

Press Release

Münchener Hypothekbank Posts Solid Results in 2008

- Net income of € 10.2 million close to previous year's level
- New mortgage business up by 20 percent to € 4.1 billion, conservative risk policy remains intact
- Mortgage portfolio expanded by € 1.9 billion to € 16 billion

Munich, March 24, 2009 – Münchener Hypothekbank eG posted comparatively stable results in the 2008 crisis year. Net income was € 10.2 million (previous year € 12.0 million). Despite facing difficult market conditions, the Bank's new mortgage business expanded by about 20 percent to € 4.1 billion. "Our business strategy has always been focused on the classical property finance business, and we have never had any involvement with toxic products. As a result, we were able to limit the impact of the financial market and economic crises on our business performance in 2008," said Erich Rödel, Chairman of the Münchener Hypothekbank's Board of Management at today's annual results press conference.

MünchenerHyp was still able to further expand its new mortgage business in both the private and commercial property finance areas of business while fully retaining its conservative risk standards. Despite the shrinking market volume in Germany, new business generated in the private property finance area of business rose by 12 percent to € 1.8 billion. In the area of commercial property finance the Bank continued to focus on top tier financing transactions as it made lending commitments of € 2.3 billion (+ 26 percent) in 2008.

The Bank's portfolio of mortgages grew by € 1.9 billion to € 16 billion. Total assets increased from € 32.9 billion to € 36.1 billion. This change was mainly driven by the expansion of the Bank's new mortgage business as well as the need to hold larger amounts of cash and cash equivalents due to the maturity of a Jumbo Pfandbrief in January 2009. The higher level of new business also led to a greater amount of broker commissions paid to MünchenerHyp's partners, which had an immediate impact on earnings. In addition, the Bank hired new employees to ensure that customers would continue to receive the accustomed high service levels even as the volume of new business rose. These reasons were behind the increase in the cost-income ratio that rose from 49.8 percent in 2007 to 52.9 percent.

Although the crisis in the financial markets led to deteriorating refinancing conditions, MünchenerHyp could increase its net interest income by € 7.4 million to € 128.6 million. Results from operations before deducting provisions for risks were € 54.7 million, or € 5.7 million more than the same year-ago figure. After making provisions for risk, results from operations amounted to € 25.5 million, or € 6.1 million less than in the previous year. This figure reflects an appropriate interpretation of risks involved in the current market environment.

Based on the current overall economic conditions MünchenerHyp will continue its business model in an amended form to reflect the situation in the capital and property markets. "We will be operating within our range of visibility in 2009. Our primary goal is to notably cultivate our relationships with our partner banks, commercial customers and investors, and to strengthen them even further," noted Erich Rödel. In view of the uncertainties regarding how long the crisis in the financial market will continue, serious forecasts for the 2009 financial year cannot be made at this time.

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Business Development	2008	2007	Change
	€ millions	€ millions	%
Lending Business	6,246	6,788	-8.0
- Mortgage loans	4,101	3,433	19.5
- Private property financing	1,814	1,623	11.8
- Commercial property financing	2,287	1,810	26.4
- Loans to public sector and banks	2,021	3,218	-37.2
- MBS	124	137	-9.0
Refinancing funds obtained	8,959	6,057	47.9

Balance Sheet

Total assets	36,134	32,933	9.7
Mortgage loans	15,933	14,076	13.2
Loans to public sector and banks	15,810	16,574	-4.6
MBS	228	137	66.1
Pfandbriefe and other promissory notes	32,234	30,100	7.1
Liable equity capital	1,016	934	8.7

Income Statement

Net interest income less commissions	101	100	0.8
Administrative expenses	53	50	6.4
Results from operations before deducting provisions for risks	55	49	11.6
Results from operations after deducting provisions for risks	26	32	-19.3
Net income	10	12	-15.0

Employees

	Number	Number	
Average number of employees per year	376	340	10.6
Apprentices	16	10	60.0