred as trustee		**126,481.55**	**140**
of which			
loans € 126,481.55			
5. Other liabilities		**297,193,606.89**	**236,265**
Carried forward		38,306,084,978.63	36,318,426

BALANCE SHEET AS OF 30 JUNE 2012

ASSETS		30 June 12	31 Dec. 11
	€	€	€ 000
Brought forward		39,008,420,441.75	37,049,065
5. Shares and other variable-yield securities		**13,045,416.20**	**13,241**
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**	**11,152**
8. Assets held in trust		**126,481.55**	**140**
of which			
loans € 126,481.55			
9. Intangible assets			
a) Concessions acquired for consideration, commercial rights and similar rights and values, as well as licenses to these rights and values	5,296,335.28		6,044
b) Payments made on account	5,358,938.87		3,580
		10,655,274.15	**9,624**
10. Tangible assets		**75,664,448.75**	**76,734**
11. Other assets		**71,635,307.04**	**53,622**
12. Deferred items			
a) From issuing and lending business	56,223,026.62		55,631
b) Other	3,057,331.96		1,260
		59,280,358.58	**56,891**
Total assets		**39,327,806,091.76**	**37,348,296**

LIABILITIES, CAPITAL AND RESERVES		30 June 12	31 Dec. 11
	€	€	€ 000
Brought forward		38,306,084,978.63	36,318,426
6. Deferred items			
From issuing and lending business	19,301,685.79		14,330
		19,301,685.79	**14,330**
7. Provisions			
a) Provisions for pensions and similar obligations	26,578,000.00		26,728
b) Provisions for taxes	0.00		2
c) Other provisions	12,806,862.91		17,532
		39,384,862.91	**44,262**
8. Subordinated liabilities		**156,200,000.00**	**156,200**
9. Profit-participation certificates		**16,361,340.20**	**21,474**
of which			
€ 10,225,837.63 are due within two years			
10. Fund for general banking risks		**1,750,000.00**	**1,750**
11. Capital and reserves			
a) Subscribed capital	500,800,367.51		502,856
aa) Members' capital contributions € 160,153,189.69			(161,209)
ab) Silent participations € 340,647,177.82			(341,647)
b) Revenue reserves	283,838,340.75		283,838
ba) Legal reserve € 282,304,465.11			(282,304)
bb) Other revenue reserves € 1,533,875.64			(1,534)
c) Unappropriated profit	4,084,515.97		5,160
		788,723,224.23	**791,854**
Total liabilities, capital and reserves		**39,327,806,091.76**	**37,348,296**
1. Contingent liabilities			
Contingent liability on guarantees and indemnities		**52,074,975.67**	**70,162**
2. Other commitments			
Irrevocable loan commitments		**2,847,465,278.94**	**2,218,244**

INCOME STATEMENT

1 JANUARY THROUGH 30 JUNE 2012

EXPENSES		1 January through 30 June 12	1 January through 30 June 11
	€	€	€ 000
1. Interest expenses		598,073,082.24	587,068
2. Commission paid		26,255,613.14	19,757
3. Net expense of the trading portfolio		0.00	962
4. General administrative expenses			
a) Personnel expenses	15,997,750.75		16,300
aa) Wages and salaries € 13,470,174.45			(13,334)
ab) Social security contributions and cost of pensions and other benefits € 2,527,576.30			(2,966)
of which			
for pensions € 512,609.92			
b) Other administrative expenses	13,859,795.20		13,144
		29,857,545.95	29,444
5. Depreciation and write-downs of intangible and tangible assets		2,500,577.18	2,550
6. Other operating expenses		1,589,608.51	1,436
7. Write-downs on and adjustments to claims and certain securities and additions to provisions for possible loan losses		6,292,454.65	0
8. Write-downs and adjustments to value of participations, shares in affiliated companies, and securities treated as fixed assets		0.00	8,560
9. Taxes on income and earnings		350,103.32	2,807
10. Other taxes not included under "Other operating expenses"		45,948.38	49
11. Net income		4,034,298.37	4,785
Total expenses		668,999,231.74	657,418

INCOME		1 January through 30 June 12	1 January through 30 June 11
	€	€	€ 000
1. Interest income from			
a) Lending and money market operations	538,073,864.83		532,384
b) Fixed-income securities and government debt register claims	120,519,026.88		115,987
		658,592,891.71	**648,371**
2. Current income from			
a) Participating interests and shares in cooperatives	514,262.19		500
		514,262.19	**500**
3. Commission received		**4,557,468.06**	**3,288**
4. Income from write-ups on claims and certain securities, as well as from the reversal of provisions for possible loan losses		**0.00**	**4,804**
5. Income from reversals of write-downs on participating interests, shares in affiliated companies and securities treated as fixed assets		**4,872,154.75**	**0**
6. Other operating income		**462,455.03**	**455**
Total income		**668,999,231.74**	**657,418**

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2012 (ABRIDGED)

GENERAL INFORMATION ON ACCOUNTING POLICIES

Münchener Hypothekenbank eG's financial accounts for the first half of 2012 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, 2011.

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 2012
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 2012, all of which are elements of the interim financial statements 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 Institute of Public Auditors 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 2012
DGRV – DEUTSCHER GENOSSENSCHAFTS- UND RAIFFEISENVERBAND e.V.

Dr. Ott	Gahlen
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 2012
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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Bank director (ret.)

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Hans-Joachim Tonnellier … Frankfurt am Main
(until 21 April 2012)
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Heinrich Beerenwinkel ... Bank director
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Carsten Jung ... Bank director
Jürgen Jung ... Legal advisor
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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
Dr. Rüdiger Renk ... Association director (until June 2012)
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
Birgit Türschmann ... Bank director (as of 7 June 2012)
Florian Uhl ... Managing director
Heinz-Walter Wiedbrauck ... Bank director
Michael Zaigler ... Managing director

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