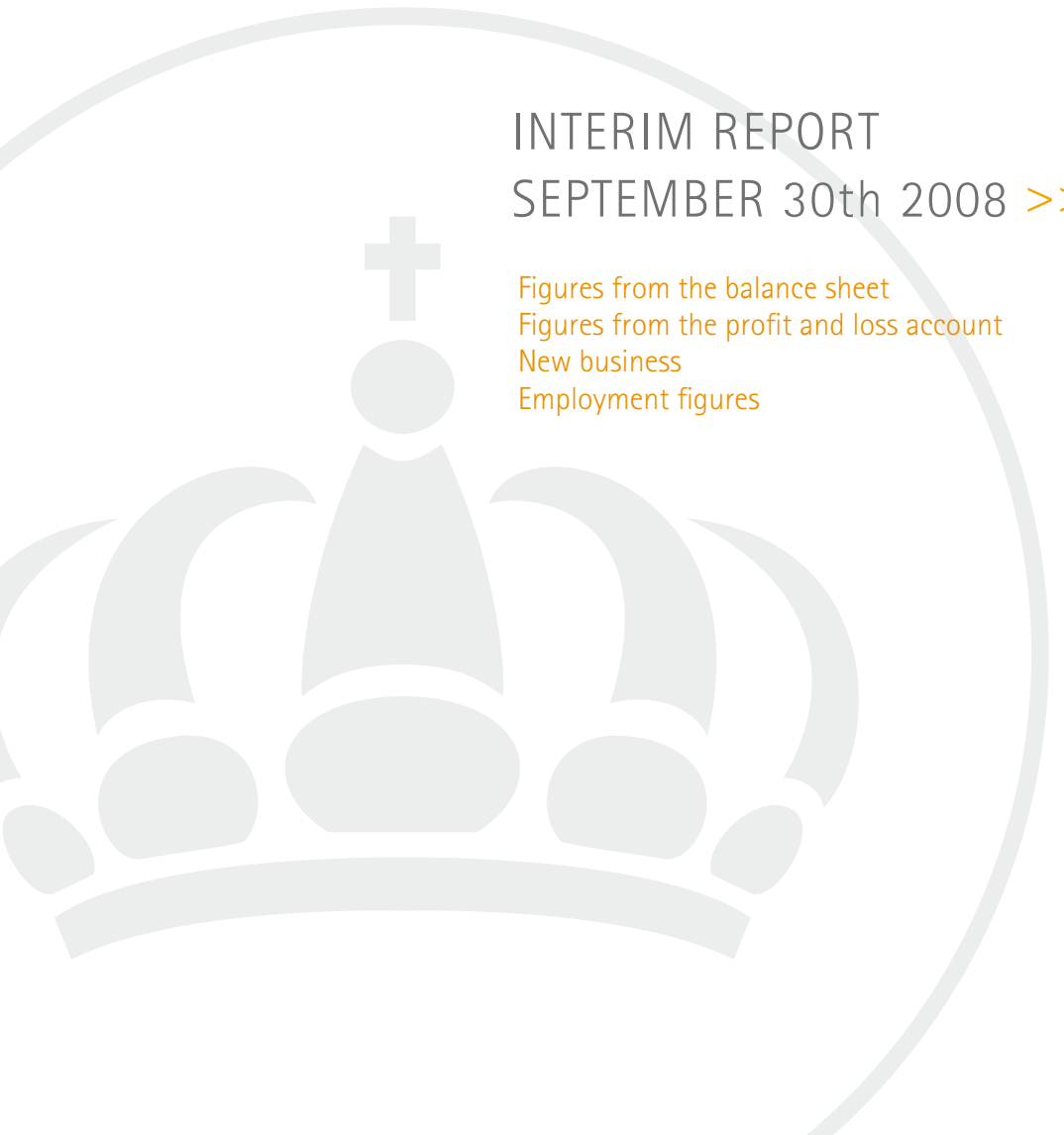




Münchener
Hypothekbank eG

INTERIM REPORT SEPTEMBER 30th 2008 >>

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DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

The international crisis in the financial markets broadened considerably in September. Initially in the USA, and then in Europe, government intervention supported banks that found themselves in a threatened position. The crisis of confidence within the banking sector has also worsened and seriously affected lending between banks, as well as refinancing operations.

Economic development around the world has been increasingly burdened by the crisis in the financial markets. Key leading indicators in Germany have declined significantly. Many experts therefore believe that the gross domestic product also contracted in the third quarter. Only the labour market has remained robust. About 3.1 million persons were unemployed in Germany in September as the unemployment rate fell to 7.4 percent.

