

**Dear shareholders and investors,**

During the first six months of 2001, economic forecasts appeared to be competing with one another to issue downward revisions. In the interim, some estimates only foresee economic growth of 1% in 2001. Since the beginning of the year the US Federal Reserve Board [Fed] has cut interest rates by 2.75 percentage points as part of their efforts to stimulate the American economy and financial markets. In contrast, the European Central Bank council decided to leave interest rates unchanged during their July session. As a result, our new business activities were deprived of any noticeable support from either economic or interest rate developments.

In this business environment our mortgage commitments rose 3.9% over the comparable year-earlier period to DM 1.3 billion [€ 0.7 billion]. A slight decline in residential lending was more than compensated for by the notable expansion in the commercial real estate sector where our mortgage commitments rose by 26.2% over the comparable year-earlier period to DM 402.8 million [€ 206.0 million]. Commercial real estate lending amounted to one third of total new business, of which more than half was generated outside of Germany.

Our high-volume public-sector lending business provided few opportunities for promising deals. As a result we reduced our commitments in this sector to DM 3.8 billion [€ 2.0 billion]. Volume swings within this business area are compatible with our long-term expansion goals. Our direct public-sector lending business, where we work closely with local Volksbanks and Raiffeisenbanks, increased sharply by 55% to DM 635 Mio [€ 324.7 million].

As part of our efforts to broaden our customer base we presented our Bank during a roadshow in Europe and – for the first time ever – in Asia. Our total gross refinancing volume amounted to DM 9.9 billion [€ 5.0 billion], slightly below the comparable year-earlier figure.

During the first six months our total assets rose by 6.3% to DM 57.9 billion [€ 29.6 billion]. Core capital expanded by an exceptionally strong 8.7% to DM 793 million [€ 405.5 million]. This increase was partially due to a DM 40.6 million [€ 20.8 million] increase in business assets that took place in May based on a pay-out-pay-back procedure. The number of shareholders remained at just over 95,000.

Net interest received rose by 4.4% to DM 113 million [€ 57.8 million]. The number of employees did not change and the rise in personnel costs remained within the scope of the industry-wide salary raises. Major capital expenditure projects led to an 8.9% increase in total administrative costs to DM 50.2 million [€ 25.7 million].

Concurrent with the opening of the cooperative Internet portal, VR-Networld, on May 1, 2001, we also strongly expanded our Internet presence and added transaction components. We closely cooperated with all partners to agree on the positioning of the FinanzVerbunds [Finance Alliance] in the Internet and the integration of the real estate financing features. We do not anticipate any major changes in overall conditions during the second half of 2001. Both earnings and the volume of new business activities are continuing to develop as planned.

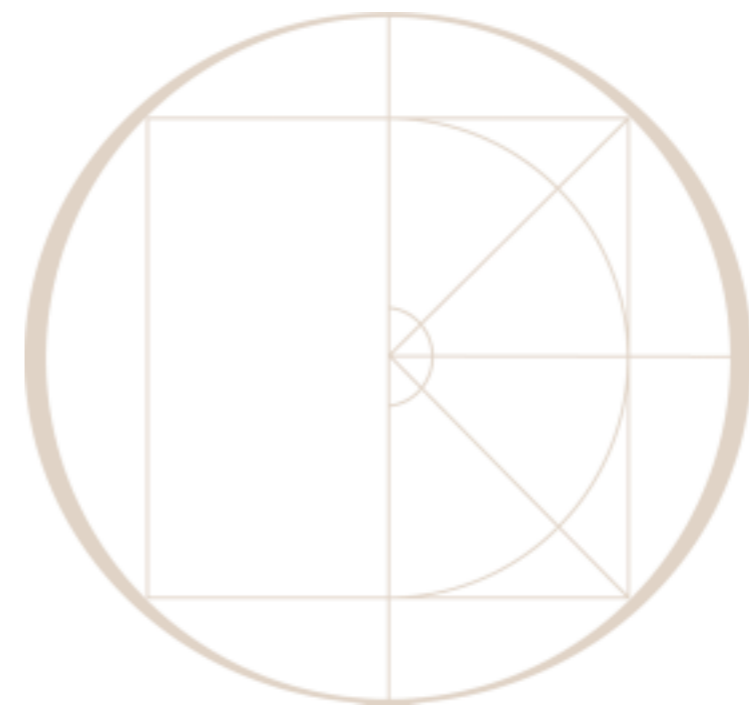
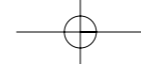
Munich, July 2001  
The Management Board