The building sector remains divided; while construction of commercial and public sector projects rose, residential housing construction declined. The number of building permits has stabilised, albeit at a low level. By the end of August permits had been issued for the construction of over 118,000 housing units, or just 1.4 percent less than in the same year-ago period. Residential property construction continues to be dominated by modernisation and renovation projects.

Against the background of a weakening economy, demand for private residential loans still showed no signs of reviving in the third quarter. The volume of lending commitments made for construction of residential housing in the German market between January and August totalled € 118 billion, or 7 percent below the level noted in the same year-ago period.

The crisis in the financial markets has also caused commercial property markets to cloud over. By the end of the third quarter investments in commercial property in Germany were about 60 percent lower than at the same time last year.

MORTGAGE BUSINESS POSTS STABLE GROWTH

Despite difficult overall conditions in the national and international markets, our new mortgage business recorded organic growth. By September 30, 2008 we had made commitments for € 3.9 billion in mortgage loans. This figure reflects that we were able to expand our new business by about one-third in comparison to the same year-ago period.

In our **residential property finance** area of business we were pleased that we could notably stabilise our performance following a slow start in the first half of the year. Our renowned sales partner in Switzerland played a considerable role in the increased volume of new business that rose by € 200 million to € 1.3 billion. This represents an increase of 18 percent over the same nine-month period in 2007.

We were able to benefit from our market position in the area of **commercial property finance** as we continued to adhere to our business model and only participated in low-risk top tier loans. Our new business results for commercial property lending rose from about € 1 billion in the previous year to € 2.6 billion. These loan commitments were made for domestic and foreign commercial properties. We continued to focus on further diversifying our portfolio.

We made commitments of about € 2 billion in our lending business with sovereign states, banks and municipalities. The comparable figure in the previous year was € 2.2 billion.

SUCCESSFUL JUMBO TRANSACTION

We very successfully floated a three-year public Jumbo Pfandbrief in the market at the end of August. The issue was greeted by heavy demand in Germany and abroad, and with € 1.8 billion in orders was clearly oversubscribed. Foreign central banks represented 42 percent of the investors. Media coverage of the transaction was broad and favourable.

However, overall refinancing activities have also been made more difficult by the crisis in the financial markets. Nevertheless, we have been able to secure our refinancing needs even under the altered overall conditions by carefully planning our liquidity requirements.

TOTAL ASSETS AND MORTGAGE PORTFOLIO CONTINUE TO EXPAND

Our good new business results are also reflected in our total assets as well as in our loan portfolio. Since the end of 2007 our total assets have risen by € 1.7 billion to € 34.6 billion. By the end of September 2008 we were able to expand our portfolio of mortgages and other loans by € 1.3 billion, or 9 percent to € 15.5 billion.

After raising the limit of shares that could be held by private persons to 150 in the spring, paid up capital increased by € 10 million, or 8 percent to € 137.1 million. Many of our members took advantage of the new rule to increase their shareholdings.

EARNINGS CONTINUE TO GROW

Despite the global effects of the crisis in the financial markets we were able to maintain our net interest income at € 92.3 million, which was at the level noted in the same year-ago period.

The cost of commissions paid rose over the same year-ago figure by € 1.6 million to € 20.1 million. The increase was mainly due to the expansion of our new business.

The cost of commissions paid was the primary reason for the lower figure for net interest less commissions, which was € 72.2 million, following € 74.0 million in the previous year.

The strong increase in new business also led to rise in personnel in order to ensure that we will be able to maintain the high quality levels of our processes and customer support activities. In addition, personnel expenses also rose over the previous year's level due to standard tariff increases in salaries and higher raises. Total administrative costs were € 39.1 million, or € 2.1 million more than on the same year-ago date.

RESULTS FROM OPERATIONS REMAIN AT PREVIOUS YEAR'S LEVEL – PROVISIONS FOR RISKS STAY LOW

Results from operations before provisions for risks rose from € 35.7 million to € 37.8 million. Thanks to our solid lending portfolio, provisions made for risk only grew marginally. These results confirm our risk policy, which is firmly anchored in our business model. After making provisions for risks, results from operations amounted to € 22.3 million, thereby achieving the previous year's level.

UNCHANGED RATINGS

In August 2008 Moody's, a rating agency, confirmed their Aa3 rating for our unsecured long-term liabilities, and their C+ rating for MünchenerHyp's fundamental financial strength. Our Pfandbriefe once again received an unchanged Aaa rating. Moody's noted a stable outlook for all of the ratings.

OUTLOOK

The expansion of the crisis in the financial markets has further clouded over the outlook for the economy in the final quarter of 2008 and for all of 2009. The global economy is expected to experience a major decline. The IMF even sees the USA and Europe sliding into a recession. Forecasts call for Germany's economy to stagnate.

We do not anticipate that demand for residential property loans will pick up by the end of the year, or in 2009. We believe that the commercial property market will also be unable to avoid the effects of an economic downturn.

Even in the increasingly difficult market environment we find ourselves in, our business strategy has proven to be robust. For this reason we are confident that despite the current overall conditions we will continue to achieve reasonable levels of new business, thereby continuing on our course while taking market conditions into account.

Munich, October 2008
Board of Management



FIGURES FROM THE BALANCE SHEET

in million €	Sept 30, 2008	Dec 31, 2007
Claims on banks	4,172.4	4,461.3
Of which:		
Mortgage loans	103.6	150.7
Public-sector loans	2,312.9	2,991.3
Other claims	1,755.9	1,319.3
Claims on customers	21,943.4	20,571.1
Of which:		
Mortgage loans	15,046.3	13,724.9
Public-sector loans	6,662.0	6,647.1
Other claims	235.1	199.1
Bonds and other fixed-income securities	7,700.6	7,124.0
Liabilities to banks	4,320.0	3,348.2
Of which:		
Registered mortgage Pfandbrief issued	707.6	715.1
Registered public-sector Pfandbrief issued	249.8	258.1
Liabilities to clients	8,927.0	8,086.0
Of which:		
Registered mortgage Pfandbrief issued	3,608.0	3,012.3
Registered public-sector Pfandbrief issued	4,331.7	4,342.5
Certified liabilities	20,287.6	20,559.1
Of which:		
Mortgage Pfandbrief issued	8,061.5	7,144.1
Public-sector Pfandbrief issued	8,598.6	9,082.6
Other bonds issued	3,598.2	4,332.4
Other certified liabilities	29.3	0.0
Subordinated liabilities	116.3	66.3
Profit participation certificates	57.3	57.3
Capital and reserves (excl. addition to member's uncalled liability)	648.0	643.7
Of which:		
Members' capital contributions	137.1	127.1
Silent participations	237.6	243.3
Reserves	273.3	273.3
Balance-sheet total	34,605.3	32,933.3

FIGURES FROM THE PROFIT AND LOSS ACCOUNT

in million € ... for period January 1st to September 30th	2008	2007
Interest income	1,197.7	1,153.2
Interest expense	1,113.2	1,075.5
Current income	7.8	14.8
Net interest income	92.3	92.5
Net commission income	-20.1	-18.5
Net interest income and commission income	72.2	74.0
Net result from financing activities	-0.3	0.0
Personnel expenses	21.8	20.0
Other administrative expenses including amortisation and depreciation of intangible and tangible assets	17.3	17.0
Administrative expenses	39.1	37.0
Other operating expenses/income	5.0	-1.3
Net Provisions for risk	-15.8	-12.4
Valuation results of financial investments	0.3	-0.8
Operating result	22.3	22.5

NEW BUSINESS

in million € ... for period January 1st to September 30th	2008	2007
Loan commitments	6,022.0	5,199.3
Of which:		
Mortgage commitments	3,929.5	2,787.5
Of which:		
Residential property loans	1,291.5	1,095.5
Commercial property loans	2,638.0	981.6
Acquisition of a loan portfolio	0.0	710.4
Other construction loans	1.2	108.3
MBS	124.3	136.6
States/Banks	1,967.0	2,166.9
Mortgage loan disbursements	4,437.3	4,652.7
Of which:		
Mortgage loans	2,291.3	2,265.6
Other construction loans	54.7	83.6
MBS	124.3	136.6
States/Banks	1,967.0	2,166.9
Gross sales of bonds	6,015.3	4,761.3

EMPLOYMENT FIGURES

for period January 1st to September 30th	2008	2007
Average number of employees	386	346
Of which:		
Part-time employees	55	51
Trainees	16	8

Supervisory Board

Prof. Dr. Willibald J. Folz (Chairman of the Supervisory Board), S.K.H. Herzog Max in Bayern (Deputy Chairman of the Supervisory Board), Konrad Irtel, Michael Jung, Wilfried Mocken, Hans Pfeifer, Hans-Joachim Tonnellier

Board of Management

Erich Rödel (Chairman), Dr. Bernhard Scholz, Klaus Sturm, Bernhard Heinlein (Deputy)



Im FinanzVerbund der
Volksbanken Raiffeisenbanken

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10 | 80539 Munich
PO Box 22 13 51 | 80503 Munich
Phone +49 (0) 89 / 53 87 - 800
Fax +49 (0) 89 / 53 87 - 900
E-Mail: serviceteam800@muenchenerhyp.de
Web: www.muenchenerhyp.de