## FIGURES FROM THE BALANCE SHEET

<i>in million DM . . .</i>	<i>30.6.2001</i>	<i>31.12.2000</i>
<b>Claims on banks</b>	<b>10,214.5</b>	<b>8,665.9</b>
Of which:		
Mortgage loans	590.9	574.2
Public-sector loans	6,406.5	5,979.6
Other claims	3,217.1	2,112.1
<b>Claims on customers</b>	<b>31,691.0</b>	<b>30,697.8</b>
Of which:		
Mortgage loans	19,570.5	19,232.0
Public-sector loans	11,943.8	11,300.0
Other claims	176.7	165.8
<b>Bonds and other fixed-income securities</b>	<b>14,186.0</b>	<b>13,837.1</b>
<b>Liabilities to banks</b>	<b>4,422.2</b>	<b>3,371.5</b>
Of which:		
Registered mortgage Pfandbriefe issued	1,338.1	1,288.8
Registered public-sector Pfandbriefe issued	1,276.0	1,246.6
<b>Liabilities to customers</b>	<b>11,364.0</b>	<b>11,221.1</b>
Of which:		
Registered mortgage Pfandbriefe issued	6,600.8	6,372.9
Registered public-sector Pfandbriefe issued	3,164.4	3,254.4
<b>Certificated liabilities</b>	<b>40,071.0</b>	<b>37,986.5</b>
Of which:		
Mortgage Pfandbriefe issued	11,228.1	8,936.0
Public-sector Pfandbriefe issued	23,685.7	25,045.2
Other bonds issued	5,157.2	4,005.3
<b>Subordinated liabilities</b>	<b>129.7</b>	<b>0.0</b>
<b>Profit-participation certificates</b>	<b>202.0</b>	<b>202.0</b>
<b>Capital and reserves</b>		
[without member's uncalled liabilities to capital]	<b>793.0</b>	<b>750.4</b>
Of which:		
Members' capital contributions	147.6	108.0
Silent participations	261.2	261.2
Reserves	384.2	381.2
<b>Balance-sheet total</b>	<b>57,875.0</b>	<b>54,439.7</b>

## FIGURES FROM THE PROFIT AND LOSS ACCOUNT

<i>in million DM . . . For period January 1st to June 30th</i>	<i>2001</i>	<i>2000</i>
Interest income from	2,291.9	1,854.9
Interest expense	2,181.0	1,747.1
Current income from	2.1	0.4
Net interest income	113.0	108.2
Net commission income	-7.4	-9.5
<b>Net interest income and commission income</b>	<b>105.6</b>	<b>98.7</b>
General administrative expenses		
a) Personnel expenses	24.4	23.7
b) Other administrative expenses	22.7	19.9
Amortization and depreciation of intangible and tangible assets	3.1	2.5
<b>Administrative expense</b>	<b>50.2</b>	<b>46.1</b>
Other operating expenses	0.7	0.1
Net provision for risks	-11.2	-9.1
<b>Operating result</b>	<b>44.9</b>	<b>43.6</b>



# 2001

Interim Report | June 30th 2001

FIGURES FROM THE BALANCE SHEET  
 FIGURES FROM THE PROFIT AND LOSS ACCOUNT  
 NEW BUSINESS  
 EMPLOYMENT FIGURES

NEW BUSINESS	2001	2000
<i>in million DM . . . For period January 1st to June 30th</i>		
<b>Loan commitments</b>	<b>5,129.5</b>	<b>7,629.8</b>
Of which:		
Mortgage loan commitments	1,312.4	1,263.6
Of which:		
Residential property lending	907.5	941.2
Commercial property lending and other loan commitments	402.8	319.2
Other Property Lendings	2.1	3.2
Public-sector business	3,817.1	6,366.2
<b>Mortgage loan disbursements</b>	<b>4,319.8</b>	<b>7,646.8</b>
Of which:		
Mortgage loans	915.5	1,290.0
Public-sector business	3,404.3	6,356.8
<b>Renewals</b>	<b>359.5</b>	<b>366.1</b>
<b>Gross sales of bonds</b>	<b>9,871.9</b>	<b>10,011.2</b>

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EMPLOYMENT FIGURES	2001	2000
<i>. . . For period January 1st to June 30th</i>		
<b>Average no of employees</b>	<b>391</b>	<b>393</b>
Of which:		
Part-timers	37	33
Trainees	21	22

**Board of management**  
 Dr. Hans-Ludwig Bungert | Dr. Hans-Rainer Förger | Horst-Dieter Thiel

**Chairman of the Supervisory Board**  
 Prof. Dr. Willibald J. Folz

